

New Saudi Companies Law

Issue	Limited Liability Companies (LLCs)	joint stock companies (JSCs)
Number of shareholders	<ul style="list-style-type: none"> ➤ Generally: minimum of two shareholders and maximum of 50. ➤ LLC with a single shareholder can be incorporated subject to the following: <ul style="list-style-type: none"> ○ Single-shareholder may only incorporate or own one single-shareholder LLC; and ○ Such an LLC may not incorporate or acquire another LLC owned by a single shareholder. 	<ul style="list-style-type: none"> ➤ Minimum of two shareholders (no maximum). ➤ JSC with a single shareholder can be incorporated by (1) certain government entities; or (2) companies with capital greater than SAR 5 million.
Capital	<ul style="list-style-type: none"> ➤ No minimum capital required although sector specific regulator/SAGIA may set specific minimum. ➤ Pre-emption right applies on share transfers. ➤ Absent express provision in the Articles, existing shareholders may purchase shares being sold at fair value within 30 days of notice. 	<ul style="list-style-type: none"> ➤ Minimum capital of SAR 500,000 although sector specific regulator /SAGIA may set additional minimum.
Restrictions on share Transfer	<ul style="list-style-type: none"> ➤ Pre-emption right applies on share transfers. ➤ Absent express provision in the Articles, existing shareholders may purchase shares being sold at fair value within 30 days of notice. 	<ul style="list-style-type: none"> ➤ No statutory pre-emption rights. By-laws may provide restrictions so long they do not constitute an absolute prohibition. ➤ Two year lock-in period for founding shareholders (although the CMA may extend such period for an IPO).
Sukuk and other debts instruments	N/A	<ul style="list-style-type: none"> ➤ JSC is permitted to issue debt instruments or negotiable financing sukuk, in accordance with CMA regulations.
Pledge / guarantee	N/A	<ul style="list-style-type: none"> ➤ Pledge of shares is permitted. The pledgee may not attend general meetings of shareholders or vote in such meetings.
Corporate Governance	<ul style="list-style-type: none"> ➤ Board of managers: <ul style="list-style-type: none"> ○ Shareholders may appoint a General Manager or a board of Managers for a limited or unlimited duration. 	<p>Board of directors:</p> <ul style="list-style-type: none"> ➤ JSC is managed by a board of directors (not less than three or more than 11). The term of office cannot exceed three years but can be renewed.

	<ul style="list-style-type: none"> ➤ Supervisory Board: <ul style="list-style-type: none"> ○ If the shareholders of an LLC exceeds 20, then the Articles must provide for the appointment of a Supervisory Board, which must consist of at least three shareholders. 	<ul style="list-style-type: none"> ➤ Remuneration of directors can be in cash, in-kind or percentage of net profits but cannot exceed SAR 500,000/year. ➤ Chairman may not serve in any executive position. Executive position would include full time management or receiving a monthly or yearly salary.
Director / manager liability	<ul style="list-style-type: none"> ➤ Manager(s) are jointly liable for any damages suffered by the LLC, the shareholders or others as a result of their violations of the NCL, the Articles or any fault in performing their duties. ➤ With the exception of fraud, all suits brought against Managers must be filed within five years. There is no limitation period for fraud. 	<ul style="list-style-type: none"> ➤ Directors jointly liable to the JSC, shareholders or third parties for damages resulting from their failure to provide adequate management, breach of the law or the by-laws (unless it can be shown they opposed such resolution). ➤ With the exception of fraud and forgery, all suits against directors must be filed within three years from the date of discovery and no suits shall be heard after the lapse of five years of the financial year in which the act occurred or three years of the date of expiration of the director's term (whichever comes later).
General Assembly	<ul style="list-style-type: none"> ➤ General assembly is required at least once annually within four months of financial year end. ➤ The Manager(s), the supervisory board, the auditor or shareholders representing at least half of the capital may request a general meeting. ➤ Decisions upheld by a simple majority, unless the Articles provide for a different threshold. ➤ The alteration of the nationality of the LLC or the increase of the LLC's capital (through the increase of the nominal value of the LLC's shares or through the issuance of new shares) require unanimous approval. ➤ Amendments to Articles are permitted if shareholders representing 3/4 of the capital (at least), vote in favour. 	<ul style="list-style-type: none"> ➤ OGM is required at least once annually within six months of financial year end. ➤ Quorum for OGM is 1/4 of the capital unless the by-laws provide for a higher percentage (cannot exceed half). ➤ EGM designated for the amendment of by-laws and other issues provided in the Articles. ➤ Quorum for EGM is 1/2 of the capital, unless the by-laws provide for a higher percentage (cannot exceed 2/3s). ➤ Resolutions at an EGM relating to: change in capital; extending the term; dissolution; or merger, require the approval of 3/4s of the capital. For all other matters, a 2/3s majority is required. ➤ Use of modern technologies for convening general meetings is permitted.

Dividends	<ul style="list-style-type: none"> ➤ Capital Reserves: <ul style="list-style-type: none"> ○ 10% of annual profits to be allocated to the statutory reserves until reserves amount to 30% of capital. ○ Subject to the above, shareholders can set their own dividend policy. 	<ul style="list-style-type: none"> ➤ Capital Reserves: <ul style="list-style-type: none"> ○ 10% of annual net profits to be allocated to the statutory reserves until reserves amount to 30% of capital. ○ Subject to the above, shareholders can set their own dividend policy.
Losses	<ul style="list-style-type: none"> ➤ If losses equal to or exceed 50% of paid-up capital, the Managers must: <ul style="list-style-type: none"> ○ update the CR to show the losses; ○ call a shareholders meeting to determine whether to continue or dissolve the LLC; and publish the decision. ➤ The LLC will be dissolved if the Managers fail to inform the shareholders or the shareholders' fail to reach a resolution. 	<ul style="list-style-type: none"> ➤ If losses equal to or exceed half of the paid-up capital at any time in the financial year, executives of the JSC or the auditor must: <ul style="list-style-type: none"> ○ notify the Chairman; ○ inform the board and call an EGM; ○ at the EGM, resolve to increase or decrease the capital or dissolve the JSC.