

# LEGAL FRAMEWORK OF THE SIMPLIFIED JOINT-STOCK COMPANY (SJSC) UNDER SAUDI COMPANIES LAW

## QUADRO JURÍDICO DA SOCIEDADE ANÔNIMA SIMPLIFICADA (SJSC) DE ACORDO COM A LEI DAS SOCIEDADES SAUDITAS

Article received on: 30/6/2025

Article accepted on: 29/9/2025

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The authors declare that there is no conflict of interest

### Abstract

This Paper focuses on the Simplified Joint-Stock Company, considering it one of the modern legal forms entered under the Saudi Companies Law of 2022. SJSC was founded to meet the expectations of facilitating an investment environment and to provide a flexible model that addresses the requirements of entrepreneurs and startup companies. This form of company is featured by significant flexibility in establishing procedures, as it can be established by a single shareholder, without the need for a minimum capital, and the articles of association are only sufficient to regulate its internal governance. This type of company allows shareholders several administrative authorities, without being obliged by the traditional structures of joint-stock companies. The Saudi Companies Law of 2022 allows founders to decide on the types of management and decision-making, enhancing effective participation and supporting the company's independence from procedural

### Resumo

*Este artigo se concentra na Sociedade Anônima Simplificada, considerando-a uma das formas jurídicas modernas instituídas pela Lei das Sociedades Anônimas Saudita de 2022. A SJSC foi fundada para atender às expectativas de facilitar um ambiente de investimento e fornecer um modelo flexível que atenda às necessidades de empreendedores e startups. Essa forma societária se caracteriza por significativa flexibilidade na definição de procedimentos, visto que pode ser constituída por um único acionista, sem a necessidade de capital mínimo, e o estatuto social é suficiente apenas para regular sua governança interna. Esse tipo societário permite aos acionistas diversas autoridades administrativas, sem a obrigação das estruturas tradicionais das sociedades anônimas. A Lei das Sociedades Anônimas Saudita de 2022 permite que os fundadores decidam sobre os tipos de gestão e tomada de decisões, aumentando a participação efetiva e*



complications. Despite the company's flexibility, the law allows for restrictions on transferring shares to protect the company's stability and to prevent the admission of new partners without the consent of the existing shareholders. This is achieved by requiring prior consent for any transfer or granting preemptive rights to the existing shareholders. Besides, the Simplified Joint-Stock Company within the Saudi regulatory framework, combining the facilitation of incorporation, managerial flexibility, and the protection of shareholders' interests, makes it an effective tool for promoting investment and advancing the national economy.

**Keywords:** Simplified Joint-Stock Company. Saudi Companies Law. Share Trading. Articles Of Association. Foreign Direct Investment.

*apoiando a independência da empresa em relação a complicações processuais. Apesar da flexibilidade da empresa, a lei permite restrições à transferência de ações para proteger a estabilidade da empresa e impedir a admissão de novos sócios sem o consentimento dos acionistas existentes. Isso é alcançado exigindo consentimento prévio para qualquer transferência ou concedendo direitos de preferência aos acionistas existentes. Além disso, a Sociedade Anônima Simplificada, dentro do arcabouço regulatório saudita, combinando a facilitação da constituição, a flexibilidade gerencial e a proteção dos interesses dos acionistas, torna-se uma ferramenta eficaz para promover investimentos e impulsionar a economia nacional.*

**Palavras-chave:** Sociedade Anônima Simplificada. Lei Das Sociedades Sauditas. Negociação De Ações. Estatuto Social. Investimento Estrangeiro Direto.

## 1 INTRODUCTION

We can consider a Simplified Joint-Stock Company as a modern legal model for business enterprises, established to meet the desire for more flexible corporate structures, especially for small and medium enterprises (Friedman., *et al*, 2000) These companies have appeared as a creative solution to facilitate entrepreneurship and enhance investment by simplifying the procedures and decreasing complicated legal requirements (Ramírez *et al.*, 2013). This simplifying is required to support the business environment and support economic growth, especially in countries that seek to enhance their practice of doing business indices (Kholifah & Kurniawan, 2024).

