

**COALITION PROVISIONAL AUTHORITY ORDER NUMBER 64**

**AMENDMENT TO THE COMPANY LAW NO. 21 OF 1997**

*Pursuant* to my authority as Administrator of the Coalition Provisional Authority (CPA) and under the laws and usages of war, and consistent with relevant U.N. Security Council resolutions, including Resolutions 1483 and 1511 (2003),

*Having worked* closely with the Governing Council to ensure that economic change as necessary to benefit the people of Iraq occurs in a manner acceptable to the people of Iraq,

*Acknowledging* the Governing Council's desire to bring about significant change to the Iraqi economic system as necessary to improve the condition of the people of Iraq,

*Determined* to improve the conditions of life, technical skills, and opportunities for all Iraqis and to fight unemployment with its associated deleterious effect on public security,

*Recognizing* that some of the rules concerning company formation and investment under the prior regime no longer serve a relevant social or economic purpose, and that such rules hinder economic growth,

*Noting* that Iraqi entrepreneurs and businesses will benefit from more streamlined requirements for forming companies and investing in them,

*Recognizing* the CPA's obligation to provide for the effective administration of Iraq, to ensure the well-being of the Iraqi people and to enable the social and economic functions and normal transactions of every day life,

*Acting* in a manner consistent with the Report of the Secretary General to the Security Council of July 17, 2003, concerning the need for the development of Iraq and its transition from a non-transparent centrally planned economy to a free market economy characterized by sustainable economic growth through the establishment of a dynamic private sector, and the need to enact institutional and legal reforms to give it effect,

*Having worked* closely with the Governing Council, international organizations and relevant Ministries in developing policies that will organize and facilitate the infusion of capital into Iraqi businesses, private sector investment, and transferability of interests,

I hereby promulgate the following:

**Section 1  
Amendments to the Company Law**

- 1) Article 1 of the Company Law No. 21 of 1997 ("the Law") is amended to read as follows:  
"The objectives of this law are to:

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1. organize companies;
  2. protect creditors from fraud;
  3. protect owners from conflicts of interest and related abuses by company officials, majority owners, and others with practical control over the affairs of the company; and
  4. promote the provision of full information to owners in connection with decisions affecting their investment and their company.”
- 2) Article 2 of the Law is suspended.
- 3) Article 3 of the Law is amended to read as follows: “This law applies to mixed and private companies and to all investors. Its provisions shall apply to banks to the extent they do not conflict with Coalition Provisional Authority (CPA) Orders, including but not limited to CPA Order No. 40, promulgating the Banking Law, and CPA Order No. 18, prescribing Measures to Ensure the Independence of the Central Bank of Iraq, and regulations issued under such CPA Orders. This law shall apply to securities transactions, financial investment companies and insurance and re-insurance companies to the extent it does not conflict with the legislation applicable to these transaction and entities or the jurisdiction of the competent state authorities for those sectors. Decisions of the Registrar of Companies (hereinafter “Registrar”) hereunder shall be based upon this law and not upon considerations of economic planning or development policy. Decisions by the Registrar shall not in general foreclose a claim for compensation arising from violation of the law by an injured third party against those responsible for the violation.”
- 4) The heading of Sub-Section One of Section 2 of the Law is amended to read as follows: “The Company’s Contract and Owners’ Mutual Obligations”.
- 5) Article 4, paragraph Second of the Law is amended to read as follows: “With the exception of the provisions of paragraph First of this article:
1. A company may be established by one natural person in accordance with the provisions of this law. Such a company will henceforth be referred to as a ‘sole owner enterprise.’
  2. A limited liability company may be formed with one owner in accordance with the provisions of this law.”
- 6) Article 4 of the Law is supplemented with the following paragraph Third, which shall read as follows: “Owners of capital in a company may not exercise their voting or other authority in the company to cause it to do or consent to acts that:
1. harm or disadvantage the company to benefit themselves or those associated with them at the expense of other owners of the company; or

2. jeopardize the rights of creditors by causing withdrawal of capital or transfer of assets when insolvency is imminent or when prohibited by law."
- 7) Article 6, paragraph Second of the Law is amended to read as follows: "The mixed or private limited liability company shall be formed by no more than 25 natural or juridical persons, who will subscribe to its shares and will be responsible for the company's debts insofar as the nominal value of the shares to which they subscribed."
- 8) Article 6, paragraph Third of the Law is amended to read as follows: "The joint liability company shall be formed by not less than two and not more than 25 persons, each owning a quota of its capital. They shall jointly assume personal and unlimited responsibility for all of its obligations."
- 9) Article 7, paragraph First of the Law is amended to read as follows: "The mixed company shall be formed by the agreement between one or more persons from the state sector and one or more persons from outside this sector. The state sector's share in the mixed company's capital must not initially be less than 25 percent. A mixed company may also be formed by two or more persons from the mixed sector. When the state sector's share falls below 25%, the company shall be treated as a private company, as permitted in article 8, paragraph Second, point 2."
- 10) Article 8, paragraph Second, subparagraph 1 of the Law is amended to read as follows: "Form a sole owner enterprise of one natural person or a sole owner limited liability company of one juridical or natural person."
- 11) Article 9, paragraph First of the Law is amended to read as follows: "The Financial Investment Company is a company organized in Iraq whose main activity is to direct savings toward investment in Iraqi financial securities, including shares, bonds, treasury bills and fixed deposits."
- 12) Article 10, paragraph First of the Law is suspended.
- 13) Article 10, paragraph Second of the Law is amended to read as follows: "Companies engaging in any of the following activities must become joint-stock companies:
1. Insurance and re-insurance.
  2. Financial investment."
- 14) Article 12, paragraph First of the Law is amended to read as follows: "A juridical or natural person foreign or domestic has the right to acquire membership in the companies stipulated in this law as founder, shareholder, or partner, unless such person is banned from such membership under the law, or due to a decision issued by a competent court or authorized governmental body."

