

Competition Law

Royal Decree No. M/25

4 Jumada I 1425 / 22 June 2004

Article One:

This Law aims to protect and promote fair competition and combat monopolistic practices that affect lawful competition.

Article Two:

Whenever they occur in this Law, the following terms shall have the meanings expressed next to them unless the context indicates otherwise:

Firm: Factory, establishment or company owned by natural or corporate person(s), and all groupings practicing commercial, agricultural, industrial or service activities, or selling and purchasing commodities or services.

Market: Place or means where a group of current and prospective buyers and vendors meet during a specific period of time.

Domination: A situation where a firm or a group of firms are able to influence the market prevailing price through controlling a certain percentage of the total

supply of a commodity or service in the industry of its business. The Regulations shall specify this percentage according to criteria which include the market structure, the easiness of market entry by other firms, and any other criteria determined by the Council.

Merger: Merging a firm with one or more firms or the merger of two or more firms into a new one.

Council: Council of Competition Protection.

Ministry: Ministry of Commerce and Industry.

Minister: Minister of Commerce and Industry.

Regulations: Implementing Regulations of this Law.

Article Three:

Provisions of this Law shall apply to all firms working in Saudi markets except public establishments and wholly-owned state companies.

Article Four:

Practices, agreements or contracts among current or potential competing firms, whether the contracts are written or verbal, expressed or implied shall be

prohibited, if the objective of such practices, agreements or contracts, or consequent impact thereof is the restriction of commerce or violation of competition among firms. A firm or firms enjoying a dominant position shall also be banned from carrying out any practice which restricts competition among firms, in accordance with the conditions and rules specified in the Regulations, especially the following:

1. Controlling prices of commodities and services intended for sale by increasing, decreasing, fixing their prices or in any other manner detrimental to lawful competition.
2. Restricting freedom of flow of commodities and services to markets or removing them, wholly or partially, therefrom by hiding, unlawfully storing, or refraining from dealing in them.
3. Contriving a sudden abundance of commodities and services which results in an unrealistic price affecting other dealers in the market.
4. Preventing any firm from exercising its right to enter or move out of the market at any time or hampering the same.
5. Depriving, wholly or partially, certain firm or firms of commodities and services available in the market.
6. Dividing or allocating markets for selling or purchasing commodities and services pursuant to any of the following criteria:

(a) Geographical regions

(b) Distribution centers

(c) Type of clients

(d) Seasons and time periods.

7. Influencing the normal price of sale, purchase, or supply quotations of commodities and services whether in government or non-government bids or auctions.

8. Freezing or restricting manufacturing, development, distribution or marketing processes and all other aspects of investment, or restricting the same.

The Council may choose not to apply provisions of this Article to practices and agreements in violation of competition which are believed to improve the performance of firms and realize a benefit for the consumer exceeding the effects of restricting freedom of competition, as specified by the conditions and rules in the Regulations.

Article Five:

A firm enjoying a dominant position shall be banned from any practice restricting competition, as specified by the Regulations, including:

1. selling a commodity or service at a price below cost, with the intention of

forcing competitors out of the market.

2. imposing restrictions on the supply of a commodity or service, with the intention of creating an artificial shortage in its availability in order to raise prices.

3. imposing certain conditions on selling and purchasing transactions or on dealing with another firm, in a manner that puts it in a weak competitive position compared to other competing firms.

4. refusing to deal with another firm without justification in order to restrict its entry into the market.

Article Six:

1. Firms involved in merger operations or firms desiring to acquire assets, proprietary rights, usufructs or shares, which causes them to be in a dominating position, shall notify the Council in writing at least sixty days prior to completion of the same.

2. Competing firms desiring to combine two or more managements into one joint management shall, if that results in a dominant position, notify the Council in writing at least sixty days prior to completion of the same.

3. The Regulations shall specify the times of such notification, its form and content, information and documents required, procedures to be followed in

submitting it as well as the due fees for the inspection thereof.

4. The Council may review all necessary information prior to issuing a decision of approval or rejection of the notification submitted thereto, in accordance with paragraphs (1) and (2) above, giving justification in each case.

Article Seven:

The firm referred to in Article Six of this Law may complete the procedures of merger, acquisition or combining two or more managements into one joint management in the following cases:

1. Upon notification in writing of the approval by the Council.
2. Upon expiration of sixty days from the date of notification without being notified by the Council in writing of its objection to the deal or that it is under study and review.
3. Upon expiration of ninety days from the date of notification with the deal being under study and review, without being notified by the Council in writing of its approval or rejection.

Article Eight:

1. An independent council named "Council of Competition Protection" shall be

established. It shall be located in the Ministry of Commerce and Industry .

2. A Royal Order shall be issued for the formation of the Council as follows:

- * The Minister of Commerce and Industry chairman
- * A representative of the Ministry of Commerce and Industry member
- * A representative of the Ministry of Finance member
- * A representative of the Ministry of Economy & Planning member
- * A representative of the General Investment Authority member
- * Four members of expertise and competence selected on their merits and nominated by the Minister .

3. The term of membership in the Council shall be four years renewable for one term. The Council member shall remain in his post upon expiration of his term until a successor is appointed.

