GIBSON DUNN

Publication of Ultimate Beneficial Ownership Rules in Saudi Arabia

Client Alert | February 28, 2025

The new Rules come into effect from 3 April 2025. **Background:** On 21 February 2025, the Minister of Commerce officially decreed and published into law the Ultimate Beneficial Ownership Rules (**UBO Rules**). In line with steps taken by other financial centers and leading jurisdictions around the world, the UBO Rules require all companies in KSA, other than companies publicly listed in KSA, to disclose and maintain accurate information about their ultimate beneficial owners. The UBO Rules come into effect from 3 April 2025. **How does the UBO Rules define an Ultimate Beneficial Owner?**

1. The UBO Rules define an "ultimate beneficial owner" as any natural person who meets the following criteria:
    a. owns at least 25% of the company's share capital whether directly or indirectly;
    b. controls at least 25% o the voting shares in the company, whether directly or indirectly;
    c. is entitled to appoint or remove a majority of the company's board of directors, its manager or president, whether directly or indirectly;
    d. ability to influence decision-making or the business of the company whether directly or indirectly; or
    e. is a representative of any legal person to which any of above criteria applies.
2. The UBO Rules clarify that if an ultimate beneficial owner cannot be identified by applying the foregoing criteria, then the company's manager or members of its board of directors or its president will be regarded as its ultimate beneficial owner.

Key obligations under the UBO Rules: Some of the key obligations under the UBO Rules include the following:

- **Incorporation:** The Ministry of Commerce will now require applicants to disclose information on their ultimate beneficial owners as part of the application process for incorporation of companies in KSA.
- **Annual Filings:** In relation to those companies already established at the time the UBO Rules come into effect, such companies will be required to make annual filings disclosing their ultimate beneficial owners. Such filings are due on the anniversary of the date on which companies were registered with the Ministry's commercial register.
- **Maintenance & Updates:** All existing companies will be required to maintain an ultimate beneficial owner register and notify the Ministry of any changes in the identity of an ultimate beneficial owner.
- **Required Information**: It remains unclear what information will be requested by the Ministry to validate the identity of an ultimate beneficial owner in a relevant KSA company. Unsurprisingly, the UBO Rules grant the Ministry with broad authority to require disclosure. The UBO Rules state that the Ministry will publish guidelines with respect to its procedures and requirements for the identification of ultimate beneficial owners.

Exemption from UBO Rules: The following entities are exempted from the application of the UBO Rules:

1. Companies wholly owned by the state or any state-owned authorities whether directly or indirectly; and
2. Companies undergoing insolvency proceedings in accordance with the Bankruptcy Law.

Additionally, the Minister of Commerce may issue exemptions on a case-by-case basis. All companies exempted from the UBO Rules are nevertheless required to prove to the Ministry that they enjoy such an exempted status. **Penalties for Non-Compliance:** A person that is required to comply with the UBO Rules but fails to do so, including its obligations to disclose/update information to the Ministry with respect to ultimate beneficial ownership, may face a fine of SAR 500,000. Investors with complex shareholding structures in KSA should be wary of these UBO Rules as indirect changes in their shareholding structures could trigger disclosure obligations with the Ministry in KSA. All investors in KSA must start thinking about introducing appropriate internal protocols to ensure full compliance with the UBO Rules.

© 2026 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. | **www.gibsondunn.com**

The following Gibson Dunn lawyers prepared this update: Mohamed A. Hasan and Lojain AlMouallimi.

Gibson Dunn's lawyers are available to assist with any questions you may have regarding these developments. To learn more, please contact the Gibson Dunn lawyer with whom you usually work, or the authors in Riyadh: Mohamed A. Hasan (+966 55 867 5974, malhasan@gibsondunn.com) Lojain AlMouallimi (+966 11 827 4046, lalmouallimi@gibsondunn.com) © 2025 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. Attorney Advertising: These materials were prepared for general informational purposes only based on information available at the time of publication and are not intended as, do not constitute, and should not be relied upon as, legal advice or a legal opinion on any specific facts or circumstances. Gibson Dunn (and its affiliates, attorneys, and employees) shall not have any liability in connection with any use of these materials. The sharing of these materials does not establish an attorney-client relationship with the recipient and should not be relied upon as an alternative for advice from qualified counsel. Please note that facts and circumstances may vary, and prior results do not guarantee a similar outcome.

Related Capabilities

Mergers and Acquisitions

Private Equity

© 2026 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. | **www.gibsondunn.com**