



EYAD REDA
إياد رضا
محامون ومستشارون قانونيون
Lawyers & Legal Consultants

Foreign Investors Considerations When Doing a Business in

Saudi Arabia

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Index:

Foreword	1
About Us	3
Landscape	6
Starting a Business in Saudi Arabia and Companies Law	10
Foreign Investment Law	13
Employment Consideration	17
Taxation	20
Intellectual Property and Copyright Law	22
Data Protection	24
Anti-Concealment Law	27
Dispute Resolution	29
Bankruptcy Law	33



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1

Foreword

Foreword



EYAD REDA

Lawyer and Legal Consultant
Managing Partner

Vision 2030 has been launched under the leadership of the Custodian of the Two Holy Mosques. The full attention of the Kingdom of Saudi Arabia is on utilizing the potential to accomplish our goals.

As His Royal Highness the Crown Prince has stated **“The second pillar of our vision is our determination to become a global investment powerhouse. Our nation holds strong investment capabilities, which we will harness to stimulate our economy and diversify our revenues.”** Reforms were made to the government sector's operating model and as a result of these reforms, the public sector, economy and society are better able to meet future challenges.

We strongly believe in our Leadership and that the Kingdom of Saudi Arabia is a promising economy that offers many unique opportunities to local and foreign businesses.



01

This brief is an overview of all the regulatory aspects of business-related activities in Saudi Arabia.



02

This brief does not constitute legal advice or consultations or recommendations in any form.



04

Eyad Reda Law Firm (“ERLF”) has made every attempt to ensure that the information provided is relevant and up to date. However, ERLF is not responsible for the accuracy or reliability of the contents contained in this brief without legal advice. Therefore, ERLF recommends investors to seek advice before making any investments or decisions related to their business activities in Saudi Arabia.



03

ERLF has long experience in the field of corporate law and investments.



05

ERLF is qualified to assist potential investors in conducting businesses in Saudi Arabia through navigating and addressing legal requirements and mitigating foreseeable risks.

2 About Us

About Us

Eyad Reda Law Firm Lawyers bring to each client top-tier global corporate standards combined with local expertise. Our corporate practice is fully integrated into global businesses and is well placed to advise on a broad range of local, regional, and cross-border transactions. Our highly talented lawyers provide cost effective sound counsel and legal solutions to business entities, individuals, and governments. Eyad Reda Law Firm is known as a leading corporate advisory firm advising clients on a wide range of transactions, **including:**

General corporate advisory, including restructuring and joint venture.

Corporate finance, including equity capital market.

Restructuring and Bankruptcy

Corporate establishments and company secretarial.

Mergers and acquisitions.

Litigation

Our lawyers are experienced in all major business sectors and apply commercial and pragmatic experience to guiding transactions.



General Corporate Advisory

Our innovative lawyers have worked on transactions ranging from local joint ventures, franchising, and distribution agreements to complex restructuring projects involving multiple jurisdictions. We are culturally attuned to have a full comprehension and deep/detailed understanding of the requirements which can impact corporate operations, and business demands.



Corporate Establishments, Structuring and Company Secretarial

Our team is experienced in helping clients successfully navigate the complex regulatory framework, associated with corporate and operating structures. Our experience is especially strong in Saudi Arabia where corporate establishment has a unique set of challenges to overcome. Our corporate lawyers' experience and expertise helps deliver the most efficient way forward in Saudi Arabia and in the Gulf region.



Corporate Finance and Capital Markets

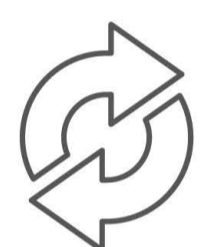
Our corporate lawyers are skilled in capital market transactions, including initial public offerings, secondary offerings, and private placements of equity and debt.

Saudi Arabia is one of the most active regional markets in this area with increasing number of companies looking to the capital markets especially in view of the changes allowing foreign companies to have secondary listing at the Saudi stock exchange market (Tadawul).



Mergers and Acquisitions

Our corporate team boasts a highly skilled international experienced M&A lawyers that advise clients on single or multi-jurisdictional public and private M&A. Our lawyers can assist with all regional legal issues covering all aspects of each transaction starting from initial term sheets and due diligence to negotiations, drafting and completion.



Restructuring and Bankruptcy

We provide our solutions to national and international clients at different stages and levels of restructuring and bankruptcy. Our team members have been involved in advising clients during financial difficulties, market crises, and pandemics where they had the opportunity to lead the first submissions before the commercial court in relation to the restructuring options that are regulated by the provisions of the Bankruptcy Law including, protective settlement, and financial restructuring and bankruptcy.

Our team members are experienced in dealing with all aspects of restructuring including operational restructuring, distressed debt, merger & acquisitions, and asset in financial recovery, due diligence reports and formal representation in bankruptcy procedures and liquidations.



Litigation

Our team is also skilled in the fields of ADR, mediation, arbitration and others along with litigation and representation of clients before courts, using their experience to help clients devise the best strategies. Where in an environment of increasing regulatory legislation and its enforcement rates, we realize that effective compliance with organizational aspects is one of the important business issues that require early dealings with lawyers with experience and knowledge of the potential dimensions and obligations of conflict, as well as the legal and regulatory dimensions, who work relentlessly towards achieving fruitful results when unavoidable conflict or regulatory intervention.

We offer a service to regional and international clients involved in regional litigation, which is unique to international firms in the region, namely a regional Arabic.

court litigation team. We not only offer lawyers specializing in local litigation through our office in Saudi Arabia, but we also have rights of audience in many jurisdiction.

3

Landscape

Landscape



Overview

The Kingdom of Saudi Arabia is a dynamic, growing, and a G20 country with the largest economy in the Middle East. The legal system of Saudi Arabia is developing as part of the process of reforms and changes to meet the evolving needs of investors.

In 2005,

Saudi Arabia received formal approval to join the World Trade Organization (WTO) and joined officially in December of the same year. Since 2005, The legal system of Saudi Arabia was developing as part of the process of reforms and changes to meet the evolving needs of both the people and investors. As a result of such endeavors, Saudi Arabia established new world-class cities, the Economic Cities, in different regions of the country as special economic zones with investor-friendly rules and regulations under the authority of the Ministry of Investment.

