

Law no. 22 of 1997 on commercial companies

1- The law consists of 299 articles which are in six parts.

In order to carry on any kind of business, trade, or other related activity , a person concerned has to choose the right institutional device through which the proposed business can be conducted.

The law provides for two categories of companies –partnerships and corporations. Company law states six types of companies as follows –

1. general partnership;
2. limited partnership;
3. particular partnership;
4. joint-stock company;
5. partnership limited by shares; and
6. limited Liability Company.

However, all types of companies, except for particular partnership, must be evidenced in writing and registered.

After settling the issue of the type of institutional device required, the next step is to form the company. The authority concerned will require certain documents-such as memorandum of association, articles of association, etc. to be filed in order to form the company. The law provides for six types of companies as follows –

rights and obligations of the firm. A general partnership must be established and registered in accordance with the provisions of the company law, and other existing related laws and regulations.

Such a kind of partnership is a closed firm, no person can be a partner without the consent of all partners, and the same also is true as to the fact that no partner can assign his share to third party. However, in case if a partner withdrew from the partnership, he is still liable for all debts and obligations of the partnership before his withdrawal, unless otherwise agreed between the partners.

Management of the partnership lies with all partners, if there is nothing to the contrary stated in the documents of the partnership.

General partnership may be resolved either for any of the general reasons or for any of the following –

- death of any of the partners;
- bankruptcy;
- withdrawal;
- incapacity ; or
- occurrence of an event which makes it impossible to continue the partnership's business.

A joint-stock company which sells its shares to the public on the stock market shall be established only after obtaining a resolution of the Cabinet of Ministers. However, any joint-stock company which is not intending to sell its shares to the public shall be established by a resolution of the Minister.

The promoters have to start the process of inviting the public for subscription to the company's shares within 15 days from the date of publishing in the official gazette the license to establish the company, but the Minister may, if necessary, extend such a term for a period not exceeding 30 days.

The promoters of a company which sell its shares for the public shall not, directly or indirectly, subscribe to such shares, though they may only cover the remaining unsold shares after two weeks from the date of closing the subscription in accordance with the period specified in the Minister's resolution.

The paid up value of each share must be not less than 20 per cent of its nominal value upon subscription, and provided that the outstanding price of each share must be paid within four years from the date of establishing the company at the dates specified in the articles of association or specified by the board of directors. Each payment of the price of the share must be recorded on the share itself.

Where there are contributions of capital in property, the promoters must make agreement

To be eligible for membership of board of directors, a candidate must be a shareholder. Though, majority of the members of the board of directors are to be of Yemeni nationality, yet if there are foreign shareholders the Cabinet of Ministers may, in exception to the previous provision, issue a resolution permitting the election of foreign shareholders for the board of directors, provided that their percentage representation in the board is not exceeding their percentage share of the capital.

A limited liability company is a company in which a partner is only liable for his own share.

The number of partners must not be less than two and not more than twenty-five.

Limited Liability Company can not do business in the field of insurance, savings or banking. Such a company has no right to issue bonds.

The establishment of the company shall be by a Minister's resolution.

The capital of the company must be sufficient to achieve its objects. The articles of association shall state the minimum of the said capital, provided that it is not less than Yemeni Rials 1,000,000 and it is fully paid up by the establishment of the company.

They must be divided into equal and/or non-equal shares.

A partner may wholly or partially assign his share to a third party, but other partners are

9- Penalties

The law provides for penalties stated in articles 287 through 295. Penalties include fines and imprisonment and also the invalidity of the company which violates the provisions of the law or regulations.