



# Saudi Legislator issues Investment Law Implementation Regulations. Still no Clarity on FDI Screening.

In August 2024, the Saudi legislator issued the Saudi Investment Law, which includes language that may introduce a more comprehensive FDI review in Saudi Arabia. The Investment Law entered into force on 7 February 2025 and replaces Royal Decree M1/1421H on Foreign Investment in the Kingdom of Saudi Arabia. The old Foreign Investment Law took a traditional approach to FDI regulation. It relied predominantly on providing incentives for foreign investment in some sectors and restricting or prohibiting engagement of foreign investors in others to steer FDI. The new Investment Law includes language that could be the basis for a more comprehensive FDI screening. However, the provisions in the Investment Law remained rudimentary and did not allow for any assessment of how comprehensive the new FDI review would be. In February 2025 the Implementation Regulations were issued. Unlike what was expected these did not shed further light on the process either.

The new Investment Law provides that investments in so-called 'excluded activities' may only go forward after they were approved by the Saudi Ministry of Investment (MISA). However, the Investment Law does not provide any details on how thorough investors and the transaction will be reviewed during the approval process. Furthermore, the Investment Law does not clarify whether the new approval process will—as the licensing process under the old Foreign Investment Law—only apply where transactions include incorporation of a new or direct acquisition of shares in an existing Saudi entity. Finally, the Investment Law does not define 'excluded activities'. Excluded activities within the meaning of the Investment Law are to be defined by the 'competent authorities' in a list of excluded activities to be published by the MISA. This list has not been issued so far. Moreover, the Investment Law does not clarify which authorities

will be competent to contribute to the excluded activities list.

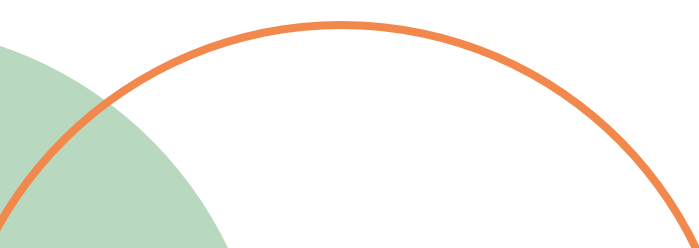
The Implementation Regulations issued in February of this year provided limited clarification. They determine that the Standing Ministerial Committee for Examination of Foreign Investments (Examination Committee) shall issue the list of exempted activities. Also, the Implementation Regulations provide that the list shall include 'prohibited' and 'restricted' activities. Furthermore, the Implementation Regulations clarify that indirect investments will be caught by the new FDI review regime.

Any foreign investor seeking to engage in a listed activity, must apply to the MISA for prior approval. The MISA shall refer the application to the Examination Committee for assessment. However, the Implementation Regulations do not provide any meaningful detail on the review process. They do not include a list of documents to be submitted or a filing form or description of the information to be submitted in the filing. Also, the Implementation Regulations do describe the review process. They only determine that the Implementation Committee has authority to through the MISA request any additional information or documents they deem relevant or necessary for their assessment.

Hence, the Kingdom may for the first time introduce a comprehensive FDI review regime with the new Investment Law. However, pending the excluded activities list, it remains unclear how impactful the new regime will be. As of writing of this client brief the MISA has not disclosed timelines for the excluded activities list to be issued. Thus, parties contemplating transactions with link to Saudi Arabia will need to actively monitor forthcoming legislation further defining the Saudi FDI regime.

In addition to clarifications on the FDI review regime, the Implementation Regulations also address the ultimate beneficial owners register contemplated in the Investment Law. The Implementation Regulations require that persons

and entities investing in Saudi Arabia or change their investment shall notify the MISA of such intentions and provide certain relevant information to the register. Furthermore, the investor must update—or where there are no relevant updates—confirm that there are no update on an annual basis. This register of ultimate beneficial owners serves to ensure that Saudi authorities have relevant information to conduct their oversight. The register will be accessible to Saudi authorities such as for example the General Authority for Competition, which shall review changes in the register as part of their investigations into violations of the Kingdom's merger control regime. Hence, with the implementation of the register regulatory oversight will become tighter. Still, to date the register has not been set up. Still, parties invested in or seeking to invest in Saudi Arabia should monitor the situation to ensure compliance.

A decorative orange arc is located in the bottom left corner of the page, curving upwards and to the right.



## NICOLAS BREMER

### **Partner**

[nicolas.bremer@bremerlf.com](mailto:nicolas.bremer@bremerlf.com)

Nicolas is a partner and attorney with the regional law firm BREMER where he heads the firm's Antitrust & Merger Control team. He oversees the firm's Riyadh and Cairo representations and has extensive experience in advising international and domestic clients on merger control and antitrust matters as well as broader regulatory M&A matters in Saudi Arabia, the UAE, Egypt and the wider Near and Middle East. He works in English, Arabic and German languages.