In 2016,

Saudi Arabia announced the 2030 Vision, which aims to diversify the economy to reduce Saudi Arabia's dependency on oil exports. In addition to diversifying the economy, the vision also aims to increase foreign direct investment from %3,8 to the international level of %5,7 of GDP. To accomplish such a goal, Saudi Arabia has gone through various regulatory changes and transformations to become a dynamic global investment powerhouse, attracting foreign investors by all means .

In 2019,

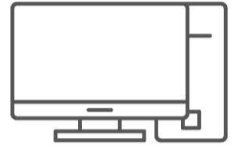
Saudi Arabia approved the Premium Residency, also known as the Saudi Green Card, which is a residence permit in Saudi Arabia. The aim of the Saudi Green Card is to attract foreign investors and entrepreneurs as Saudi Arabia is opening its economy as part of the Saudi Vision 2030 by allowing non-Saudi nationals to work, own property, and run businesses without the need for a domestic sponsor.

This brief provides an overview of the Saudi business laws and the most important developments that have been made in light of the Saudi Vision 2030 Vision and the latest improvements related to business entities in Saudi Arabia.

In 2021,

In October 2021, His Royal Highness Prince Mohammed bin Salman bin Abdulaziz announced the launch of the National Investment Strategy (NIS), a key enabler for the delivery of Vision 2030. Through the NIS, Saudi Arabia will grow and diversify its economy, which in turn will help Saudi Arabia achieve many of the goals of **Vision 2030**, including raising the private sector's contribution to GDP to %65; increasing the contribution of FDI to GDP to %5,7; increasing the contribution of non-oil exports to GDP from %16 to %50; reducing the unemployment rate to %7; and positioning the Kingdom among the top ten economies in the Global Competitiveness Index; by 2030. During the launch of the National Investment Strategy, His Royal Highness Prince Mohammed bin Salman declared: **"Today, the Kingdom embarks on a new investment era to empower Saudi and international private-sector investors with more and better opportunities. Investment is without a doubt one of the main routes for us to achieve the ambitions and aspirations of Vision 2030, among them economic development, diversification and sustainability; technology transfer and localization; infrastructure development; better quality of life; job opportunities and the upskilling of our human resources, leaving a legacy of prosperity for future generations."** In addition, His Royal Highness stated **"The National Investment Strategy is all about empowering investors, offering investment opportunities, providing financing solutions and enhancing competitiveness. It also clarifies the partnership between the public and private sectors, as our mission is now to open the door to the private sector and allow it to grow and prosper."** His Royal Highness the Crown Prince explained that the NIS would develop comprehensive investment plans for a variety of sectors, including manufacturing, renewable energy, transportation, hospitality, and digital infrastructure. He emphasized that the kingdom's ambitious investment goals will be met through the combined efforts of several entities including the Public Investment Fund, large Saudi companies through the Shareek Program, which is an investment program means (to partner) that facilitates the foreign direct investment through the collaboration of government and private sectors, as well as further domestic and international efforts.

He emphasized that the investment activity expected to be undertaken by 2030 will inject over **12 trillion** Riyal (SAR 12 trillion) into the economy: As part of Shareek Project initiatives, 5 trillion riyals will be injected. The Public Investment Fund will invest 3 trillion Riyal, while the NIS will facilitate investments worth a total of 4 trillion Riyal. In addition, the economy will receive a total injection of SAR **27 trillion (7\$ trillion)** through government spending over the next **10 years** and SAR 5 trillion from private consumption over the same period. This will increase investment contributions to GDP from %22 in 2019 to %30 by 2030, making Saudi Arabia's economy one of the world's **15** largest. NIS will also increase FDI flows to SAR **388** billion and increase domestic investment to SAR **1,7** trillion by 2030. As part of the NIS, the government will improve the business environment, increase investment attractiveness, implement regulatory and legislative measures, connect investors with investment opportunities, and provide incentive packages for selected projects and attracting regional headquarters to Saudi Arabia. In addition to developing strategies to help local companies market their products and services internationally. A key part of the strategy is establishing special economic zones that offer competitive regulations and incentives to attract investments in priority sectors; Transfer of strategic supply chains to Saudi Arabia and the acquisition of a market share in supply chain components; and diversifying funding options includes developing new financing solutions for the private sector to promote capital formation, as well as enhancing the **"Invest Saudi"** platform to present and market investment opportunities in Saudi Arabia.



Legal System

Traditional Islamic Law (the “**Shariah**”) forms the basis of Saudi Arabian law.

The Shariah is derived from the Holy Quran and from the Sunna (words and deeds) of Prophet Mohammed, as interpreted by influential scholars of Islamic jurisprudence. Moreover, Shariah views tend to be expressed in general terms, which may leave a court with a good deal of discretion as to how they are to be applied in specific circumstances. The Saudi Government supplements Shariah Law by issuing royal decrees, regulations, circulars, and policy statements governing various legal aspects, such as companies’ formation, foreign investment, and labor law.



Reforms and Digital Infrastructure

During this transition, Saudi Arabia will adopt and implement state-of-the-art telecommunications and information technology, which will assist in the development of a new and improved methodology for accelerating the stages of advancement in the digital transformation by developing an immersive, knowledge-driven e-commerce language, these mechanisms aid in the facilitation of the overall mechanisms of digital transformation.

Digital Infrastructure

With a strong digital infrastructure, Saudi Arabia has grown increasingly digital, ensuring continuity of business, education, citizen needs, and day-to-day operations. With its robust digital framework, the Kingdom has been ranked among the top ten developed countries worldwide.

