



# Official Gazette of Iraq

## Company Law

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With its amendments

قانون الشركات مع تعديلاته

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### Section one Key Provisions

### Chapter One The Law's Objectives, Bases and Scope of Validity

**In the name of the people**

#### **The Presidency**

On the basis of what had approved by the National Assembly and approved by the Revolutionary Command Council, and based on the provisions of Article (53) of the Constitution;

We issued the following law:

#### **Article 1**

This law aims to:

1. Organizing the companies.
2. Protecting the creditors against fraud.
3. Protecting shareholders from conflicts of interests and misbehaviour of company's officials and owners of the majority of the shares controlling its affairs virtually.
4. Promoting the provision of full information to owners regarding decisions affecting their investments and their company.

#### **Article 2**

Suspended.



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### Article 3

This law shall apply to mixed companies, private companies and all investors, and its provisions shall apply to banks as long as they are not inconsistent with the orders issued by the Coalition Provisional Authority, including, but not limited to, Order No. (40) Under which the Banking Law was issued, and the Order No. (18), issued by the Coalition Provisional Authority, which sets out procedures that ensure the independence of the Central Bank of Iraq and the regulations issued under such orders issued by the Coalition Provisional Authority. This law shall apply to the transactions of shares, financial investment companies, insurance companies and reinsurance companies insofar as they do not conflict with the legislation applied to such transactions and entities or with the competence of the State authorities concerned with those sectors. The decisions of the Registrar of Companies (hereinafter the Registrar) shall be based on this Law and shall not be taken on the basis of economic plans or development policy. In general, the decisions taken by the Registrar shall not prevent a third party from requiring those responsible for breaching of this law to pay indemnification for the damage suffered as a result of the breach of this law by those responsible.



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### **Chapter Two** **Company in general** **Branch One** **Contract of the Company**

#### **Article 4**

First: The company is a contract committed to by two or more persons that each of them contribute to an economic project to provide a share of money or work to share the resulting profit or loss.

Second: Except for the provisions of the item (First) of this article:

1. The company may consist of one natural person in accordance with the provisions of this law. Such company shall be referred to as the individual project.
2. A limited liability company may be established by one owner in accordance with the provisions of this law.

Third: The owners of the capital of a company shall not exercise their powers in the company to vote or to exercise any other powers that lead to the company's doing business or its approval for works that:

1. Harming or damaging the company to achieve their interests or the interests of their collaborators at the expense of other owners of the company, or
2. Exposing the rights of creditors to risk as a result of the withdrawal of the company's capital or the transfer of its assets when the company's insolvency is imminent or when the law prohibits it.

#### **Article 5**

The company shall acquire the moral personality in accordance with the provisions of this law.



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### Branch Two Kinds of Companies

#### Article 6

- First: The mixed or private joint-stock company is a company consisting of a number of not less than five persons, shall subscribe to shares in a public subscription and shall be liable for the debts of the company by the nominal value of the shares they subscribed to.
- Second: The number of natural or legal persons employed in the mixed company or the private limited-liability company shall not exceed twenty five (25), all of them shall contribute to its shares and bear the responsibility of its debts at the nominal value of the shares they contributed to.
- Third: A joint-liability company is a number of natural persons not less than two persons, and not more than ten persons, each of them shall have a share in the capital of the company, and they shall jointly bear the unlimited personal responsibility of all the obligations of the Company.
- Fourth: Individual enterprise, a company consisting of one natural person who is the owner of one share, and he/ she shall bear personal and unlimited liability of all the obligations of the company.

#### Article 7

- First: The mixed company shall be consisted by an agreement of one or more persons from the state sector with one or more persons from other than the said sector, and with a mixed capital the contribution of the state sector shall not be less than 25% in it initially. It is also permissible for two or more persons from the mixed sector to form a mixed company. The mixed company in which the contribution of the state sector is less than 25% twenty-five per cent shall be



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considered a private company and shall be treated as such, as allowed in Article (8), Paragraph (Second), Item (2) .

Second: The mixed company shall be a joint-stock or limited one

### Another Article (7)

First:

- a. Holding company is a joint stock company or limited company that controls a company or joint stock companies or limited companies called subsidiaries in one of two cases:
  1. If they own more than half of the company's capital in addition to controlling its management.
  2. If they have the control over its board of directors in joint stock companies.
- b. The name of the company must, in addition to its type, be accompanied by a (Holding) word that is mentioned in all papers, advertisements and correspondences issued by the company.

Second: The holding company shall aim to supporting the national economy and may perform the following:

- a. Owning movable and immovable funds in the framework of the company's activity.
- b. Establishing and managing its subsidiaries or participating in the management of other companies in which it contributes.
- c. Investing funds in stocks, bonds and securities.
- d. Providing loans, guarantees and financing to its subsidiaries.
- e. Owning patents, trademarks, franchises and other moral rights, exploiting and leasing them to its subsidiaries or others.



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Third:

- a. The subsidiary shall be prohibited from owning shares in the holding company and any action that transfers ownership of shares from the holding company to the subsidiary shall be deemed void.
- b. The holding company shall appoint its representatives to the board of directors of the subsidiary in accordance with the percentage of its contribution, and it may not participate in the election of the rest of the board members.

Fourth: At the end of each financial year, the holding company shall prepare a consolidated budget and profit and loss statements for it and for all its subsidiaries, accompanied by the prescribed explanations and data in accordance with the requirements of the international accounting standards.

Fifth: The holding company shall be subject to the provisions mentioned in the company's law no. (21) Of 1997, in accordance with the type of company it has adopted, unless there is a provision in this law to the contrary.

## Article 8

First: the private company shall be consisted by an agreement between two or more persons other than the state sector, with private capital.

Second: Exempt the provision of item (1) of this article:

1. The individual project may be consisted of one natural person or a limited liability company owned by one natural or legal person.
2. The contribution of the State Sector in the Private joint-stock or limited company may be less than (25%) twenty five per cent of the capital. The State Insurance and Reinsurance Companies, the Labour and Social Security Department and any other investment body that the Council of Ministers decides to add to this Para.





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Third: The private company may be joint-stock, limited, Joint-liability, Individual project or partnership.

### Article 9

First: The Financial Investment Company is an organized company in Iraq, whose main activity is to channel savings towards investing in Iraqi securities, including stocks, bonds, treasury remittances and fixed deposits.

Second: The Investment Company shall be regarded as an intermediary financial institution for the purposes of the Central Bank of Iraq Law No. (64) of 1976. The Bank shall be regarded as the sectorial authority competent in its activity and shall exercise the authority of supervision and control thereof in accordance with a system issued for this purpose within (180) one hundred and eighty days from the date of publication of this law in the Gazette.

### Article 10

First: It was been suspended.

Second: Companies that engage in any of the following activities must be joint stock companies:

1. Insurance and reinsurance.
2. Financial investment.

### Article 11

Any economic project not covered by the provisions of Article (10) of this Law may take the form of a company stipulated in this Law.





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### Chapter Three

### Membership of the company

#### Article 12

First: An Iraqi natural or legal person may acquire membership of the companies provided for in this law as a founder, shareholder or partner thereof, unless is prohibited for his/ her personality or capacity from the membership of companies by law or as a result of a decision issued by a competent court or an authorized government agency.

Second: It was been suspended.

Third: It was been suspended.



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### **Section Two** **Establishment of the Company** **Chapter One** **Establishment Requirements**

#### **Article 13**

The founders shall prepare a contract of the company signed by them or by their legal representatives. The contract shall include:

First: The name of the company and its kind, the word (mixed) shall be added company if the company from the mixed sector and any other acceptable elements shall be added to its name as well.

Second: The main headquarters of the company, provided that it shall be in Iraq.

Thirdly: The purpose for which the company has been established and its general nature of the work to be performed.

Fourthly: Suspended.

Fifth: The Company's capital and its division into stocks or bonds.

Sixth: How to distribute profits and losses in the join-liability companies.

Seventh: Number of elected members of the Board of Directors of the Private join-stocks company.

Eighth: The names of the founders, their nationalities and professions, their permanent residences, the number of their shares or the amount of their shares.

#### **Article 14**

The founder of a limited liability company, when the company does not have other founders, or the founder of the individual project, shall prepare a statement that shall



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serve as the company's contract and shall be subject to the provisions applicable to the contract wherever stated in this law.

### Article 15

The founders of the Joint Stock Company shall subscribe in accordance with the percentages established by this law of its nominal capital.

### Article 16

First: The founders of the company shall deposit the capital of the company specified in Article (28), paragraph (1) of this law at one of the banks authorized to work in Iraq or with a number of them. The capital of the Company may include in-kind shares as provided for in Article (29) of this Law.

Second: It was suspended.

Third: 1. The founders of the joint-stock company, whose number shall not exceed 100 hundred founders, shall elect a committee among them called (founders committee) composed of a number of not less than three and not more than seven members who shall carry out the following duties and functions:

- a. Contracting with competent and experienced entities to prepare the economic and technical feasibility study for the work to be carried out by the company.
- b. Following-up procedures for the establishment of the company and the submission of the Memorandum of Association and the subscription document to the Registrar of Companies, which is known later as (the Registrar) confirming in the documents the names, signatures, addresses and nationalities of the founders and other requirements .
- c. Carrying out the expenditure operations until the completion of the procedures for establishing the company.



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- d. Opening a joint account on behalf of the Committee at one of the Iraqi banks.
  - e. Keeping the records incorporating decisions taken and other works and tasks accomplished.
  - f. Obtaining a license for the project, if necessary, and concluding the necessary contracts for its establishment after issuing the decision of the approval of its establishment.
  - g. Preparing the founders' report, and determining the establishment expenses, and inviting the general assembly to meet.
2. The functions of the Founders Committee shall be terminated after the election of the Board of Directors.
  3. The members of the Founders Committee shall be liable for the solidarity manner before the founders.

## Chapter Two Establishment procedures

### Article 17

The application for establishment of the company shall be submitted to the registrar, accompanied by:

First: The company contract.

Second: The subscription document of the founders of the joint-stock company signed by them.

Third: A certificate from the bank or from banks proving that the capital required in Article (28) has been deposited.

Fourth: Studying the economic and technical feasibility of the joint- stock company

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### Article 18

Suspended.

### Article 19

The Registrar shall approve the application for the establishment of the company unless he finds that the application is contrary to a specific provision stated in this law. The Registrar shall declare his/her approval of the application or reject it within ten days from the date of receiving the application. With the exception of joint-stock companies, the foundation certificate shall be issued at the time of the issuance of the decision to approve its foundation and shall be evidence of its establishment. If the Registrar refuses to request the establishment of the company, a written decision shall be issued clarifying the reasons for rejecting the application. In the case of a request for the establishment of a joint-stock company, the Registrar shall give written notice of his decision of approving the request for establishment or rejection on the date of his/ her taking such decision. A certificate of establishment of the company shall not be issued without payment of fees.

### Article 20

Suspended.

### Article 21

First: 1. The Registrar shall publish the decision to approve the foundation of the Company in the special bulletin published under the provisions of Article (206) of this Law, hereinafter referred to as the "Bulletin."



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2. In the case of a joint-stock company, a certificate of foundation shall be issued after the public subscription for the shares, and within (15) fifteen days from the date of presenting the founders the information specified in Article (46) of this law.

Second: It was been suspended.

### Article 22

The company shall acquire the legal personality from the date of the issuance of its establishment certificate, and this certificate shall prove its legal personality

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### Article 23

The company founded in Iraq in accordance with the provisions of this law shall be Iraqi one.

### Article 24

If the Registrar refuses to apply for the foundation of the company, he/she shall indicate the reason for the refusal in writing and shall state in this statement the legal provisions that have been violated and the facts relating to each violation. The applicant of establishment of the company may object to the decision of the Registrar to refuse before the Minister of Commerce within (30) thirty days from the date of notification. The Minister of Commerce shall decide on such objection within (30) thirty days from the date of its submission. If the Minister rejects the request of the founder of the company, the applicant for the establishment of the company may appeal the decision of the Minister before a competent court within (30) thirty days.