- 15) Article 12, paragraphs Second and Third of the Law are suspended.
- 16) The chapeau paragraph of Article 13 of the Law, and paragraphs First through Third thereof are amended to read as follows:
- “Article 13: The founders shall prepare a contract for the company, which is signed by them or their legal representative. The contract shall contain at a minimum:
- First: The company's name, and corporate form, with the word "mixed" added if it is a mixed sector company, and any other acceptable elements.
- Second: The company's head office, which must be in Iraq.
- Third: The purposes for which the company is established and the general nature of the business to be transacted.”
- 17) Article 13, paragraph Fourth of the Law is suspended.
- 18) Article 14 of the Law is amended to read as follows: “The founder of a limited liability company when there are no other founders, or the founder of a sole owner enterprise shall prepare a statement, which shall serve the purpose of a company contract and shall be subject to the provisions that are applicable to the contract whenever they occur in this law.”
- 19) Article 15 of the Law is amended to read as follows: “The founders of the company shall subscribe to the company's capital in accordance with their agreed to contributions.”
- 20) Article 16, paragraph First of the Law is amended to read as follows: “The founders shall deposit the company's capital specified in Article 28, paragraph First, of this law with one or more banks authorized to operate in Iraq. It is permissible for the company capital also to include contributions in kind as stipulated in Article 29 of this law.”
- 21) Article 16, paragraph Second of the Law is suspended.
- 22) Article 16, paragraph Third, subparagraph 1, items (b), (d) and (f) of the Law are amended to read as follows:
- “b. Follow up on the procedures for establishing the company and submit the contract of association and the subscription document to the Registrar of Companies-- including the names, signatures, addresses and nationalities of the founders as well as other requirements.”
- “d. Open a joint account in the name of the committee with one or more banks authorized to operate in Iraq.”
- “f. Obtain a license, if necessary, for the project and conclude the necessary contracts for its establishment, following the issuance of the decision approving its establishment.”

- 23) Article 17, paragraph Third of the Law is amended to read as follows: "A statement from the bank or banks proving that the capital required in Article 28 has been deposited."
- 24) Article 18 of the Law is suspended.
- 25) Article 19 of the Law is amended to read as follows: "The Registrar shall approve the application unless it finds it contrary to a specific provision of this law and shall issue the approval or disapproval of the establishment application within 10 days from the date of receiving it. Except for joint stock companies, the certificate shall be issued at the time of the approval and shall be the evidence of the company's establishment. If the Registrar disapproves an application, it shall issue a written decision stating the reasons for the disapproval. In the case of a joint-stock company, the Registrar shall publish a written notice of his or her decision at the time of the approval or disapproval. No certificate shall be issued without payment of the applicable fee."
- 26) Article 20 of the Law is suspended.
- 27) Article 21, paragraph First, subparagraph 1 of the Law is amended to read as follows: "The Registrar shall publish the decision approving the establishment of the company in the special bulletin published under the provisions of Article 206 of this law, which henceforth will be referred to as "the Bulletin."
- 28) Article 21, paragraph Second of the Law is suspended.
- 29) Article 22 of the Law is amended to read as follows: "The company acquires corporate status from the date of the issuance of its establishment certificate. This certificate is considered proof of this status."
- 30) Article 24 of the Law is amended to read as follows: "If the Registrar rejects the application for the establishment of the company, it must state in writing the legal provisions violated and the facts underlying each violation. The applicant for the establishment has the right to contest the Registrar's rejection before the Minister of Trade within 30 days from the date of notification. The Minister of Trade must consider the rejection within 30 days from the date of its submission. If the Minister also rejects the application, the applicant has the right to appeal the Minister's decision before the competent court within 30 days."
- 31) Article 28 of the Law is amended to read as follows: "First: The capital of a joint stock company shall not be less than two million (2,000,000) dinars. The capital of a limited liability company shall not be less than one million (1,000,000) dinars. The capital of all other companies shall not be less than fifty thousand (50,000) dinars.
- Second: A joint stock company's liabilities may not exceed 300 percent of its total capital and other equity rights."