4

Starting a Business in Saudi Arabia Corporate Practice

Starting a Business in Saudi Arabia Corporate Practice

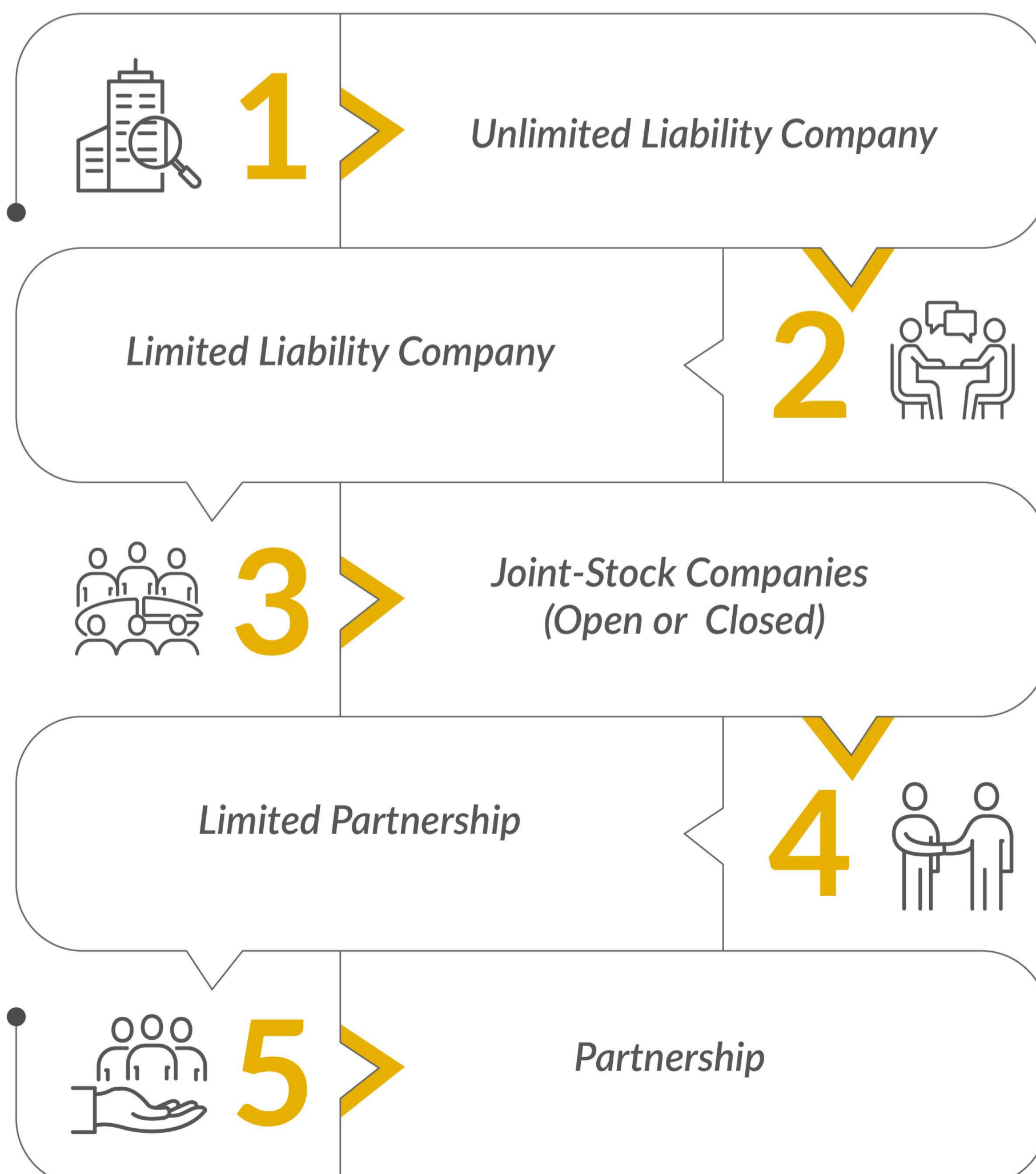
To start a business in Saudi Arabia, it is essential to understand the different legal requirements and factors of each type of entity. Each company has different requirements and tax implications. For instance, foreign investors who wish to start a business in Saudi Arabia are required to obtain a foreign investment license as a pre-requirement to invest.

The Regulatory Framework and Companies Forms

Saudi Companies Law provides the regulatory framework and governance of all business entities and its related activities in Saudi Arabia. This section presents different laws related to forming new companies in the Kingdom of Saudi Arabia and the regulatory framework of each business type, including foreign business entities and investments.

Companies Formation Under Saudi Companies Law

Generally, the Saudi Companies Law provides the regulatory framework of the formation and governance of all business entities to be established in Saudi Arabia, **which include the following:**



1 > Unlimited Liability Company

According to the Saudi Companies Law, an unlimited liability company is a company formed by two parties or more and whereby all partners are completely liable for the company's debts.

2 > Limited Liability Company

A limited liability company (LLC), the most common company form in Saudi Arabia, Must have up to fifty partners. An LLC sets apart the company's assets from the personal assets of the partners, whereby partners are only liable for their business assets of the company. Moreover, an LLC cannot offer shares to the public, and may not conduct the business savings banking, insurance, financing, or fund investments.

3 > Joint-Stock Company

A joint-stock company is a company owned jointly by its shareholders and is solely liable for debts and liabilities arising from its activities. Joint-stock companies come into **two forms**:

(i) listed joint-stock; and (ii) closed joint-stock. An open joint-stock company, which is also called a public company, is a company that can sell its shares to the public on registered stock exchanges. On the other hand, a closed joint-stock can only transfer its shares between parties or third parties by amending the company's articles of association.

4 > Limited Partnership

A limited partnership is a company comprises two types of partners, one partner should be jointly liable in all his assets for the company's debts and liabilities, and the other partner's liability is limited to the value of his share in the partnership's capital. A limited partner shall not acquire the capacity of merchant.

5 > Partnership

A partnership is a company that does not have a legal personality and does not require a formal registration. In addition, a partnership company is not subject to any means of publication procedures. A partnership shall have a contract specifying certain terms and conditions, including without limitation, the company's purpose, partners' rights and obligations, and the distribution of profits and losses.

5

Foreign Investment

Foreign Investment

In general, foreigners may have %100 ownership of locally established businesses in Saudi Arabia. Furthermore, under the Foreign Investment Law, foreign companies who wish to invest in Saudi Arabia are subject to special rules and requirements. One of such requirements is obtaining a foreign investment license and any related license with respect to the nature of the business. Once the foreign investment license is obtained and all other requirements have been met, the foreign corporation may carry its business in Saudi Arabia. Moreover, it is essential to note that foreign investors are prohibited from conducting certain business activities that fall within the Negative List, **which is discussed below:**

The Negative List

Some businesses are limited to Saudi owned companies only. The negative list provides the list of business activities that are generally not open to foreign investments. Moreover, the negative list may be subject to change as it is viewed as a developing area within Saudi Arabia's framework of laws as part of Saudi Vision 2030. Examples of the Negative List **activities are:**

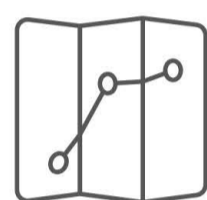


Generally, foreign companies may conduct business activities not included in the Negative List with %100 ownership. However, according to the Ministry of Investment, some business activities may require minimum Saudi ownership depending upon the type of business.