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### **Article 25**

The founders may submit a new application for the establishment of the company whose establishment was refused if the reason for the rejection is eliminated.

### **Section Three The Company's Money Chapter One The Capital**

### **Article 26**

The capital of the company shall be determined in Iraqi Dinars.

### **Article 27**

The capital of the company shall be allocated for the exercise of its specified activity in its contract and the payment of its obligations and may not be disposed of otherwise.

### **Article 28**

First: The minimum capital of joint-stock companies shall not be less than (2000000) two million dinars. The minimum capital of a limited liability company shall not be less than (1000000) one million dinars, and the minimum capital of the other companies shall not be less than (500000) five hundred thousand dinars.  
Second: Company's obligations may not exceed 300% three hundred per cent of its total capital and other proprietary rights.





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### **Chapter Two Capital Division**

#### **Branch One Capital Division in the Joint-Stock and Limited Company**

#### **Article 29**

First: The capital of the joint-stock company and limited company shall be divided into nominal equal-value and indivisible shares.

Second: The capital of one of joint-stock companies and one of the limited liability companies may consist of shares offered for tangible or intangible property contributed by one or more of the founders of the company.

1. In the case of a joint-stock company, a committee that its experience and objectivity shall be approved by the Registrar shall evaluate the properties that constitute in-kind shares. This committee shall be consisted of experts in law, accounting and in the field of the company's work.
2. In the case of a joint-stock company, the committee provided for in paragraph (1) of this item shall submit its report to the Registrar within (60) sixty days from the date of its formation. The Registrar shall submit his/ her report to the Financial Control Bureau for approval within (30) thirty days from the date of receiving the report of the Committee. If the report is not approved, the Registrar shall return the report to the Committee for further consideration.
3. In the case of private joint-stock companies, all founders agree on the value of shares of property in kind in accordance with their valuation in the manner provided for in subparagraph (1) of this paragraph. The contract of the joint-stock company or the contract of the limited liability company shall specify the type of properties in kind and their specific value approved by the other founders. The contract shall also mention the name of the founder of the company who offered



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the share and the percentage of his/her contribution to the capital represented in this share. The founder providing the in-kind share shall be liable to any person for the value of the assets that have been accepted and approved. If the approved value is proved to be less than the real value of the property, the founder who provided the in-kind share shall pay the difference in cash to the company. Other shareholders may be asked to participate in the payment of the difference of the value.

4. In the joint-stock company, the report of the committee shall be presented at the founding meeting of the general assembly of the company, provided that the founders shall deposit the said report with the entity in which the subscription is being made in order to enable the subscribers to view it. In the event of an increase in the evaluation, the in-kind-share provider shall settle the difference in cash and ask the other founders jointly about settlement of this difference.

### Article 30

The nominal value per share shall be one dinar. No shares may be issued with a value lower or higher than that stated, except as provided in Articles (54 to 56).

### Article 31

Suspended.

### Article 32

First: It was been suspended.

Second: It was been suspended.

Third: The investment company may not invest more than 5% five per cent of its capital in the shares of one company. It may not own more than 10% ten per



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cent of the capital of that company, taking into account the previous percentage, provided that the cash flow at any time does not exceed 10% ten per cent of its paid up capital.

### Article 33

The shareholder shall not be liable for the debts of the company except by the nominal value of the shares he/ she owns.

### **Branch Two** **Division of the Capital in the Joint-Liability Company** **And Individual Project**

### Article 34

The share capital of the joint-liability company shall be divided into shares between the partners under the contract of the company and shall consist of one share in the individual project.

### Article 35

Each one has a share in the joint-liability company and the Individual Project shall have personal and unlimited liability for the Company's debts and shall also be jointly liable in joint-liability Company.



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### Article 36

If the company becomes insolvent, each partner shall be considered as insolvent.

### Article 37

First: The creditors of the joint-liability company may sue it or sue any partner who was a member at the time the obligation arises. The partners shall be bound to pay on the way of the joint-liability, and the partner's funds may not be executed on prior to the company's warning.

Second: The creditors of the individual project shall sue the owner of the project or the owner of the share therein, and his/ her money shall be considered as a guarantee of the debts of the project and shall be allowed to seize his/her property without warning the project in accordance with the in force and applicable legal procedures.

## Chapter Three Public Subscription to Capital

### Article 38

The public subscription to the capital shall be in the joint-share company only.

### Article 39

First: The founders of the mixed joint-stock company shall subscribe at least 30% thirty per cent and not more than (55%) fifty five percent of their nominal



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capital, which should include the determined minimum for the state sector which is 25% fifty five per cent.

Second: Upon the establishment of a private joint-stock company, the founders of the company shall contribute at least 20% twenty per cent of its nominal capital.

Third: The remaining shares of subscription shall be offered to the public within (30) days from the date of approval of the establishment of the company by a statement issued by the founders and published in the bulletin and in at least two daily newspapers, after the approval of the Registrar. The Registrar's approval shall be issued within that period of time unless the Registrar finds that the registration papers mislead investors. In the case of the refusal of the Registrar to put the shares for subscription, he/she shall refer the subject which falls within the scope of his/ her competence to the authority of the State with jurisdiction in the markets of stock and securities. The statement shall include:

1. The provision of the company contract.
2. The number of shares offered for subscription, the value of the share and the amount to be paid for each share.
3. The minimum and the maximum number of shares that may be subscribed.
4. Place and duration of subscription.
5. Expenses of establishing the company.
6. Contracts and agreements committed by the founders in favour of the company.
7. Any other information added by the founders.
8. The report of the committee formed under Item (Second) of Article (29) of this law, when there is an in- kind share.

Fourth: The founders of the company shall not subscribe to its shares during the period of offering the shares to the public subscription, except after the expiry of thirty days from the beginning of the subscription or during the period of extending the subscription provided for in article (42) of this law.



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### Article 40

The founders are jointly liable for any damage to any subscriber if it results from a mistake or deficiency in the subscription statement.

### Article 41

First: The subscription shall be in one of Iraqi banks authorized to practice banking operations in Iraq under a printed form bearing the name of the company and shall include the following:

1. Subscription request for a certain number of shares.
2. Acceptance of the subscriber to the company contract.
3. Name, address, occupation and nationality of the subscriber.
4. Any other information that the founders may wish to add.

Second: Receipt of the subscription form signed by the subscriber or his/ her legal representative to the party executing the subscription transactions, and the due amount shall be paid in exchange for a receipt.

Third: The Subscriber shall be given a copy of the Company's contract and a copy of its economic and technical feasibility study, pursuant to Paragraph (Third) of Article (47) of this Law.

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### Article 42

The subscription period shall not be less than (30) thirty days and not more than sixty days. If the subscription period ends without the subscription in the Company's shares amount to (75%) seventy-five per cent of the nominal capital, including the founders' shares, then the subscription period may be extended for a period not exceeding (60) sixty days, provided that the founders re-publish the subscription statement with the announcement of extension.



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### Article 43

First: If the extension of the subscription period ends without the subscription value in the Company's shares reaching (75%) of the nominal capital, the founders shall reduce the capital of the company to equal the value of the subscription in its shares (75%) seventy-five per cent of the value of the capital after its reduction, unless the founders decide to retract the establishment of the company. The founders shall notify the registrar of their decision.

Second: It was been suspended.

Third: In case of retraction of the establishment of the company in accordance with the provisions of paragraph (First) of this article, the founders shall inform the Bank of their decision and bear jointly the expenses paid for its establishment. The bank that manages the subscription process shall refund the fully amounts it received from subscribers to all of them after notification of the founders' decision within a period of time not exceeding thirty days.

### Article 44

First: The bank shall be responsible for the integrity of the subscription being conducted in it and shall undertake the following:

1. Closing it at the end of its term and announcing this in two daily newspapers and informing the founder committee.
2. Keeping all the money received from the subscribers and not to deliver them to the founders.
3. Returning the surplus amounts to the subscribers after fifteen days from the distribution of shares between the subscribers in accordance with the item (Second) of this article.

Second: After the subscription period ends and the subscription are closed if it turns out that the subscription to the company's shares exceeds the number of





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shares offered, the shares must be distributed among the subscribers in accordance with to their respective share contribution ratio.

### Article (45):

First: The Registrar and the competent authority of the State in the Stock and securities markets may challenge the validity of the subscription before the competent court in case of infringement of the legitimate rights of any person as a result of violation of the subscription rules. Either of them may request the court to cancel the subscription within fifteen days from the date of closing the subscription. The Court should consider such cases expeditiously. The decision of this Court may be brought to appeal before the Court of Cassation. The decision of the Court of Cassation shall be final.

Second: If the court decides to invalidate the subscription for violating the law, the founders must carry out its procedures again.

### Article 46

The founders shall, within thirty days of the end of the period of objection to the subscription or its rejection, provide the Registrar with all information about the subscription process, including the names of the subscribers, the number of shares they subscribe to them, their addresses, their occupations, their nationality and the amounts paid for the value of the shares.

### Article 47

First: The Board of Directors of the Company may, after the establishment of the Company, in case of non-subscription to some of its shares, to take one of the two actions (6) months after the issuance of the its certificate of foundation:



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1. Selling those shares in the Baghdad Stock Exchange; or
2. Offering these shares to the public subscription in accordance with the institutional subscription procedures.

Second: If the shares are not sold in the market or by public subscription, the nominal capital of the company shall be reduced by the value of the unsold shares. The Company, its members of board of directors, employees and agents are responsible for misleading data or those omitting material information about sales or subscription.

## Chapter Four Repayment of Capital

### Article 48

First: The subscription of the shares of a joint-stock company requires repayment of the value of issued shares in full. The provisions of this Article shall be applied to shares that have not been repaid and those that have not been repaid and shall be determined under the previous law.

Second: It was been suspended.

Third: The instalments due shall be a preferred debt owed to the company. The debtor shall be subject to a delay interest of not less than 5% and not more than 7% seven per cent annually in case of delay in repaying on the date specified by the Board of Directors, and shall not be paid for this any profits.

Fourth: The Company shall keep the due profits of the shareholder sufficient to repay the unpaid due instalments and the accrued interests thereon until the full repayment of these instalments and their delay interest.



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### Article 49

If the shareholder fails to repay the outstanding instalment for the value of his/ her shares on the specified date without a legitimate excuse, the Board of Directors shall take the procedures for selling these shares as follows:

First: The Company shall send a declaration to the shareholder to publish it in two daily newspapers, in the bulletin and in the Baghdad Stock Exchange, asking him/ her to repay the due instalment within thirty days from the date of the last publication, stating the number of shares he/ she owns, the amount of the due instalment and due date.

Second: If the shareholder fails to repay the due instalment during the mentioned period, the Company shall offer its shares for sale through public auction in the Baghdad Stock Exchange.

Third: The Company shall declare in the bulletin, in a daily newspaper and in the Baghdad Stock Exchange, the sale, date and place of the sale and the number of shares offered for auction, provided that the period shall not be less than fifteen days between the date of the last announcement and the date of sale.

Fourth: The owner of the shares declared for sale may repay the amount he/ she owed one day prior to the date of commencement of the auction, and then he/ she shall announce the cancellation of the sale, then the owner of the shares shall bear all expenses paid by the company for the sale procedures.

Fifth: The shares shall be sold at the highest overbidding price and the company debt shall be collected from instalments, interest and expenses, and the remainder will be returned to the shareholder. But if the price at which the shares are sold does not meet the debt, the company shall demand the shareholder to repay the remainder of it.

Sixth: The Company's restrictions on sale shall be deemed valid unless proven otherwise.



