

CLIENT ALERT

Saudi Arabia Issues New Companies Regulations

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Saudi Arabia's current Companies Regulations (the Current Regulations), which were enacted in 1385 H / 1965, are finally set to be replaced, now that the Saudi Arabian Council of Ministers has approved the Companies Regulations of 1437 H / 2015 (the New Regulations). The New Regulations will come into effect 150 days after they are published in the Saudi Arabian Official Gazette.

The New Regulations are extensive, extending to 85 pages. However, some of the notable changes that will be implemented by the New Regulations include the following:

Limited Liability Companies

- The Current Regulations require a minimum of two shareholders to incorporate a limited liability company. The New Regulations permit a single shareholder to incorporate a limited liability company.
- While the Current Regulations provide that the shareholders in a limited liability company can be held personally liable for the debts of the company if the company's losses exceed 50 percent of the company's capital, the New Regulations will provide that the company will in such circumstances be dissolved by operation of law unless the shareholders resolve otherwise.
- The Current Regulations allow shareholders in a limited liability company to value shareholder contributions made in kind. The New Regulations require such contributions to be valued by a certified valuer.

Joint Stock Companies

- While the Current Regulations require a minimum of five shareholders to incorporate a joint stock company, the New Regulations permit two shareholders to incorporate a joint stock company or even one shareholder, if the joint stock company has a capital of SAR 5 million (about U.S. \$1,333,333) or more.
- The New Regulations permit a joint stock company to purchase or pledge its own shares.
- The New Regulations permit members of the Board of Directors of a joint stock company to be elected by cumulative voting, by which a shareholder can vote all of its shares in support of a single candidate or vote some of its shares in support of one candidate and some of its shares in support of another candidate.

Holding Companies and Family Companies

- The New Regulations provide a new regime specifically for holding companies and gives special consideration to family companies.

The New Regulations call for the Ministry of Commerce and Industry and the Saudi Arabian Capital Market Authority to issue implementing regulations in support of the New Regulations. A more comprehensive review of the New Regulations will be provided after the New Regulations have come into force and their implementing regulations have been issued.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.