

lex arabiae

Legal News of the Gulf

Vol. XXII – 2nd Issue

April 2018

**Meyer-Reumann &
Partners**

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Oman

Sleeping Beauty Awakening? M&P's Oman Activities

Guiding Principle

If it comes to thinking about establishing a presence in the Gulf region generally, the usual suspects come to mind and most of the time Dubai is leading the way. However, how about alternatives? Especially considering the recent developments in the area! Let us have a closer look where else might be a good option:

The Arabian Peninsula is at the heart of multiple local and global dynamics.

It is located between Europe, Asia and Africa with access to the Indian Ocean and the Mediterranean Sea via the Suez Canal. Trade links for goods, raw materials make use of the various logistics hubs, and the area is home to several major global airline networks. This makes the Arabian Peninsula an important strategic link between (re-)sources, producers and customers.

Political evolution in this region can be dynamic and at times surprising. Economic players operating in the area need to discover more and more one core skill to be able to use the obvious local advantages to their benefits: Flexibility.

This requires to monitor developments in several subjects vital to the individual business as well as to be able to react to changes and developments at short hand. Planning and preparation for parallel and alternative options becomes increasingly essential. A one-track approach, be it conceptually, be it geographically,

becomes increasingly unfit to anticipate potential and actual changes.

Since its foundation in 1983 Meyer-Reumann & Partners (M&P) is committed to approaching the Middle East and in particular the Arabian Peninsula as a region in its entirety. Thus, the law firm has carefully paid attention to be present continuously throughout the region with its own offices and licenses on the ground.

Amongst these countries has been Oman, where M&P is licensed as a legal consultancy since 2001.

To many in the region and beyond Oman is known for its natural beauties, friendly and hospitable people as well as its long culture and history. So far, it has only reluctantly been seen as a potential place of business in the region. However, might recent and coming dynamics lead to an awakening of this sleeping beauty?

When talking about legal perspectives in Oman, issues like lengthy administrative procedures, infringed knowledge of English, taxes and a certain level of fees as well as a nationalization quota in labor law have consistently been mentioned amongst potential investors in the country.

Despite these apparent shortcomings, Oman indeed offers a number of legal advantages, that become ever more attractive for investors thinking in a long term perspective in the Middle Eastern and Gulf region.

Oman's core advantage is that it is party to a number of international conventions like the Hague Convention on Apostilles. This might reduce lengthy and costly legalization and hence speed up many commercial transactions like incorporations of legal entities.

Furthermore, the country has a more liberal approach in interpreting its Bilateral Investment Treaties (BITs) opening larger spaces for investors than other countries in the region. In addition, it has Free Trade Agreements with the USA, allowing US based legal subjects a number of rights and freedoms in the same amount as Omanis.

Oman has a number of Free Zones and in general a more liberal structure with regard to foreign ownership in its corporate law. It also enjoys one of the most liberal agency regimes for commercial agencies in the region.

Due to its long time experience with taxation, Oman has already established functioning tax authorities with a considerable experience in taxation. Thus, the introduction of VAT should be a smaller challenge for Oman than for other countries in the region.

All in all Oman can be a place for those interested in long-term investments and a very thought through legal framework, which however might have its price.

Given all these aspects, Meyer-Reumann & Partners would like to shed some more light on legal developments in the Sultanate of Oman in lex arabiae. To start with, we have also chosen Oman Adopting the Eleventh Edition of the Nice Classification in this issue.

Heinrich Köllisch

*Meyer-Reumann & Partners,
Dubai Office*

Oman

Adopting the Eleventh Edition of the Nice Classification in Oman

Guiding Principle

The Ministry of Commerce and Industry (MUSCAT) officially adopted the 11th Edition of the International Classification of Goods and Services for the Purposes of the Registration of trademarks under the Nice Agreement. Thus, the 11th edition of the Nice Classification came into force in February, 2018 in Oman, and replaced the outgoing 10th edition.

The Nice Classification is a system of classifying goods and services for registering trademarks. The system groups products into 45 classes, and allows users seeking to trademark a good or service to choose from these classes as appropriate.

The implemented 11th edition will have no effect on the existing filed and registered trademarks done earlier in Oman. However, upon next renewal, the Trademark Office should reclassify goods and classes affected by this change accordingly by amending the list of goods/services as to bring it in compliance with the Eleventh Edition.