- 32) Article 29, chapeau of paragraph Second of the Law is amended to read as follows: "In the joint-stock company and the limited liability company, the capital may include shares that are offered in exchange for tangible or intangible in-kind property contributions by one or more of the founders."
- 33) Article 29, paragraph Second, subparagraph 1 of the Law is amended to read as follows: "In the case of a joint-stock company, property-in-kind shares shall be evaluated by a committee approved by the Registrar as to expertise and objectivity, and including experts in law, accounting and the company's line of business."
- 34) Article 29, paragraph Second, subparagraph 2 of the Law is amended to read as follows: "In the case of the mixed joint-stock company, the committee established pursuant to subparagraph 1 in this paragraph shall submit its report to the Registrar within 60 days from the date of its formation. The Registrar shall submit its report to the Financial Control Bureau for endorsement within 30 days from the date of its submission. In the case of non-approval, the Registrar shall return the report to the committee for further consideration."
- 35) Article 29, paragraph Second, subparagraph 3 of the Law is amended to read as follows. "In the case of the private joint-stock company, all founders shall agree on the value of property-in-kind shares as assessed in the manner stipulated in subparagraph 1 of this paragraph. A joint stock company's or limited liability company's contract must state the type of property-in-kind share and its value as approved by the rest of the founders, the name of the founder who offered the share, and the percentage of his contribution to the capital through this share. The founder offering the property in-kind shall be accountable to any person for its assessed and accepted value. If it is proven that the assessed value is less than the actual value, he or she must pay the difference in cash to the company. The other founders may be asked to cooperate in paying the difference."
- 36) Article 30 of the Law is amended to read as follows: "The nominal value of the share shall be one dinar. It should not be issued higher or lower than that except as provided in Articles 54 through 56."
- 37) Article 31 of the Law is suspended.
- 38) Article 32, paragraphs First and Second of the Law are suspended.
- 39) Article 37, paragraph Second of the Law is amended to read as follows: "The creditors of a sole owner enterprise may take legal action against it or the owner of the quota in it. His or her funds shall be considered as a guarantee for debts on the enterprise. It is permissible to seize his or her funds without warning the enterprise and in accordance with applicable legal procedures."
- 40) Article 39, paragraph First of the Law is amended to read as follows: "The founders in the mixed joint-stock company shall subscribe by not less than 30 percent and not more than

55 percent of its nominal capital, and this should include the minimum 25 percent fixed for the state sector."

- 41) Article 39, paragraph Second of the Law is amended to read as follows: "At the establishment of the company, the founders in the private joint-stock company shall subscribe by not less than 20 percent in its nominal capital."
- 42) Article 39, the chapeau portion of paragraph Third of the Law is amended to read as follows: "The remaining shares shall be offered for public subscription within 30 days from the date of the approval of the establishment of the company in a statement issued by the founders and published in the bulletin and at least two daily papers, after obtaining the approval of the Registrar, which shall be granted within that time unless the Registrar finds the registration materials submitted would be materially misleading to investors. In the latter case, it shall refer a matter within its jurisdiction to the competent state authority for the securities markets. The statement shall include the following:"
- 43) Article 39, paragraph Fourth of the Law is amended to read as follows: "Founders shall not subscribe to the shares while they are being offered for public subscription, except after the end of 30 days from the beginning of the subscription or during the extended period stipulated in Article 42 of this law."
- 44) Article 41, paragraph First of the Law is amended to read as follows: "The subscription shall take place in a bank authorized to operate in Iraq in a form bearing the name of the company and containing the following:
  1. The request to subscribe to a specific number of shares.
  2. The subscriber's approval of the company's contract.
  3. The subscriber's name, address, profession, and nationality.
  4. Any other information which the founders may want to add.
- 45) Article 41, paragraph Second of the Law is amended to read as follows: "The form shall be submitted to the party handling the subscription signed by the subscriber or his legal representative. The required payment shall be made against a receipt."
- 46) Article 41, paragraph Third of the Law is amended to read as follows: "The subscriber shall be given a copy of the company's contract and its technical and economic feasibility study, subject to Article 47, paragraph Third of this law."
- 47) Article 42 is amended to read as follows: "The subscription period shall not be less than 30 days or more than 60 days. If the subscription period expires without the subscribed shares reaching 75 percent of the nominal capital, including the shares owned by the founders, it is permissible to extend it for a further period of not more than 60 days. The founders shall again publish the subscription statement and make the extension announcement."

- 48) Article 43, paragraph First of the Law is amended to read as follows: "If the subscription does not reach 75 percent of the nominal capital at the end of the extension period, the founders must decrease the company's capital, so that the value of the subscribed shares will be equal to 75 percent of the decreased nominal capital, unless the founders cancel the establishment of the company. The founders shall inform the Registrar of such a decision."
- 49) Article 43, paragraph Second of the Law is suspended.
- 50) Article 43, paragraph Third of the Law is amended to read as follows: "If it is decided to cancel the establishment of the company under the provisions of Paragraph First of this article, the founders shall notify the bank and jointly bear the expenses for establishing the company. The bank handling the subscription shall return the money paid by all subscribers in full upon notification and within a period of not more than 30 days."
- 51) Article 44, paragraph Second of the Law is amended to read as follows: "If it transpires after the closure of the subscription that the shares offered have been over-subscribed, the shares must be distributed among the subscribers according to the percentage of subscription allotted for each subscriber."
- 52) Article 45, paragraph First of the Law is amended to read as follows: "Any person whose lawful rights would be infringed by violations of the subscription rules, the Registrar and the competent state authority for the securities market has the right to contest the soundness of the subscription process before the competent court and ask for its cancellation within 15 days from the closure of the subscription. The court must examine such cases urgently. The court's decision can be contested before the court of appeal, which shall sit as a court of cassation, and its decision in this capacity shall be final."
- 53) Article 45, paragraph Second of the Law is amended to read as follows: "If the subscription is ruled to be in violation of the law, the founders must carry it out anew."
- 54) Article 47, paragraph First of the Law is amended to read as follows: "Once the company has been established and some shares are still not subscribed for, the board of directors may, after six months from the date of the issuance of the establishment certificate, pursue one of two courses:
1. sell the shares on the Baghdad Stock Exchange market; or
  2. place the shares for public subscription in accordance with the procedures followed during the constituent subscription."
- 55) Article 47, paragraph Second of the Law is amended to read as follows: "If the shares are not sold in the market or subscribed by the public, the company's nominal capital shall be decreased by the value of the unsold shares. The company shall be liable for materially misleading assertions or omissions in sales or subscriptions as shall be its responsible directors, employees and agents."



