

Bahrain

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Hugh Stokes

Al Mahmood & Zu'bi Bahrain

The past 12 months have seen a number of developments in the investment environment of Bahrain, but little in the field of corporate structure.

Overall, however, the climate for overseas investment has liberalized, and the government of the Kingdom of Bahrain has taken a number of measures to make the Kingdom an attractive place for investment.

New legislation

Legislation is in draft and under consideration in at least two fields.

First, a central bank law has been planned for some time. This will regulate the functions of the central bank (the Bahrain Monetary Agency).

Secondly, a draft trust law has been circulated for review, which will place the concept of trust on a statutory footing. At present, trusts in the common law sense are unknown, but a few years ago the Bahrain Monetary Agency issued a circular setting out conditions under which financial institutions can set up trusts. Little real advantage has been taken of this development. It is hoped that the new law will boost this part of the financial sector, which has (so far as investment in the Gulf is concerned) been dominated by the Channel Islands.

Corporate legislation

The *exempt company* form, set up in 1977, was not provided for in the 2001 Commercial Companies Law, and it was mandatory for exempt companies to convert to another form to comply with that law. However, in February 2005, the prime minister passed a resolution exempting exempt companies from converting.

Privatization

The trend in Bahrain (as elsewhere) is towards the privatization of large infrastructure projects. In July 2004, the first private power station development was set up, and is under construction at the time of writing. Others are in the planning stage. The port privatization process has also begun, a contract having recently been awarded to a consortium. Other privatization projects are expected to follow.

Company formation

Over the past year the government has set up the Bahrain Investment Centre, a one-stop shop for forming companies and registering branches in Bahrain. The Centre includes representatives of (among others) the Ministry of Industry and Commerce, the Bahrain Monetary Agency, the Chamber of Commerce and the Ministry of Justice. This has proved a great help in setting up business.

Other recent moves to encourage businesses to set up in Bahrain have been a reduction in registration fees to a nominal figure, and the abolition of the requirement for a guarantee.

Real estate

After recent regulations allowing non-Bahrainis to purchase real estate in special areas, a number of striking developments have been initiated on reclaimed land. Non-Bahrainis and non-GCC nationals can now buy attractive houses and flats with many amenities for residence or investment. This is a trend that can be expected to continue and increase.

As well as the domestic market, some big commercial developments are under way, including the World Trade Centre and the Bahrain Financial Harbour, both of which will provide a large amount of commercial space for offices, shops and showrooms. Most of this development received Islamic financing, a trend that has gathered momentum in recent years.

Banking and capital markets

Recommended firms

Tier 1

Baker & McKenzie

Norton Rose

Tier 2

Al Mahmood & Zu'bi

Hassan Radhi & Associates

Qays H Zu'bi

Trowers & Hamblins

Tier 3

Ahmed Zaki Yamani

Allen & Overy

Taqi & Mohammed Ahmed

Mergers and acquisitions

Recommended firms

Tier 1

Norton Rose

Trowers & Hamblins

Tier 2

Al Mahmood & Zu'bi

Baker & McKenzie

Hassan Radhi & Associates

Qays H Zu'bi

Tier 3

Ahmed Zaki Yamani

Taqi & Mohammed Ahmed

Project finance

Recommended firms

Tier 1

Norton Rose

Tier 2

Baker & McKenzie

Trowers & Hamblins

Tier 3

Al Mahmood & Zu'bi

Hassan Radhi & Associates

White & Case

Ahmed Zaki Yamani

Originally a Saudi firm, Ahmed Zaki Yamani's Bahrain operation is the only foreign legal adviser that is legitimately authorized to practice law completely independently from the local offices in Bahrain. The firm is experienced in negotiating conventional and Islamic financing agreements, and provides legal advice to numerous local and international financial institutions concerning matters such as investment funds.

Clients of the firm have included Caltex, the Arab Asian Bank, the Arab African Bank, the Saudi American Bank,

Ibrahim and Al-Juffali & Brothers Co. The office is headed by partner Omar El Mardi, and the firm's other two partners and five associates spend their time working out of the firm's three offices. Managing partner Faisal Ahmed Zaki has a wealth of international experience in the project finance market, having worked as a project finance lawyer for White & Case and Shearman & Sterling in New York before founding his own firm.

Key contact partner

Omar El Mardi

Al Mahmood & Zu'bi

Al Mahmood & Zu'bi continues to be regarded as a market leader in Bahrain. The firm has been a prominent player in the Bahrain market since 1971 and counts many national, regional and international banks among its clients.

