

New Saudi Arabian Companies Law

The Saudi Arabian Council of Ministers has approved the long-awaited new Companies Law 1437H/2015G.

The law will come into force within 150 days after publication in the Official Gazette, which is expected shortly. Regulations to implement the law will be issued by the Ministry of Commerce and Industry and the Capital Market Authority.

A further update will be issued in due course once the implementing regulations are published, but the key changes currently appear to be as follows:

Company formation

- A limited liability company can be formed by one person (currently two shareholders are required).
- The minimum number of shareholders in a joint stock company is two instead of five. Notably, if it has a share capital of SAR5 million or more, or in the case of certain government-related exceptions, a joint stock company may be formed with one shareholder.
- The minimum capital for a joint stock company has been reduced to SAR500,000 from SAR2 million.

Governance (of joint stock companies)

- Combining the position of the chairman and any other executive position in the company is prohibited.

- An Audit Committee is required to be established to monitor the company's business.
- The election of board members will be by way of accumulative voting (i.e. each shareholder has voting rights equivalent to the number of shares it holds, which can be used for one nominee, or divided between nominees, without any duplication of votes. This system tends to favour minority shareholders).

Shares and shareholders

- Shareholders in a limited liability company can no longer be held personally liable for the company's debts if losses exceed 50% of the company's capital. Instead the company is dissolved by operation of law unless the shareholders resolve otherwise.
- Shares in kind in either a limited liability company or a joint stock

company should be valued by a certified valuer.

- Joint stock company general meetings may be convened by using new technology.
- A joint stock company may buy or pledge its own shares.

Miscellaneous

- A joint stock company may issue debt instruments or sukuk.
- The new law gives special treatment for family companies and also sets out a legal framework specifically for holding companies.

Key contacts



Khalid Al-Abdulkareem
Partner

T: +966 11481 9740
E: khalid.alabdulkareem
@cliffordchance.com



Omar Rashid
Partner

T: +966 11481 9720
E: omar.rashid
@cliffordchance.com



Mansoor Alhagbani
Senior Associate

T: +966 11481 9760
E: mansoor.alhagbani
@cliffordchance.com



Majid Al-Sheikh
Senior Associate

T: +966 11481 9759
E: majid.alsheikh
@cliffordchance.com



Sahel Mughal
Senior Associate

T: +966 11481 9758
E: sahel.mughal
@cliffordchance.com



Daniel Royle
Senior Associate

T: +966 11481 9756
E: daniel.royle
@cliffordchance.com



Badria Modir
Associate

T: +966 11481 9722
E: badria.modir
@cliffordchance.com

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

www.cliffordchance.com

Clifford Chance, 10 Upper Bank Street, London, E14 5JJ

© Clifford Chance 2015

Clifford Chance LLP is a limited liability partnership registered in England and Wales under number OC323571

Registered office: 10 Upper Bank Street, London, E14 5JJ

We use the word 'partner' to refer to a member of Clifford Chance LLP, or an employee or consultant with equivalent standing and qualifications

If you do not wish to receive further information from Clifford Chance about events or legal developments which we believe may be of interest to you, please either send an email to nomorecontact@cliffordchance.com or by post at Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London E14 5JJ

Abu Dhabi ■ Amsterdam ■ Bangkok ■ Barcelona ■ Beijing ■ Brussels ■ Bucharest ■ Casablanca ■ Doha ■ Dubai ■ Düsseldorf ■ Frankfurt ■ Hong Kong ■ Istanbul ■ Jakarta* ■ Kyiv ■ London ■ Luxembourg ■ Madrid ■ Milan ■ Moscow ■ Munich ■ New York ■ Paris ■ Perth ■ Prague ■ Riyadh ■ Rome ■ São Paulo ■ Seoul ■ Shanghai ■ Singapore ■ Sydney ■ Tokyo ■ Warsaw ■ Washington, D.C.

*Linda Widyati & Partners in association with Clifford Chance.