CORPORATE COMPLIANCE
IN SAUDI ARABIA

Corporate compliance in Saudi Arabia ensures businesses adhere to legal and regulatory requirements. Under Vision 2030, the Saudi government passed the New Companies Law in January 2023, mandating all companies to amend their Articles of Association (AoA) or Memorandum of Association (MoA) by January 2025.

This amendment is essential for any changes to commercial registration, shareholding structure, or corporate activities. The Saudi Business Centre facilitates these processes, offering unified services. The new law, enhancing flexibility while maintaining stakeholder safeguards, requires companies to update their governance documents to comply with new regulations and benefit from the law's flexibility.

Corporate Compliance in Saudi Arabia is a critical aspect of ensuring that businesses operate in accordance with the law and adhere to regulatory requirements set forth by the authorities. In view of the Government's Vision 2030 and its efforts in making the Kingdom a business hub for investors from across the world, the Saudi Council of Ministers passed the New Companies Law in January 2023.

The Ministry of Commerce issued directives that all companies in the kingdom must amend their Articles of Association (AoA) / Memorandum of Association (MoA) and change the provisions to be fully compliant with the new Law latest by January 2025.

The Ministry of Commerce is now requiring all entities that are requesting any change to their commercial registration (CR) to first amend the AoA / MoA before being able to make such changes. For example, changing managers or board of managers or address in the CR is not possible without first amending the AoA/MoA and completing the compliance. Similarly, changes to the shareholding structure, commercial activities, trade names, and capital reduction or increase would not be possible without completing the required compliance.

Corporate Compliance Strengthening & Flexibility Under the New Law

In recent years, the Saudi government has taken steps to strengthen Corporate Governance and enhance corporate compliance in the Kingdom. One of the major noticeable steps is the establishment of the Saudi Business Centre, having branches across different towns and cities in the Kingdom, which unify the services provided by all company-related governmental entities such the Ministry of Commerce, Zakat, Tax and Customs Authority, Ministry of Human Resources and Social Development, and General Organization for Social Insurance.

The Center was established pursuant to Cabinet Resolution No. (456), Issued in early 2019 under which it is organizationally linked to The Council of Economic and Development Affairs and with the vision of making Saudi Arabia one of the ten leading countries in the world; in regards to the quality, smoothness, and efficiency of Government services related to the business Sector.

Besides the compliance part, as the new Law has removed several restrictions from different forms of companies with a view to provide flexibility to set up, finance, invest in, and manage entities; businesses may determine their specific requirements, priorities, plans, risk factors, etc. and accordingly amend the provisions in the AoA.

An example of the lifted restrictions is the earlier requirement of mandatory statutory reserve, which is no longer a requirement under the new law. While the new law has placed proper safeguards to protect the interests of all stakeholders, yet, at the same time, it has enabled businesses and industries to structure their entities in a manner that suits their needs from management and operational aspects.

The Law prescribes minimum requirements to protect the interests of stakeholders, yet it allows the partners and shareholders to adopt higher thresholds and restrictions if they deem them appropriate.

The AoA typically covers a wide range of provisions, including the company's activities, governance structure, shareholder rights, distribution of profit and loss, procedures for decision-making, and managerial powers. It serves as a roadmap for how the company should be acting and provides a framework for resolving disputes and conflicts that may arise among stakeholders.

Amending the AoA is a crucial process that requires careful consideration and compliance with legal requirements. The amendments to the AoA must be approved by the company's shareholders and endorsed before the Saudi Business Center which publishes the AoA on the relevant portal for public viewing.

المركز السعودي للأعمال
Saudi Business Center

Corporate Compliance
for Listed Joint Stock Companies (JSC)

Companies listed and trading on stock exchange in Saudi Arabia are also required to comply with the Corporate Governance Regulations issued by the Capital Market Authority (CMA) to ensure transparency for shareholders.

These regulations set out the principles and standards of corporate governance that companies listed on the Saudi stock exchange (Tadawul) must adhere to, including requirements related to board composition, responsibilities of the board, restrictions on board members, disclosure obligations, and protection of shareholder rights.

Failure to comply with the legal and regulatory requirements related to corporate governance and compliance can have serious consequences such as facing penalties, fines, or even legal action from regulatory authorities leading to disruption of business practice.

To ensure that companies are complying with the law and operating in a transparent and accountable manner, it is essential for businesses to review and update their AoA to reflect changes as per the regulatory requirements while availing the benefits of flexibility provided by the new law.

Entrepreneurs, investors, shareholders, and partners are all encouraged to initiate and complete the compliance procedures for their existing entities at the earliest and before the given deadline.

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with a Consultant

At AlGhazzawi and Partners, we understand the complexities of corporate law and are dedicated to helping our clients fulfill the necessary corporate compliance.

We offer comprehensive corporate compliance services to all our clients with our dedicated team of experienced legal professionals who are committed to providing tailored solutions to meet the specific needs of each client, ensuring that their AoA are in line with the latest legal regulations and best practices in corporate governance.

With the deadline steering close, do not wait until non-compliance issues arise, take proactive steps to safeguard your business interests and Contact us today to learn more about how we can assist you in ensuring that your company operates in a transparent, accountable, and legally compliant manner.

Let us be your trusted legal partner in overcoming the complexities of corporate compliance in Saudi Arabia.

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