

**LAW NO (65) FOR 1970 concerning decision of some rules in respect of trades and commercial companies and supervision thereon**

After perusal of the constitutional declaration issued on 2nd shawal 138 H. corresponding to 11 th December 1969 and the Law of commerce and the Law of Petroleum Fo.25 of the year 1955, and the amending thereto, and the Lawno.24 of the year 1970 concerning the Libyan national establishment of Petroleum, and the law regulating of business of commercial agencies issued on 20th Rabie Alchir 1387 corresponding to 27th July 1967A.D. and the Law no.37 of the year 1968 A.D , concerning investment of foreign capitals, and upon what was exposed and submitted by the minister of economy and agreement of opinion of the council of minister.

Has issued the following Law :

**Chapter one**

**Regarding Traders**

**Article (1)**

It is conditioned that every natural person who registers his name on the Registry of Commerce or by any competence practice trade should be enjoying the Libyan nationality. This rule is not applicable the person who were already registered on the registry of commerce at enforcement of this Law.

**Article (2)**

The non-Libyans are not permitted to be partners in joint-venture companies or partnership in commendams-companies ,The currently existing companies shall be given a respite of one ,year from the date of enforcement of this Law to arrange their status in coincidence and conformity with the rule of this article.

**Chapter Two**

**In Joint-Stock Company**

**Article (3)**

In addition to what was stipulate in article (482) of the Law of Commerce, it is further conditioned for validity of foundation of a Joint-stock company that the following conditions be satisfied

1. The founders should be of full capacity, and the Libyans among them should not be less than five.
2. The company's capital should be adequate for achievement of its objectives.
3. Unification and specialization should be considered in determination of objectives of the Company.
4. The capital paid-up at the foundation should not be less than thirty thousand pounds.
5. The rules of article 4,5 and 7 should be regarded at foundation.

**Article (4)**

1. Without prejudice to the rules provided in particular Laws, the Libyans or the Libyan companies rate of ownership in the capital of the Joint-Stock-Company should not at any moment be less than 51% In this text the Libyan Companies mean the Companies which capital is completely owned by the Libyans throughout the period of the Company.
2. In respect of the joint-stock--Companies which are , founded through general contribution part of the Company's stock that complete the aforementioned ratio of 51% should be exposed or laid to general contribution for period of one month to be restricted t , the Libyans only, unless this ratio has already been fulfilled. If this ratio is not fulfilled by the general contribution the minister of economy. May extend the contribution period for another period not exceed one month or connive at part of all the foresaid ratio .
3. The currently existing joint--stock company should, within one year from the date of enforcement of this Law, adjust and adapt its status in conformity with the rules of this article.

**Article (5)**

1. If kind share has entered in formation of the company's capital at foundation or at increase of the capital the value of such shares in kind should fully be paid.
2. With regard to rules of article (486) of the Law of Commerce the estimation of the value of the shares in kind in companies founded through general contribution shall not be final unless after approval by the assembly of - the contributors by at least a majority of two third of cash shares owners after exclusion of owners of the shares in kind shall not have the right to vote in respect of this approval even if they are owners of cash stocks as well.

**Article (6)**

1. The shares of foundation and the stocks given against shares-in-kind as well a s the stocks contributed on by founders of the Company are not negotiable e unless after revelation of budget, loss and profit account and other documents connected thereto for a period of - two full years, each of them is not less than twelve months from date of issuance of the license permitting foundation, Such shares an-1 stocks shall throughout this period remain un-negotiable , with a stamp be ,nit on them indicating their kind and date o f issuance o f foundation Permit.
2. It is permitted exclusively of the rules of the former clause that the ownership of stocks be conveyed by Way of transfer from one founder to anther or from a founder to member of the board Of direction if he needed such stocks to present them as guarantee to his management or such founders contributed stocks should be conveyed from the founder's inheritors to a third party in case of death .
3. The rules of this article shall be applicable on any contributions made by the company's founders as increase to capital carried out before elapse of the period mentioned in the first paragraph and for the remainder of this period.