Legal Entities Forms

Foreign corporations conducting business in Saudi Arabia should consider different types of business structures depending on the company's circumstances. This brief describes below the most common forms of business structures for foreign investors.



Branch Office

Foreign companies who wish to operate in Saudi Arabia on behalf of a parent company can establish a branch office to run their business. A branch office is an extension of a foreign company that does not constitute a separate legal entity in Saudi Arabia. Moreover, the procedures of establishing a branch in Saudi Arabia differ based on its type and goals, and each branch has its own rules and requirements depending on the type of business undertaken.



Temporary Licenses

Temporary licenses are provided to foreign businesses to conduct specific activities in Saudi Arabia related to the performance of a government or semi-government contracts. Such licenses are provided only for a limited period of time and for a specific type of business, and no other business activities should be undertaken.



Scientific and Technical Office

Foreign companies that have a Saudi agent distributing the company's products in Saudi Arabia may establish a scientific and technical services office. The scientific and technical services office is prohibited from conducting any commercial activities or investments in Saudi Arabia directly or indirectly. However, the office may conduct research studies and reports on the type of the company's activity and submit an annual summary of its activities to the Ministry of Investment.



Professional Services Company

Foreign companies may establish a professional service activities company to conduct professional activities business in Saudi Arabia. Moreover, a Professional Services Activities company requires a Saudi partner with a share not less than %25.



Franchise

The new Franchise Law was enacted under the Royal Decree No. M/22, October 2019 ,8. The aim of the law is to promote franchise activities in Saudi Arabia by establishing a legal framework that regulates the relationship between franchisors and franchisees and emphasizes the freedom of contract and transparency of business relationships.; Ensure the franchisor and franchisee are protected, particularly after the franchise agreement expires; Ensure that the rights, duties, and risks related to the franchise are disclosed to the prospective franchisee(s) so they can make informed decisions about investing; and increase the quality of goods and services within Saudi Arabia while ensuring the sustainability of those services. Franchising is a contract that grants a concession to another party (the franchisee) to use one or more intellectual property rights or technical know-how to produce a commodity or distribute its products or services under the franchisor's trademark in accordance with its instructions and under its supervision.



Commercial Agencies

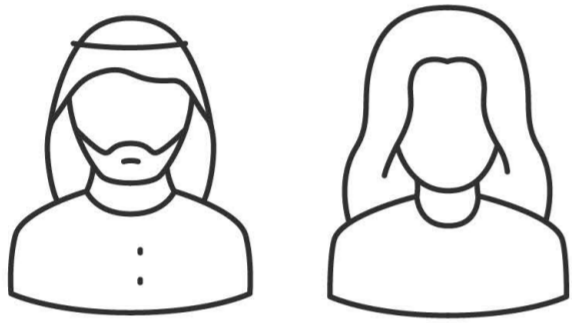
Commercial agents are intermediaries who are contracted with companies or who represent them in their countries of origin in order to conduct business deals on their behalf with other businesses and are compensated in return with commissions, profits, or other forms of payment. A non-Saudi person, whether natural or legal, may not operate as a commercial agent in the Kingdom of Saudi Arabia. Saudi companies operating as commercial agents must have a **%100** Saudi capital, and the members of their boards of directors and authorized signatories must be Saudis.

6

Employment Consideration

Employment Consideration

The Saudi Labor Law governs the employer-employee relationship. The Labor Law requires an Arabic written contract to set out the rights and obligations of both the employer and employee; however, contracts in other languages are permissible as long as there is an Arabic version of that same contract. Moreover, Labor Law in Saudi Arabia went through many major reforms and amendments, including but not limited to, Saudization, reforms related to foreign workers, and amendments related to force majeure events. Such amendments are **discussed below**:



Saudization

Saudization is a policy that requires companies to employ a certain number of Saudi nationals. Each company must comply with a percentage of Saudi employees set by the Ministry Human Resources and Social Development. Not complying with Saudization requirements may result in government fines.



In 2020,

The Ministry of Human Resources and Social Development launched the labor reform initiative to amend the current Sponsorship law requirements that regulate the relationship between foreign workers and their employers in Saudi Arabia. Such reform facilitated job mobility and enhanced the relationship between foreign employees and their employers. The reform also allows foreign employees to exit and re-enter the country by submitting a request through a government electronic platform and to apply for final exit visa without obtaining permission from their employers.



Force Majeure Events

The Ministry of Human Resources and Social Development made some amendments in its implementing rules in consideration of the Covid19- pandemic by permitting employers to **the following**:

decrees the employees' working hours and salaries, respectively.

1

Place the employees on paid annual leave.

2

Place the employees on unpaid annual leave.

3

Such amendments enable employers and business entities to reduce their losses during force majeure events, such as the case in the Covid19- pandemic. In addition to helping business entities decrease their losses during pandemics and other unforeseeable crises, the amendments also aim to protect employees' rights and prevent unemployment since many entities had to take action with regards to the losses and damages.



Employment Disputes and Labor Courts

The Labor Courts were established pursuant to Royal Decree No. 20712 dated 29 Rabi al Thani 1439H (16 January 2018) taking effect in the Kingdom on 20 Safar 1440H (29 October 2018) to hear the Saudi and non-Saudi's workers disputes to create an attractive, supportive and safe work environment in the Kingdom of Saudi Arabia in light of Vision 2030. The Labor Court is a branch of the Court of First Instance and specializes in dealing with various labor disputes and are spread throughout Saudi Arabia's provinces. According to the Ministry of Justice, there are 7 working courts and there are 27 labor services in the various cities throughout Saudi Arabia and nine appeal chambers in six appeal courts to review judgments handed down by the first-instance labor courts.