It has been argued that the Simplified Joint-Stock Company, as a legislative model, represents a wonderful advancement in corporate legislation, matching the modern economy's requirements and expanding the range of companies granted legal personality. This type of legislative enhancement contributes to addressing the challenges generally encountered by startups, especially with respect to administrative costs, regulatory compliance, and simplifying the establishment procedures (Uwamusi, 2025). Moreover, this approach is compatible with recent legal reforms in many countries, which aim to increase transparency and ensure investor confidence, for both domestic and

foreign investors, bridge legal gaps, and enhance certainty within the business environment (Burduli, 2023).

Saudi legislator in the Saudi Companies Law is highly interested in developing corporate legal frameworks, as evidenced by its attempts to keep pace with global economic changes and meet the needs of entrepreneurs by establishing more flexible corporate forms. This attraction toward flexibility includes simplifying, establishing, and operational procedures, also introducing options such as sole ownership and the issuance of different shapes of shares, features that were not allowed before the enactment of the current Saudi Companies Law (Pereira, 2021). This improvement reflects on the adoption of a legal model that regulates companies independently, away from traditional frameworks that may not adequately meet the contemporary requirements of small and medium enterprises. (Burduli, 2023).

This growing interest emerges from the urgent need to provide an attractive investment environment that motivates innovation, especially against the economic transformations unfolding across the region. Saudi legislator seeks legislative reform to enhance the attractiveness of the Saudi market to both domestic and foreign investments, in accordance with the comprehensive economic development aims (Burduli, 2023). This approach forms a fundamental part of the Kingdom of Saudi Arabia's Vision 2030, which seeks to broaden sources of income and enhance the competitiveness of the national economy (Alqahtani & Albakjaji, 2023).

The Kingdom of Saudi Arabia makes great efforts to simplify the procedures and reduce the costs and time required to start a business through initiatives such as the "Meras Platform," which is sponsored by the Saudi Ministry of Commerce to collect together all government entities concerned with company establishment (Fallatah, 2020). This approach to simplifying procedures contributes to enhancing the Kingdom's ranking in international simplifying of doing business indices, thereby enhancing its position as a leading investment destination (Alqahtani & Albakjaji, 2023) (Pereira, 2021).

This continuous updating of the legal frameworks in the Kingdom of Saudi Arabia is considered a main issue toward attracting foreign direct investment, thereby supporting the objectives of economic diversification and increasing the competitiveness of Saudi companies in global markets (Alqahtani & Albakjaji, 2023) (Al-Faryan, 2020).

## 2 LITERATURE REVIEW

The concept of the simplified joint stock company was entered into the Saudi Companies Law to provide a simplified and flexible legal framework for startups and small and medium enterprises, according to best international practices (Fallatah, 2020). This approach aims to meet the needs of companies that require more flexible managerial and operational structures, thereby contributing to increasing the investment environment and the simplification of innovation (Elawady *et al.*, 2020). We can consider the simplified joint stock company in France company law as the foundation for it in Saudi Arabian Company law, as the Saudi legislator gets inspiration from several features of the French model, especially concerning the simplification of formal procedures and the variation of governance structures to match domestic legislation with the advancing needs of the modern business sector (Alqahtani & Albakjaji, 2023). This approach clarifies the Kingdom's desire to benefit from regionally and internationally successful legal experiences, to enhance the integration of the corporate system that advances its national economic aims (Al-Faryan & Shil, 2022).

Simplifying procedures plays an equally important role as the law in enhancing foreign investment. Creating modern laws ensures the stability of commercial operations and contributes to reducing the operational costs (Alqahtani & Albakjaji, 2023). In this regard, the conversion toward simplified corporate models enhances the ability of companies to compete and contributes to increasing economic growth by attracting foreign investments and creating new employment opportunities (Elawady *et al.*, 2020). This simplification is reflected in reducing the bureaucratic and procedural barriers, so, simplifying the incorporation and operation of companies, and enhancing entrepreneurship (Elawady *et al.*, 2020). This approach is critical to achieving the objectives of Saudi Arabian Vision 2030, which confirms economic diversification beyond oil dependence and the attraction of foreign direct investment (Alomari & Heffron, 2021).

Last but not least, enhancing the protection of shareholders' rights, especially for minority shareholders, is a main issue in attracting foreign capital. Studies refer that countries offering strong shareholder protection are considered more attractive to investors than others (Khabti, 2019). This refers to the clarity of the legal framework and its capacity to provide adequate guarantees represent necessary factors in investment

decision-making, thereby supporting the realization of Saudi Arabia's Vision 2030 objectives and the National Transformation Program (Alqahtani & Albakjaji, 2023).