#### **Article (7)**

1. The stocks of the company shall be nominal, and the existing companies should within one year from the date of enforcement of this Law adjust their status and situation in coincidence with such.
2. The share of any of the partners should not exceed 10% of the capital, however, 30% of the capital should be the maximum limit in respect of share of the person his relative to the fourth , class how-so-ever numerous be they are.
3. Everyone, who is now possessing a share in a capital of a company which is more than the said limit, should dispose of the excessive quantity within one year from date of enforcement of this law, otherwise the company shall sell the excessive amount at his own account and risk. This shall be conducted on the basis of a notice published, at his expense by at least a week before sale, in one of the local newspaper. In case sale is difficult the rules of article (487) of the Law of Commerce shall be applied. In case the shares of the person and his relatives mentioned in paragraph (2) exceeded 30% the excessive amount shall be calculated proportionality to shares of every partner.

#### **Article (8)**

The members of the board of directors of the joint-stock-company must be of full eligibility and capacity, and the majority of them should lie Libyans and the Chairman of the board should also be A Libyan If this ratio of the Libyans in the board of directors is decreased for any reason it should be completed within a period of three months and the general assembly of the Company should approve this completion in the first next meeting of it.

Exclusive of the rule of the former paragraph, related to the majority of the members of the board of directors, are the companies which foundation is permitted without abidance by the ratio stipulated in paragraph (1) of article (4), it is conditioned in this case that the ratio of the Libyan members in the board of directors should not be less than the rate in company's capital owned by the Libyans.

#### **Article (9)**

1. No one is permitted, by his personal capacity or in his capacity as representative of other, to gather the membership of - the board of directors of more than three joint-stock-companies, and likewise nobody is permitted to be a delegated member or commissioned director in the board of directors of more than two joint stock companies.
2. Any membership decided contradictory to the rules of this article shall be nullified to the, recent membership, and the member shall be forced to refund what he had collected against the nullified membership to the State treasury.
3. The rules of this article shall, after two year from the date of effectiveness of this law , be applicable on the current members or directors who transcend the prescribed limit or quorum of gathering. Each of them should, within the two months prior to expiry of this period, submit to the Ministry of Economy a statement of the companies which he has selected to work with and the kind of the work he is going to perform therein.

#### **Article (10)**

1. No member of the board of directors of the company nor any of its general directors is permitted to be a party in any of the contracts concluded with the company unless prior W that the general assembly permitted carrying out or making of such u contract, any contract concluded otherwise shall be considered as null.
2. The board of directors of the company, its members and any of the directors are not allowed to conclude a contract with another company in which board of directors one of those members or directors are members, nor conclusion of such a contract is permitted if one of the two contracting companies or their stock-holders have the majority of stocks of the other company. It is conditioned O r nullification of the contract in this case that the rate of injustice and inequity exceeds one-fifth of the value at the time of contracting, this rule shall not prejudice the right of the Company and any who is concerned to claim compensation from the offender.

#### **Article (11)**

The remuneration of the board of directors should not be estimated at a rate exceeding 10% of the net profit of the company after deduction of depreciation, the legal and systematic reserve, and distribution of dividends not less than a rate of 5 % of the capital among the stock holders, or any rate stipulated by the basic regulations of the company. It shall be considered as null any estimation contradictory to these rules, and also considered as null any condition stipulates payment of remuneration free of tax.

#### **Article (12)**

The board of directors should annually, and by at least seven days before the meeting of the general assembly which shall be called to review the report of the boar&amp; of directors, lay in hand of the stock holders a detailed statement signed by the Chairman of the board of directors inclusive of the following :

- All the amounts obtained by the Chairman of the board of directors and every member of this board, such as wages, salaries, allowance for attendance of meetings of the board, expense-allowance. And the amounts obtained as commission or else, being paid to him in his capacity as a technician or administrative official in the Company, or paid to him against any technical, administrative or consultative work performed by him in favor of the Company.
- The privileges in kind enjoyed by the Chairman of the board of directors and every member of this board during the financial year, such as vehicles, accommodation, etc.
- The remuneration or shares of dividends which the board of directors propose its distribution for every member of the board.
- The amounts allocated for each of the current and former members of the board of directors as pension, reserve or final leave-gratuity.
- The - transactions in which the interest of a member of the board of directors is contradictory to - the interest of the Company.
- Donations with - the details and justifications of each donation. At the same foresaid date a copy of the said statement should be sent to the Ministry of Economy, All the members of the board of directors shall be responsible for enforcement of the rules of this article and the accuracy of the data provided in all the papers which preparation is stipulated.

**Article (13)**

The members of the control committee should be of full capacity, and the majority of the workers thereof should be enjoying the Libyan nationality, and at least one of them should have experience in financial or accounts affairs.