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Taxation

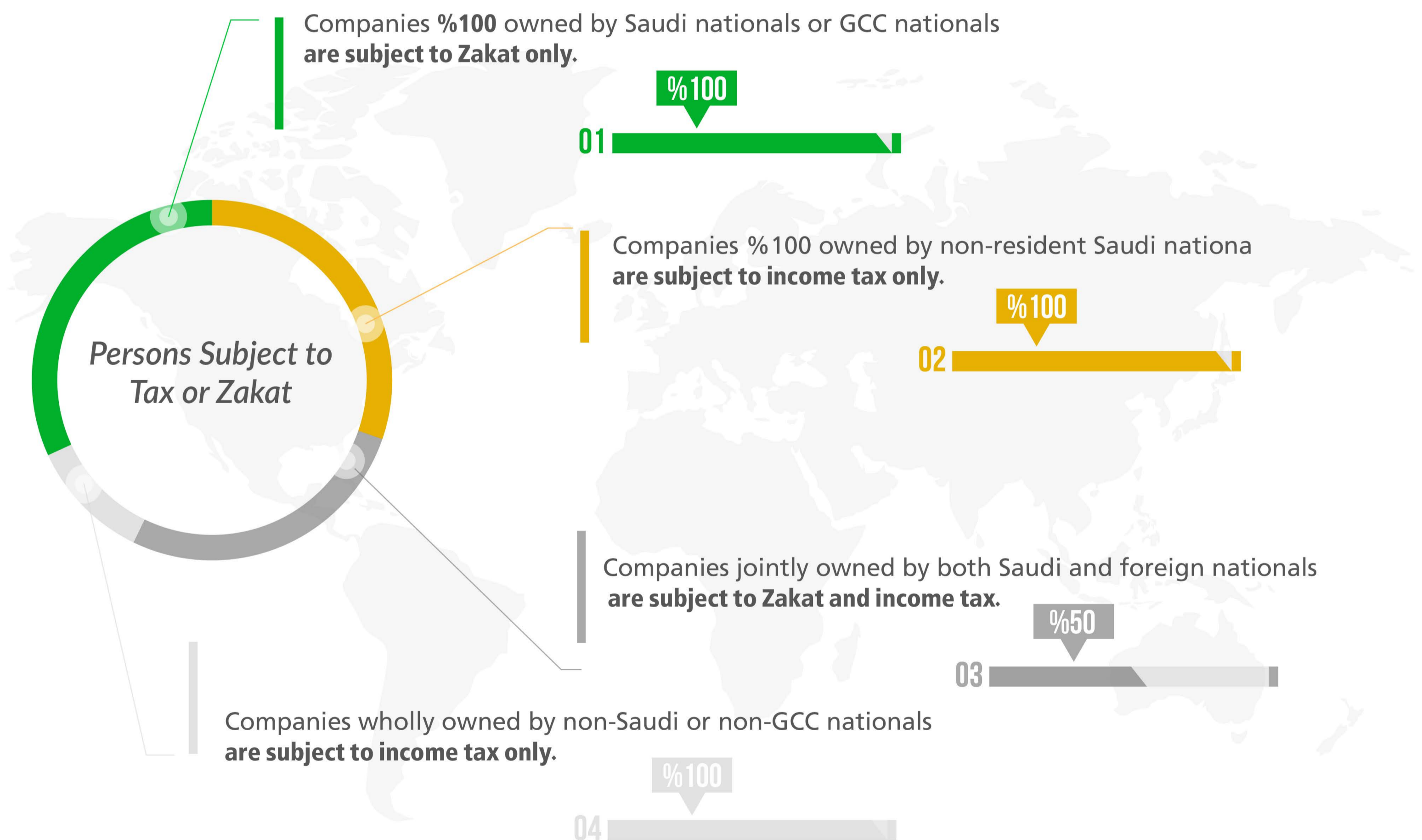
Taxation

Tax reforms are part of the Saudi 2030 Vision and the economic development in Saudi Arabia. Recently, Saudi Arabia introduced the value-added tax (VAT) and real estate transaction tax (RETT). Moreover, there is no individual income tax regime in Saudi Arabia; however, income tax or Zakat is imposed only on registered corporations.



Persons Subject to Tax

Corporations in Saudi Arabia should register with Zakat, Tax and Customs Authority. Further, companies are subject to different taxation system (income tax or Zakat) depending on the company's owner's nationality, **discussed as follows:**



Generally, corporations owned by Saudi nationals are subject to Zakat, which is %2,5 specially Zakat purposes. On the other hand, corporations conducting businesses in Saudi Arabia owned by non-Saudi nationals are generally subject to %20 income tax rate. Other income tax percentages are applicable depending on the activity and amount of investments.

Kindly be informed that law firms in Saudi Arabia are not allowed to advise on tax related issues. However, law firms provide tax advice in relation to litigation purposes only.

8


Intellectual

Property and Copyright Law


Intellectual Property and Copyright Law

As part of its efforts to better manage Intellectual Property rights, the Saudi government has established the Saudi Authority for Intellectual Property (SAIP), which oversees intellectual property operations, intellectual property provision, and development and enforcement of intellectual property rights in Saudi Arabia.


The Saudi Copyright Law protects all types of intellectual property following global practices. All types of literary, scientific, and artistic work are protected whether such work is created individually or jointly . The Copyright Law grants the author **the following rights:**



Moral rights, including publishing, amending, or deleting their work.



Financial rights, including utilizing the work in any commercial means.



Assignment of copyright, including transferring the author's copyrights by lawful transfer or by inheritance.

9

Data Protection

Data Protection

In general, the recently enacted Data Protection Law aims to protect personal data of individuals carried out in Saudi Arabia by any means, including personal data of deceased individuals if such information leads to such individuals or their families. In addition to protecting personal data of individuals, the Law regulates communication between different entities and prevents the misuse of private data. The importance of regulating Data Protection Law is to ensure **the following**:

01

Maintaining privacy while sharing and processing data.



02

Protecting the privacy of the public's personal data and creates a secure society.



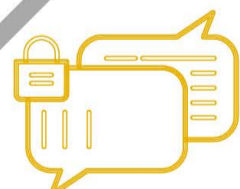
03

Contributing to the new data-based digital economy.



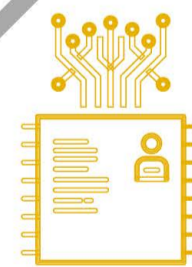
04

Regulating the use of private data to ensure optimal data use.



05

Prohibiting using personal ways of communication for marketing or awareness purposes without the owner's consent.



As a general principal, the Data Protection Law allows entities to collect data directly from individuals and for a specific purpose only; however, there are situations where entities may collect personal data from third parties under the **following conditions:**

- ☒ After obtaining the required consent.
- ☒ If the data is publicly available.
- ☒ If the entity collecting personal data is a public institution and such data collection is required for security purposes or for judicial purposes.
- ☒ If compliance with the law may cause some harm to certain individuals.
- ☒ If data collection is necessary to protect the public health or public safety.
- ☒ If the data will not be recorded or preserved in a format that makes it possible to identify the individual.
- ☒ The purpose of collecting personal data must be directly related to the entity.
- ☒ The Data collection methods must not conflict with other established methods and should not be fraudulent, deceived or shaded.
- ☒ If the collected data is no longer necessary, such data must be destroyed immediately.
- ☒ Official documents identifying the owner's personal data may only be copied when this is in accordance with the provisions of a law, or when a competent public body requests that such documents be copied as specified by law.