- 56) Article 48, paragraph First of the Law is amended to read as follows: "In the joint-stock company, the subscription shall require payment in full for issued shares. Unpaid shares already outstanding under previous law shall be governed by this Article."
- 57) Article 48, paragraph Second of the Law is suspended.
- 58) Article 51 of the Law is amended to read as follows: "Every shareholder in a limited liability company and every subscriber who has fully paid the value of his shares in a joint-stock company shall be given a permanent certificate including the data contained in the temporary certificate, plus a declaration that the shares have been paid. Any temporary certificate should be cancelled."
- 59) Article 54, paragraph Second of the Law is amended to read as follows: "In the joint-stock company and the limited liability company, the increase of capital must be in accordance with a general assembly decision to amend the contract and issue new shares."
- 60) Article 54, paragraph Third of the Law is suspended.
- 61) Article 54, paragraph Fourth of the Law is amended to read as follows: "The Registrar shall within fifteen days of a lawful request approve the increase. The Registrar shall be deemed to approve the increase, and to give notice of the approval, unless it rejects the request, giving the legal and factual basis for the determination in writing."
- 62) Article 55, paragraph Second of the Law is amended to read as follows: "Transferring funds from the accumulated surplus or the issuance allowance reserve into shares to be distributed among the shareholders in the ratio of their subscription to the capital."
- 63) Article 55 is supplemented by a paragraph Fourth, to read as follows: "In cases where the shares will be offered in exchange for cash, such decision must specify the number of shares to be issued and the price at which they will be offered for sale or the means of establishing that price. Shares may be offered at a price equal to or greater than their nominal value in accordance with the general assembly's decision and priced in light of the company's performance and, where applicable, the prices of its shares in the Baghdad Stock Exchange market. The proceeds reflecting the difference between the issue price and nominal price, which is considered issuance allowance, shall be recorded in the account of the issuance allowance reserve, after deducting all issuance expenses. This reserve may not be distributed as profits. In the case of the joint-stock company, the company shall submit to the Registrar a decision by its general assembly to increase the capital, backed by an economic study giving the justifications for this increase and the fields in which it will be expended, as well as any other essential data. It shall be furnished to purchasers, subject to the liability in the second paragraph of article 47 of this law, unless the Registrar finds it materially misleading. In this case, it shall refer a matter within its jurisdiction to the competent state authority for the securities market."

- 64) Article 56, paragraph First of the Law is amended to read as follows: "In the joint-stock company, the new shares must be placed for public subscription within 30 days from the date on which the company is notified of the Registrar's approval of the increase in the capital. The subscription shall remain open for a period of not less than 30 days and not more than 60 days, which may be renewable once for a similar period, provided the value of the shares is paid during subscription. The increase in the capital is achieved by the number of shares subscribed and paid up on the closure of the subscription. Otherwise, and insofar as it does not conflict with the nature of the increase in the capital, the original provisions on subscription shall be applied on the new shares, including the provisions of Articles 44 and 47 of this law."
- 65) Article 56, paragraph Third of the Law is amended to read as follows: "Every shareholder has the priority right to buy shares at the subscription price proportional to the number of the shares he owns. Shareholders shall be allowed to exercise this right within a period of 15 days from the date they are invited to do so. The invitation must state the beginning and end of the subscription period and the nominal value of the shares. If some shares are not subscribed after the period stipulated in paragraph First of this Article, the board of directors may place the shares for sale in the Baghdad Stock Exchange market in the manner it deems suitable."
- 66) Article 56 is supplemented by a paragraph Fourth as follows: "Fourth. In the case of banks increasing capital by a sale of shares for cash, the company may issue shares without public subscription and/or without offering existing shareholders the right to participate, provided the following conditions are met:
1. The issuance is approved by a majority of the votes of the subscribed shares whose due installments have been paid; and
  2. The Central Bank of Iraq concurs that the sale is for fair value, in view of all the circumstances, and is fair to shareholders not entitled to participate, in view of the benefit to the company as a whole."
- 67) Article 58 of the Law is amended to read as follows: "A company may decrease its capital if it exceeds its needs or incurs losses. A decrease in capital that is part of an arrangement to achieve a net increase in capital through additional investments shall not be subject to the requirements in Article 59, paragraph Third, and Articles 60-63."
- 68) Article 59, paragraph Third, subparagraph 2 of the Law is suspended.
- 69) Article 59, paragraph Third, subparagraph 3 of the Law is amended to read as follows: "If the Registrar finds the decrease lawful, it shall announce the decrease in the bulletin and two daily papers. It shall also give every creditor to or claimant on the company the right to object to the decision on the decrease within 30 days from the date of the publication of the announcement."