**Article (14)**

Without prejudice to the rules of articles (553) and (554) of the law of Commerce, the Control-Committee must send to the ministry of Economics a typical copy of the minutes of its meetings and decisions within, at most, c, week from the date of their issuance.

**CHAPTER THREE****Concerning Stock commandant companies****Article (15)**

On stock commentate companies a there shall be applicable the rules of items 1 ,2 and 3 of article (3) and articles 4, 5,7 and 13 of this Law"

**CHAPFER FOUR****Regarding companies of Limited Liability****Article (16)**

All the partners in companies of limited liability must be natural persons of full capacity and their number should not be more than twenty five nor less than three, if spouses are among those: three then the number should not be less than four. If the number is more or less than the said quorum the company shall by Law be considered as dissolved, if it does not within, at most Two months initiated to conform and arrange its status and situation in accordance with the rule of this article. In case of decrease of the number from the quorum the remaining partners shall be responsible, by a11 his funds, for the commitments arising from or consequent to his dealing on behalf of the company during the staid period.

**Article (17)**

1. The capital of the company must be , quite adequate to enable it -achieving its purposes, and it should be wholly fulfilled at foundation and it should not be less than five thousand pounds and not more than thirty thousand pounds, further , the rate owned by the Libyans should not be less than 51% of the capital.
2. The capital shall be divided to equal shares; the value of each should not be less than twenty pounds.
3. The dividends and liquidation surplus shall equally be divided among these shares unless the contract of the company (not of Foundation) stated otherwise.

**Article (18)**

1. The relinquishment and waiver of the shares shall De by a formal written document unless the company's act of organization stated otherwise. At occurrence of relinquishment the other partners have the right to retrieve the sold share by the same conditions, whereas in case of uncompensated relinquishment retrieval shall be against equitable price.

2. The one who is intending to relinquish his share must through the managers inform all partners and present full statement of the offer given to him.
3. If a period of one month elapsed and no one of the partners used his right of retrieval the partner shall have the right to dispose of his share.
4. If more than one partner used his right of retrieval the share shall be conveyed to them according to the share of each of them in capital of the company.
5. The share of every partner is conveyable to his inheritors, and the one to whom bequeathal is made shall substitute and be judged as if he were the inheritor,
6. The conveyance of ownership shall not be effective in respect of the partners or a third party unless from the date of its record on the partner's registry. This registry should contain the signatures of the assignor and the assignee if the dealing is between alive persons, and the signature of the one to whom the share is conveyed if conveyance is through compulsory; sale or by cause of death.

The application of this article shall not prejudice the rules provided in articles (16) and (17) of this Law.

#### **Article (19)**

The share shall be indivisible in all cases where the owner of one share are multiple, the company may suspend utilization of rights respective to share till they select from among them one who is considered as sole owner before the company,

#### **Article (20)**

The directors should be of full eligibility and the majority of them should be Libyans. If the ratio of the Libyan directors is for any reason decreased it should within, ut most, three months, be re-completed and the general assembly should approve this re-completion in the first subsequent meeting.

#### **Article (21)**

The text of article (13) of this Law shall be applicable on control committee in companies of limited liability.

### **CHAPFER FIVE**

#### **In sectors of activities which Foreign Companies are permitted to practice in Libya**

#### **Article (22)**

1. Without prejudice to rule of article (645) of the Law of Commerce, the foreign companies may be allowed to practice works entering within the following sectors of activity through opening of branches in the Libyan Arab Republic . This shall be for a renewable five years period ;
  - Engineering Consultations
  - Technical works subordinate to petroleum and gas exploitation companies.
  - Other sectors of a activity to be determined by resolution from the Council of Ministers.
2. The branches of foreign, companies which: are Presently shall be considered as authorized to work for the period fixed in the permit issued for them, provided that this period does not exceed five years .

3. As for the branches of foreign companies which are now practicing activity not included within they shall be given a respite of one year, at most, to liquidate their work.

## **CHAPTEP SIX**

### **General Rules**

#### **Article (23)**

The Council of ministers shall issue a resolution to determine sectors of activity within which work is restricted to companies which capital is entirely owned by the Libyans. The companies which are operating in the said sectors, and which foreign elements are sharing in its capital, shall be granted a respite of the cabinet in order to liquidate its work or adjust its status in conformity with the rule of this article.