### **3 STUDY METHODOLOGY**

The study deals with descriptive, analytical, and comparative approaches. The study aims to analyze the legal regulations which is related to the simplified joint stock company in Saudi Arabia's companies law and to contrast it with comparative legal frameworks. This approach focuses on identifying the similarities and differences of this approach between these comparable laws to evaluate the Saudi legal framework of the simplified joint stock company, which effectively fulfills its intended objective by conducting a careful examination of legislation, considering the economic and developmental aims that these companies are designed to support. Moreover, the study discusses the impact of these legal frameworks on attracting foreign direct investment and enhancing the ability of competition of small and medium enterprises. The analysis approach considers the adaptability of these regulations to modern challenges of the economy and technology, as well as their contribution to enhancing innovation and entrepreneurship within the context of the Saudi Arabia Vision 2030.

### **4 CONCLUSION & DISCUSSION**

(Alqahtani & Albakjaji, 2023) (Radchenko *et al.*,2021) (Modugu & Dempere, 2021) have strengthened in their study that global flows of foreign direct investment decreased significantly due to the COVID-19 pandemic, which emphasizes the increasing importance of simplifying companies' legal procedures to reach vital investments to national economies. Consequently, simplified legal frameworks, particularly those related to the simplified joint stock company, are considered a fundamental factor in attracting foreign capital and improving the economic growth in the Kingdom

### **5 LEGAL NATURE OF THE SIMPLIFIED JOINT STOCK COMPANY**

The inquiry of whether establishing the simplified joint stock company shall be considered as a contract or a regulation remains a critical point of debate. This inquiry is

a central point in determining the flexibility of this company, as determining the company's reliance on a contractual or a Legal framework has a deep effect on the rights and obligations of the parties, as well as the ability to amend the articles of association of the company. In the jurisdictions that deal with a contractual approach, the will of the parties is considered the fundamental basis for drafting the articles of association of the company. By contrast, in jurisdictions dealing with a regulatory approach, the Companies Law requires mandatory rules that limit the parties' desire to regulate certain substantive issues. Regarding the simplified joint stock company, the fundamental challenge is to reconcile the contractual flexibility that makes this form attractive to entrepreneurs and startups with the necessity of maintaining a stable and transparent legal regime that ensures the protection of both shareholders and creditors (Tramhel,2018). Moreover, the accurate understanding of whether the simplified joint stock company is better conceptualized as a contract or as a regulation is fundamental in evaluating the effectiveness of the legal framework in enhancing entrepreneurship (Tramhel,2018).

In this regard, modern legislation seeks to combine the benefits of both models by providing a kind of contractual flexibility, besides establishing regulatory borders that secure the necessary principles of governance and the protection of stakeholders (Al-Faryan & Shil, 2022) (Germain & Pardow, 2020). Reaching this balance between flexibility and a unified legal framework is necessary for enhancing confidence in the business environment and increasing the investment opportunities in consideration with the Saudi Arabian developmental objectives (Alomari & Heffron, 2021; Bannour & Abdelkawy, 2024).

The Saudi legislative approach seeking to harmonize these models aims to create a legal environment that allows companies to adapt to evolving market requirements while maintaining legal stability (Efendi, 2020). This significant balance between contractual flexibility and regulatory requirements is considered a fundamental objective of the Kingdom's strategy to reach high amounts of foreign direct investment and foster the growth of small and medium enterprises, considering Saudi Arabia's ambitious economic vision (Jabali *et al.*, 2023) (Mohammed, 2024).

Worth noting that, as part of the efforts of Saudi legislators to create a legal environment that supports companies to be suitable with variable market demands and reaching the objective of integrating sole enterprises within organized legal frameworks, the simplified joint stock company may be established by a single person. Accordingly,

the Saudi legislator has provided an ability that allows the combination of the procedural and managerial flexibility characteristic of this company while also permitting its incorporation by only one shareholder. According to this, Article 150 from the Saudi Companies Law said that:

If a Simple Joint Stock Company is incorporated by a single person, or if all of its shares are transferred to a single person, the same shall result in the following:

a. The liability of such a person shall be limited to the funds he has allocated as the capital of the company.

b. He shall have the powers and authorities of the shareholders outlined in this Part, and his decisions shall be issued in writing and recorded in a special register with the company".