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### Article 50

The subscriber to shares of the joint-stock company shall be given, after payment of the instalments due and showing the confirmed receipts thereof, a temporary certificate with a serial number and signed by a person authorized by the company, including the name of the shareholder, the number of his/ her shares, his/ her repayment of the their value and the remaining instalments and dates of maturity, and it shall be indicated the repayment of these instalments.

### Article 51

Each shareholder in a limited liability company and any shareholder in a joint stock company whose shares have been paid in full shall receive a permanent certificate containing the particulars mentioned in the interim certificate and acknowledgment that the value of the shares has been paid, and then any temporary certificate should be revoked.

### Article 52

The shareholder may repay one instalment or more of his/ her shares before the maturity date, and then they shall be deemed repaid by the other shareholders. Dividends shall not be paid for the instalments repaid before maturity.

### Article 53

In limited joint-liability companies and individual projects, the capital must be paid before the issuance of the establishment certificate.



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### **Chapter Five** **Increase and Decrease of Capital** **Branch One** **Capital Increase**

#### **Article 54**

First: The Company may increase its capital if it is paid in full.

Second: The capital increase in the joint-stock companies and limited liability companies must be in accordance with a decision taken by the general assembly of the company to amend the company's contract and issuing new shares.

Three: It was suspended.

Four: The Registrar shall approve a legal request of increasing the company capital within (15) days of the submission of the request, and the registrar shall be deemed approving the increase and shall issue a notification thereof, unless the Registrar rejects the request by written notification stating the legal grounds for his/ her decision.

#### **Article 55**

The general authority of the Limited Joint-Stock Company may increase the capital by one of the following methods:

First: Issuing new shares their values paid in cash.

Second: Transferring the funds from the accumulated surplus or from the basic reserve premiums to shares distributed to the shareholders in accordance with their respective share in the capital.

Third: Retaining a part of the profits of the company as a reserve for the expansion and development of the project instead of distributing it as profits, after



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investing a rate in the purpose it retained for, and add this reserve to the capital, and issuing new shares equivalent to this reserve that shall be distributed to the shareholders in accordance with their respective share of capital.

Fourth: In the case of offering shares for sale in the market in exchange for their values in cash, the decision of offering shares for sale must determine the number of shares to be issued and the price offered for sale or ways to determine this price. Shares may be offered for sale at a value equal to or exceeding their par value, in accordance with the decision of the General Assembly. These shares may also be priced according to the performance of the company and its prices in the Baghdad Stock Exchange, if this is possible. The returns that reflect the difference between the issue price and the nominal price of shares are recognized as an assurance premium, and shall be recorded in the reserve account of the issuance premium after subtracting all issuance costs. This reserve may not be distributed as profits. The joint-stock company shall submit to the Registrar a decision of its General Assembly to increase its capital, supported by an economic study that justifies the increase, its uses and any other necessary data. This study shall be submitted to the purchasers, without prejudice to the liability provided for in paragraph (2) of Article (47) of this Law, unless the Registrar finds that it is misleading. If the Registrar considers that the study contains misleading material information, he/ she shall refer the matter which falls within his/ her jurisdiction to the competent authority of the State in the stock and securities market.

### Article 56

First: The new shares in the joint-stock company must be offered to the public subscription within (30) days from the date of notification of the company with



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the approval of the registrar to increase the capital. The subscription to the Company's shares shall remain open for a period of not less than (30) thirty days and not exceeding (60) sixty days. Such period may be extended for a similar period. This period may be extended for a similar period provided that the value of the full shares is paid during the subscription period. This period may be extended for a similar period, provided that the full value of the shares is paid during the subscription period. The increase in the capital shall be achieved in accordance with the number of shares subscribed and paid in value at the time of closing the subscription, beyond that, the provisions of the original subscription shall apply to the new shares, including the provisions of Articles (44) and (47) of this Law, to the extent that it does not conflict with the nature of the capital increase of the Company.

Second: In the limited company, the value of new shares shall be paid during (30) thirty days from the date of issuing the general assembly's decision of increasing the capital must be repaid. The increase shall be achieved as much as the value of the shares repaid at the end of the period.

Third: Each shareholder has the right of priority to buy shares at the subscription price in a number commensurate with the number of shares he/ she owns. The shareholders shall be given a period to exercise this right is (15) fifteen days from the date of inviting the shareholders to buy the shares. The invitation shall state the date of commencement and end of the subscription period and the nominal value of the shares. In the case of the expiration of the period provided for in paragraph (First) of this Article and the remaining of some shares for subscription, the Board of Directors may put the shares for sale on the Baghdad Stock Exchange in accordance with to the formula it deems appropriate.

Fourth: In the case of increasing the capital of a bank by selling shares in it in exchange for their values in cash, the company may issue shares without public subscription and without offering shares to the existing shareholders or resorting to any of the two, provided that the following conditions are met:





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1. Approval of the majority of the shareholders whose shares are subscribed to and that have premiums are paid, and;
2. The approval of the Central Bank of Iraq, in light of all the circumstances of the sale, that the sale is fair value, and that it is fair to the shareholders who are not invited to participate based on the interest of the company in general.

### Article 57

In the joint-liability company and the individual project, the capital increase by a decision of the General Assembly which shall be amending the contract, provided that the increase shall be paid within thirty days from the date of issuance of the decision.

## Branch Two Capital Reduction

### Article 58

The company may reduce its capital if it exceeds its need or if the company is lost. The reduction of capital, which is based on an arrangement, shall not be subject to achievement of additional net profit in the capital through investments added to requirements stipulated in Article (59), paragraph (Three) and Articles (60 to 63).

### Article 59

First: In the limited and Joint-Stock Company, the capital shall be reduced by cancelling shares in it equal to the amount to be deducted from the capital. The cancellation shall be by the percentage of the contribution of each member of the company to the nearest correct share.



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Second: The decision to reduce the capital shall be taken by the general assembly of the company and shall indicate the reason for the reduction.

Third: After taking the reduction decision, the following measures shall be taken:

1. The Chairman of the Board of Directors of the Joint-Stock Company and the Managing Director of the Limited Company shall submit the reduction decision to the Registrar, accompanied by a schedule certified by the Controller showing the Company's debts, the names of the creditors and their addresses, as well as an economic and technical study of the reasons for the reduction.
2. Suspended.
3. If the Registrar concludes that the reduction of the Company's capital is legal, the reduction notice shall be published in the Bulletin and in two daily newspapers. Each creditor or claimant shall be entitled to veto the decision to reduce the Company's capital within (30) days from the date of publication of the notice.

## Article 60

First: If an objection is filed within the legal period by a creditor of the company or a defendant against it, the Registrar shall endeavour to resolve these objections consensually and in the manner he/ she deems appropriate within thirty days of the expiry of the objection period.

Second: If the Registrar does not reach a settlement of the objections, he/ she shall refer them with all the documents and related transactions to the competent court within fifteen days of the expiry of the consensual settlement period. Consideration of the objections shall be considered an urgent matter.



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### Article 61

First: If the court reaches a settlement of the objections or if it is satisfied with the adequacy of the guarantees provided by the company, it shall issue its decision to support the reduction decision. If the objections are not settled and the guarantees of the company are not sufficient, the court decides to cancel the reduction or decide a partial reduction without prejudice to the rights of the objectors, and its decision shall be final.

Second: The Company shall, notwithstanding the decision of the Court, submit a copy thereof to the Registrar within fifteen days from the date of its issuance.

### Article 62

If there is no objection on the decision of reduce or signed and settled before the registrar or court, the contract of the company shall be considered amended according to the law, a copy of amendment shall be send to the registrar to register and publish it in the bulletin and a daily newspaper.

### Article 63

The capital of the joint-liability Company and individual project shall not be reduced only by a decision issued by general assembly to amend the contract.



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### Chapter Six

### The Disposal of Stocks and Shares

#### Branch One

#### Transfer of Ownership

#### Article 64

In the limited and joint-stocks company, the shareholder may transfer his/ her stocks to another shareholder or other, taking into consideration the following:

First: The founders may not transfer their stocks only after the nearest of the next two following terms:

1. Passage of at least one year after the date of establishment of a company.
2. Distributing at least 5% of profits of the nominal paid -up capital.

Second: Suspended

Third: The shareholder of private sector may not transfer the ownership of his/ her stocks if:

1. If they are mortgaged, attached or held by a judicial decision.
2. The proof of ownership is missing and has no alternative.
3. The company has a debt on stocks their ownership intended to be transferred.
4. If the person to whom the ownership of shares transferred is prohibited from the ownership of stocks in accordance with law or decision issued by competent authority.



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### Article 65

In limited company: the shareholders shall be accorded priority over others in buying stocks; if any shareholders want to sell his/ her stocks, he/ she shall abide the following:

First: The seller must notify the shareholders, through the authorized director, his/ her will to buy his/ her stocks, provided that their number, their certificate number and the amount he requests or that offered to him/ her by others as a price per share shall be mentioned, affirmed by the purchase applicant.

Second: If thirty days pass from the date of the notifying shareholders and no one of them wish to buy, or offer a price lower than the price demand or offered by third parties, seller shall be free to sell his/ her stocks to other at a price higher than the price offered by shareholders, if he/ she sell at the same price offered by other shareholders, the sell shall be deemed invalid.

Third: If more than one shareholder wishes to buy stocks at the same price, the stocks shall be divided among them in accordance with their contribution approximated to the nearest integral stock.

### Article 66

First: The sale of stocks in limited and Joint-Stock Company shall be through a board consists of seller and the buyer or their legal representatives, and a representative of the company appointed by the authorized director. A contract shall be organized stating the names and address of the seller and the buyer, the number of the share certificate, date of sale and price and seller's acknowledgment of its receipt and the buyer's undertaking to accept the company's contract. The contract of the sale shall be registered in the company's stock transfer registry with signatures of the contractors and the



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representatives of the company. Any sale outside the board or not registered in the company's register shall be invalid.

Second: The ownership of the stocks in the joint stocks companies listed in Baghdad stock market shall be transferred in accordance with its law and instructions.

### Article 67

If an Iraqi shareholder in limited and joint stocks company dies, the ownership of stocks shall be transfer to his/ her heirs in accordance with their shares of inheritance determined in Sharia (Islamic religion distribution of inheritance), if the shareholder is a citizen of another state, the ownership of the shares shall be transferred to his/ her heirs in accordance with the law applicable in that state, in both cases the following shall be taken into consideration:

First: If the heir is prohibited from owning the stocks of the companies or devolved upon him / her shares exceed the legal upper limits, he/ she shall be carry out the ownership transfer procedures during ninety days from the date of its getting transferable, if he/ she fails to do so on this date, the company's board of directors of joint-stock company and the authorized manager in the limited company should announce for sale through public auction.

Second: If the distribution of stocks to heirs leads to increasing the members of the limited liability company above the upper limit set by law , they shall be considered as a joint property among heirs according to their shares in the will pursuant to Sharia (Islamic religion distribution of inheritance) and they shall be considered as one person, in this case, one of the heirs shall represent the rest of the heirs before the company, and heirs shall be asked to choose their representatives within (60) sixty days from the date of the registration of the stocks transfer in the registry of the company.



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### Article 68

Any transfer of stocks property by means other than sell should be registered in the company's register of stock transfer in accordance with a final ruling issued by competent court.

### Article 69

First: The partner, in the joint liability company, may transfer the ownership of his/her share or a part of it to another partner and may not transfer it to other only by the unanimous approval of the general assembly; however, this shall be done through the amendment of company contract.

Second: In the individual project, the owner of the share may transfer its ownership to others through amendment of company statement, if its transfer to more than one or if the transfer focus on part of it, this shall not be done unless by transformation of the company to any other kind of the companies stipulated in this law.