#### **Article (24)**

1. The number of the Libyan laborers working on the joint stock companies commandant companies and the limited liability companies in Libya should not be less than 90% of the total number of laborers, and the sum of wages they are earning should not be less than 80% of the total wages paid by company.
2. The number of the Libyan officials in the companies in Libya should not be less than 75% of the total number of officials, and the sum of wages and salaries they are earning should not be less than 65% of the total wages and salaries paid by the company. The rule of this paragraph shall be applicable on stock commentate companies if their capital exceeded fifty thousand pounds.
3. In application of the rule of this article the word official means every person who is performing an administrative, technical, cercal or accountancy work and earns a wage or salary from the company for his work.
4. The Minister of economy may, by agreement with the minister of lab our and social Affairs, release and exclude of the said rates if necessity so required.

#### **Article (25)**

1. The Ministry of Economy shall set up a form of a preliminary contract and basic regulation for each of the joint stock-company, the commentated company and the company of limited liability.
2. This form shall be issued by decision from the Minister of economy after agreement of the Legal Counsel and Legislation Department at the ministry of Justice.
3. The contravention or disagreement with the form is not permitted unless for essential reasons accredited by the minister of Economy.

## **CHAPTER SEVEN**

### **In penalties and Control**

#### **Article (26)**

It shall be null and ineffective every action, dealing or decision issued in contraction and conflict with the norms and rules prescribed in this rule, or issued by the board of directors which is formed contradictory to its rules, this nullification shall be without prejudice to the others of good intention, If those who caused nullification are multiple they shall be jointly responsible for compensation, if any.

#### **Article (27)**

He shall be charged for a fine not less than a hundred pounds and not more than five hundred pounds everyone who offends one of the rules of this Law, In case of repetition or repetition and refrain from removing causes of offense the penalty shall be imprisonment for a period not less than w month and not more than six. Months or payment of double the fine provided in - the former paragraph.

#### **Article (28)**

In regard to proving the crimes which occur in conflict with the rules of this Law, and likewise the crimes stipulated in articles 687- to 705 of the Law of Commerce, the officials of the ministry of Economy who are least of level Four, and whose appointment or determination shall be by decision from the minister of Economy, shall have the capacity of judicial

In this respect they are entitled to check the registries, records and documents at the site of the company or other and the directors and employees of the company should provide them with the papers, records, data and information which they require.

#### **Article (29)**

The minister of economy shall, when necessary, to charge officials to check the accounts and entries of companies and branches of foreign companies and submit the result of their investigation and check to the minister, those officials charged by the minister shall have the judicial capacity of seizure in the manner provided in the former article.

## **CHAPTER EIGHT**

### **Momentary aril Final Rules**

#### **Article (30)**

The rules of articles 8, 11, and 12 shall be applicable in regard to ad-hoc rules, as from the start of the fiscal year subsequent to the fiscal year of the company during which the rules of this Law are applied.

#### **Article (31)**

The stock companies stuck commentated companies and companies of limited liability which exists at the date of enforcement of this Law must the rates prescribed in article (24) within a period of three years as from this date.

**Article (32)**

1. The projects which subject to the Law of foreign capitals investment No. (37) of the year 1968 shall be exempted and Excluded from application of articles 1,2,3,4 7/2, 8, and 23 of this law.
2. Likewise, the rules of this Law shall not be applicable companies and enterprises which are operating in Libya. Under partnership or concession contracts or other petroleum contracts regulated and, organized by rules of the Law of petroleum the Law of the Libyan National Establishment of petroleum.
3. The rules of this Law shall not prejudice the rules . provided in the Law of commercial agencies or other Specific-Laws.

**Article (33)**

The executive regulation of this Law shall be issued by decision from the minister of Economy, and should particularly include the following:

1. The situations and conditions pertinent to submission of applications, their dates and decision thereon in conformity with the rules of the Law.
2. The documents and papers that have to be submitted together with the application for license stipulated in article (47 1 Q) of the Law of Commerce, and also the certificates proving the experience of the foreigners in fields of activity of the company to be founded, or branches for it are to be opened in the cases permissible by Law.

**Article (34)**

The Minister of Economy should enforce this Law, and be workable after a month from the date to of its publication in the official gazette.

Issued on 25th Safar 1390 H. Corresponding to 2nd May 1970.