## **6 HYBRID CHARACTERISTIC OF THE SIMPLIFIED JOINT-STOCK COMPANY**

The hybrid nature stems from the combination of the elements of contract law and Company law to create a legal structure that balances contractual flexibility with strict regulatory requirements (Levushkin & Golysheva, 2020). The combination intends to provide a suitable environment for entrepreneurs, besides maintaining a suitable level of protection for shareholders and other stakeholders (Alanazi, 2020; Burduli, 2023). Many legal systems accepted a hybrid approach, like the small partnership in Lithuania, which combines characteristics of both partnerships and companies to provide a flexible entity for Small and Medium-sized Enterprises (Mikaloniene, 2018). The approach shows an effort to develop legal frameworks that encourage entrepreneurship and innovation, without exclusion the specificities of each sector and company size (Itoh, 2023). The hybrid type supports improving Good Governance by making certain that management is responsible to shareholders and make sure about compliance with applicable laws and examining the Financial Performance (Chalabi & Jarraya, 2023).

## **7 MANAGEMENT TYPES OF THE SIMPLIFIED JOINT STOCK COMPANY**

The Management Type of an SJSC is more flexible than that of traditional joint-stock companies, which would allow founders to develop or create governance structures

designed to the needs and size of their companies, considering compliance with the General Legal Framework (Hardman, 2023). The Type of flexibility reflected in the ability to determine Decision-Making Mechanisms, directors' powers, and the terms of appointment and removal in ways that differ from those prescribed for larger companies, enhancing operational efficiency (Callison *et al.*, 2018). The flexible approach enables the SJSC to adapt to the changing requirements of emerging markets, which strengthens its capacity to attract investment and generate employment opportunities (Tomada, 2022). The flexibility is especially important for SMEs, which are the main driver of innovation and economic growth, but usually find administrative and legal determination under Traditional Company Structures (Zayed *et al.*, 2022).

The types of Decision-Making in the SJSC are important to determine the operational effectiveness and the ability to adapt to market changes. While the flexibility of the company model allows the adoption of innovative management approaches, defining the powers of governing bodies and voting procedures presents a legal challenge that requires accurate drafting to avoid disputes (Burduli, 2023). Drafting shall clearly address the models for appealability in decisions of the companies' bodies, considering the legal nature of these decisions (Sikorska, 2019).

Drafting shall also include an accurate review of decision-making mechanisms in Limited Liability Companies (LLCs), which are often regarded as a prototype for SJSC in certain legal systems (Kluiver, 2006). More precisely, the LLCs constitute the foundation for the SJSC. Notably, these structures are, in most cases, relatively Flat (Horizontal Organization) compared to other organizational frameworks, with a strong focus on headquarters operations, allowing rapid responsiveness to environmental changes and high efficiency in meeting the company's objectives and economic performance (Knap-Stefaniuk *et al.*, 2022). By describing these structures as flat, it is meant that the number of levels or layers between the top of the management hierarchy (Senior Management) and the base (Employees) is relatively few. This indicates simplicity in lines of authority and communication, whereby decisions are faster and communication is more direct compared to "Tall" (Hierarchical) or "Complex" structures with multiple levels.

The emphasis on headquarters operations, jointly with structural flexibility, enhances the ability of the SJSC to implement decentralized governance strategies, in line with modern trends toward independent organizations capable of self-management

through decentralized systems (Shah, 2024). The decentralization contributes to strengthening accountability and transparency, enabling stakeholders to effectively assess the company's performance (Zulfikar *et al.*, 2022; Achebe *et al.*, 2024). This approach requires clear tools for disclosure and transparency, involving the Requirements of Accounting and standards governance for small and medium enterprises, to guarantee that the shareholders and stakeholders can deal with effective monitoring (Zulfikar *et al.*, 2022). Effective monitoring can be reached through simplified voting mechanisms that ensure wide shareholder participation in the important decisions, according to shareholder principles of democracy (Fairfax, 2009)

## **8 COLLECTIVE SHAREHOLDER MANAGEMENT IN THE SIMPLIFIED JOINT-STOCK COMPANY**

Collective shareholder management in the simplified joint-stock company is a major option that increases the principles of governance, which allow shareholders to directly contribute in essential decision-making, which decreases the risks of the Concentration of authority, which is known as centralization (Taleska, 2018). The approach of Collective shareholder management reflects combining the interests of employees and shareholders into the process of decision-making, that's helps the company's stability and the improvement of their performance in the long term (Taleska, 2018). The model improves the company's competitiveness in combating economic challenges, ensures a fairer distribution of profits, and reduces conflicts between management and shareholders (Dacanay, 2012).