### Article 70

In the joint-liability company, if the partner dies, the company shall continue with his/her heirs, however if the heir or his/her legal representative if he/she juvenile or other partners disagree or if there is other lawful impediment, the company shall keep on among other partners and the heir shall have only the share of his /her testator of money in the company, this share shall be estimated in accordance with its value on the death day and pay to him/ her in cash and he/ she shall have no share in the subsequent rights of the company only to the extent that these rights is a part of pre-death operations. In any case, the contract of the company must be amended



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according to the new status, or shall be changed into individual project if only one partner remains.

Second: If the owner of the share in individual project dies and have more than one heir willing to participate in it and there is no lawful impediment, the project must be changed to another kind of companies stipulated in this law.

Third: In the joint-liability company, if the partner becomes insolvent or his/her money are attached. the company shall continue among the remaining partners and insolvent or attached partner's share shall be liquidated and his/her share shall be estimated in accordance to its value on the day of ruling of his/ her bankruptcy or attachment of his/her property, and he/ she shall have no share in the subsequent rights of the company except to the extent that those rights are the result of pre-insolvency or pre-attachment operations. In any case, the contract of the company must be amended in accordance with the new status or changing it into individual project if only one partner remains.

### **Branch Two**

### **Mortgage and Attachment of Stocks and Shares**

#### **Article 71**

First: In joint-stock and limited company, the stocks owned by private sector may be mortgaged provided that the contract of mortgage must be registered in special registration of the company and mortgage mark shall not be removed only after the registration of the approval of the mortgagee to cancel the mortgage or to execute a final decision issued by competent court.

Second: In joint-liability Company, individual project and partnership, shares may not be mortgaged.





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### Article 72

First: In joint-stock and limited companies the stocks owned by private sector may be attached to ensure and meet the debt of its owner, provided that the decision of the attachment issued by competent authority must be registered in special registry in the company and attachment mark shall not be removed only after a decision by competent authority.

Second: In joint-liability Company, individual company and partnership, shares may not be attached only for preferred debt and their achieved profits may be attached.

## Chapter Seven Profits and Losses

### Article 73

The net profit shall be distributed after meeting all legal deductions as following:

First: At least %5 five per cent as mandatory reserve until it reaches (%50) of paid – up capital, and by decision of general assembly may continue to deduct the mandatory reserve for no more than %100 from prepaid capital.

Second: The remaining of the profit or a part of it shall be distributed to the members according to their stocks and shares as the case may be.

### Article 74:

First: The reserve shall be used for the purpose of expanding and developing the works of the company, improving the conditions of the workers in it, participating in establishing projects related to the company's activities and



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contributing in the protection of the environment and social welfare programs, the profits may not be distributed from the serve.

Second: The reserve is used to meet the company's debts, provided that the amount paid to pay the company's debts does not exceed %50 of the reserve, and any amount exceeding the percentage shall be subject to the approval of the registrar.

### Article 75

In joint-liability Company, the losses shall be distributed in accordance with the ratios stipulated in its contracts that similar to the ratios of the distribution of profits in it.

### Article 76

First: If the losses of the company is exceeding or equivalent %50 of its capital, the company should notify the registrar within 60 days from the date of the losses are recognized in its balance sheet.

Second: If the loss of the company is (%75) of its capital, the company should take one of the following procedures:

1. Increasing or reducing the capital of the company.
2. Recommending the liquidation of the company.



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### Chapter Eight Bonds of Loan

#### Article 77

The joint- stock company may borrow through publishing nominal bonds in accordance with the provisions of this law, by calling public, the subscriber of the loan shall be granted bonds for money he/ she lends to the company, the subscriber may collect an interest payable to him/ her in a fixed terms and shall be reimbursed from all the company's funds. These bonds shall be deemed with one nominal value, negotiable and indivisible. They shall be serially numbered for each issue. It must be stamped with the company seal.

#### Article 78

Bonds of loans may not be issued before meeting the following conditions:

First: The capital of the company must be fully paid.

Second: The whole amount of loan issued must not be more than the capital of the company.

Third: The approval of the general assembly of the company to issued bonds in accordance with to the recommendation of board of directors.

#### Article 79

The company shall submit to the registrar the decision of general assembly concerning issue of bonds of loan enhanced by economical study show the reasons of issuing bonds of loan and areas of use of available funds under it and any other necessary data, the study shall be submitted to the purchasers, provided that not to be prejudice to responsibility stipulated in item (Second) of Article ( 47) of this law,



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unless the registrar concludes they are misleading, such case the registrar shall refer the subject to competent authority of stock markets in the state.

### Article 80

The calling for subscription of bond of loans by publishing announcement in the bulletin and two daily newspapers continuing the following, these data shall be included in the loan bond upon issuance, and they are:

First: The name of the company and its capital.

Second: The date of the decision of general assembly of the approval of issuing the bond of loan.

Third: Information about the financial status of the company and its results of transactions, including its incomes.

Fourth: Interest rate and due dates.

Fifth: Issuance value and its duration and nominal value of each bond.

Sixth: Date and way of subscription and the payment method.

Seventh: Dates of fulfilling the value of nominal bond.

Eighth: The purpose of the loan.

Ninth: Guarantees of payment.

Tenth: The bonds of loan pre-issued by company.

Eleventh: Any other information or necessary data.

### Article 81

The bank which is responsible for the process subscription of the bonds of loan must close it after the end of its term or the subscription of entire bonds offered and announcing them in two daily newspapers and providing the registrar immediately with all information about the subscription process including the names of



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subscribers and the numbers of bonds they subscribed, their address, jobs, nationality, paid funds and the value of bond.

### Article 82

First : Every subscriber of bonds of loan may appeal before the competent court the process of subscription and prove that and demand abolish the payment if the company does not take into its consideration the procedures related to issuing of bonds subscribing or calling for them within 7 days from the date of the last closing announcement, the court may decide on appeal as a mater of urgency, and its decision shall be subject to appeal by the court of cassation in its cassation character, and its decision shall not be subject to appeal by correcting the cassation decision .

Second: If the rule is to abolish the subscription of bonds of loan, the bank must, as soon as it is informed, return the whole repaid money by the subscribers Within 30 days.

### Article 83

The Company may sell the none subscribed bonds for people at trading price of Baghdad stock market not less than their nominal value.

### Article 84

The borrowing company shall fulfil the value of bonds of loan in accordance with the provisions upon or before the issuance and may not delay the date of fulfilling.



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### **Section Four The Company Administration**

#### **Chapter One The General Assembly**

##### **Branch One The Formation of the General Assembly**

###### **Article 85**

The general assembly shall be consisted of the all member of the company.

###### **Article 86**

The general assembly in joint- Liability Company shall meet at least once a year, other general assemblies of the companies shall meet at least once every 6 months.

###### **Article 87**

The invitation to the meeting shall be addressed by one of the following bodies or persons:

- First: The founders of the company to hold the constituting meeting within thirty days from the date of issuing the certificate of incorporation of the company.
- Second: The chairman of the board of directors of the joint – stock company by a decision of the council and the authorized director of other companies or at the request of members of company possess (%10) of its paid capital.
- Third: The registrar, by personal initiative or at the request of the auditor.



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### Article 88

- First: In joint-stock company, the invitation to attend the general assembly meeting shall be through announcement published in bulletin, two daily newspapers and Baghdad stock market. The invitation in the other companies shall be through registered letters send to the addresses of members listed in the members register or through notifying them in the centre of the company, provided that the date and place of meeting are specified and that the period between the date of the invitation and the meeting date shall not be less than fifteen days.
- Second: If the founders, the chairman of the board of directors of the joint-stock company or the authorized manager of the other companies fail to invite to hold the general assembly's meeting on the legally scheduled date, the register shall specify the location and date of the meeting and invite the members directly in joint-stock company through bulletin and two daily newspapers and Baghdad stock market.
- Third: The manipulation or publishing information concerning of the announcement of the meeting of the general assembly in order to influence the decisions of the members of the general assembly meeting shall be considered unlawful act.

### Article 89

Each invitation to the meeting of the general assembly must be included a schedule of meeting works and must not be overridden during the meeting except in accordance with the suggestion of the representatives of at least %10 of the capital of the company and the approval of majority votes represented in the meeting and by unanimity of all joint-liability companies, except as in Item (Second) of Article (92) of this law.



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### Article 90

The meeting shall be held at the headquarters of the company or any other place in Iraq if the circumstances so require, as long as this leads to the slightest inconvenience to the owners.

### Article 91

First: The member may authorize another person through certificated authorization for attending, discussing and voting purposes in the meetings of the general assembly; he/ she may also authorize other members for this purpose.

Second: The registrar shall specify in instruction the form of representation deed, its contents and the way of its preparation

Third: In the joint- stock company:

1. Suspended
2. The authorizations and representations must be filled in the centre of the company before at least three days from the date of meeting and administration of the company must audit them for authenticity, the authorization and representation shall remain valid for any second meeting to which the first meeting is postponed.

### Article 92

First: As for the joint-stock company, the meeting of general assembly shall be held in presence of members owned majority of subscribed and paid-due instalment stocks. As for limited liability Company, the meeting will be held in the presence of the majority of shareholders whose premiums have been paid. In the case of the joint liability, the majority of the shares shall be attended. If the quorum for the meeting is not completed, the meeting shall be postponed,





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provided that it shall be held in the same place on the same day of the following week. The quorum shall be considered complete at the second meeting if it attended by those representing % 25 twenty-five per cent of the number of shares or shares. the company may request the registrar to overlook the application of %25 twenty-five per cent of the shares as a minimum quorum if, on the basis of the meeting agenda and other circumstances, it considers that the minimum required shall not benefit the interests of the owners in general, the company's contract may require stricter conditions in order to achieve a quorum.

Second: If the agenda is limited to the amendment of the company contract, increasing or reducing capital, dismissal of the chairman or any other members, merging, transferring, liquidating or selling a half or more of its assets in a deal held a way from normal functions and fulfilled pursuant to Para (fourth) of article (56), the required quorum for the first meeting shall then be required.

### Article 93

In joint-stock, company the meeting of general assembly shall be attended by representatives of registrar, it's also shall be attended by the majority of board members, if the representatives of the registrar or the members of the board of directors of the company did not attend the meeting after being notified of its convening, the meeting shall be held half an hour after the schedules date, the representative of the registrar shall leave the meeting after ensuring that a quorum is complete, unless one the shareholder ask him/ her not to leave the meeting.

### Article 94

In joint-stock company:



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- First: The name of the participant in a meeting shall be registered in special register before the beginning of the meeting and the number of shares owed or represented by the participant shall be recorded in this register, provided that his/ her ownership of it is proven by presenting the shares certificate or proving that he/ she represents the shareholder through an official power of attorney from him, this does not require the submission of certificates of shares deposited and recorded in the register of transfer transactions, provided that sufficient evidence to prove ownership under the rules of deposit approved by the competent authority in the state in the stock and securities markets shall be submitted. The participant shall sign his/ her name beside the name of the shareholder he/ she represents and act on his/ her behalf.
- Second: One of the members of the board of directors shall be responsible for the registration in the participant register and the board shall be responsible for the accuracy of what registered in.
- Third: The participant shall be given meeting entry card including the numbers of the voices he/ she may vote.

## Article 95

- First: The meeting will be chaired by the chairman of the board of directors or the chairman of the committee of the founders of the joint-stock companies and the authorized manager in other companies until the election of the chairman of the general assembly.
- Second: The chairman of the meeting shall choose from among the members of the meeting a clerk of the record of its minutes and one or more observers to calculate the quorum and collect votes.
- Third: The quorum shall be accounted after 30 minutes from the beginning of the meeting, if the chairman of the meeting finds that the quorum is achieved,



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then he/ she shall declare the beginning of the meeting and call for the election of a chairman of the general assembly.

Fourth: The elected chairman shall hand over the functions of the chairmanship immediately upon his/ her election and shall announce the commencement of discussion of what is stated in the agenda pursuant to the order of the topics listed therein.

