

(Provisional Translation by Abdulaziz A. Al-Bosaily Law Office)

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Um Al-Qura
Saudi Arabian General Investment Authority (SAGIA)
Resolutions & Laws
SAGIA Board Resolution No. (6/69) dated 14/11/1433 AH
Approving the amendment of the Regulation on Violations of
Foreign Investment Law,
Penalties and Rules of Consideration

SAGIA Board of Directors

By virtue of the powers vested in it under the Law of SAGIA, issued by virtue of Council of Ministers' Resolution No. (2), dated 5/1/1421 AH,

Having reviewed:

The Foreign Investment Law issued under Royal Decree No. (M/1), dated 15/1/1421, the Executive Regulation thereof issued under SAGIA Board Resolution No. (1/20), dated 13/4/1423 AH,

Regulation on Violations of Foreign Investment Law issued under SAGIA Board Resolution No. (3/37), dated 19/4/1425 AH,

Proposal submitted by SAGIA to the Board of Directors in its Sixty-Ninth meeting held on 14/11/1433 AH, which included a request to amend the Regulation on Violations of Foreign Investment Law issued under SAGIA Board Resolution No. (3/37), dated 19/4/1425 AH.

Hereby resolved as follows:

First: To approve the amendment of the Regulation on Violations of Foreign Investment Law, Penalties and Rules of Consideration as per the attached form.

Second: The amended Regulation shall hereby supersede the Regulation on Violations of Foreign Investment Law issued under SAGIA Board Resolution No. (3/37), dated 19/4/1425 AH.

Third: This Resolution shall be published in the Official Gazette, and shall come into force as from the date of publication.

Abdullatif Ibn Ahmad Al-Othman
Governor of SAGIA & Chairman of its Board of Directors

Violations Regulation
Definitions
Article (1)

For the purposes of this regulation, the following words and expressions shall have the meaning assigned thereto respectively, unless the contexts requires otherwise:

(1/1)	SAGIA	The Saudi Arabian General Investment Authority (SAGIA)
(2/1)	The Board of Directors	SAGIA Board of Directors
(3/1)	The Governor	Governor of SAGIA and Chairman of its Board of Directors
(4/1)	The Law	Foreign Investment Law
(5/1)	The Regulation	The Executive Regulation of Foreign Investment Law
(6/1)	Foreign Investor	A natural non-Saudi person, or a body corporate all the partners of which do not have the Saudi nationality.

(7/1)	Violations Committee	The Committee charged with considering violations of Foreign Investment Law.
(8/1)	The Establishment	The investment establishment duly licensed in accordance with Foreign Investment Law.
(9/1)	The Regulation of Violations & Penalties	The Regulation on violations of Foreign Investment Law, penalties and rules of Consideration.

Violations Committee

Article (2)

- A committee shall be formed to consider the violations of Foreign Investment Law and the Executive Regulation thereof by a resolution to be issued by the Board of Directors, and the number of its members may not be less than three, inter alios, a legal counselor. Such resolution shall determine both Chairman and Vice chairman of the Committee.
- The Chairman, or Vice chairman, in the case of absence, shall manage the activities and sessions of the Committee.
- Term of membership shall be three renewable years. If any member wishes to resign its membership of the Committee or fails to attend for five successive meetings of the Committee with no acceptable excuse or lost its membership for another reasons, the Board of Directors shall appoint another person to act in lieu thereof within the remaining period of its membership.
- The Committee shall consider violations as follows:

- (2/1) It shall hear the actions instituted by Attorney General against the investors violating the provisions of Foreign Investment Law and the Executive Regulation thereof.
- (2/2) It shall make its recommendation on the penalty it deems appropriate from among those penalties listed under Article (12) hereof, to be imposed upon the violating investor after hearing its statements and scrutinizing its defence. Such penalty shall be referred to the Board of Directors for approval or taking the proper course of action in this regard.
- The Committee shall hold its sessions at the headquarters of SAGIA, at the call of its Chairman or Vice chairman, and may hold its sessions in another place, when necessary, subject to the Governor's approval. Its sessions may not be valid unless attended by the majority of members, inter alios, the Chairman or Vice chairman. The members shall be notified of the date of each session a week before its scheduled date. The discussions and resolutions of sessions shall be recorded in special minutes designated for this purpose.
 - The Committee shall seek the assistance of specialists or experts whomever it deems appropriate to express the technical opinion in any matter presented to the Committee, provided that the letter sent to the specialist or expert shall determine the sum of remuneration to be granted thereto, once its attendance was conditional upon a consideration.
 - The Committee shall summon the employees of SAGIA whomever it deems necessary to give advice on a matter presented to the committee.
 - The Committee shall address the public and private authorities, if necessary, provided that it is the Chairman of the Board of Directors or Vice chairman who shall address such authorities.

