

Commercial agents and distributors summoned to register their agreements with foreign principals.

In an announcement made on 22 March 2015 the Ministry of Commerce & Industry has asked all businesses being a party to a commercial agency or distribution agreement to register these agreements in the Agency Registry kept at the Ministry failing which, the penalties provided in the Commercial Agencies Law of 1969 and its Implementing Regulations would be applied strictly at the expiry of a grace period of six months (i.e. on 20 September 2015).

Penalties set forth by the law include fines of up to SAR 50,000, deportation of foreign personnel and disallowing future commercial activities in the Kingdom.

Whereas in the past, Saudi Arabia's handling of commercial agencies (applying also to distributorships since an amendment to the law in 1983) has often been praised for being much more liberal than that of the neighboring GCC states (in particular the United Arab Emirates), this statement might now have to be partially revised. Indeed, even though the Saudi agency legislation does not provide for any minimum duration or minimum compensation of the agent/distributor in case of termination or non-renewal, the new situation now puts the local party in a position of strength if the agency/distributorship agreement is exclusive, because a commercial agent/distributor enjoying exclusive rights will now be able prevent the foreign principal from appointing a replacement agent and therefore effectively, from doing business in the country, as only the local party may apply for the de-registration of the agency/distributorship.

It is not yet clear whether the Saudi authorities will go as far as to instruct the Saudi Customs to require the agency registration certificate to clear the imports (as is the case in the United Arab Emirates), but all foreign principals may as of now be advised to revise their agency and distributorship agreements in the sense that no exclusive territorial protection should be granted to the local party, or at least, that such exclusivity is being made dependent on the local party performing satisfactorily under the agreement.

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