The amendments in the 11th edition cover 15 class headings and explanatory notes for seven classes. Furthermore, the list of goods and services was extended by 334 terms. Major revisions in the 11th edition include:

- (1) Class headings affected by current revisions are those numbered 3, 6,

- 10, 14, 16, 17, 18, 20, 21, 22, 24, 26, 28, 31 and 45;
- (2) The addition of herbal extracts for cosmetic purposes under class 3
 - (3) The addition of herbal extracts and physiotherapy preparations for medical purposes under class 5
 - (4) All serving utensils are grouped under class 21 instead of class 8;
 - (5) The addition of body composition monitors under class 10;
 - (6) The addition of eyelash brushes and foam toe separators for use in pedicures under class 21
 - (7) The addition of several new goods under classes 29 and 30, including guacamole, onion rings, falafel, bibimbap, dulce de leche, almond, peanut and coconut milks, as well as nut- and chocolate-based spreads. Escamoles (prepared edible ant larvae) and edible insects have also been added under classes 29 and 31
 - (8) The addition of unlocking of mobile phones under class 42;
 - (9) The addition of dog walking, kimono dressing assistance, and conducting religious ceremonies under class 45.

Tarek Jairwdeh

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United Arab Emirates

DMMC Launch of The Enhanced License Renewal Service

Guiding Principle

A new enhanced License Renewal service will be effective for companies registered with the Dubai Multi Commodities Centre ("DMCC") from Sunday 18 March 2018. This service will allow renewal without any uploaded documents and by just entering the Ejari Certificate number and renewal should be done in one day if all DMCC requirements are fulfilled. License Amendments (Activity change & Address change), submission of third party No Objection Certificate, Operation Fitness Certificate and Certificate of Good Standing (applicable for certain licenses) will be independent services and will no longer be performed with the license renewal process.

Q: What is the Change?

A: The enhanced license renewal will involve the following changes:

1. Ejari Certificate number is now required to be entered when applying for license renewal except for Flexi Desks, DMCC Business Centre, Non-DMCC Business Centres, common areas, plots, shared units, and Tea Trading Centre, where lease documents will be uploaded.
2. For the insurance policies, the member company will need to tick the insurance declaration statement

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- that applies to their company when applying for license renewal without any uploads. However, the physical insurance policies must be readily available at all times by the company, as DMCC has the right to request for casual sightings at any point of time.
3. For companies with regulated activities, before applying for the license renewal, the company must first proceed to apply for the renewal of a Third Party No Objection Certificate (NOC) through service request (196- Apply to Submit Third Party Approval for Regulated Activities), where this service request (SR) will remain open until the company uploads a valid Third Party No Objection Certificate (NOC) into the same Service Request (SR). Please note that companies can no longer upload the NOC directly into the license renewal service request (SR). Please refer to the Third Party No Objection Certificate (NOC) guidelines at <https://www.dmcc.ae/free-zone/support/how-guides/managing-company>.
4. Member companies on locations that require Operational Fitness Certificate (OFC) must apply separately for the Operational Fitness Certificate (OFC) renewal through a new service request titled (509-Annual Operational Fitness Certification Process) before applying for the license renewal. Please refer to the Operational Fitness Certificate guidelines at <https://www.dmcc.ae/free-zone/support/how-guides/managing-company>.
5. For subsidiaries, joint ventures and branches, the Certificate of Good Standing must be submitted separately through a new service request titled (160-Certificate of Good Standing) before applying for the license renewal. Please note that a fresh Certificate of Good Standing is required to be submitted every 2 years. This service request is free of charge. Please refer to the Certificate of Good Standing guidelines at <https://www.dmcc.ae/free-zone/support/how-guides/managing-company>.
6. Companies applying for 2 & 3 years renewal are offered 10% discount for the 3 years renewal & 5% discount for the 2 years renewal. (Please note that not all companies are eligible to apply for 2 or 3 years renewal; for instance, industrial licenses, retail spaces, retail activities and Owner's Association activity will be renewed for 1 year only).

Q: What are the services affected by this change?

A: The affected services are:

- Apply for License Renewal
- Apply for Renewal of Operation Fitness Certificate (OFC)
- Apply to Submit Third Party Approval for Regulated Activities
- Apply to Submit Certificate of Good Standing (for parent company) (New Service request)

Q: What is the process for license renewal?

A: Please refer to the different scenarios for renewing the license by viewing the License Renewal Guidelines.

Q: What is the process to submit third party approval for regulated activities?