- The Committee shall, as it may think necessary, finalize the investigation pertaining to the violations presented thereto, and may conduct the examination with its full body or appoint one of its members for this task, provided that a report on the examination result shall be submitted to the Committee.
- The deliberation taking place among the committee members shall be confidential.
- The Committee shall make its recommendations by majority. In the event of balance, the chairman shall have the casting vote.

Secretary of Committee

Article (3)

- The Committee shall have a secretary who shall be appointed under a resolution from the Governor.
- The Secretary shall provide the technical and administrative support for the activities of such Committee, particularly the following:
 - (3/1) Drawing up the minutes of the Committee and organizing its meetings administratively.
 - (3/2) Receiving visitors and responding to their queries;
 - (3/3) Coordinating among the Committee and the interested parties; both inside and outside SAGIA, arranging the dates of sessions and sending notices and resolutions;
 - (3/4) Performing the activities of copying, keeping and retrieval of files.
 - (3/5) Preparing a file on violations and the following shall be recorded therein:

- The serial numbers of violations.
- Name of the violating establishment.
- The receipt date of the violation.
- Description of the violation.
- The penalty approved by the Board of Directors, the decision passed therein along with its date.
- The judgment passed by the Board of Grievances and pertained to such penalty if complained before the Board of Grievances.

Attorney General Article (4)

An attorney general shall be appointed by a resolution to be issued by the Board of Directors, and shall institute the action against the violating investor before Violations Committee, based on the request of SAGIA in the following cases:

- A- Severity of the violation.
- B- Frequent occurrence of the violation.
- C- Frequent violations of the Law and the Regulation thereof by the investor.
- D- If the violation was detrimental to the financial or security law of the State.

- E- If the violation resulted in fraud which damages the health of people.
- F- If the violation is associated with an attempt to hinder the inspection operations of the Establishment for concealing signs of the violation.

The Attorney General shall also plead before the Committee.

Violations & Penalties

Article (5)

- Without prejudice to any severer penalty prescribed by the law, every investor violating the provisions of such Law and the Executive Regulation thereof shall be punished with one of the penalties set forth under Article (12) hereof. The following are some of the violations:
- If the name in the commercial register differs from that recorded in the license issued by SAGIA.
- Disposal of the raw materials, machines or imported capital equipment by sale or lease.
- Exporting or importing any materials irrelevant to the Establishment's activity.
- Waiving or leasing the license issued by SAGIA without its approval.
- Ceasing the investment activity without notifying SAGIA in written and securing its approval.
- Marketing, selling or producing a product which is not from the products licensed by SAGIA, within the Kingdom of Saudi Arabia.

- Using publications, seals or advertising means in a commercial name inconsistent with that licensed by SAGIA.
- In the event where the specifications and quality of the product are not in conformity with the specifications approved in the Kingdom of Saudi Arabia or those approved by the European Union, the United States of America or Japan.
- Failure to notify SAGIA of amending the address, correspondence data, communication or data update.
- Assigning the project's site prepared and suitable for immediate operation, selling, waiving or closing the same without obtaining and operating another site and notifying SAGIA in writing thereof.
- Reducing the invested capital below the minimum of the investment activity licensed.
- Transferring the sponsorship of all or some the labor granted for the project to other persons or establishments before securing SAGIA's approval.
- Leasing the labor registered for the project's sponsorship to persons or establishments or employing the same for the benefit of third parties.
- Selling the visas issued for the Establishment on labor or establishments.
- Refusing to receive SAGIA's inspector, cooperate therewith or provide the instruments and documents required thereby within inspection of the Establishment.
- Disorganization of industrial processes within the factory.