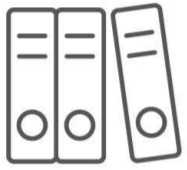
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Anti-Concealment Law

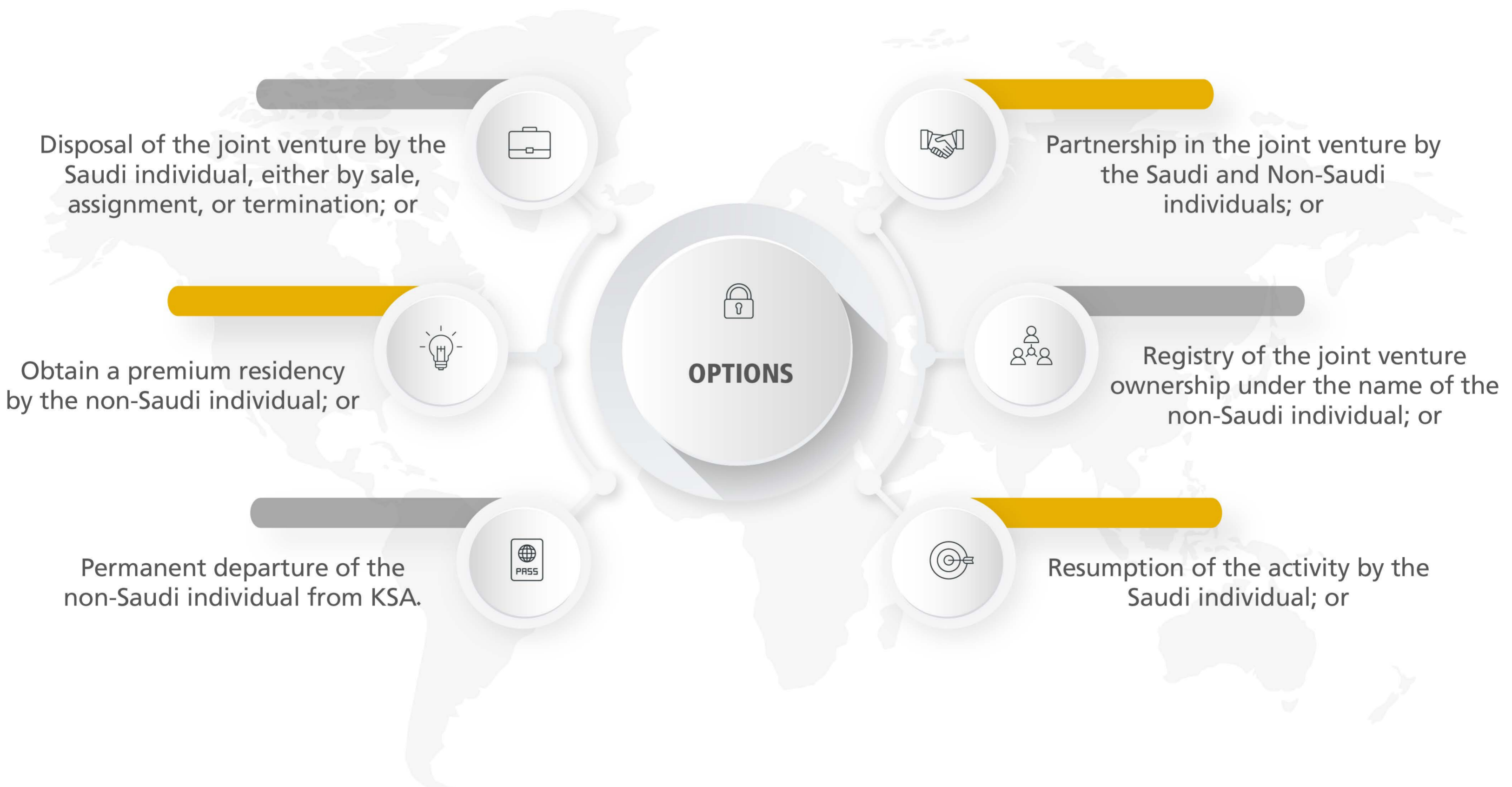
Anti-Concealment Law

The Anti-Concealment Law prohibits non-licensed foreigners from practicing economic activities in Saudi Arabia by any means, including allowing a non-Saudi to have unrestricted authority over the entity and/or using a bank account other than the company's account for the economic activity transactions. Moreover, the Ministry of Commerce regulated the rectification of the status of Anti-Concealment Law violators by Ministerial Decision **No. 387** dated **2021/02/23**. The regulations exempt violators from being subject to legal sanctions by submitting a rectification request before **2022/02/16**; such exemptions **include the following**:

- ☒ Exemption from sanctions specified by law for the concealment crime; and
- ☒ Exemption from the other sanctions that are implicated as a result of the concealment crime; and
- ☒ Exemption from the sanctions that are implicated as a result of proceeds of the activity that is subject to the rectification; and
- ☒ Exemption from being retroactively subject to the income tax.



The regulations have also limited the rectification to the following options:



Options No. (2), (1), and (5) are available for the non-Saudi in terms of rectification and continuance of conducting the business within Saudi Arabia and are regulated by the Ministry of Investment laws and regulations.

11

Dispute Resolution

Dispute Resolution

There are different means of dispute resolution in Saudi Arabia, which generally constitute courts, specialized tribunals, and arbitration. As a general rule, disputes arising from any commercial transaction are subject to the Commercial Court jurisdiction. However, specific disputes such as the ones involving insurance, banking, or capital markets are subject to specialized judicial tribunals. In addition to the commercial court and the specialized judicial tribunals, arbitration and mediation are common methods of alternative dispute resolution in Saudi Arabia.



General Court System

1- Supreme Court:

The Supreme Court is the highest of the judiciary to receive a complaint against the court that rendered the contested decision and is not a party to the litigation class. Its primary role is to review border cases (murder, amputation, stoning, punishment and less than murder) and to review decisions in terms of proper application, interpretation, and interpretation of Islamic sharia provisions. As in the trial proceedings, it has nothing to do with the portrayal of facts or the evaluation of evidence.