A: The process is as follows:

- Members will apply for 196- Apply to Submit Third Party Approval for Regulated Activities.
- The service request (SR) will be verified by DMCC; and once verified, the SR will be returned back to the member with the NOC request letter from DMCC.
- The SR will remain with the member until they obtain the NOC from the third party regulating authority; upload it and submit the SR back to DMCC.
- DMCC will verify the NOC and enter the expiry date in the system.
- For more information, please refer to the Third Party NOC Guidelines.

Q: What is the process to submit the Certificate of Good Standing (for parent company)?

A: The process is as follows:

- Members companies that are subsidiaries, joint venture or branches will apply for the service request (SR) ‘Submit Certificate of Good Standing (for parent company)’.
- Members will have the option to upload the Certificate of Good

Standing or enter a link if an Online Registry exists.

- They must then click and confirm that the parent company is still in good standing and submit the SR.
- The SR will go to DMCC to verify the document and update the expiry date of the document.
- The SR is free of charge and the Certificate of Good Standing will be required every 2 years.
- For more information, please refer to the Certificate of Good Standing Guidelines.

Q: What is the process to apply for the renewal of the Operation Fitness Certificate?

A: The process is as follows:

- Members will apply for the renewal of Operational Fitness Certificate (OFC) service request and then save the service request.
- Upload the required documents (There is no upload for industrial licenses as the required documents will be collected by the appointed third party vendor).
- Then, click ‘Submit’.
- Confirm the payment (only industrial license are required to do the portal payment. All other types of license will make the payment directly with Concordia).
- For more information, please refer to the Operation Fitness Certificate Renewal Guidelines.

Q: How will the company know that their No Objection Certificate (NOC), Certificate of Good Standing or Operation Fitness

Certificate (OFC) are due for renewal?

A: The portal system will send reminders to the members 1 month and 2 weeks before and on the expiry date of any of the above mentioned documents.

Q: What will happen if the third party NOC, Certificate of Good Standing or OFC are expired on the system?

A: A portal sanction will be applied on the company portal account.

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United Arab Emirates

Distributor or Commercial Agent - Do it Right

Guiding Principle

Companies should be diligent when organizing their distribution channels in the UAE. This article aims to point readers into the right direction in order to enable them to do it properly and avoid certain pitfalls.

A. Introduction

Arranging and maintaining a suitable sales channel is key to any commercial entity operating in the UAE and throughout the Gulf. Yet, this is an area where things can go quite wrong right from the start, which can, and should, be avoided. This is how:

B. Distribution Arrangement vs. Commercial Agent

Under normal circumstances a (foreign)

manufacturer would look for a distribution partner once such manufacturer intends to venture into a new market. The parties would then agree on the terms of such distribution arrangement, which are likely to include order terms, minimum sales targets, termination provisions, etc. The parties are usually free to agree on any terms they deem suitable.

The situation in the UAE is slightly different. Art. 3 of UAE Federal Law No. 18 of 1981 ("Commercial Agencies Law") states that "Trade agency activities are not permitted to be practiced inside the state except by [...] commercial agents [...]." While there is some room to interpret this clause in various ways, this clause is commonly understood to state that all distribution activities throughout the UAE have to be done through "commercial agents".

Not every person qualifies as such "commercial agent", but only UAE nationals or commercial entities fully owned by UAE nationals (Art. 2 Commercial Agencies Law). Apart from restrictions on the choice of distribution partner, the Commercial Agencies Law mandates further restrictions, the most significant of which is Art. 8, according to which commercial agencies can only be de-registered/terminated if both parties agree, thus rendering commercial agencies virtually interminable in practice. The appointed agent has regularly no interest in the agency being terminated, unless and until the agent receives a usually fairly generous "severance payout".

If the appointment of an agent cannot be terminated, however, a foreign manufacturer can put on the agent very

little pressure. This is often a problem in practice, particularly if the agent does not perform as has been contractually agreed. Usually in such situations, threatening the other party with contract termination motivates the party in breach to live up to its contractual obligations. A party who is immune from termination, however, often feels to do (or not do) whatever it pleases. To make matters worse, the foreign manufacturer cannot simply use another agent, because the agent becomes the manufacturer's exclusive sales channel by law.

However, as so often in the UAE, there is quite a large gap between mandatory legal requirements and factual reality. In economic reality, probably most foreign manufacturers do not appoint a commercial agent and have organized their distribution activities in the UAE similar to the way these activities are organized in most other countries around the globe. This raises the question when a distributor should be appointed and when it is required to appoint a commercial agent.

