

## Alert | Corporate



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# KSA Introduces New Ultimate Beneficial Ownership Rules

### Go-To Guide:

- The Kingdom of Saudi Arabia's new UBO Rules, effective 3 April 2025, require most companies to disclose their UBOs to the Ministry of Commerce.
- Companies must register UBOs during incorporation, maintain updated UBO records, and notify authorities of changes within 15 days, with penalties up to SAR 500,000 for non-compliance.
- The rules exclude publicly listed companies, state-owned entities, and those under liquidation.

The Kingdom of Saudi Arabia minister of commerce recently issued the Rules for the Ultimate Beneficial Owner (UBO Rules), which aim to enhance corporate transparency and align with international standards by requiring companies to disclose their ultimate beneficial owners (UBOs) to the Ministry of Commerce (the Ministry). The UBO Rules apply to all companies registered in the Kingdom, except publicly listed joint-stock companies, and will take effect 3 April 2025.

These rules are part of Saudi Arabia's commitment to international best practices, including compliance with Financial Action Task Force (FATF) recommendations, and are designed to combat financial crimes, enhance anti-money laundering (AML) enforcement, and improve corporate accountability.

## Previous Regulatory Framework

Previously, Saudi Arabia's regulatory framework required companies to maintain ownership records, but there was no centralized obligation for private companies to disclose UBOs. UBO identification was primarily enforced in financial and regulated sectors under AML and Know Your Customer requirements. However, non-financial businesses lacked a structured UBO disclosure process, making it difficult to trace ownership in complex corporate structures or offshore entities.

Despite this, it was previously possible to obtain some information about the direct owners of companies through the Aamaly portal, where companies' constitutional documents were published as required under the Saudi Companies Law. Since the constitutional documents typically contained details about shareholders and ownership percentages, anyone could access these documents to determine the direct legal owners of a company. However, this method had limitations, as it only reflected registered direct shareholders rather than the actual UBOs who might control the company through indirect ownership, nominee structures, or layered corporate entities. If ownership was structured through trusts, offshore holdings, or other intermediaries, the true UBOs could remain undisclosed, making it difficult to trace ultimate ownership and control.

## Key Changes the UBO Rules Introduce

With the introduction of the new UBO Rules, all companies (except publicly listed joint-stock companies) must now formally register and maintain a record of their UBOs with the Ministry. This expands regulatory oversight beyond financial institutions to all corporate entities, ensuring greater transparency, accountability, and alignment with international standards such as Financial Action Task Force recommendations. Companies will now be required to submit UBO details during incorporation, update them annually, and notify authorities of any changes within 15 days.

## UBO Criteria

A UBO is defined as any natural person who meets at least one of the following criteria:

- Owns at least 25% of the company's share capital, directly or indirectly.
- Controls at least 25% of the company's voting rights, directly or indirectly.
- Has the power to appoint or remove the majority of the board, manager, or chairman.
- Has the ability to influence the company's operations or decisions.
- Represents a legal entity that meets any of the above conditions.

If no individual qualifies under these criteria, the company's manager, board member, or chairman will be deemed as the UBO.

## Key Obligations

- Disclosure at Incorporation: Newly formed companies must disclose UBO information as part of the registration process.
- Annual Filings: Existing companies must confirm UBO details annually within 30 days before their registration anniversary.

- **UBO Register & Updates:** Companies must maintain a UBO register containing details such as the UBO's name, national ID or passport details, residential address, contract information, and the criteria used to determine their UBO status. The register must be maintained in the Kingdom.
- **Updates to UBO Information:** Companies are required to notify the Ministry of any changes to the UBO details within 15 days of such change.
- **Regulatory Requests:** The Ministry has the discretion to request UBO related information and supporting documents.

### Exemptions

The following entities are exempt from the UBO disclosure requirements:

- Companies the state wholly owns or any state-owned authorities, whether directly or indirectly.
- Companies undergoing liquidation under the bankruptcy law.
- Companies specifically exempted by decision of the minister.

If a company is exempt, it is required to submit proof of its exemption to the Ministry.

### Penalties

Failure to comply with the UBO Rules may result in penalties, including fines of up to SAR 500,000 (approx. USD 133,000). Companies operating in the Kingdom should consider taking proactive measures to comply with the UBO Rules.

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