- 70) Article 63 of the Law is amended to read as follows: "In the case of the joint liability company and the sole owner enterprise, any decrease of the capital must take place through a decision by the general assembly to amend the contract."
- 71) Article 64, paragraph First of the Law is amended to read as follows: "Founders of joint-stock companies may not transfer ownership of their shares except in the following situations:
1. The lapse of at least one year since the establishment of the company.
  2. The distribution of dividends that are not less than five percent of the paid up nominal capital.
- 72) Article 64, paragraph Second of the Law is suspended.
- 73) Article 65, paragraph Third of the Law is amended to read as follows: "If several shareholders want to buy the shares at the same price, the shares shall be divided among them in the ratio of their subscription, to the nearest correct share."
- 74) The chapeau paragraph of Article 67 of the Law is amended to read as follows: "If an Iraqi shareholder in a joint-stock company or a limited liability company dies, the ownership of the shares shall revert to his or her heirs in accordance with the ratios specified by the Shari'a law. In cases in which the shareholder is a citizen of another country, the shares shall revert to the shareholder's heirs in accordance with the applicable law of that country. In each case, the following shall be taken into consideration:"
- 75) Article 67, paragraph Second of the Law is amended to read as follows: "If the distribution of shares among the heirs will result in an increase in the number of partners in the limited liability company over the number set by the law, the shares shall be considered a joint ownership by the heirs in accordance with the ratios specified under the applicable inheritance law and considered as one person. In such a case, one of the heirs will represent the rest before the company. They shall be asked to choose this representative within 60 days from the date of the registration of the shares in the company's ledger."
- 76) Article 74 of the Law is amended to read as follows: "First: The reserve shall be used for the purposes of expanding and developing the company's business, and improving the conditions of its workers, participating in projects relevant to the company's activity, and contributing to the protection of the environment and social welfare programs. Dividends shall not be distributed from the reserve.
- Second: The reserve shall be used to meet the company's debts, provided they do not exceed 50 percent of the reserve. Any increase over that limit shall be subject to the approval of the Registrar."

77) Article 76 of the Law is amended to read as follows: "First: If the company's losses amount to 50 percent of its capital or more, it must notify the Registrar within 60 days from the day the losses are established in the balance sheet.

Second: If the losses amount to 75 percent of the capital or more, the company must take one of the following steps:

1. decrease or increase the capital of the company; or
2. recommend liquidation of the company."

78) Article 78, paragraph Second of the Law is amended to read as follows: "The total amount of the bond issue must not exceed the company's capital."

79) Article 79 of the Law is amended to read as follows: "The company shall submit to the Registrar the general assembly's decision on the issuance of the credit bonds backed by an economic study stating the reasons for the issue, the fields in which the credit will be expended, and any other essential data. It shall be furnished to purchasers, subject to the liability in the second paragraph of Article 47 of this Law, unless the Registrar finds it materially misleading. In the latter case, it shall refer a matter within its jurisdiction to the competent state authority for the securities markets."

80) Article 80, paragraph Third of the Law is amended to read as follows: "Information on the company's financial condition and results of operations, including earnings."

81) Article 86 of the Law is amended to read as follows: "The general assembly in the joint-stock company shall meet at least once a year. In the other companies, it shall meet at least once every six months."

82) Article 87, paragraph Third of the Law is amended to read as follows: "The Registrar on its own initiative or at the request of the accounts controller."

83) Article 88, paragraph Second of the Law is amended to read as follows: "If the founders or the chairman of the board of directors in the joint-stock company or the managing director in the other companies fail to address the invitation to a meeting of the general assembly at the legally scheduled date, the Registrar shall address them directly to the members--in the case of the joint-stock companies-- by announcing that in the bulletin, two daily papers, and the Baghdad Stock Exchange Market and fixing the place and date of the meeting."

84) Article 88 of the Law shall be supplemented by a paragraph Third, to read as follows: "It shall be unlawful to manipulate notice of a meeting or dissemination of information concerning it in order to bias the outcome of its decisions."

85) Article 90 of the Law shall be amended to read as follows: "The meetings may be held at the company's head office or any other place in Iraq if necessary, provided inconvenience to the owners is minimized."

86) Article 91, paragraph Third, subparagraph 1 of the Law is suspended.

87) Article 92 of the Law is amended to read as follows: "First: The meeting of the general assembly shall be held with the attendance of the members owning the majority of subscribed shares whose installments have been paid, in the case of the joint-stock company; the majority of paid-up shares in the limited liability company; and the majority of quotas in the joint liability company. If a quorum is not reached, the meeting shall be postponed to the same day on the following week and in the same place. A quorum is considered attained in the second meeting if 25% of the number of such shares or quotas is represented. The company may apply to the Registrar for waiver of the 25% minimum if, in view of the agenda and other circumstances, the minimum requirement would disserve the interests of the owners generally. The company's contract may require more stringent conditions for a quorum.

Second: If the agenda calls for amending the company's contract, increasing or decreasing its capital, dismissing the chairman or a member of its board of directors; or deciding on its merger, transformation, sale of more than half its assets in a transaction outside its ordinary business, a transaction under paragraph Fourth of Article 56 or liquidation, the quorum required for the first meeting must be attained."

88) Article 93 of the Law is amended to read as follows: "In the case of the joint-stock company, the meeting of the general assembly must be attended by the representatives of the Registrar. It must also be attended by most members of the board. If representatives of the Registrar or board members fail to attend after being notified, the meeting can be held in their absence within half an hour after the scheduled time of the meeting. The representative of the Registrar will withdraw after confirming that a quorum is present unless his or her continued presence is requested by a shareholder."

89) Article 94, paragraph First of the Law is amended to read as follows: "Prior to the beginning of the meeting, the name of the participant in the meeting shall be recorded along with the number of the shares he or she owns or represents, provided he or she produces the certificate of the shares or the power of attorney if he or she represents a shareholder in the company. Share certificates submitted to a depository for book-entry transfer need not be presented, provided adequate evidence of ownership is furnished under the rules of the depository approved by the competent state authority for the securities market. The participant shall put his or her signature against the name of the shareholder he or she represents."