1. Using a Distributor

Although, strictly legally speaking, working with a distributor (many of which are foreign owned and would not qualify for agency registration) does not comply with the requirements of the Commercial Agencies Law, doing so has to be described as the more common form of distribution arrangement in the UAE. It is also tolerated by the UAE authorities in a sense that we are not aware of any action having been taken against distributors, which would restrict them in their commercial activities.

Given the abovementioned flexibility in agreeing on the precise terms of the distribution arrangement, appointing / working with a distributor should be the preferred option for most manufacturers wanting to sell their products in the UAE.

2. Appointing a Commercial Agent

There are instances where it is difficult to avoid appointing a commercial agent, however. The most relevant example in practice is the participation in public tenders. When issuing public tenders many UAE authorities will not entertain bids from parties who did not appoint a commercial agent. Hence, such manufacturers whose products are geared towards the public sector, such as manufacturers of hospital or school equipment, for example, have no choice other than to appoint an agent if they want to participate in such tenders.

C. Doing it Right

Even in instances where appointing an agent cannot be avoided there is room to limit the effects of this registration.

When appointing an agent, the parties are required to clearly specify (amongst other things) the territory for which the agent is appointed (and thus, becomes the sole distribution channel), as well as the products for which the agent will be responsible.

It is generally not a good idea for a manufacturer to appoint the agent for the whole UAE territory and in respect of all of such manufacturer's products. This is neither required, nor advisable. Instead, the agent should only be appointed for the Emirate in which the authority

requiring a registered agent is based. If, for example, the only authority asking to see an agency registration is based in Abu Dhabi, there is absolutely no reason to extend the agent's registration to the Emirate of Dubai as well.

A similarly restrictive approach should be taken when specifying the product(s) that will be the subject of the agency. There is absolutely no reason to appoint the agent for "all" of the manufacturer's products. In fact, the agent should be appointed only for those products without which the tender bid would not be accepted and not more.

Even for those products that inevitably have to be included in the registration, being specific really helps. The product offerings tend to change over time, so why not specify "Model ST-100" as subject of the registration, knowing that "Model ST-100" will be replaced by "Model ST-200" next year? In our experience, authorities tend to check only IF an agency has been registered, not also for WHAT. Hence, once all products for which the agency has been registered have been replaced by their successors, the commercial agency remains registered, but its scope is reduced to nil.

D. Conclusion

The best way of distributing products throughout the UAE is by appointing a qualified distributor. Appointing a commercial agent who then enjoys the numerous protections afforded to agents by the Commercial Agencies Law, should be avoided wherever and whenever possible. Where appointing an agent cannot be avoided, the appointment as such should be handled

smartly in a way that limits the manufacturer's exposure to the protections of the Commercial Agencies Law. Commercial agents who know that they cannot be terminated are difficult to control. Commercial agents who have been appointed in respect of only a limited number of products can effectively be controlled, because they will want to distribute also those products in respect of which they have NOT been appointed as agents. In an environment where the agent's position is heavily protected by law, this is a way for the manufacturer to level the playing field.

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United Arab Emirates

Cabinet Decisions on VAT Regarding Designated Zones and Healthcare

Guiding Principle

On 9 January 2018 Vice President and Prime Minister of UAE issued two Cabinet Decisions - the Cabinet Decision Number 59 of 2017 concerning the Designated Zones (hereinafter "Cabinet Decision on Designated Zones") and the Cabinet Decision Number 56 of 2017 (hereinafter "Cabinet Decision on Healthcare") regarding Medications and Medical Equipment – in order to implement the Federal Law Number 56 of 2017 on Value Added Tax (hereinafter "VAT Law").

A. Cabinet Decision on Designated Zones.

According with the Art. 1 of the Cabinet decision on the Designated Zones the following zones – if meet the conditions stipulated in the Cabinet Decision No. 52 of 2017 on the Executive Regulation of the Federal Decree-Law No. 8 of 2017 on Value Added Tax (hereinafter “Executive Regulation on VAT”) – shall be considered as Designated Zones for the purposes of implementing the VAT Law.

According with the Art. 51 of the Executive Regulation on VAT a Zone to be considered as Designated is supposed to be specified by a decision of the Cabinet; the Designated Zone shall be treated as being outside the State and outside the Implementing States and it shall be subject to the following conditions:

- a. the Designated Zone is a specific fenced geographic area and has security measures and Customs controls in place to monitor entry and exit of individuals and movement of goods to and from the area;
- b. the Designated Zone shall have internal procedures regarding the method of keeping, storing and processing of Goods therein;
- c. the operator of the Designated Zone complies with the procedures set by the Authority.