### Article 96

First: A minute of summary of discussions, suggestions and decisions with recording the objecting opinions shall be registered in a special register, and the register shall be signed by the chairman of the general assembly, clerk, monitor and representative of the register if he/ she attends the meeting and shall be stamped with the company's seal and a copy shall be send to the registrar.

Second: The decisions of the general assembly shall be registered in special register and stamped with the company seal and signed by the

Third: Each member in the general assembly may appeal to the registrar the integrity of the measures taken from the date of calling for the meeting to the date of issuance of the decisions within three days from the date of the end of the meeting, and the registrar shall decide on the appeal within seven days from the date of its presentation and abolishment of these procedures if they are not complaint with the law and obligating the company to return it again, and the decision in this regard shall be final.

### Article 97

First: In joint-stock and limited liability companies, each shareholder shall have a number of votes equal to the number of shares he/ she owns.



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Second: In joint liability company, the votes shall be calculated on the basis of percentage of each partner's share of the capital.

### Article 98

First: Voting shall be public, except for issues related to the election and dismissal of the board of directors or any other member of it in the joint-stock company and the exception of the authorized director in other companies, also if so requested by a number of members holding at least %10 ten per cent of the stocks and shares represented at the meeting whatever the subject to be voted on, then the vote shall be confidential.

Second: The decision of the amendment of the contract of the joint-stock company, increasing or reducing of the capital, the sale of half of the company's assets in a deal that is outside its normal businesses, approval of transaction in accordance with Paragraph (Fourth) of Article (56), a decision to merge the company with others or to transform or liquidate it shall not be taken only by the majority of due instalment-paid prescribed stocks owners, unless the company's contract requires a higher percentage, none of these decisions with respect to a limited liability company shall be taken, except on the basis of the majority of the votes repaid on the date of calling for convening its general assembly meeting, unless the company's contract requires a higher percentage. Neither of these decisions shall be taken in the case of the joint liability company, except on the basis of the unanimous vote of its shares. In the event of the tie vote in the limited liability company and the unanimity of the votes in the joint-liability company being impossible, recourse to the competent court to settle the matter shall be permitted. Decisions on the other matters shall be taken on the basis of the majority of the votes of stocks or shares represented at the meeting, unless the company's contract requires a higher percentage.



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### Article 99

The decisions of general assembly shall be sending to the registrar within seven days from the date of adoption of these decisions and its certified copy by his/ her shall be a document valid for submission to any party.

### Article 100

The %5 shareholders of the company shall have the right to appeal against the decisions of the general assembly to the registrar within seven days from the date of their taking. The registrar shall issue his/ her decision within fifteen days from the date of objection. His/ her decision shall be subject to appeal to the competent court of the first instance within seven days from the date of notification. In doing so, the court shall consider the objection as a matter of urgency and its decision shall be final.

### Article 101

The owner of individual project or limited liability Company owned by one person shall substitute the general assembly, and the provisions of this law shall be applied on him/her except those concerning meeting.



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### **Branch Two** **The powers and competences of General Assembly**

#### **Article 102**

The general assembly is the higher body in the company and shall decide on all that is in its interest, and it may particularly undertake the following things:

**First:** Discussing and endorsing the report of the founders about the procedures of establishing the company at the holding of constitutive meeting.

**Second:** Electing persons, out of the public sector, to represent the stockholders in the board of the directors of the joint-stock company, and electing and dismissing the members of board of directors of the joint-stock company to present all shareholders of the company.

**Third:** Discussing the reports of the boards of directors in the joint-stock company and the authorized director in the other companies and auditor and any other reports received from competent authority, and taking the necessary decisions.

**Fourth:** Discussing and endorsing the final accounts of the company.

**Fifth:** Discussing and endorsing the suggested annual plan and the planning budget for the next year in companies except joint-stock companies.

**Sixth:** Appointing an auditor and determining his/her wages in special companies.

**Seventh:** Discussing the suggestions concerning the borrowing, mortgage and bail and making decisions concerning them in limited and joint liability companies.

**Eighth:** Endorsing the portion of profits that should be distributed to the members and determining the percentage of the mandatory reserve or any other reserves it deems appropriate.



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Ninth: Determining the remuneration for the chairman and members of board of directors in mixed and special joint-stock companies commensurate with their efforts in accomplishing the tasks and achieving plans and profits.

Tenth: Endorsing the rules of service in mixed joint-stock company prepared by the company's board of directors.

### **Chapter Two** **The Board of Directors in Joint-Stock Company**

#### **Branch One** **The Establishment of the Board of Directors**

#### **Article 103**

First: The board of directors of the mixed joint-stock company shall be consisted of seven original members shall be appointed as following:

1. Two members representing the state sector appointed by a decision of the minister or the deputy minister in charge of the sector to which the company belongs, unless the share of the state sector in the capital of the competent company on the date of appointment of the two members exceeds %50 fifty per cent of the company's capital, in this case, the minister or the deputy minister in charge of the sector to which the company belongs shall appoint three persons to the board of directors representing the state sector.
2. The general assembly of the company shall elect five members of the shareholders outside the state sector, unless the share of the public sector in the mixed company at the date of appointment is over %50 fifty per cent of the capital of the company, in this case, the general assembly shall appoint four persons outside the public sector representing the shareholders in the company.



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Second: The board of directors of the mixed joint-stock company shall have seven reserve members, they shall be chosen according to the decided way and portion of the choosing the original members.

### Article 104

First: The board of directors of the special joint-stock company shall consist of at least (5) five original members and no more than (9) members chosen by the members of general assembly of the company.

Second: The board of directors of the special joint-stock company shall have reserve members chosen by the same way and portion decided for the original members.

### Article 105

Suspended

### Article 106

First: The member of the board of directors should be:

1. Enjoying legal competence.
2. Not being prohibited from managing companies in accordance with law or decision issued by legally competent authority.
3. Owning at least two thousand shares if he/ she represents private sector and if his/her shares fall below this limit, he/ she shall complete this shortage within thirty days from the date of obtaining the membership of the board, otherwise, he/she shall be deemed losing his /her membership at the expiry of the deadline.

Second: If the member loses one of the conditions mentioned in Item (First) of this article, he/ she shall deemed losing his/her membership from the date of





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losing one of the condition mentioned above, Any decision taken in his/her presence shall be considered invalid if his/her vote on it has affected his/ her decision .

Third: The period of membership of board of directors shall be three years from the date of its first meeting, and the period shall be renewable.

### Article 107

First: If the elected shareholder doesn't accept the admission of the membership of the board of directors, he/ she shall notify the board about this within seven days from the date of his/ her election if he/ she attends the election meeting, and the date of notifying him/ her in case of his/her absence.

Second: If the member of the board of directors resigns, his/ her resignation should be in writing, and shall not be considered valid only from the date of its acceptance by the council.

### Article 108

First: If one of the seat of a member of board of directors representing the state sector becomes vacant, the board shall invite one of in the serve members to take this seat and attend the meeting of the board of directors as a member, the board should take into consideration in the invitation the order of the names of the reserve member in the reserve member list for each sector.

Second: If one of seats of membership that represents the private sector in the board of directors is vacant, the chairman of the board shall invite the reserve member who received majority of votes, if more than one member receive equal votes, the chairman of the board shall choose one.

Third: If more than one vacancy in the seats of private sector membership occur in the board of directors, and the number of the serve members is not enough to



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fill this vacancies, the chairman of the board shall invite the general assembly to elect original members to complete the shortage of the membership of the board after introduction of the reserve and electing other reserve members in instead of within sixty days from the date of the vacancy occurred.

Fourth: If the board of directors of joint-stock company loose half of its members at the same time, the board shall be considered dissolved and it should invite the general assembly to meet within thirty days from the date of losing to elect new board.

### Article 109

If one of the members of board of directors doesn't attend the meeting, the procedures shown in Items (First and Second) of Article (108) of this law shall be taken as the case may be and the reserve member shall be replaced the original one at the time of his/ her absence.

### Article 110

First: It is not allowed for any person to become member of board of directors of more than six companies at the same time, he/ she may at the same time take over the chairmanship of the board of the directors of one or two companies.

Second: It is not allowed to the chairman or member of board of directors to be a chairman or member of board of directors of another company that have the same activities, unless he/ she gets an authorization from the general assembly of the company he/ she is the chairman in which or holds its membership of the board of directors.



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### **Branch Two** **Meeting of Board of Directors**

#### **Article 111**

The board of directors shall meet within seven days from the date of its formation and it shall elect by secret ballot from among its members a chairman and vice-chairman to replace him/ her in his/ her absence for a renewable year.

#### **Article 112**

First: The board of directors shall meet at least once every two months at the request of its chairman or one of its other members.

Second: The meeting shall be held at the centre of company's management of the company or any other place inside Iraq selected by the chairman if the meeting cannot be held at the centre of its management.

#### **Article 113**

The quorum shall be accounted after thirty minutes after holding of the meeting and the meeting shall be held in the presence of the majority of its members.

#### **Article 114**

First: The decisions of the board shall be taken by an absolute majority of attending members, in case of equal votes; the chairman shall be having the casting vote.

Second: Suspended.



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### Article 115

If the chairman of the board, his/ her deputy or any other member is absent from three consecutive meeting without a legitimate excuse, or attending consecutive meetings for a period exceed six months even with legitimate excuse, he/ she be deemed resigning.

### Article 116

First: The summary of the discussions, suggestions take place in the meeting shall be registered in special record and the objecting opinions shall be recorded and signed by the members present.

Second: The decisions of board of directors shall be registered in special register and signed by the chairman of the board.

Third: The copies of the certified-by-registrar decisions of the board shall be valid document for submission to any party, provided that the registrar keeps a copy.

## Branch Three

### The Powers and Competences of the Board of Directors

### Article 117

The board of directors shall assume the administrative, financial, planning, organizing and technical tasks necessary for the functioning of the company except those tasks within the competence of the general assembly; in particular it shall have the following competencies:



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First: Appointing the authorized manager and determining his/ her wages, bonus, powers and competencies and supervising his/ her jobs and directing and releasing him/her from his/ her duty.

Second: Executing the decisions of general assembly and following up their execution.

Third: Laying the final accounts of the prior year within the first six months of each year and preparing overall report about the accounts and the results of the execution of the annual plan and submitting it to the general assembly to discuss and certify it, provided that it includes the following:

1. General budget.
2. Statement of profit and loss account.
3. Any other data decided by the competent authorities.

Fourth: Discussing and approving the annual plan of the company's next year activity.

The plan should be prepared by the authorized director within the last six months of the year in the light of the company's objective, The plan should include an overall report about the activity of the company and draft budget showing the following:

1. Monetary activities
2. Sales
3. procurement
4. labour force
5. Capital Expenditure
6. Production

Fifth: Following up implementation of the plan and submitting periodic reports to the auditor and annual report to the general assembly about the result of the plan implementation.

Sixth: Preparing studies and statistics to develop the company's activities.

Seventh: Taking decisions concerning loans, mortgage and bail.



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Eighth: The board of directors shall establish two committees to submit recommendations about:

- a. Choosing financial independent auditors, who are not employees in the company (Financial Auditing and Control Committee).
- b. Identifying the nature and quantity of wages for the members of the board of directors and authorized director of (Wage Committee), the members of the two committee should not be official employee or shareholder his/ her shares shall not be more than %10 ten hundred per cent of the company shares, and he/ she shall not be related to them in direct kindred relation or through marriage personal or economic interests that could affect the neutrality of his/ her decisions, and he/ she shall declare every act or procedure taken contrary to any of recommendations of one of the two committees and its reasons in the meeting of the general assembly and shall be recorded in the minute of the meeting. The committee of the auditing and financial control shall be responsible for ensuring the accuracy of financial auditing operations and the possibility of relying on it, and close meeting with independent financial auditors shall be held to accomplish that. The committee shall ensures that, during the year, a record of all relevant financial transactions is kept in line with prevailing international accounting standards in order to discuss them with the independent financial auditors.

