

# CLIENT ALERT

20<sup>th</sup> October 2024

## ***Decree Law No. 106 of 2024: Changes to Quorum Requirements for Limited Liability Companies in Kuwait***

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On 14th October 2024, the Council of Ministers has issued Decree Law No. 106 of 2024 (the **Amendment**), introducing changes to Law No. 1 of 2016 (the **Companies Law**). This client alert outlines the key amendments that may affect businesses and investors operating limited liability companies (**W.L.L.s**) in Kuwait.

### ***New Quorum Requirements for Extraordinary General Assemblies (EGMs)***

The Amendment addresses a practical issue faced by many W.L.L.s regarding the quorum required to conduct Extraordinary General Meetings (**EGMs**). Under previous law, an EGM could only proceed if shareholders representing at least 75% of the company's share capital were present. This high quorum threshold created significant difficulties for companies, especially those with majority shareholders holding over 50% but not enough to meet the 75% requirement. To resolve this issue, the Amendment introduces a two-step solution:

1. **First EGM:** If the 75% quorum is not achieved, a second EGM may be scheduled.
2. **Second EGM:** At the second EGM, the quorum requirement is lowered to more than 50% of the company's share capital.

Additionally, the Amendment provides the Ministry of Commerce and Industry (**MOCI**) the authority to intervene when the company's manager fails to respond to a shareholder's request to convene an EGM. MOCI may call for the meeting upon a formal request from shareholders holding more than 50% of the company's share capital.

### ***Significance of this Amendment***

This Amendment provides practical relief by lowering quorum requirements if the first attempt to hold an EGM fails. It enables W.L.L.s to avoid deadlocks and make timely corporate decisions, fostering more efficient governance. The change is particularly relevant for companies with majority shareholders who may struggle to meet the 75% threshold, thereby allowing businesses to proceed with key resolutions without unnecessary delays.

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## ***When will it be enforceable?***

The Amendment becomes effective from its publication in the Official Gazette on 20th October 2024.

## ***ICB Assistance***

At ICB, we leverage local expertise and global experience to assist clients with compliance and regulatory matters. Our team is available to provide detailed advice on this amendment and other related obligations.

## ***Contact Information***

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