



## Saudi Council of Ministers Approves 100% Foreign Ownership of Engineering Consultancies

Currently, Saudi Arabian law permits foreign direct investment in engineering consultancies operating in the private sector only through a professional company licensed by the Ministry of Commerce and Industry ("MOCI"). Professional companies notably lack limited liability protection for their shareholders, and their capital must be at least 25 percent owned by a licensed Saudi professional (e.g., a licensed Saudi engineer).

However, on August 7, 2017, the Saudi Arabian Council of Ministers resolved that Saudi Arabia's foreign investment regulator, the Saudi Arabian General Investment Authority ("SAGIA"), should take the necessary steps to permit foreign companies engaged in the field of engineering consulting to license and establish 100 percent foreign-owned Saudi subsidiaries to provide engineering consulting services in Saudi Arabia. The resolution did not specify whether foreign companies would be required to continue to enter the Saudi market through professional companies or whether other corporate forms would be permitted.

In light of this development, overseas firms thinking of coming to Saudi Arabia to take advantage of the new wave of infrastructure projects will soon have the option to license and establish a wholly owned Saudi subsidiary. Foreign shareholders in engineering consultancies that are currently established in Saudi Arabia may wish to review their existing joint venture arrangements.

The Council of Ministers' resolution directs SAGIA to permit foreign engineering consultancies to license and establish wholly owned Saudi subsidiaries *provided that* the foreign company can meet the following conditions precedent:

1. The foreign company has been incorporated for at least 10 years; and
2. The foreign company and its subsidiaries are operating in at least four different countries.

Where it considers such action to be in the best interests of the Kingdom, SAGIA will be entitled to waive either of the necessary conditions precedent in accordance with publicly declared and nondiscriminatory criteria to be developed by SAGIA.

No timeline has yet been announced for SAGIA's implementation of the Council of Ministers' resolution or for the announcement of the conditions upon which either of the conditions precedent may be waived.

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