The new list as amended by the Cabinet Decision on Designated Zones is the following:

Designated Zones (Abu Dhabi)

- 1. Free Trade Zone of Khalifa Port
- 2. Abu Dhabi Airport Free Zone

3. Khalifa Industrial Zone

Designated Zones (Dubai)

- 1. Jebel Ali Free Zone (North-South)
- 2. Dubai cars and Automotive Zone (DUCAMZ)
- 3. Dubai Textile City
- 4. Free Zone Area in Al Quoz
- 5. Free Zone Area in Al Qusais
- 6. Dubai Aviation City
- 7. Dubai Airport Free Zone

Designated Zones (Sharjah)

- 1. Hamriyah Free Zone
- 2. Sharjah Airport International free Zone

Designated Zones (Ajman)

- 1. Ajman Free Zone

Designated Zones (Umm Al Quwain)

- 1. Umm Al Quwain Free Trade Zone in Ahmed Bin Rashid Port
- 2. Umm Al Quwain Free Trade Zone on Sheikh Mohammed Bin Zayed Road

Designated Zones (Ras Al Khaimah)

- 1. RAK Free Trade Zone
- 2. RAK Maritime City Free Zone
- 3. RAK Airport Free Zone

Designated Zones (Fujairah)

- 1. Fujairah Free Zone
- 2. FOIZ (Fujairah Oil Industry Zone)

Art. 2 of the Decision recognizes the Cabinet the authority to amend the list of Designated Zones by addition, deletion or amendment.

Art. 3 of the Decision decrees that the Minister of Finance shall issue the required decisions to implement the

provisions of the Cabinet Decision.

Regarding the Designated Zones the transfer of Goods between the Designated Zones – according to Art. 51 of the VAT Law - will be exempted from tax, subject to two conditions i.e. that the Goods, or part thereof, are not released, and are not in any way used or altered during the transfer between the Designated Zones and where the transfer is undertaken in accordance with the rules for customs suspension according to GCC Common Customs Law.

Besides, where Goods are moved between Designated Zones, the Authority may require the owner of the Goods to provide a financial guarantee for the payment of Tax, which that Person may become liable for should the conditions for movement of Goods not be met.

Art. 4 of the Decision states that the implementation of the Decision shall be implemented as of 1 January 2018.

B. Cabinet Decision on Healthcare.

This decision provides suppliers, customers and consumers of healthcare services with confirmation that their supplies and purchases are subjected to a special tax treatment.

Art. 1 of the Decision defines:

“Medications” as “every product containing a substance(s) which achieves the intended objective in or on the human body via biological effect, which is produced, sold or offered for use in cases relating to diagnosis, treating, healing, relieving or preventing diseases, or renewing, correcting or rehabilitating the function of body organs”; and

“Medical equipment” as “a medical product containing a substance, device, instrument, motor, implant, detector or system, including its accessories and operating software, which achieves the intended objective in or on the human body without medicinal, immunological or metabolic effect, which is produced, sold or offered for use in cases relating to diagnosing, treating, relieving, controlling or preventing diseases, injury or disability”.

Art. 2 of the Cabinet Decision states that the supply of Medications and Medical Equipment registered with the Ministry of Health and Prevention, or imported with its permission or approval, shall be subject to tax at zero rate. The Cabinet Decision follows the provisions of Art. 44 and 45 of the VAT Law that provide that the supply and import of Goods and Services specified in the Art. 45 made by a taxable person shall be a taxable supply subject to the Zero Rate. Art. 45 of the VAT Law specifies a list of supply, which will be subject to zero-rate, wherein the supply of preventive and basic healthcare services and other related goods will also be subjected to zero-rate.

Art. 3 of the Cabinet Decision authorizes the Minister of Finance to issue the required decisions to implement the provisions of the Cabinet Decision.

Also this Decision – according with the Article 5 – has a retrospective effect starting from 1 January 2018.

C. Conclusion.

The implementation of the regulation is a complex process that requires time and these two Cabinet Decisions are very important in the development of the

legislative system concerning VAT law. A crucial aspect of the two decisions is the provision of their retroactivity because such effect jeopardizes the certainty of the law and, subsequently, the certainty of the related sanctions.