90) Article 98, paragraph Second of the Law is amended to read as follows: "Unless the company's contract requires a higher proportion, decisions on amending the contract of the company, increasing or decreasing its capital, selling more than half its assets in a transaction outside its ordinary business, approving a transaction under paragraph Fourth of Article 56, merging the company, transforming it, or liquidating it must be based on: the majority of the votes of the subscribed shares whose due installments have been paid, in the case of the joint-stock company; the majority of the votes of the paid-up shares at the time of calling the meeting, in the case of the limited liability company; and the unanimous vote of the quotas, in the case of the joint liability company. In the case of a tie vote in the limited liability

company, and the impossibility of obtaining a unanimous vote in the joint liability company, it is permissible to resort to the competent court to settle the matter. Decisions on other matters shall be made on the basis of the majority of the votes of shares or quotas represented in the meeting, unless the company's contract requires a higher proportion."

- 91) Article 101 of the Law is amended to read as follows: "In the sole owner enterprise, or a limited liability company having one owner, the owner replaces the general assembly and the provisions stipulated in this law, other than those pertaining to meetings, apply to him, her or it."
- 92) Article 102, paragraph Second is amended to read as follows: "Decide on the election of the representatives of shareholders from outside the state sector in the board of directors of the mixed company, and the representatives of all shareholders in the board of directors of the private joint stock company, as well as on their dismissal."
- 93) Article 102, paragraph Fourth is amended to read as follows: "Discuss the company's final accounts and approve them."
- 94) Article 102, paragraph Tenth is amended to read as follows: "Approve employment rules in the mixed joint-stock company as worked out by the board of directors."
- 95) Article 102, paragraph Tenth of the Law is amended to read as follows: "Approve employment rules in the mixed joint-stock company as worked out by the board of directors."
- 96) Article 103 of the Law is amended to read as follows: "First: The board of directors in the mixed joint stock company shall consist of seven original members who are chosen as follows:
  1. Two members representing the state sector who are appointed under a decision by the competent minister or his deputy in the sector to which the company belongs, unless at the time of the selection, the state sector's share in the mixed company's capital exceeds 50%. In such a case, the competent minister or his deputy in the sector to which the company belongs shall appoint three members representing the state sector.
  2. Five members representing shareholders from outside the state sector elected by the company's general assembly, unless at the time of the selection, the state sector's share in the mixed company's capital exceeds 50%. In such a case, the company's general assembly shall elect four members representing shareholders from outside the state sector.Second: The board of directors in the mixed joint stock company shall have seven reserve members, who will be selected in the manner and ratio used in the case of the original members."

- 97) Article 104, paragraph First of the Law is amended to read as follows: "The board of directors in the private joint-stock company shall consist of not less than five and not more than nine original members to be elected by the company's general assembly."
- 98) Article 105 of the Law is suspended.
- 99) Article 108, paragraph First of the Law is amended to read as follows: "If a vacancy occurs in the membership representing the state sector in the board of directors, the council shall invite a reserve member--in the order of the reserve list in the sector--to fill the vacancy and attend the board meeting."
- 100) Article 110, paragraph First of the Law is amended to read as follows: "A person cannot be a member in the boards of directors of more than six companies at the same time. But, he can also assume the chairmanship of one or two other boards at the same time."
- 101) Article 113 of the Law is amended to read as follows: "The quorum shall be counted 30 minutes after the board has convened. It shall meet with the attendance of the majority of its members."
- 102) Article 114, paragraph Second of the Law is suspended.
- 103) Article 117, paragraph Fourth (chapeau portion) of the Law is hereby amended to read as follows: "Discuss and approve an annual plan for the company's activity in the following year. This plan must be prepared by the managing director during the last six months of the year in light of the company's aim. The plan shall include a full report on the company's activity and a draft budget outlining:"
- 104) Article 117 is supplemented by a new paragraph Eighth to read as follows: "The board of directors shall establish committees of its members to make recommendations as to (a) selection of the company's external, independent auditors (audit committee); and (b) compensation form and amount for the board and the managing director (compensation committee). Members of these committees shall not be officers or employees of the company nor holders of 10% or more of the company's shares, nor related to any of these by blood, marriage or personal or economic interest in a degree likely to materially bias their judgment. Any departure from the recommendation of such a committee, and the reasons for it, shall be announced at the general assembly and recorded in its minutes. The audit committee shall meet privately with the company's external auditors and have special responsibility for ensuring the accuracy and reliability of their work. It shall ensure that a record is kept in the course of the year of all material related-party transactions, within the meaning of international accounting standards, for discussion with the company's external auditors."
- 105) Article 119 of the Law is amended to read as follows: "First. It is impermissible for the chairman or a member of the board to have direct or indirect interests in deals that are concluded with the company, except after obtaining the permission of the general assembly with full disclosure of the nature and extent of such interests. The chairman or board

member shall be liable to the company for any damage to it arising from violation of this Article. Compliance with this Article shall not exclude liability under Article 4, paragraph Third.

Second. It is impermissible for the chairman or a member of the board to vote upon or participate in a matter in which he or she has direct or indirect interests without disclosing the nature and extent thereof to disinterested members and receiving the permission of a majority of them. If no members are disinterested, all may act. In either case, however, the details of the matter shall be recorded in the minutes of the board and made available to the general assembly and the company's external auditors."