2- Courts of Appeals:

The Courts of Appeal shall hear judgments handed down by the courts of first instance, after hearing the statements of the adversaries, in accordance with the Shari'ah Procedure Law and Law of Criminal Procedure.

3- Courts of First Instance:

The rules of jurisdiction between the courts of first instance are adopted based on the type of case, i.e., the nature of the dispute, whether commercial, personal, urgent, etc., regardless of the value of the case. Also, the relevant court specializes in the disputes that occur in its circuit.

Commercial Court:

In 2020, the new Commercial Courts Law was enacted under Royal Decree No. M/93 dated 1441/08/15H (17 April 2020) and came into effect on 16 June 2020. The law governs all disputes that fall within the commercial court's jurisdiction, such as business conflicts, commercial contracts, and any dispute arises from a violation of the Saudi Companies Law, Bankruptcy Law, Intellectual Property Law, or any other business related.

4- Enforcement Courts:

Enforcement Courts have jurisdiction over execution disputes regardless of their value. The courts are organized into specialized circuits, with one or more judges on each circuit. It also has the power of compulsory enforcement and supervision over it.

Enforcement Courts are specialized in enforcing **the following**:

- ☒ Judgments, decisions and orders issued by the courts.
- ☒ The arbitrators' provisions attached to the execution order according to the Arbitration Law.
- ☒ Reconciliation records issued by the authorities authorized to do so.
- ☒ Negotiable instrument
- ☒ Notarized contracts and documents
- ☒ Judgments, court judgment, decisions of arbitrators, and authenticated instruments in a foreign country
- ☒ Ordinary instruments whose content is fully or partially recognized.
- ☒ Contracts and other instruments that have executive titles under the Law.



Specialized Tribunals

The General Secretariat of the Committees for Resolution of Insurance Disputes and Violations:

The General Secretariat of the Committees for Resolution of Insurance Disputes and Violations has subject matter jurisdiction over disputes arising from insurance matters t consists of a first instance committee and an appeal committee. .

The Secretariat General of Committees for Resolution of Insurance Disputes and Violations act as a comprehensive body that deals with disputes and violations submitted to the Secretariat General. Specifically, pursuant to Council of Ministers Resolution No. (190), dated (1435/05/09H), the Secretariat General's functions include conducting all administrative work regarding the Committees and undertaking research and studies with respect to the Committees; offering consultations; In addition, as part of that role, the Secretariat General proposes conciliation procedures that can lead to an amicable settlement between the parties. The Secretariat is also responsible for classification, delivery, and publication of decisions issued by the Committees, as well as producing statistics on their decisions and litigation duration.

1- Banking Disputes Committee:

The Banking Disputes committee handles banking-related conflicts and has the power to issue final decisions regarding all disputes that fall within its jurisdiction.

The committee can seize the debtor's bank accounts and all dues related to government agencies.

The Committee of Banking and Financial Disputes has the power to prevent the debtor from dealing with government agencies and banks and prohibit the debtor from traveling.

2- Financial the Committee of Financial Disputes:

By a Royal Decree No. (M / 51) dated 1433/13/8 AH, which includes the formation of a committee called the Committee for the Resolution of Violations and Financing Disputes," The Committee specialties **includes:**

- ☒ Adjudicating violations, disputes, and public and private right claims arising from the application of the provisions of the
- ☒ Finance Companies Control Law and the provisions of the financial lease system and their regulations, rules and instructions. Settling grievances of stakeholders from relevant Saudi Central Bank decisions, provided that the grievance is within sixty days from the date of notification of the decision.
- ☒ All powers necessary to investigate and decide cases - within its competence - including the power to call witnesses, issue decisions, impose penalties, and order the submission of evidence and documents.

The Committee for the Resolution of Securities Disputes:

The General Secretariat of the Committees for Resolutions of Securities Disputes has developed an integrated framework of services that offer support to the work of the committees in engaging in their duties under the Financial Market Law.

Moreover, General Secretariat of the Committees for Resolution of Securities Disputes **aims to:**

- ☒ To protect investors from fraud, deceit, and manipulation, as well as unfair or incorrect practices.
- ☒ Implementing judicial ruling principles applicable to all dealings in the Capital Market that comply with the law. In addition to implementing judicial ruling, the General Secretarial of the -Committees for Resolution implements regulations, and the principles of justice.
- ☒ Publishing decisions made by CRSD and ACRSC as soon as they are confirmed to be final.
- ☒ Ensuring that litigants have a fair trial by providing them with a proper environment.
- ☒ Using the latest technological innovations, technological instruments, and administrative methods for the electronic court.



Alternative Dispute Resolution

Arbitration and the Saudi Center for Commercial Arbitration:

The use of Arbitration is developing in Saudi Arabia. In 1993, Saudi Arabia ratified the 1958 Convention for the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention/ Convention**") under Royal Decree No. M/11 dated **1414/7/16 H / 30 December 1993**. The New York Convention is the convention on the recognition and enforcement of foreign arbitral awards, done in New York, **10 June 1958**. Generally, the New York Convention applies to the recognition and enforcement of arbitral awards made in the territory of a State other than the State where the recognition and enforcement of such awards is sought.

Arbitration is a form of alternative dispute resolution. Rather than filing a lawsuit, the parties can choose arbitration to opt for a private dispute resolution procedure instead of taking it to court. The Saudi Center for Commercial Arbitration ("**SCCA**") Rules are built on the internationally recognized UNCITRAL Arbitration Rules to provide parties with a straightforward, concise, and efficient dispute resolution procedure. Moreover, in conformance with the needs of modern international trade practices, SCCA Rules adopt the best practices of leading arbitral institutions, including AAA-ICDR.

The SCCA Rules have been drafted in accordance with the current Saudi Arbitration Law, which is also based on the UNCITRAL Arbitration Rules. According to SCCA Arbitration Rules, arbitration offers a formal procedure leading to a binding decision from a neutral arbitral tribunal. That decision may be enforced under other arbitration law or foreign convention, such as the 1958 New York Convention. SCCA Rules establish a transparent, efficient, and fair mechanism for ensuring transparency in arbitrations, as do many of the world's top arbitral institutions. SCCA Rules are arranged in a progressive manner from the date of filing to the date of issuance of the final arbitral award. These rules reflect a few of the most critical developments in institutional arbitration rules, such as the availability of emergency arbitration procedures for cases requiring immediate resolution.