Among the distinctive features of the SJSC is that it grants shareholders broad powers to develop mechanisms of management and oversight, reflecting a tendency toward empowering owners and strengthening their role in directing the company (Taleska, 2018). By applying the Saudi Commercial Companies Law, this feature is embodied in Article 145, which confers such powers upon shareholders. Article 145 of the Saudi Companies Law stipulates:

1. The Company's bylaws of the Simplified Joint-Stock Company shall determine the matters that shall be presented to the shareholders for a decision, in the manner and under the conditions stipulated in the Company's bylaws. However, the shareholders shall decide on matters falling within the competencies of the

Ordinary or Extraordinary General Assembly of a joint-stock company, including the increase or reduction of capital, transformation of the company into another legal form, its merger, division, dissolution, appointment of the auditor, discussion of the financial statements, distribution of profits, or amendment of the Company's bylaws.

2. The Company's bylaws shall determine the quorum required for the validity of shareholder meetings and for the adoption of resolutions.
3. The Company's bylaws may specify a different quorum for certain matters when presented to the shareholders for decision.
4. The Company's bylaws shall determine the matters that require unanimous consent of the shareholders to be decided. This empowerment of shareholders is consistent with modern trends in corporate governance, which emphasize the importance of engaging all stakeholders in effective management. (Dacanay, 2012)

It is worth noting that the Principle of Autonomy of Will, under which shareholders may determine the means of managing the company, also empowers them to designate matters that require the unanimous consent of all shareholders. According to Strand (2012), this emphasis on unanimity in certain fundamental issues reflects a concern for the protection of minority rights and strengthens the principles of transparency and fairness within the framework of collective management. Moreover, shareholders in the SJSC have not only the freedom to determine the matters and decisions that shall be taken collectively, but also the freedom to define the mechanisms, procedures, and conditions for adopting such decisions.

Shareholders have absolute freedom under the Company's bylaws to determine which matters require unanimous consent and which issues may be resolved by a specified majority. Accordingly, the convening of general assemblies is not required for the issuance of collective decisions. In fact, the Saudi legislator has gone even further in simplifying the decision-making mechanism in this type of company by allowing the Company's bylaws to permit shareholders to issue a resolution by circulation without the need for a meeting. The Company's bylaws also determine the quorum required for the validity of such resolutions adopted by circulation. Article 149 (1) of the Saudi Companies Law explicitly stipulates: "The Company's bylaws may stipulate that

shareholder resolutions be adopted by way of circulation without the need to convene a meeting."

Notably that modern theories of corporate governance emphasize that empowering owners and shareholders in the company to act as a genuine collective enhances the company's independence and social responsibility, thereby moving beyond the mere perception of the company as a for-profit entity (Sergakis, 2023; Gould, 2024). These oversight mechanisms are considered an integral part of corporate governance, which seeks to improve transparency and accountability within the company (Achebe *et al.*, 2024). Transparency and accountability are considered essential to aligning the interests of shareholders and Management alongside reducing potential conflicts of interest (Bagais & Aljaaidi, 2020). The **mechanism** of **dynamic voting** can improve this alignment by adjusting voting rights according to the economic value contributed by each party to the company (Galai & Wiener, 2008). The determination of the authority of the board of directors and executive managers defines clearly the responsibilities and prevents interference and conflict, which is treated as a basis of effective governance (Chalabi & Jarraya, 2023).