### Article 118

First: Each decision issued by the board of directors shall be signed by the chairman of the board and sealed by company's seal.

Second: The decisions of the board shall be executed when they shall be issued in accordance with provisions of the law.



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Third: The majority of the members of the mixed joint-stock board of directors may object at the cabinet to any procedures and directions that inconsistent with provisions of this law.

Fourth: The chairman of the board of directors shall be responsible for the following up of the decisions of the board.

### Article 119

First: The chairman of the board or any member are not allowed to utilize direct and indirect interests in contracts and deals concluded with company only if they have a permission from general assembly, depending on his/ her disclosure of the nature and scope of these interests, the chairman or member of the board shall be liable before the company for any damage to the company because of the breach of this article, the compliance with provisions of this article does not excuse from the responsibility stipulated in Paragraph (Third) of article (Four).

Second: The chairman of the board or one of its members may not vote or participate in any direct and indirect interests without disclosing and declaring the nature and the scope of this interest for other non-beneficiary members and obtaining their the majority approval. All members may participate and vote if there are no non-beneficiary members. In both cases, however, all details shall be registered in the minutes of the meeting of the board of directors, and the general assembly and independent and financial auditors may audit and review the accounts of the company.

### Article 120

The chairman and the members of the board of directors shall make their efforts for company interests and manage them correctly and legally to the same extent for their own ones and not less than the usual person and they shall be responsible before the general assembly for any work in this capacity.



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### **Chapter Three**

#### **Authorized Director**

#### **Branch One**

##### **Appointment and Release of the Authorized Director**

#### **Article 121**

Each company shall have an authorized director from its members or from others who have experience and specialty in the field of the company's activity, his/ her competencies, powers, fees and remunerations shall be determined by the board of directors of the joint stock company and the public body in the other companies.

Second: The position of the headship or the deputy of the board of directors shall not be brought together and no one shall be allowed to be the deputy for more than one joint-stock company.

#### **Article 122**

The deputy director shall be dismissed by a reasonable decision by the same authority that appoints him/ her.





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### Branch Two

### The Competence and Powers of the Authorized Director

#### Article 123

First: The authorized director shall undertake all necessary works to manage and run activities of the company within the competence and powers specified for him/ her by the body that appoint him/ her and in accordance with its directions.

Second: Subject to the provisions of Item (First) of this article, the deputy director in limited-liability company, joint-liability company and individual project shall have the same competences of board of directors in joint-stock company stipulated in Items (Second, Third, Fourth, Fifth and Sixth) of Article ( 117) of this law .

#### Article 124

The authorized director in exercising his/ her competences and powers shall be subject to the provisions of article (119) and (120) of this law, furthermore, it shall be revealed, in written form, the highest five wages and salaries the company pays to their employees, these information shall be accessible to the members of general assembly.



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### **Section Five**

### **Controlling the Companies**

#### **Chapter One**

#### **The Purpose of Controlling and Its Requirements**

##### **Article 125**

The purpose of the control is to ensure that the company implements its contract and the provisions of this law.

##### **Article 126**

In the first month of each year, the board of directors of the joint-stock company and the authorized manager of the other companies shall prepare a list containing the following data:

First: Name of the company, the address of the management centres and branches if any.

Second: The amount of the capital and the statement of shares that the company it consists.

Third: The premiums paid from the value of the shares in the joint-stock company, the amounts paid during the year and those that have not been paid despite their due.



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Fourth: The total number of shares whose owners no longer have the right to retain them.

Fifth: Names, nationalities, addresses, occupations and number of shares of:

1. Members of the company who acquired membership or their membership ended in the company from the date of the last annual list or from the date of registration of the company when preparing the first annual list.
2. Chairman and members of the board of directors and the authorized director of the joint-stock company and the authorized director in other companies.

### Article 127

First: A copy of the invitation to the shareholders to attend the general meeting to discuss the final accounts of the company shall be sent to the registrar, and the following shall be attached to the invitation:

1. Annual list.
2. Final accounts for the previous year and the auditor's report thereon.
3. Report by the director-general on the progress achieved by the company in implementing its plan for the previous year.

Second: In the case of a joint-stock company, the invitation shall be sent to the registrar and accompanied by the data and reports mentioned in subparagraphs (1 and 2) of paragraph (First) of this article, and it shall also be annexed to the report of the Board of Director on the progress made in the implementation of its plan for previous year. The members shall be entitled to get copies of the company's annual report and copies of the data and other reports.

### Article 128

The registrar may request any data and documents from the company in order to carry out his/ her duties under the law.



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### Article 129

Each joint-stock company, limited company and a joint-liability company shall have a register of its members that shall be kept in its registered management centre where the following information shall be recorded:

First: The name of the member, his/ her nationality, his/ her occupation, his/ her address, the number of shares and the amount of shares he/ she owns and the date of his/ her ownership.

Second: The number of shares of each member and the amount paid for each share in the joint-stock company and limited company.

Third: Date of the end of the membership and its reason.

### Article 130

If the name of a person is registered in the register of members or deleted from it in error or contrary to the provisions of this law, or if there is a deficiency or undue delay in the registration of the person entitled to membership or in the writing off the person whose membership has expired, that person and any member of the company may demand the company to correct the register, if it refuses, he will have the right to meet the registrar to compel the company to correct, without prejudice to his right to claim the company compensation if he/ she suffers a harm as a result.

### Article 131

Everything contained in the register of members shall be deemed valid unless proved otherwise.



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### Article 132

First: The member has the right to access the register of members. If this is prevented, he/ she has the right to review the company in order to bind the company to enable him to access to the register.

Second: In the joint-stock, limited and joint-liability companies, the company's records shall be shown to the members for viewing it during the ten days preceding the meeting of the General Assembly and during the period of its meeting.

## Chapter Two

### Financial Controlling

### Article 133

First: The accounts of the mixed company shall be subject to the control and audit of the financial control bureau. The accounts of the private company shall be subject to controlling and auditing by auditors appointed by the general assembly of the company. The accounts of related companies should be consolidated in accordance with international accounting standards unless they have been specifically modified by applicable standards in Iraq.

Second: The auditor shall submit a report to the company on the accounts within thirty days from the date of completion of the preparation thereof.



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### Article 134

The report of the board of directors on the final accounts of the shareholding company, the report of the authorized manager in the other companies and the detailed data on the company's activity shall include in particular the following:

First: The important contracts entered into by the company during the previous year and the works that achieved the interests of the owners of 10% or more of the company's shares, the board members, the authorized director, the interests of their families, the interests of the entities under their control and any other interests make any trade a transaction with a related party, as well as under international accounting standards and to the extent permitted to apply those standards in Iraq.

Second: Results of operations, including revenues and distribution of net profits. (76)

Third: Reserve balance and its uses.

Fourth: The amounts obtained by the current and former members of the Board of Directors and the authorized director as cash or in kind remuneration and bonuses.

Fifth: Amounts spent for advertising, travel, hospitality and donations with explanatory statement.

### Article 135

The general assembly shall hold a meeting to discuss and approve the final accounts within sixty days from the date of completion of its audit.



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### Article 136

The auditor shall give his opinion on the final accounts of the joint-stock company before its general assembly. This may be done in other companies. In any case, the opinion of the controller shall address the following matters:

First: The accuracy of the accounts of the company and the accuracy of the data contained in the final accounts and the extent to which he is allowed to see the information he requested about the company's activity with his opinion in the report of the board of directors.

Second: The extent to which of the company's application of the applicable accounting assets, in particular those related to bookkeeping, accounting records, asset inventory and company obligations.

Third: The extent to which the final accounts reflect the fact of the financial position of the company at the end of the year and the results of its operations.

Fourth: The extent to which accounts conform to the provisions of this law and the company contract.

Fifth: Violations of the provisions of this law or the company's contract in any manner affecting its activity or financial position, indicating whether such violations exist upon auditing the final accounts.

### Article 137

The auditor shall be inquired as to the accuracy of the data contained in his/ her report as an agent of the company in the control and audit of its accounts.

### Article 138

The final accounts shall be signed by the chairman of the board of directors, the authorized director of the joint stock's company and the authorized director of the



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other companies. Each signee shall be responsible for the accuracy of the data contained therein.

### Article 139

The copies of the final account, the annual plan and the reports prepared thereon shall be sent to the registrar, and the resolutions of the general assembly relating to all this shall be sent to the registrar as well.

## Chapter Three

### Inspection

### Article 140

The company shall be subject to inspection by an inspector of one or more jurisdictions chosen by the registrar in the event of a substantiated allegation that the company violated the provisions of the law, its contract, or the decisions of its bodies by one of the following parties:

First: Suspended

Second: Members of the company shall hold 10% ten per cent of the value of the subscribed shares or from its shares.

Third: Member of the board of directors in a joint-stock company and authorized director in other companies:

### Article 141

The registrar shall, if necessary, may appoint an inspector without any authorization from any authority. If the company considers that the registrar has exercised its





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powers under this section for unlawful purposes, it may request that it be proved by the competent court and thus obtain an order prohibiting the registrar from carrying out any unlawful act.

### Article 142

First: The registrar shall specify the functions and framework of the inspector in detail as well as the nature of the reports to be prepared thereon.

Second: The appointed inspector shall submit his/ her inspection report to the registrar, the registrar then shall send a copy of the report to the company and to the person responsible for the prosecution referred to in article (140).

### Article 143

The general authority of the company may appoint an inspector with competence to inspect the work of the company, determine its functions and framework and the nature of the reports it submits to the company, provided that a copy thereof shall be submitted to the registrar.

### Article 144

All officials in the company must present all the books, documents and records that are in their possession or at their disposal which are called for by the inspector. He may ask clarification and question any of the employees of the company and any of those who have any relation with any matter related to the subject for which inspection is conducted.

### Article 145

If the inspector's report indicates that a member of the board of directors, a director, a commissioner, a member of the company or any official in the company, currently or



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previously, does an act called for accounting about it, the registrar must inform the competence authorities to take the appropriate action.

### Article 146

The registrar shall take appropriate measures to rationalize and direct the company in the light of the proposals contained in the inspector's report.

## Section Six

### Termination of the Company

#### Chapter One

#### Reasons of Dissolution

### Article 147

The company shall be terminated for one of the following reasons in accordance with provisions of this law:

First: The Company does not start its activity despite the passage of one year after its establishment without a legitimate excuse.

Second: The Company ceases to operate continuously for more than one year without a legitimate excuse.

Third: The Company completes the project that it was established for its implementation, or that the project becomes impossible to implement.



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Fourth: The merger or transformation of the company in accordance with the provisions of this law.

Fifth: Loss of the company 75% (Seventy-five percent) of its nominal capital and not to take the procedure provided for in Paragraph (1) of this law within sixty days from the date of its confirmation under the budget.

Sixth: The decision of the general assembly of the company to liquidate it.

## **Chapter Two**

### **Company Merger**

#### **Article 148**

One company or more may be merged into another, or two or more companies may be merged to form a new company.

#### **Article 149**

Companies may be merged provided that:

First: Suspended.

Second: The merger does not lead to:



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1. The loss of the joint-stock company share of its moral personality in favour of a limited or the joint-liability company.
2. The loss of the limited companies its legal personality in favour of a joint-stock company.
3. The loss of a joint-stock, limited, or joint-liability company, or individual enterprise its legal personality in the favour of the partnership.

Third: The merger shall not lead to an increase in the number of the company merged into resulting from the merger above the limit legally determined for it in accordance with its type.

Fourth: Suspended.

### Article 150

For the purpose of merger, the following actions shall be taken:

First: Preparation of an economic and technical study for the joint stock companies to be merged, including objectives, rationales, conditions of merger and any other data, and submitting them to the general assembly of each company.