- Using the Establishment site for any purpose other than the activities licensed.
- Failure to receive the original of license after finalizing the incorporation procedures within a month as from the date whereon the statutory papers are completed.
- Failure to commence the activity of service projects within (6) months as from the date whereon the license is issued.
- Failure to commence the activity of service projects within (12) months as from the date whereon the license is issued.
- Failure to apply for renewal of the license issued by SAGIA before expiry of the license period.
- Failure to conclude contracts or conduct business for engaging in the investment activity within (6) months as from the date of license (non-activation of the project).
- In the event where the Establishment, which engages in the contracting activity, fails to obtain one contract at least within the first year as from issuance of the license.
- Failure to provide housing for labor or give them their rights.
- Failure to finalize the statutory procedures subsequent to the investment license within the first three months as from the date whereon the license is issued.
- In the event where the Establishment fails to engage in the activity after the end of the schedule determined upon application, without submitting an apparent reason within (30) days before the end of the schedule.

- Exceeding the production capacity licensed without securing SAGIA's approval.
- Failure to renew the documents (formal and informal) necessary for implementing the licensed activity within a month as from the date of their expiry.
- Reducing the capital of the Establishment after being licensed with no statutory justification as set forth under the laws and directives.
- Employing labor not sponsored by the licensed Establishment.
- Employing labor which does not hold statutory residence permits.
- Failure to amend the profession of the Establishment's owner to be "Director-General" in the passport and/or the residence permit.
- Failure to submit the evidence that activities are implemented commensurately with the licensed capital of the service licenses.
- Failure to submit a detailed budget for the Establishment, prepared by a chartered certified accountant after (6) months are elapsed as from the end of a full financial year (as per the commercial register).
- Selling the contracts of carrying out contracting projects to another establishment without SAGIA's approval.
- Failure to deposit the Establishment's capital with a Saudi bank within a period not exceeding (4) months as from the date whereon the license is issued, and notify SAGIA thereof under the form prepared for this purpose.
- Using the name or logo of a global or local commercial agency with no license.

- Submitting fake implementation contracts which have no existence in reality.
- In the event where the project's site is inadequate for the size of the investment licensed by SAGIA.
- In the event where there are no investment licenses for the company's branches.
- In the event where there are no investment licenses for the marketing centers of the Establishment.
- Failure to finalize the documentary governmental procedures for the branches or the marketing centers.
- Failure to activate the branches of the Establishment licensed by SAGIA.
- In the event where there is no plaque for the Establishment, which is identical to the official name licensed, at the time of inspection.
- Engaging in any unlicensed investment or commercial activity.
- If there is a location for another project in the same site.
- Failure to comply with the laws and directives issued by the Ministries and relevant Governmental Departments.
- Failure to pay the salaries and benefits of labor on the Establishment's sponsorship on time and regularly.
- Failure to comply with the percentage of saudization as stated under the International Conventions which the Establishment is a party

thereto, and under the laws and directives of the Ministry of Labor without prejudice to the type of the activity licensed.

- Failure to respect the rights of others as regards the laws on intellectual property rights.
- Failure to benefit from the ownership of the real estate licensed within the period specified by SAGIA.
- Failure to comply with producing the licensed products (industrial licenses) entirely or reduce the production capacity.
- Failure to add the branches in the social insurance certificate and that of Zakat and Income.
- Failure to provide an accounting system for the Establishment and register the accounting journal entries.
- In the event where there is no organizational structure for the Establishment, which illustrates positions and functions.
- Engaging in unlicensed service or commercial activities through the site of the company.
- Failure to comply with any of the conditions, directives, pledges or obligations set forth under the new application form of the license, renewal or amendment (both hard and soft copies).
- Failure to comply with any laws, regulations or directives relevant to the activity.
- In the event where the project's site is not located within the organizational plan of factories.

- 2- Upon estimating the penalty the proportion between the same and the violation shall be taken into account, without prejudice to the mitigating and aggravating circumstances. The following are some of the aggravating circumstances include:
- A- Severity Flagrancy of the violation.
 - B- Frequent occurrence of the violation.
 - C- Frequent violation of the Law and the Regulation thereof by the investor.
 - D- If the violation was detrimental to the financial or security law of the State.
 - E- If the violation resulted in fraud which damages the health of people.
 - F- If the violation is associated with an attempt to hinder the inspection operations of the Establishment for concealing signs of the violation.