Hugh Stokes leads the field in this area, his peers singling him out as a "great guy" who is a "pre-eminent" lawyer in Bahrain. Al Mahmood & Zu'bi recently advised Bapco in connection with the \$1.011 billion multi-sourced financing for Bapco, the government-owned Bahrain Petroleum Company.

Leading lawyers

Hugh Stokes

Hatim Zu'bi

Contact partners

Ma'awia El Nayal

Hugh Stokes

Hatim Zu'bi

Baker & McKenzie

Baker & McKenzie has a small office in Bahrain, with three partners and one associate, but retains a strong reputation for its corporate work. Hamek Shoker was hired as a partner in February 2005 from Freshfields Bruckhaus Deringer's London office, bringing the Manama-based team to four. From among the talented team, Ian Siddel is recommended highly by his peers for his finance work in Bahrain, and the acclaimed Australian lawyer Julie Alexander has recently been promoted to partner to add further strength at the partner level.

Baker & McKenzie has had an active year advising on banking work. In May 2004 the firm acted for the lead arrangers in relation to a SR6 billion (\$1.6 billion) term loan facility forwarded to the Saudi Electric Company, and in December 2004 advised the Samba Financial Group on two finance transactions: a \$146 million receivables finance facility and a \$600 million loan facility.

One landmark capital markets deal saw Baker & McKenzie advise the Saudi British Bank as issuer in relation to its \$650 million Luxembourg-listed euro medium-term note (EMTN) programme – the first ever EMTN programme set up by a Saudi company. The firm also acted for the managers (Bank of Bahrain & Kuwait, the Gulf Investment Corp, the National Bank of Bahrain and the Securities Investment Company) on

the \$200 million Bahrain Stock Exchange-listed floating rate note issue by Aluminium Bahrain.

Baker & McKenzie's excellent project finance record throughout the Middle East was confirmed this year by the firm's involvement in numerous high-level transactions. One such project saw the firm advising on the expansion of an existing petrochemical plant in Jubail. This expansion involved the construction of a new integrated facility with a total project cost of \$1.1 billion, and the firm provided advice on all structuring aspects, financing aspects and inter-creditor and security issues. The firm acted for Saudi Chevron Phillips and Jubail Chevron Phillips on the transaction.

In another Jubail-related transaction, Baker & McKenzie advised a syndicate of financing banks in connection with its provision of a \$330 million facility to finance the expansion of Safco's existing fertilizer plant by adding two new plants. The firm also advised Saudi iron and steel company Hadeed in relation to \$425 million-worth of Export Credit Agency-supported term loan facilities involving Hermes, OeKB and SACE relating to the financing of the Long and Flat Steel expansion projects.

Leading lawyer

Ian Siddell

Key contact partners

Julie Alexander
Harnek Shoker
Ian Siddell

Hassan Radhi & Associates

Hassan Radhi & Associates continues to be regarded as a leading local firm, one of the firm's competitors suggesting that it is "used to working with Western organizations" and is "highly consistent in its work". Partner Hassan Radhi has a very favourable reputation and market players commend him and his firm for its "active and strong" practice.

The firm has advised numerous international firms and the government on the regulatory matters surrounding a number of international deals.

Leading lawyer

Hassan Radhi

Key contact partner

Hassan Radhi

Norton Rose

Norton Rose continues to be a well-respected financial law adviser in the Bahrain market. The office underwent major change in May 2005, when often-recommended office head Carol Roberts retired. However, leading banking and projects lawyer Dominic Harvey took over the role as head of the Bahrain office; Harvey moved to Bahrain from the firm's London banking and projects department. Mohammed Paracha is also picked out as a talented lawyer – Paracha is an Islamic

finance specialist who shows "great promise," according to one client. The team has also been strengthened by the arrival of Adil Hussain, previously with Penningtons Jaques in London, who joined the banking and Islamic finance practice in May 2005.

The firm has had a strong year across the board, recently advising ANZ Investment Bank as mandated lead arranger on an export credit financing package set up for Saudi iron and steel company, Hadeed. Norton Rose's capital markets team has had a particularly busy year. In one landmark deal, it acted for the Kingdom of Bahrain on the issue of the Kingdom's first international Islamic bonds. The \$250 million trust certificates were issued by the BMA International Sukuk Company, a special purpose vehicle set up for the issue. The Luxembourg- and Bahrain-listed issue, which took the form of an *ijara-sukuk* using a head lease/sublease structure, was the first of its kind.

Norton Rose also acted for the Liquidity Management Centre as lead arranger and placement agent in relation to a *Sharia*-compliant *sukuk* issue. The issue was done in relation to the financing of the first phase of the development of the Bahrain Financial Harbour in the Kingdom of Bahrain.