Second: The decision of merger in the general assembly of each company shall be taken separately, and it shall be specified the name and type of the company to be merged, and the company that to be formed from the merger, its capital, the number of its numbers and its activities. The decisions shall be sent with the study to registrar within ten days after their taking.



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Third: If the registrar decides within 15 (fifteen days) from receipt of the decisions that they are in compliance with the law, he/ she shall issue a permission to publish them without delay, and he/ she shall the companies notify of his/ her decision. The companies shall publish the decisions in the bulletin and one of the daily newspapers.

Fourth: Suspended.

Fifth: Suspended.

Sixth: Companies that have been approved by the registrar shall be invited to hold a joint meeting of their general assemblies within (60) sixty days from the date of publication of the merger. The purpose of this joint meeting shall be amending the existing contracts of the emerging companies or to establish a new contracts for the company resulting from the merger, as the case may be, the contract shall be sent to the registrar within (10) ten days for notifying and publication it the bulletin and in one of the daily newspapers.

## Article 151

The merger shall be effective from the date of last publication of the modified or new contract as the case may be, on this date, legal personality of the companies that merge into another company or those companies that merge to be a new company shall be ended. The registrar's approval on the contract in the last case shall be deemed as foundation license.



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### Article 152

The rights and obligations of the merging company shall be transferred to the merged company or arising from the merger.

## Chapter Three

### Company Transformation

### Article 153

A company of a kind may be transformed to another kind of those kinds provided for in this law, subject to the following exceptions:

First: The joint-stock company may not be transformed into a limited or joint-liability or to an individual enterprise, nor a limited company into a joint-liability company.

Second: A limited company or a joint-liability company shall not be transformed into an individual enterprise except in the case of a decrease in the number of its members to one member.



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Third: A limited, joint-stock or joint liability company or individual enterprise may not be transformed into partnership.

### Article 154

The company shall prepare an economic and technical study, including the objectives and rationales for the transformation, and submit it to the general assembly.

Second: The transformation shall be made by a decision issued by the general assembly of the company, accompanied by an amendment of its contract in accordance with the new situation. The decision shall be sent with the study and the amended contract to the registrar within ten days from the date of issue.

Third: The transformation to a joint stock company shall be by the entry of new members and the issuance of new shares to be offered for public subscription. The original provisions of the subscription shall apply to new shares, including the provisions of articles (44) and (47) of this law.

### Article 155

First: If the registrar decides within 15 days of his/ her receipt of the decision of the company's transformation and the modified contract that they are in conformity with the law, he/ she shall approve the transformation and modified contract without delay, and shall notify the company accordingly. The company shall



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publish the permission of the decision of transformation in the bulletin and in a daily newspaper.

Second: Suspended.

Third: Suspended.

### Article 156

The transformation shall be effective from the date of the last publication of the transformation decision and amended contract.

### Article 157

In the case of the joint-liability or individual project transforms into a joint-stock or limited company, the responsibility of its members for its obligations prior to its transformation shall be unlimited personal liability, and the liability shall also be joint for the members of the joint-stock company.





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### Chapter Four

### Liquidation of Company

#### Article 158

First:

1. If the general assembly of the company decides to liquidate the company or if any of the reasons stated in paragraphs (First, Second, Third and Fifth) of article (147) of this law are met, and the general assembly recommends the liquidation of the company, the company shall appoint one or more liquidators and determining his/ her competence and wage, and the company must send the decision or recommendation to the registrar.
2. The liquidator shall be deemed the agent of the company within the limits of competences granted to him/ her during the liquidation period.

Second: Suspended.

#### Article 159

The decision of liquidating the company or recommendation of its liquidation shall be justified. The decision and its reasons shall be sent to the registrar within (14) fourteen days from adoption of the decision. The registrar may request additional



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information or to discuss with the general assembly of the company in order to ascertain the reasons for liquidation.

### Article 160

If the registrar verifies that the reasons for liquidation of the company did not involve fraud or illegal work, the company's decision to liquidate and appoint the liquidator shall be issued during (10) days from the proof of the reasons for liquidation, the registrar shall inform the company of such information, the company shall then publish this information in a bulletin and in one daily newspaper.

### Article 161

Suspended

### Article 162

Suspended

### Article 163

Upon notification of the liquidation decision, the company shall cease to make any change in its membership and to arrange of any new obligation, and its activity shall continue to the extent necessary to meet its obligations in accordance with the matters of liquidation.



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### Article 164

First: The Company shall retain its legal personality for the period of liquidation, provided that it is mentioned under liquidation wherever its name is mentioned.

Second: The general assembly of the company shall remain existing during the period of liquidation. The board of directors, if any, shall be considered dissolved, and the task of the authorized director shall be terminated from the date of notification of the liquidation decision.

### Article 165

The liquidation shall not result discharging the founders of the company, its members or its management officers from any liability which they have incurred during the course of their activity in the company.

### Article 166

Each interesting party may challenge the validity of any financial obligation that the company ensued for itself during the six months preceding the issuance of the decision of liquidation before the competent court.

### Article 167

If the general assembly of the company does not appoint the liquidator within thirty days from the date of its notification of the liquidation decision, or if the liquidation decision is issued by the registrar in accordance with the item (Second) of article



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(158) of this law, the registrar shall appoint the liquidator and specify his/ her term of reference and wages to be borne by the company.

### Article 168

The liquidator shall, immediately upon his appointment, lay hands on the company's assets, including its records, documents and papers. He/ she shall inventory and prepare a comprehensive report on the company's situation, including the debts and right it has and those it owes then send a copy to the registrar.

### Article 169

Suspended

### Article 170

Within ten days of his/ her appointment, the liquidator shall summon the creditors of the company and each plaintiff against it by a declaration shall be published in two daily newspapers to meet in a specific time and place for the settlement of the debts and rights of the company without prejudice to the right of every interested party to review other legal methods.

### Article 171

The liquidator shall submit a report to the registrar on the progress of liquidation at least every three months. The registrar may invite him/ her to deliberate on any matter pertaining to legal proceedings for liquidation.



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### Article 172

If the party that appointed the liquidator finds that he/ she is deficient in his/ her works, then it may dismiss him/ her and appoint a liquidator instead, it also may appoint an additional liquidator or more at any stage of the liquidation if it is found that the liquidation proceedings require so, provided that the decision of the dismissal and appointment is published in the bulletin and in a daily newspaper.

### Article 173

The liquidator shall invite the general assembly of the company to meet during the first two months of each fiscal year, to discuss and approve the budget for the year ended and its accounts, the report of the auditor and the annual report on the progress of the liquidation works and appoint an auditor for the New Year. He/ she may invite the general assembly to meet at any time as well if the liquidation necessities so require.

### Article 174

The liquidator shall repay the company debts in accordance with the following order after deducting liquidation expenses:

First: Amounts due to the employees of the company.

Second: Amounts due to the state.



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Third: Other outstanding amounts following to the order of their concession in accordance to the laws.

### Article 175

First: The filling and approval of liquidation and decision of liquidation shall be considered as a request of announcement of the solvency of the debtor in respect of the preservation of the rights of creditors.

Second: Any transformation, waiver or other disbursement to the liquidated company's funds shall be deemed invalid if it is in the favour of some creditors by the fraud.

Third: Any mortgage contracts or that confer a concession on the company's funds or assets and held during the three months prior to the commencement of the liquidation shall be invalid; unless it is proved that the company is affluent after the end of the liquidation. The judgment of invalidity of such penalty shall not be applied except in excess of the amount paid to the company in turn for such contracts at the time of its establishment or thereafter with its legal benefits.

Fourth: No seizure shall be made against the funds of the company after the commencement of liquidation proceedings shall be deemed valid unless it is made pursuant to a decision of the competent court, except for the detention carried out for the benefit of state departments, sectors or for the benefit of the workers in order to pay their wages.



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### Article 176

Upon completion of the liquidation proceedings, the liquidator shall prepare a final report and the final accounts to which the auditor's report shall be attached. He / she shall invite the general assembly to discuss and ratify it. He/ she shall send a copy of the minutes of the meeting with his/ her decisions to the registrar and shall be accompanied by the final report, final accounts and the auditor's report.

### Article 177

First: The register shall issue his / her decision to remove of the name of the company from his/ her records. The decision shall be published in the bulletin and a daily newspaper within ten days from the date of its issuance in one of the following cases:

1. If it's found that the liquidation is done in accordance with the law.
2. If the liquidation procedures take more than five years from the date of his/ her liquidation decision, and it is proved for the registrar that the liquidation proceeding cannot be completed.

Second: The Company's legal personality is considered expired from the date of issuance of decision of writing off its name.

### Article 178

First: The liquidator shall distribute the remaining funds of the company to its members in accordance with their stocks and shares within thirty days from the date of his/ her notification of the decision of writing off the name of company, he/ she may repay part of this money to the members during the



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liquidation period to the extent that it does not prejudice obligations of the company.

Second: The distribution of the company's funds to the foreign investors shall be in accordance with the provisions of paragraph (2) of section (12) of the order no (39) which issued from coalition provisional authority.

### Article 179

It's not permissible to claim a debt or a right on the company upon the decision to write off its name, if a creditor appears that has not gotten his/ her right, and the liquidator was not aware of this right, the creditor may demand the members of the company with what they devolved upon in accordance with their shares or stocks, within three years from the date of writing off the company and he/ she may not claim thereafter.

### Article 180

The liquidator shall keep the records of the company for a period of five years from the date of writing off its name.





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### Section Seven Partnership

#### Article 181

A partnership shall be consisted of a number of partners not less than two and not more than five who shall provide shares in the capital or one of them or more shall provide a work and others provide money.

#### Article 182

The partnership contract shall be certified by the notary public and a copy of it shall be deposited with the registrar, otherwise the contract shall be void.

#### Article 183

The partnership shall acquire the moral personality from the date of depositing a copy of its contract with the registrar.

#### Article 184

The contract shall specify the amount of the share for each partner in the capital of the partnership, otherwise the shares shall be deemed equal, if the share a work, it must be indicated to its nature.

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### Article 185

First: If the contract does not specify the share of the partners only in the profit, it this share shall be considered in loss also, and if it determined the share in loss, this shall be considered as a profit also. However, if the share is determined neither in profit nor in loss, the share of each of the partners is as much as his / she share in the capital of the company.

Second: If the contract does not specify the share of the partner who provides his/ her as a work, his/ her share in profit and loss shall be estimated in accordance with what the company earns from this work. If he/ she provides money over the work, he/ she shall have a share of the work and another share of what he/ she did above the work.

### Article 186

First: If it's agreed that one of the partners does not contribute to the profit or the loss, the contract of the company shall be void.

Second: It may be agreed to exempt the partner who does not submit only his/ her work from contributing in loss, provided that the wage for him/ her work has not been decided.

### Article 187

The contract of the company shall determine the method of administration and appoint the delegated partner or how to be chosen, and the contract shall determine his/ her authority, otherwise the contract shall be deemed void.

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### Article 188

The managing-delegated partner shall undertake all the works necessary for the management of the company and running its activities within his/ her authority and in accordance with the direction of the authority that appoints him/ her.

### Article 189

The managing-delegated partner shall exert the same care in managing the interests of the company as he/ she does in the management of his / her own interests, provided that his/ her care shall be not less than the usual person's care.

### Article 190

The partnership shall be terminated for one of the reasons mentioned in items (First, Second, Third and Fourth) of Article (147) of this law, and it shall be terminated for one of the following reasons:

First: Consensus of the partners to dissolve it.

Second: Withdrawal of one of the two partners in the company consisting of two persons.

Third: Final judgment issued by a competent court.

### Article 191

The partners may request the court to issue a decision to dismiss partner whose behaviour may be considered as a valid reason for dissolving the company, provided that the company remains existing among other companies.