Violations Detection and Investigation Procedures

Article (6)

- The detection officers shall be appointed under a resolution from the Governor, and shall record violations of the Law and the Executive Regulation thereof.
- In order to detect the violations of the Law and the Executive Regulation thereof, such officers shall have the right to enter the establishments licensed in accordance with Foreign Investment Law, conduct the inspection, review the books, records and papers, request the necessary data and ask the workers at the Establishment. The owners and officials of the establishments shall provide all facilities which enable such officers to perform their work.

- The detection officer shall record each violation in the official minutes which shall include the name of the violating establishment, description and time of the violation, and any relevant document has been reserved shall be mentioned under such minutes which shall be signed by the detection officer.
- The foreign investor shall be notified of the recorded violation, and the appropriate period of time for rectifying such violation shall be specified under the notice.
- In the event where the violation is not rectified within the period specified under the notice, a report on the violation/s shall be prepared to be referred to the Attorney General.
- The Attorney General shall, based on the facts of such report, institute an action before the Committee.
- The Committee shall hear such action and shall notify the foreign investor of the date of the session scheduled for considering the violation before seven days at least. The notice shall include information on the violation as well as the date, time and place of the session scheduled for considering the violation.
The Committee shall mandate the foreign investor or its representative to attend so as to hear its statements and submit its pleas.
- The Committee shall consider the violation promptly, and if considering the violation requires more than a session, the Committee shall notify the interested parties, who failed to attend a session, of the date, time and place of the next session.
- In the event where the foreign investor or its representative fails to attend the first session, the Committee shall postpone the action to another session, provided that so shall be served upon the same. In the event where the foreign investor fails to attend once again

despite being duly notified, the Committee may continue hearing the action, and whatever issued vis-à-vis the foreign investor shall be enforceable as if the same is present. The foreign investor shall, if attended one session, be deemed present even if the foreign investor failed to attend the remaining sessions.

- The Secretary shall take the session's minutes under the supervision of the Chairman of the session; provided that the Secretary shall record in such minutes the names of the Committee's members who attended the session, the place and time of such session and the names of attendants or their representatives whereto the violation is imputed. The secretary shall also record all procedures taken in the session, and shall record the statements and aspects of defence of the violating foreign investor or its representative. Such minutes shall be signed by the Chairman, members and Secretary of the Committee.
- If the Committee saw that the violation includes a crime punishable under other law, it shall refer the matter to the competent authorities to take the regulatory and requisite procedures. The Committee shall adjudicate on the violation under consideration, unless it is obvious that such violation could not be decided without the other.
- The Committee's recommendations shall be causatively based and shall include the response to all pleas raised by the foreign investor, and the dissenting opinion expressed by the Committee's member (or Chairman) shall be included under the minutes, provided that such opinion shall be causatively based.
- The Committee's final recommendations shall be reported to the Chairman of the Board of Directors and shall be enclosed with all relevant documents in order to be referred to the Board of Directors for consideration.

- The Board of Directors shall approve the Committee's recommendations as are or after introducing amendments thereto as it may think fit.
- The Secretariat shall notify the violating investor of the penalty's decision under an official letter to be handed over to such investor, its representative or any employee at the Establishment. The recipient shall sign a copy of the letter, notification date statement, the process-server's name and its signature.
- The foreign investor may appeal to the Board of Grievances against the resolution issued by the Board of Directors.
- In the event where the penalty's decision includes cancelling the license of foreign investment, the Establishment shall be closed. Such license shall, after the period given to the foreign investor for appeal before the Board of Grievances is elapsed, be cancelled.

General Provisions

Article (7)

- The foreign investor may, before the Committee and under a power of attorney, hire an attorney licensed in the Kingdom of Saudi Arabia. The foreign investor and its attorney shall have the right to review the violation file at the Committee's headquarters in the presence of the Secretary, and shall have the right to copy the necessary papers therefrom under the decision of the Committee's Chairman.
- The statements of a non-Arabic speaker shall be heard through an interpreter, and the questions and answers thereto shall be recorded in its foreign language and shall be signed thereby. The translation of such questions and answers shall be recorded in Arabic language and shall be signed by both the non-Arabic speaker and the

interpreter. The certified Arabic translation of the documents written in a foreign language shall be provided.

- This Regulation shall be approved by the board of directors and shall come into full force and effect from the issuance date thereof.