## 9 USING THE MODERN TECHNOLOGY IN SIMPLIFIED JOINT STOCK COMPANY MEETINGS

Dealing with modern technology for meetings of shareholders is considered a fundamental pole for enhancing efficiency and transparency, dealing with global trends toward digitalization in corporate governance. The digital transformation reduces the capability of companies to create virtual meetings, which decreases geographical restrictions and increases the participation of shareholders. The digital transformation also makes sure a wide representation of perspectives and allows more comprehensive decision-making, which is fundamental in the context of companies that depend on Collective Management (Mansell, 2024). Moreover, these tools of technology contribute to attesting the procedures and simplifying the voting process, enhancing the protection of the minority shareholders, and enabling minorities to express their opinions effectively (Hardman, 2023; Murillo, 2022). The modern methods of technology, such as Blockchain, can increase the transparency of voting procedures and shareholder registries, to guarantee the integrity of adopted decisions and decrease the risk of the

manipulation of the decisions (Achebe *et al.*, 2024). We can consider these technological developments to be important for reaching a higher degree of freedom of expression for shareholders, allowing them an active contribution in drafting the company's strategies, considering Environmental, Social, and Governance (Gill, 2008; Andhov, 2020). Also, these technologies can help dismiss challenges that face shareholder passivity and detachment by simplifying the procedures to enhance their participation (Andhov, 2020) (Black, 1990).

## **10 POSSIBILITY OF INCLUDING RESTRICTIONS ON A PARTNER'S FREEDOM TO DISPOSE OF SHARES**

The Saudi Companies Law states in Article No. 151 that:

"The company's articles of association may provide for restrictions on the disposition of shares, as follows:

- a. Restricting the disposition of shares for a period not exceeding ten (10) years from their issuance date. Such a period may be extended if unanimously approved by shareholders.
- b. Requiring the approval of the company or shareholders before the disposition of shares. Any disposition of shares in violation of such restrictions shall be deemed null and void."

The Saudi Companies Law's Article No. 151 addresses imposing restrictions on shareholders in an SJSC, where such restrictions limit the shareholders' freedom to dispose of their shares. For such restrictions to be legally enforceable in an SJSC, the following conditions shall be fulfilled:

1. These restrictions shall be set out in the company's bylaws; and
2. They shall apply for a specific period not exceeding ten years, unless extended unanimously by the shareholders.

The possibility of imposing such restrictions is subject to specific conditions and is not an absolute right, as it may otherwise be subject to arbitrary action by some partners in the company. Once these conditions are fulfilled, restrictions on the disposition of shares become valid, enforceable, and produce all their legal effects. Therefore, any disposition of shares in violation of these restrictions shall be deemed null and void.

These restrictions may include requirements for prior approval from shareholders or the board of directors for any share sale, or the granting of pre-emption rights to existing shareholders (Bruner, 2020). In cases where prior approval is required before a shareholder disposes of his shares, the company's bylaws shall address the company's rejection of the shareholder's request, as such a rejection would perpetuate the relationship between the shareholder and the company, which contradicts the very concept of trading shares in a joint-stock company. So it's important to create a tool shall must be used if the company rejects the shareholder's disposition.

Several limitations may also include tools for evaluating new shareholders to guarantee their compatibility with the company's objectives. These restrictions can be considered as an effective tool to prevent the phenomenon of "Activist Shareholder", which may affect debly on the stability of the company, especially in startup companies which require a sustained focus on achieving their operational objectives (Gillan & Starks, 2009). In the field of corporate governance, the Activist Shareholder refers to a type of shareholder, usually a major investor, who goes exceed the traditional role of receiving dividends and attending ordinary and extraordinary general assembly, instead that the shareholder actively engaging in establishing the company's policies and management (Gillan & Starks, 2009).

The role of these restrictions is to ensure the stability of the ownership structure and restrict the entry of shareholders whose visions may not be compatible with the company's vision and also their objectives. These restrictions affect the balance between Stock trading and the desire to secure internal coherence (Moudud-Ul-Huq *et al.*, 2022). These restrictions are designed to protect companies against hostile mergers and acquisitions that may affect their independence or block the achievement company's objectives (Gillan & Starks, 2009).