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### Article 192

If a partner withdraws, his/ her share may be transferred to another partner with the agreement of the other partners, if they disagree; they must accept the share of withdrawing partner by a value estimated by the court.

### Article 193

In the case of the partner's death, bankruptcy and attachment, the provisions of article (70) of this law shall be applied as the case may be.

### Article 194

A partnership company shall be liquidated in accordance with what is stipulated in its contract, and in the absence of a provision, in the manner agreed upon by the partners unanimously, otherwise, by a decision of the court.

### Article 195

The authority of the partner who delegated to the management shall be terminated upon the dissolution of the company, as for the company's personality, it shall remain to the extent necessary for liquidation until it is terminated.

### Article 196

First: The liquidation process, if necessary, shall be carried out by all partners or one or more liquidators appointed by the majority of the partners, if they do not agree to appoint a liquidator, the court shall appoint him/ her.



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Second: In cases where the company is void, the court appoints, on its own or at the request of each interested party, the liquidator and determines the method of liquidation.

Third: Until the liquidator is appointed, the partner delegated to the management shall be considered as a liquidator for the others.

### Article 197

First: The liquidator may not start anything new from the company's business, except what is necessary to complete the previous works.

Second: The liquidator may sell the company's property as movable or real estate, either by auction or by practice, unless his/ her appointment order is restricted by his/ her authority. He/ she may not sell the company's property, except to the extent necessary to meet its debts, unless the partners agree otherwise.

### Article 198

First: After the creditors are paid their dues and after deducting the amounts necessary to meet debts of other cases disputed on, and after the reimbursement of the expenses or loans that one of the partners has done in the interest of the company, the remainder of the company's funds shall be divided among all the partners.

Second: Each partner of the partners shall be assigned a share equal to the value of the share that he / she provides in the capital as set forth in the contract or equivalent to the value of such at the time of its delivery if it's value is not specified in the contract, unless the partner is limited in his/ her work. If something remains after that, it must be divided among all the partners as much as the share of each of them in the profits, however, if the company's



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net capital is not sufficient to meet the shares of the partner, the loss shall be distributed to them in accordance with the agreed share in the distribution of losses.

### Article 199

In the division of the partnership's money, it shall be followed the same procedure followed in dividing the common money.

## Section Eight Miscellaneous Provisions

### Chapter One General Provisions

### Article 200

The registered address of the centre of the company management shall be considered as the address of its correspondence and communications. The company shall notify the registrar of any change in this address within seven days of the change.

### Article 201

The company must confirm its full name and its capital in all its descriptions in its headquarters, branches and its activities places. They shall be printed on its papers,



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documents and all what issued about it, provided that they shall be in Arabic language with the possibility of using foreign language as an addition.

### Article 202

The company shall have a special seal for stamping its transactions, correspondences certificates and what issued by it, and it may not be used only by authorized person.

### Article 203

The contract of the company shall not be considered valid until it is ratified by the registrar in accordance with the provisions of the Article (19).

### Article 204

The decisions of the registrar may be objected to the minister of commerce within (30) thirty days from the date of notification thereof, and the minister's decision may be challenged as set forth in Article (24) of this law.

### Article 205

If the number of members of the company becomes below the legal limit in accordance with its type, the number must be completed within (sixty) days of the occurrence of the shortage. If the period passes and the registrar does not give the additional grace, must be transferred to another type of company in a manner permitted by law.



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### Article 206

The registrar shall issue a special bulletin for the companies; it shall publish in it, at the company's expense, everything that must be published about the companies in accordance with the provisions of this law.

### Article 207

Ministry of Commerce, in cooperation with Ministry of Finance, Federal Board of and Supreme Audit Planning commission, shall issue instructions regarding the accounting system which the company must adopt, and all related to the final accounts.

### Article 208

First: Minister of Commerce may issue instructions to facilitate the implementation of the provisions of this law.

Second: The registration of agency and agent law no (4) of 1999 shall not be applied. No company is required to appoint a commercial agent as a condition of registration, but it may do so. Furthermore, no company is required as a condition of registration to submit a certificate attesting to its compliance with the tax law or its acquittal from the tax. The minister of commerce shall be authorized to issue instructions to coordinate the registrar's activities, the chamber of commerce regarding the registration and approval of trade names, regardless any provision contrary to that in the law on the establishment of chambers of commerce no (43) of 1989.





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### Article 209

The fees shall be levied on the transactions related to this law in accordance with the schedule attached to it. The Ministry of Commerce may amend the schedule in accordance with the changes in the costs and in order to conform the fees to the costs of the procedure.

### Provisional Provisions

### Article 210

Within ninety days of entry into force of this law, the economic projects provided in Article (10) of this law shall take the form a company and the competent sectorial bodies shall provide the registrar with their registered economic projects to which this law applies, during the period between the publication of this law and its entry into force.

### Article 211

- First: The provisions of order no (39) issued by the collation provisional authority and the provisions of regulations and instructions issued pursuant hereby shall be applied to branches and offices of foreign companies and institutions.
- Second: The penalties stipulated in the articles (216, 217, 218 and 219) of this law shall be applied to the branch, office or their officials, when they commit what is required to remain on the law.



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### Article 212

The provisions of bankruptcy in respect of the insolvency shall be applied wherever it is mentioned in this law until the provisions of the insolvency regulated by the law.

## Chapter Three Penal Provisions

### Article 213

First: Any economic project is not taken the form of company shall be punished by a fine (1000) one thousand dinars for each day of delay following grace provided for in article (210) of this law.

Second: The penalty stipulated in Paragraph (First) of this article shall apply to every branch or office of a company that must be re-registered or re-liquidated, the fine shall be applied for each day of delay following the time periods provided for in the regulations and administrative instructions issued under order no (39) of the coalition provisional authority.

### Article 214

If three months have passed since the fine was realized and the entities mentioned in article (210) of this law haven't taken the necessary measures to change or modify their conditions, the registrar shall approach the competent sectorial authority to take appropriate measures against the abstaining party, with the continued imposition of a daily fine.



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### Article 215

First: Any person who practices an activity in the name of a joint stock company, a limited liability company, a joint-liability company or individual project without obtaining the company foundation registration certificate shall be subjected to payment of a fine not exceeding (3.000.000) three million dinars, and shall take into account when determining the fine the severity of the violation and the provisions of paragraph (First) of article (21) of this law.

Second: Any person who engages in an activity in the name of a branch or office of foreign economic company or institution without obtaining the required registration certificate shall be subjected to the same penalty provided for in paragraph (1) of this article, unless the relevant laws provide otherwise.

### Article 216

Any company which doesn't prepare the records to be prepared and which are provided for in this law shall be subjected to a fine not exceeding (10.000.000) ten million dinars according to the severity of the violation.

### Article 217

Any company that does not provide the required data and information which must be submitted to a competent official body at the times specified in the provisions of this law shall be subjected to a fine not exceeding (300.000) three hundred thousand dinars for each day of delay in accordance with the severity of the violation .



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### Article 218

Any official in a company intentionally gives incorrect data or information to an official body about the activity of the company or the results of its operations, its financial status or stocks and shares of its members, or how to distribute the profits shall be subject to penalty. The penalty shall imprisonment for a period not exceeding one year or a fine not exceeding (12.000.000) twelve million dinars, the two penalties may be imposed in accordance with the severity of the violation.

### Article 219

Any official in a company that prevents a competent authority from accessing the company's records or documents shall be subject to the penalty. The penalty shall be imprisonment for a period not exceeding six months, or a fine not exceeding (12.000.000) twelve million dinars. The two penalties may be imposed on the severity of the violation.

## Chapter Four Final Provisions

### Article 220

First: The companies law no (36) 1983 shall be repealed and the regulation and instruction issued there under that are not inconsistent with the provisions of this law shall remain in force until the issuance of the amendments thereto or repealing them.



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Second: Any provision that contravenes the provision of this law shall not be applied.

### Article 221

This law shall be implemented (90) ninety days after the date of its publication in the Official Gazette.

Written in Baghdad on the 15<sup>th</sup> of Rabi (II) in 1418 AH corresponding to the 18<sup>th</sup> of August in 1997 AD

**Saddam Hussein**  
**President of the Republic**



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### Schedule of Fees

First: The registrar shall collect the following relative fees for the establishment's license of company.

1. Ten per thousand of the capital of the company up to (50.000) fifty thousand dinars thereof.
2. Six per thousand of the capital of the company, which is more than (50.000) fifty thousand dinars to (100.000) hundred thousand dinars.
3. Three per thousand of the company's capital which exceeds (100.000) one hundred thousand dinars up to (500.000) five hundred thousand dinars.
4. (250) two hundred and fifty dinars for every (100.000) one hundred thousand dinars of the company's capital, which is more than (500.000) five hundred thousand dinars.

Second: The registrar shall collect a lump fee of (10.000) ten thousands dinner for registering a branch of a foreign economic company or institution.

Third: The registrar shall collect upon the increase of the capital of the company what he/ she collects at the time of its establishment in accordance with percentages stated in Item (1) of this schedule in accordance with the planned increase.

Fourth: The registrar shall collect a fixed fee of (250) two hundred and five dinars for the amendment of the company's contract, except for the amendment of increase in its capital.

Fifth: The registrar shall collect a fee of three per thousand of the net funds allocated for distribution upon liquidation of the company, provided that it shall not exceed ten thousand dinars.

Sixth: The registrar shall collect a fee of (50) fifty dinars for the deposit or ratification of any document he has or its ratification and (25) twenty five dinars for copying each page.



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Seventh: The courts shall collect a lump fee of (500) five hundred dinars for any request submitted to it in accordance with the company law.

### Part Tow

#### **General Provisions Related to Order No. (64) Issued by the Coalition Provisional Authority to amend Companies Law No. (21) Of 1997**

1. The masculine pronoun wherever it mentioned in the law shall, and this order has not been amended, namely the order no (64) issued by the provisional coalition authority, refer to the masculine pronoun, feminine pronoun and things that are neither masculine nor feminine wherever appropriate.
2. All references to the phrase "Iraqi Bank" which have not been modified by this order shall be amended, and the amended text shall be "An authorized bank to conduct its activity in Iraq".
3. All references to the phrase "the socialist sector" which have not been modified by this order shall be amended, and the amended text shall be "The state sector"
4. The severe penalties stipulated in Part Third (3) of Chapter Eight (8) of this law shall be effective after the lapse of 90 days from effective date of this order.
5. The provisions of this law that require general assembly of a company or its board of directors to take any procedure within (a) 90 days from the date of entry into force of this order, (b) at the next meeting of the concerned service or on the date of its next meeting as required by the law if this service does not hold the meeting, whichever comes later shall be applied. The reduction in the number of members of the board of directors from the state sector provided for in Paragraph (96) in Section (1) of this order and the elimination of members



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under paragraphs (96) and (97) in section (1) comes at the end of the term of service of the members concerned. However, the additional member allowed under the text of paragraph (96) in section (1) may be elected to represent shareholders from outside the state sector at the next meeting of the general assembly, without taking into account the possibility that this shall increase the total number of directors to more than seven when one of the members of the board representing the state sector is allowed to continue in the board until the end of his/ her term of service.

6. Subject to any additional rules that may be adopted by an authority in the state that is specialized in the stock exchange, the references to the Baghdad Stock Exchange Law shall be deemed to mean the stock market allowed by law, and in the case of more than one stock market, the reference to the Baghdad Stock exchange law shall be deemed a reference to the appropriate market more than other references for the purpose of obtaining prices or achieving sales or providing the required notifications. The provisions of Article (66), Paragraph (Second) of the law shall be applied with respect to any Stock market permitted by law, subject to any additional rules that may be adopted by a state authority specialized in stock exchanges.

### Section 3 Entry into force

This order shall be entered into force on the date of its signature.

**L. Paul Bremer;**  
**Managing Director**  
**Coalition Provisional Authorit**