106) Article 124 of the Law is amended to read as follows: "In the exercise of his jurisdictions and powers, the managing director is subject to the provisions of Articles 119 and 120 of this Law. In addition, the compensation of the five most highly compensated employees of the company, in whatever form received, shall be disclosed in writing to the general assembly."

107) Article 125 of the Law is amended to read as follows: "Control is aimed at guaranteeing that the company is applying the provisions of its contract and the law."

108) Article 127 of the Law is amended to read as follows: "First: A copy of the invitation to the general assembly meeting held to discuss the final accounts shall be sent to the Registrar. The following shall be attached to the invitation:

1. the annual list;
2. the final accounts for the previous year and the accounts controller's report on them; and
3. the managing director's report on the company's progress in implementing its plan for the previous year.

Second: In the case of the joint-stock company, the invitation shall be sent to the Registrar, along with the statements and reports mentioned in subparagraphs 1 and 2 of paragraph First in this Article as well as the board of directors' report on the company's progress in implementing its plan for the previous year. As for members, they have the right to obtain copies of the annual report and other statements and reports."

109) Article 128 of the Law is amended to read as follows: "The Registrar has the right to obtain any statements, clarifications or documents from the company in order to implement its duties under the law."

110) Article 133, paragraph First of the Law is amended to read as follows: "The accounts of the mixed company shall be subject to control and audit by the Financial Control Bureau. As for the accounts of the private company, they shall be subject to control and audit by auditors appointed by the company's general assembly. Accounts should be consolidated



with those of related companies in accordance with international accounting standards unless specifically modified by standards in force in Iraq.”

111) Article 134, paragraphs First and Second of the Law are amended to read as follows:

“First: The significant contracts concluded by the company during the previous year and the businesses in which owners of 10% or more of the company’s shares, the members of the board or the managing director had interests, including interests of their families, entities under their control and any other interest that would render the transaction a related-party transaction under international accounting standards insofar as permissible to apply these in Iraq.

Second: The results of operations (including earnings) and distribution of net profit.”

112) Article 139 of the Law is amended to read as follows: “Copies of the final accounts, the annual plan, and the reports on them as well as the general assembly's decisions on them shall be sent to the Registrar.”

113) Article 140, paragraph First of the Law is suspended.

114) Article 141 is amended to read as follows: “The Registrar has the right to appoint an inspector when necessary without asking the permission of any quarter. If the company believes that the Registrar has exercised its powers under this section for improper purposes, it may apply to the competent court to prove this and obtain an order restraining any improper action.”

115) Article 142, paragraph Second of the Law is amended to read as follows: “The appointed inspector shall submit his or her report on the inspection to the Registrar, who shall send copies of the report to the company and the person making the claim referred to in Article 140.”

116) Article 149, paragraphs First and Fourth of the Law are suspended.

117) Article 150, paragraph Third of the Law is amended to read as follows: “If, within 15 days of receiving them, the Registrar has not found that the decisions are inconsistent with the law, it will promptly issue its permission and inform the companies concerned of this decision; the companies will then cause it to be published in the Bulletin and one daily paper.”

118) Article 150, paragraphs Fourth and Fifth of the Law are suspended.

119) Article 150, paragraph Sixth of the Law is amended to read as follows: “The companies receiving the Registrar's permission for their merger will call their general assemblies to a joint meeting within 60 days from the date of the publication of the merger decision in order to amend the contracts of the existing companies or draw up a new contract for the

merger company, depending on the circumstances. The contract shall be sent to the Registrar within 10 days for endorsement and publication in the bulletin and one daily paper.”

120) Article 155, paragraph First of the Law is amended to read as follows:

“If, within 15 days of receiving them, the Registrar does not find that the transformation decision and the amended contract are inconsistent with the law, it shall promptly endorse the transformation decision and the amended contract. It shall also notify the company of the permission; the company shall publish the permission in the Bulletin and a daily paper.”

121) Article 155, paragraphs Second and Third of the Law are suspended.

122) Article 158, paragraph First, subparagraph 1 of the Law is amended to read as follows: “If the general assembly decides to liquidate the company, or if any of the reasons stipulated in paragraphs First, Second, Third, and Fifth of Article 147 of this Law materialize and the general assembly recommends liquidation of the company, the company must appoint one or more liquidator, specify his or her jurisdictions and remuneration, and send the decision or recommendation to the Registrar.”

123) Article 158, paragraph Second of the Law is suspended.

124) Article 159 of the Law is amended to read as follows: “The liquidation decision or recommendation shall be backed by reasons and sent to the Registrar within 14 days of its adoption. The latter has the right to request additional information or discuss matters with the company's general assembly to ascertain the reasons.”

125) Article 160 of the Law is amended to read as follows: “If the Registrar has verified that the reasons for the liquidation are not fraudulent or unlawful, it shall issue the company's liquidation decision and appoint a liquidator within ten days of the verification. The Registrar shall communicate this information to the company; the company shall then cause the information to be published in the Bulletin and one daily newspaper.”

126) Articles 161,162 and 169 of the Law are suspended.

127) Article 175, paragraph Fourth, shall be amended to read as follows: “Any sequestration of company funds after the initiation of the liquidation process shall not be valid except under a decision by the competent court, except for sequestrations that are carried in the interest of the state, the state sector or employees in order to pay their wages.”

128) Article 178 of the Law shall be designated as Article 178, paragraph First, and the following paragraph Second shall be added:

“Second. Distributions to foreign investors in the company shall conform to CPA Order Number 39, section 12(2).”