These roles of restrictions also increase the flexibility of the simplified joint stock company in establishing the conditions controlling the transfer of its shares, providing additional protection for family-owned and start-up companies, and enabling them to save their strategic identity (Alkahtani, 2021). These restrictions permit the amendment of the internal company regulations to be compatible with the specific needs of companies that depend on mutual trust among partners or seek to safeguard a company's unified vision and its objectives. The flexibility in specifying the conditions for stock transfer also enables the incorporation of more complex rules, such as setting special conditions for

accepting new shareholders. This increases the ability of the company to select its partners. This ability in restricting stock transfers goes beyond mere protection, contributing to the development of stable ownership structures, adaptable to economic and market instability, ensuring business stability and its continuity. (O'Neal,1951). The restrictions can also support the efficiency of dynamic voting mechanisms, based on which the voting rights are conditional upon specific terms related to the duration of shareholding or contribution to achieving the company's vision and its objectives. (O'Neal,1951).

Blockchain technology can play a fundamental role in enhancing these restrictions and ensuring their clearance and accurate implementation by recording ownership and share transfers in an immutable tool. (Andhov, 2020).

## 11 CONCLUSION

Although the SJSC is a novel corporate form not only nationally but also globally, the Kingdom of Saudi Arabia was preceded by a handful of countries, including France, Morocco, and Lithuania. The Saudi legislator, by incorporating this company within Saudi Arabia's commercial companies' system, has clearly opened the door to significant leadership opportunities for the Saudi economy.

Through a distinctive balance between the advantages of partnership and business companies, as well as between contractual freedom and certain statutory features of joint-stock companies, the SJSC emerges as a hybrid that incorporates all of these elements to support the business sector in achieving the objectives of the Saudi Vision 2030 by diversifying sources of income. The main results of this study are as follows:

1. The Saudi legislator has tended towards granting shareholders in an SJSC near-absolute powers to regulate the company, freeing the company from the restrictions imposed by establishing a joint-stock company in its usual form. Thus, the Saudi legislator has removed the SJSC from the scope of its being subject to a strict legal system, as is the case with a traditional joint-stock company.
2. The Saudi legislator has permitted the establishment of an SJSC by a Single Shareholder, who shall have the same powers as shareholders in cases where the company is established by multiple shareholders. Thus, the Saudi legislator has

expanded the forms of companies that may be established by a Single Shareholder Company to three, instead of two in the previous Law.

3. The condition of prohibiting trading of shares for a period not exceeding ten (10) years is an important means of controlling the company's future by regulating who may enter or leave the company. This enables the selection of shareholders whose visions and objectives align with the company, while preventing the admission of shareholders who do not share this alignment.
4. The Saudi legislator has not restricted the freedom of shareholders in an SJSC with specific restrictions related to certain actions that shall be taken by the partners, such as changing its headquarters, merging, or transforming it. No special approval percentage of shareholders was stipulated, but the matter was left to the discretion of the partners.
5. The Saudi legislator has permitted shareholders to include a condition requiring the shareholder to obtain prior approval to dispose of their shares. However, the law does not specify how to address a situation where the company refuses to dispose of the shareholder's shares, as this would perpetuate the relationship between the shareholder and the company, and this could constitute arbitrariness on the part of the company towards the shareholder.

## **12 RECOMMENDATIONS**

1. The Articles of Association and the Bylaws of the SJSC shall be drafted with the utmost professionalism to address all matters whose regulation will maximize the benefits of establishing an SJSC.
2. When including a condition of prior approval for the disposal of shares, it is essential to regulate the case of the company's refusal to such disposal, ensuring the existence of neutral tools through which it can be verified that the company is not acting arbitrarily in its refusal.
3. The law shall address cases requiring a special approval percentage from partners due to their importance and impact on the company's future, such as increasing or reducing the capital, transforming the company into another form, merging, dividing, dissolving, or amending the company's bylaws.

## ACKNOWLEDGMENT

The author extends their appreciation to the Deanship of Scientific Research at Northern Border University, Arar, KSA, for funding this research work through the project number NBU-FFR-2025-301-03.

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### **Authors' Contribution**

Both authors contributed equally to the development of this article.

### **Data availability**

All datasets relevant to this study's findings are fully available within the article.

### **How to cite this article (APA):**

Almalki, A. A., Awad, H. M., Elhadedy, A. S., & Almutairi, O. A. (2025). LEGAL FRAMEWORK OF THE SIMPLIFIED JOINT-STOCK COMPANY (SJSC) UNDER SAUDI COMPANIES LAW. *Veredas Do Direito*, 22(3), e223531. <https://doi.org/10.18623/rvd.v22.n3.3531>