4. The Council shall convene headed by the chairman or whomever he deputizes of the members and with the attendance of two thirds of the members. Council's decisions shall be taken by majority vote. In case of equal votes, the chairman shall have the casting vote.

5. Council members may not disclose any information they obtain as a result of their membership in the Council.

6. A Council member may not participate in the deliberation of any case or subject in which he has an interest or with which he has a connection, or if he is related by blood or marriage to any of the parties involved, or if he has represented any of the parties concerned.

Article Nine:

Subject to what is stipulated in other laws, the Council shall have jurisdiction over the following tasks:

1. Approving cases of merger, acquisition, or combining two managements or more into one joint management resulting in a dominant position in the market.
2. Ordering the undertaking of proceedings of inquiry, search and collection of evidence pertaining to complaints and practices in violation of provisions of this Law, and ordering the investigation and prosecution thereof.
3. Approving the initiation of criminal case procedures against violators of provisions of this Law.
4. Forming the Council's bodies and issuing the financial and administrative regulations, in coordination with the Ministry of Finance and the Ministry of Civil Service.
5. Proposing relevant draft laws that affect competition in light of the variables

occurring in the market, and proposing necessary amendments to provisions of this Law.

6. Issuing the Implementing Regulations of this Law.

7. Preparing an annual report of the Council's activities and future plans, to be submitted to the Council of Ministers by the chairman of the Council.

Article Ten:

The Council shall have a general secretariat presided over by a secretary general of the Fifteenth Grade. The Council shall be provided with all necessary facilities and specialized experts.

Article Eleven:

1. The Council shall issue a decision designating the employees who shall have the judicial recording capacity in implementing the provisions of this Law.

2. Subject to provisions of other laws, the employees having the capacity of judicial recording may:

(a) Review and investigate submitted complaints which are based on actual evidence in accordance with the provisions of this Law, and initiate prosecution while considering violations of provisions of this Law before the committee

referred to in Article Fifteen and before the Board of Grievances

(b) Review all records, files and documents of the firm concerned, which are relevant to the complaints in question and obtain copies thereof. The firm subject of the complaint may not conceal any information on the pretext of confidentiality or for any other reason.

3. The Minister may issue a decision assigning some of the Ministry's staff to perform the Council's technical, financial, and administrative functions.

4. The Council may, when needed, seek the assistance of experts and qualified persons from outside the Ministry.

5. Council Members and staff shall maintain the confidentiality of the information and records they obtain from firms in the process of collecting evidence or investigations, and they may not turn over the same to any other party except with the approval of the Council.

Article Twelve:

Without prejudice to any harsher punishment under another law, each violation of the provisions of this Law shall be subject to a fine not exceeding five million riyals, to be multiplied in case of repetition. Judgment shall be published at the expense of the violator.

Article Thirteen:

Anyone disclosing a secret related to his job, according to provisions of paragraph (5) of Article Eleven of this Law, or directly or indirectly benefiting shall be subject to a fine not exceeding five million riyals or imprisonment for a period not exceeding two years or both.

Article Fourteen:

Punishments referred to in Articles Twelve and Thirteen shall be determined on a case by case basis according to the violation committed and the gravity thereof.

Article Fifteen:

1. The Council shall form a committee of five members one of whom at least shall be a legal counselor. A decision to this effect shall be issued by the Minister. Said committee shall have jurisdiction to review and decide violations subject to fines.
2. The committee shall issue its decisions according to the rules and procedures specified by the Implementing Regulations.
3. Anyone may file a grievance against the committee's decisions with the Board

of Grievances within sixty days from the date of notification of the decision.

4. If the committee, upon reviewing the violation, decides that the violation calls for the punishment of imprisonment, it shall refer the case to the Board of Grievances for ab initio adjudication.

Article Sixteen:

Without prejudice to provisions of Article Twelve of this Law, the Council may issue a decision to take one or more of the following measures, if a violation of one of the provisions of this Law has been established:

1. Instructing the violator to rectify his status and end the violation within a period of time specified by the Regulations.
2. Instructing the violator to dispose of some of the assets, shares or proprietary rights, or to undertake any other action to remove the violation's effects .
3. Compelling the violator to pay a daily fine of not less than one thousand riyals and not exceeding ten thousand riyals, until the violation is removed.

Article Seventeen:

Anyone against whom the Council has issued a decision may file a grievance against the decision in accordance with the Law of the Board of Grievances and

its regulations.

Article Eighteen:

Any natural or corporate person harmed by practices prohibited under the provisions of this Law may apply for compensation before the competent judicial body.

Article Nineteen:

All firms subject to this Law shall rectify their status so as to conform to the provisions hereof, within one year from the date of publication of this Law,

Article Twenty:

The Council shall issue the Implementing Regulations of this Law within ninety days from its publication, and they shall come into effect simultaneously with this Law.

Article Twenty One:

This Law shall be published in the Official Gazette, and shall take effect after one

hundred and eighty days from the date of its publication, with the exception of the provisions related to the formation of the Council and its powers which shall be effective from the date of publication of this Law.