The project finance department has also been highly active of late. This year Norton Rose advised the finance parties on the innovative \$1.011 billion multi-sourced financing for Bapco. The financing package, which was signed in early 2005, will be used to upgrade Bahrain's oil refinery in Sitra, and comprises an export credit agency facility of \$311 million, a commercial facility of \$370 million and an Islamic lease facility of \$330 million. The team was led by Norton Rose partner John Inglis, while senior associate Nadim Khan led the Norton Rose team advising on the Islamic tranche.

In another high-value transaction that closed in April 2005, the firm was involved in the \$7.6 billion multi-sourced financing of the Qatar Gas II LNG liquefaction facilities, which contained the largest Islamic tranche used to date.

Norton Rose also acted as international counsel to the consortium that signed the biggest ever project finance deal of its kind in the Middle East at the time. The \$3 billion acquisition and project financing of the Taweelah B independent power and desalination plant in the Emirate of Abu Dhabi in the United Arab Emirates was signed in January 2005. The team was led by partner Andrew Newbery.

Most recently, in July 2005 Harvey represented the lenders in respect of the \$558 million project finance facilities for Qasco to fund the expansion of its steel plant operations in Messai'eed Industrial City, Qatar.

Leading lawyer

Dominic Harvey

Key contact partner

Dominic Harvey

Qays H Zu'bi

Qays H Zu'bi has acted in the past both for regional and international banks, and has advised on various funding mechanisms

for the oil and gas sectors. The firm's profile in the international markets is boosted by a cooperation agreement that it has with Clifford Chance through the UK firm's Dubai office.

Quays H Zu'bi was set up in 2002 by ex-White & Case partner Qays H Zu'bi, and his reputation attracts associates from international and top local firms. The firm boasts a impressive client list that includes top local and international finance institutions such as Citibank, UBS and the Arab Bank.

Key contact partner

Quays H Zu'bi

Trowers & Hamlins

Trowers & Hamlins is held in high esteem by its competitors and is well known for its mergers and acquisitions work throughout Bahrain. The firm has also been seconding lawyers to the government of Bahrain for more than 40 years, and has a tremendous depth of experience in advising on the country's industrial, oil and gas, and infrastructure development. The office assists public and private sector clients, both local and international, on a wide range of matters. Because Bahrain is acknowledged as the Gulf's pre-eminent banking centre, the firm's regional banking and finance partner is based in Trowers' Bahrain office.

There are three partners in the firm's expanding office – Dominic O'Neil, Neale Downes and Abdullah Mutawi. Trowers & Hamlins acts as external counsel to a number of local banks, and as panel advisor to an array of international banks and financial institutions both on traditional and on Islamic-structured finance transactions.

The firm's regional presence is assured through a number of associations. Among these, it has an association with Abdul Karim Al Fauri and Associates in Jordan, a strong relationship with Hassan Al Khater Law Office in Qatar, and an informal alliance with Ledingham Chalmers in Baku and Istanbul. It is retained counsel to the IDB Infrastructure Fund, one of the largest investment funds available for direct investment in the Middle East. Headquartered in Bahrain, this \$1.5 billion fund focuses on private sector projects in power, petrochemical, telecoms and other infrastructure sectors.

Trowers & Hamlins staked its claim as a solid firm of choice to turn to for advice on finance work this year, advising on a \$750 million investment fund for clients in Bahrain, Indonesia and Saudi Arabia.

At the time of writing Trowers & Hamlins is advising Bahrain's Ministry of Finance and National Economy in the privatization of the operation of Bahrain's ports, a project that includes the construction of a new state-of-the-art port, Khalifa bin Salman, which will take over the operation of Mina Salman. This project has involved a complete review of the existing legal structure, drafting a new legislative regime for the regulation of port activities, drafting a request for interested bids, and negotiating full concession and licence documentation.

Leading lawyer

Dominic O'Neil

Key contact partner

Dominic O'Neil

Other notable firms

Taqi & Mohammed Ahmed is favourably regarded throughout the industry as an "able local" law firm that continues to be visible in the financial legal market. **Allen & Overy** is viewed by clients as standing out "on the basis of its enormous global resources and capability in numerous sectors". In one noteworthy transaction, Allen & Overy acted for the lead arrangers on the Kingdom of Bahrain's first international Islamic bond issue in 2004. And **White & Case** has experience advising on Bahrain-related matters from its London, Paris or New York offices. For example, a London team advised the Kingdom of Bahrain in relation to a comprehensive reform of the telecoms sector, and at the time of writing is acting for the government on the feasibility of integrating the power systems of Saudi Arabia, Kuwait, Bahrain, UAE, Qatar and Oman, and on the structuring and financing of this potential integration.