Mediation

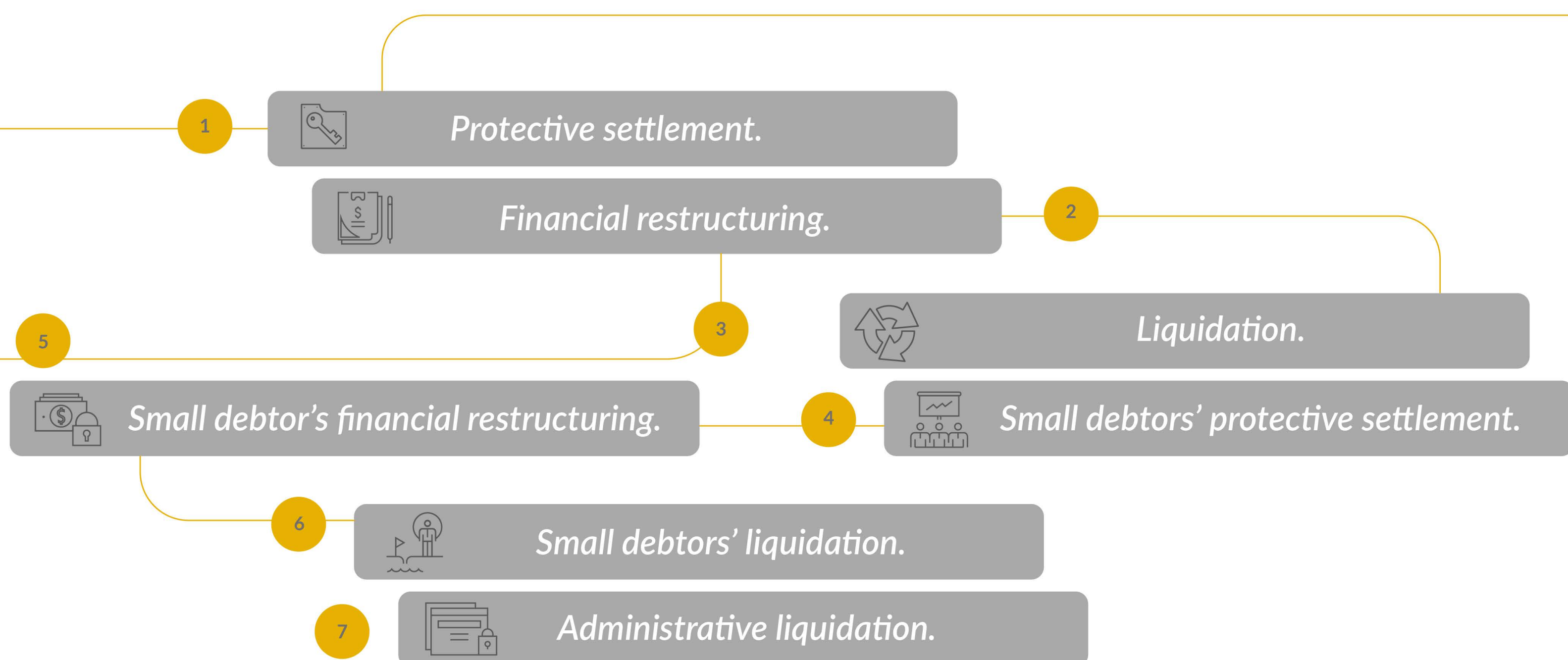
Mediation is the process to facilitate negotiation by an impartial party (mediator) between disputing parties to reach an amicable settlement. In 2020, Saudi Arabia has ratified the United Nations Convention on International Settlement Agreements Resulting from Mediation. Saudi Arabia is the fourth State Party to the Convention, which entered into force on November 5th, 2020. In Saudi Arabia, commencing mediation proceedings is through the Saudi Commercial Arbitration Centre, in which the mediator provides rapid and effective services in resolving disputes between disputants, assist the parties to understand each other's point of view, help the parties reach a resolution they can both agree on, and encourage them to write a binding settlement agreement.

12

Bankruptcy Law

Bankruptcy Law

The Saudi Bankruptcy Law came into effect in 2018. The aim of the Saudi Bankruptcy Law is to regulate **the following**:



Protective settlement procedure

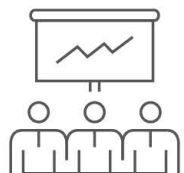
A process that facilitates settlement of debts between the debtor and its creditors, while preserving a debtor's right to manage his/her own activities.

Financial Restructuring Procedure

Financial restructuring under the supervision of the financial restructuring officeholder, that provides a way for the debtor and its creditors to reach an agreement to restructure their debts.

Liquidation Procedure

iquidation under the management of the liquidator, dealing with items such as settling creditors' claims, selling bankruptcy assets, and distributing the sale proceeds to creditors.



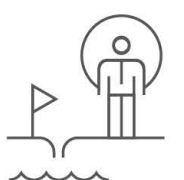
Small Debtors Protective Settlement

Its purpose is to enable small debtors to negotiate and settle debts with creditors within a reasonable timeframe by using simple procedures with minimal expense and high efficiency, all while maintaining the debtor's ability to manage its business.



Small debtor's financial restructuring Procedure

A small debtors' financial restructuring procedure aims to facilitate reaching an agreement between the small debtor and its creditors in order to restructure its activity within a reasonable timeframe, through simple, low cost and efficient proceedings and under the supervision of the officeholder.



Small debtors' liquidation

It aims to sell the assets and distribute its proceeds on creditors within reasonable time frame, using simple, low-cost, and efficient procedures under the supervision of the officeholder.



Administrative liquidation

In an administrative liquidation procedure, the aim is selling assets that are not expected to generate sufficient proceeds to cover liquidation expenses or small debtors' liquidation expenses.

The Bankruptcy Law applies to natural persons and companies engaging in commercial and professional activities, and non-Saudi investors holding assets in Saudi Arabia.

Moreover, the bankruptcy procedures aim to enable a bankrupt debtor to restructure their financial position and make them able to resume their business, protect creditor's rights, maximize the value of bankruptcy assets and ensure fair distribution of sale proceeds among creditors upon liquidation, decrease the procedures' costs and duration, and conduct administrative liquidation of a debtor's assets that do not cover the costs of the liquidation.



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