- 129) Article 203 of the Law is amended to read as follows: "The company's contract is not considered valid until it has been endorsed by the Registrar in accordance with Article 19.
- 130) Article 204 of the Law is amended to read as follows: "It is permissible to object to the decisions of the Registrar before the Minister of Trade within 30 days from the date of notification. The Minister's decision may be appealed as provided in article 24 of this law."
- 131) Article 208 of the Law shall be designated as Article 208, paragraph First, and the following paragraph Second shall be added:

"Second. The Agency Registration Law No. 4 of 1999 shall be inapplicable to the registration of a company, and a company is not required to retain a commercial agent to register, though it may choose to do so. Furthermore, no certification of tax compliance or of the absence of tax delinquency shall be required for the registration of a company. The Minister of Trade is hereby authorized to issue instructions to coordinate the activities of the Registrar of Companies and the Chamber of Commerce regarding the registration and approval of commercial trade names, notwithstanding anything to the contrary in The Law on Establishment of Chambers of Commerce No. 43 of 1989."

- 132) Article 209 is amended to read as follows: "The fees for the paperwork pertaining to this law shall be charged in accordance with the chart attached to this law. The Ministry of Trade may amend the chart in accordance with changes in costs and to align the fees with processing costs."
- 133) Article 211, paragraph First of the Law is amended to read as follows: "The branches and offices of foreign companies and establishments shall be subject to the provisions of CPA Order No.39 and regulations and administrative instructions issued thereunder."
- 134) Article 213, paragraph Second of the Law is amended to read as follows: "The punishment stipulated in paragraph First of this Article shall apply to every company branch or office that must be re-registered or liquidated, for every day of delay after the periods stipulated in regulations and administrative instructions issued under CPA Order No. 39."
- 135) Article 215 of the Law is amended to read as follows: "First: Anyone carrying out a business in the name of a joint-stock company, limited liability company, joint liability company, or sole owner enterprise without obtaining registration of its establishment shall be subject to a fine of not more than 3,000,000 dinars, while taking into consideration the severity of the violations and the provisions of paragraph First of Article 21 of this law.

Second: Anyone carrying out a business in the name of a branch or an office for a foreign company or economic establishment without obtaining the registration required shall be subject to the penalties provided in paragraph First of this Article unless otherwise provided in applicable legislation."

- 136) Article 216 of the Law is amended to read as follows: "Any company that does not prepare the records stipulated under this law shall be subject to a fine of not more than 10,000,000 dinars, depending on the severity of the violation."
- 137) Article 217 of the Law is amended to read as follows: "Any company failing to submit the required statements and information to a competent official quarter at the times fixed under the provisions of this law shall be subject to punishment of a fine of not more than 300,000 dinars for every day of delay, depending on the severity of the violation."
- 138) Article 218 of the Law is amended to read as follows: "Any company official who purposely gives inaccurate statements or information to an official quarter on the company's business, results of operations, financial condition, member shares and quotas, or distribution of dividends shall be subject to punishment of imprisonment for a period of not more than one year, or a fine of not more than 12,000,000 dinars, or both, depending on the severity of the violation."
- 139) Article 219 of the Law is amended to read as follows: "Any company official who bars a competent quarter from seeing the company's records and documents shall be subject to punishment of imprisonment for a period of not more than six months or a fine of not more than 12,000,000 dinars, or both, depending on the severity of the violation."

## **Section 2 General Provisions**

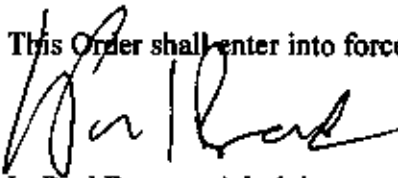
- 1) All references in the Law to "him," "he" or "his" not specifically amended in this Order shall hereby refer to both male and female genders, and things, where appropriate.
- 2) All references to an "Iraqi Bank" not specifically amended in this Order are hereby amended to read: "bank authorized to operate in Iraq."
- 3) All references in the Law to the "socialist sector" not specifically amended in this Order are hereby amended to read "state sector."
- 4) The increase of penalties in Section Three of Chapter VIII of the Law shall take effect 90 days from the date this Order enters into force.
- 5) The provisions of this Order requiring action by the general assembly or board of directors of a company shall be implemented within the later of (a) 90 days from the date this Order enters into force; or (b) the next meeting of the body concerned or the time of its next legally required meeting if it should fail to convene one. The reduction in state sector board members effected in Section 1, paragraph 91, of this Order shall occur at the end of the current terms of the members affected, as shall the elimination of members under paragraphs 91 and 92 of Section 1. The additional member allowed under Section 1, paragraph 91, to shareholders outside the state sector may, however, be elected at the next general assembly,

without regard to the possibility that this may increase the total number of directors above seven when allowing for an incumbent state sector member to finish his or her term.

- 6) Subject to such further rules as the competent state authority for the securities markets may adopt, references in the Law to the Baghdad Stock Exchange shall be deemed to mean a stock exchange authorized by law, and if there is more than one, the one most appropriate for obtaining the prices, effecting the sales or providing the notifications required. The provisions of article 66, paragraph Second of the Law shall apply with respect to any exchange authorized by law, subject to such further rules as may be adopted by the competent state authority for the securities markets.

**Section 3**  
**Entry into Force**

This Order shall enter into force on the date of signature.

 3/3/04

L. Paul Bremer, Administrator  
Coalition Provisional Authority