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Saudi Arabia

Bankruptcy Law in Saudi Arabia

Guiding Principle

Saudi Arabia is resolutely moving towards achieving the goals of its post-oil era plan, Vision 2030. The new Saudi leadership plans to diversify the country economy to face the challenges emerged because of the drop in the global energy prices, the main source of income for the Country. In this respect, the Saudi Government is working to replace several old laws, especially those related to the economic sector, by a more liberal package of legislation for improving the business environment in the country. The recent bankruptcy law enacted for the first time is one of the most significant of this legislation. The law, approved last February by the Saudi cabinet, aims to regulate bankruptcy procedures, including settlement and liquidation of assets and is expected to enable the competent authorities to enhance confidence in financial transactions in the Kingdom.

A. Saudi Vision 2030

On April 2016, the Saudi Cabinet approved the new plan for the transformation of the economic dependence of the state on oil to investment. The new plan, "Saudi Vision 2030"¹, is based on three pillars: First that Saudi Arabia is the heart of the Arab and Islamic worlds; the second pillar is turning Saudi Arabia into global investment powerhouse; the third pillar is transforming the location of Saudi Arabia into a global hub connecting three continents, Asia, Europe and Africa.

The Vision's targets - by or before 2030 - to double the capacity of Saudi Arabia in transferring ARAMCO² into an industrial giant working around the world, transferring the Saudi Public Investment Fund (PIF)³ into the largest

¹ Website:
<http://vision2030.gov.sa/en/node>

² Saudi Aramco, officially the Saudi Arabian Oil Company, most popularly known just as Aramco (formerly Arabian-American Oil Company), is a Saudi Arabian national petroleum and natural gas company based in Dhahran. Saudi Aramco's value has been estimated at anywhere between US\$1.25 trillion and US\$10 trillion, making it the world's most valuable company.

Saudi Aramco has both the world's largest proven crude oil reserves, at more than 260 billion barrels (4.1×10^{10} m³), and largest daily oil production. Saudi Aramco owns, operates and develops all energy resources based in Saudi Arabia. According to a 2015 Forbes report, Aramco is said to be the world's largest oil and gas company.

³ Saudi Public Investment Fund, founded in 1971. Its main task is to invest in

sovereign wealth fund in the world, stimulating major Saudi companies into being multinational corporations.

The Vision includes reducing the bureaucratic procedures, expanding serving the electronic services. Adopting transparency by having a center measuring the performance of the government agencies.

B. The Saudi Bankruptcy Law

In line with the country's vision, the Saudi Government started working on the replacement of several old laws, especially those related to the economic sector, by a more liberal package of legislation for improving the business environment in the country.

One of the major topics was to govern the process of bankruptcy in the Kingdom in a way that secures the ease of doing business in the Kingdom. Last February the Saudi cabinet approved the enactment of a bankruptcy law in the Kingdom for the first time. The law, which replaced the few governing articles from the longstanding commercial courts law aims to regulate bankruptcy procedures, including settlement and liquidation of assets and is expected to enable the competent authorities to enhance confidence in financial transactions in the Kingdom.

productive projects of a commercial nature which cannot be privately solo implemented, either due to the inexperience or inability to provide capital. The Fund turned with time into a portfolio of the State property of commercial nature. Fully owns many companies not included in the financial market, and owns majority stakes in major companies listed on the market.

Composed of 231 articles, the law creates a balance between the interests of investors and the rights of creditors by providing systemic "remedies" to overcome financial difficulties and liquidate assets without compromising the rights of either party as indicated by the concerned authorities.

The bankruptcy law aims to regulate bankruptcy procedures such as preventive settlement, financial reorganization, liquidation, preventive settlement of small debtors, financial reorganization of small debtors, liquidation of small debtors, administrative liquidation.

To that end, the law has allocated procedures to suit the size and investments of small investors, by reducing the length of their accreditation and providing them with easy procedures, which increases the efficiency of exploiting opportunities and reduces the cost to them.

Amongst the aims of the law is to enable the insolvent debtor to resume his activity, it also takes due account of creditors' rights and enhances confidence in the credit market and financial transactions.

Accordingly, the law prohibits any debtor from committing a number of acts - before the opening of any bankruptcy proceedings - that may prejudice the rights of any party including creditors. Specifically included are the use of reckless methods to avoid or delay the opening of liquidation proceedings, to liquidate cash, to enter into transactions without consideration or to pay unfairly, and to pay the debts of any creditors, thereby damaging other creditors.

Under the new law, any settlement

proposal would be only acceptable if approved by the majority of the creditors.

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