Implementing Regulations of the Bankruptcy Law

Chapter 1: General Provisions

Article 1

1. The following terms and phrases, used herein, shall have the meanings assigned thereto in Article 1 of the Bankruptcy Law, issued by Royal Decree No. M/50, dated 28/5/1439H.
2. The following terms and phrases, used herein, shall have the meanings assigned thereto, unless the context requires otherwise:

Bankruptcy Procedure: Any of the bankruptcy procedures stipulated in Article 2 of the Law.

Information and Documents: Information and documents specified by the Bankruptcy Committee, in coordination with the Ministry of Justice.

Meeting Management Rules: Rules issued by the Minister for managing meetings related to the bankruptcy procedures.

Article 2

1. The following shall be deemed regulated entities:
   a) Companies engaged in providing healthcare services and products, which are subject to the regulated entity standards set by the competent authority.
   b) Companies engaged in providing educational services and materials, which are subject to the regulated entity standards set by the competent authority.
2. The competent authority shall, in coordination with the Bankruptcy Committee, determine the regulated entities falling under its jurisdiction according to standards set for such purpose.

Article 3

Members of the debtor’s board of directors or board of managers, or his managers, or the like shall, prior to including voluntary liquidation on the agenda of the shareholders or partners assembly to be voted on, submit the following to the Ministry or the Capital Market Authority, as the case may be:

a) A report prepared by the auditor, accompanied with an updated budget, confirming that the debtor's assets are sufficient to satisfy all his debts at the end of the proposed voluntary liquidation period, provided that said report is submitted within a period not exceeding 14 days from the preparation date.
b) A written declaration therefrom stating that the debtor has not defaulted in the payment of his debts.

Chapter 2: Common Provisions of Bankruptcy Procedures: Petition for the Initiation of a Bankruptcy Procedure

Article 4

1. The petition for the initiation of a bankruptcy procedure shall be filed with the court accompanied with the required information and documents.
2. The trustee shall submit the decision of the small debtor or the competent authority, for judicial depository purposes, accompanied with the required information and documents.
3. If a person other than the debtor files a petition for the initiation of a bankruptcy procedure, the court may order the debtor to submit the information and documents referred to in paragraph (1) of this Article.

Precautionary Measures

Article 5

The court may, on its own motion or upon the request of a person with interest and after the registration of the petition for the initiation of any of the liquidation procedure, order any of the following:

a) Appointment of a listed trustee to replace the debtor in managing his business and fulfilling his legal duties pending a court decision on the petition for procedure initiation.

b) Attachment of the debtor's assets whether in his possession or the possession of a third party.

Notification and Announcement

Article 6

1. Notification by the debtor, trustee, or Bankruptcy Committee shall be made in accordance with the Law and these Regulations, using the designated form.
2. Announcement by the debtor, trustee, or Bankruptcy Committee, as provided for in the Law and these Regulations, shall be posted on the Bankruptcy Committee’s website.
3. If the notification provided for in the Law and these Regulations is infeasible, it shall be made by announcement. Notification shall take effect from the date of announcement.
4. The court may order the debtor, trustee, or the Bankruptcy Committee to make a notice or announcement of any judgment, resolution, or procedure.

Documentation

Article 7

The debtor and the trustee shall document, in writing, all actions carried out in the bankruptcy procedure.

Submission of Documents and Information

Article 8

1. Notifications, documents, information, and the like, as provided for in the Law or these Regulations, may be sent to the recipient's national address, or through electronic means, including a text message sent to a verified mobile phone, an e-mail, and an account registered with an e-Government service.

2. In case of multiple trustees, any notification or delivery of information or documents to the trustee appointed by the court as the chairman of trustees shall be deemed a notification or delivery to all remaining trustees.
3. The call for a meeting shall include the meeting date, time, and venue.

Article 9

Correspondence, notifications, approvals, agreements, warnings, petitions, and any other documents required under the Law or these Regulations shall be in writing.

Access to Information

Article 10

1. The creditors' committee, the creditor, and the debtor may have access to the information and documents held by the trustee or the Bankruptcy Committee in relation to the bankruptcy procedure initiated against the debtor, unless the trustee, Bankruptcy Committee, or competent authority decides to keep the same as confidential for reasons related to the protection of the value of the bankruptcy assets, or the continuation of the procedure or business activity overseen by the competent authority.
2. The creditors' committee, the creditor, and the debtor may object to the decision providing for the confidentiality of information or documents before the court. The court may, upon revoking said decision, specify conditions for access to such information and documents.

Sale of Bankruptcy Assets

Article 11

The trustee shall undertake the sale of the bankruptcy assets after the judgement or decision to initiate a liquidation procedure or small debtors' liquidation procedure becomes final.

Enforcement Against Security Assets

Article 12

Enforcement against the assets securing the debtor's debt shall be carried out during the moratorium period, in accordance with relevant laws.

List of Claims

Article 13

The creditor shall submit his claim to the trustee or the Bankruptcy Committee within the period specified for the submission of claims, using the designated form.

Article 14

1. The trustee or the Bankruptcy Committee, as the case may be, shall review the creditors' claims, taking measures to verify the validity and amount thereof, as well as the submitted information to establish such claims.
2. The trustee or the Bankruptcy Committee shall prepare a list of creditors' claims based on information submitted thereto, and shall present such list to the court for approval within 14 days from the date of expiration of the period specified for submission of claims. The list must include:
   a) creditor's name, address, and claim amount;
   b) an identification of secured creditors, details of securities held thereby, and an estimate of the value of assets subject of such securities;
   c) debts that may be set off;
   d) a recommendation regarding each submitted claim whether to accept, reject, or refer it to an expert; and
   e) required information and documents.

Management of Meetings

Article 15

Meeting management rules shall apply to meetings of creditors or creditors' committee held in accordance with the Law or these Regulations, unless agreed otherwise.

Proposal

Article 16

The proposal shall, as the case may be, include the following:

a) Information on the debtor and his business.
b) A statement on the debtor's financial position and the effects of the economic situation on him.
c) Identification of the debtor's assets and an estimate of their total value.
d) Any securities provided by a third party for the debts owed by the debtor, specifying which of such securities are provided by a related party.
e) Any personal or in-kind securities for the proposal provided by the owners or managers of the debtor, or by a third party.
f) Determination of debtor's assets that serve as security of a debt.
g) Determination of the debtor's assets excluded from the proposal, and their value.
h) Detailed information on assets not owned by the debtor which are intended to be included in the proposal, the sources of such assets, and any conditions associated with such inclusion.
i) A list of claims and lawsuits filed by the debtor on the date of filing the proposal with the court or any lawsuits likely to be filed, and their estimated value.
j) A list of the debts owed by the debtor, provided it includes:
    1. their value, origin, and due date;
    2. the manner of dealing with claims of creditors, including claims of secured creditors, as well as claims of any person claiming to be a secured creditor;

3. the manner proposed for dealing with creditors who are related parties; and
4. disclosure of any circumstances that may lead to potential claims as stipulated in Chapter 13 of the Law when initiating any liquidation procedure, and of any proposal on providing partial or full compensation to the debtor under such circumstances.

k) A list of claims and lawsuits filed against the debtor on the date of filing the proposal with the court or any lawsuits likely to be filed against him, and their estimated value.

l) Details of any proposed settlement, including the restructuring of the debtor's business, activities, capital, or debts, whether due or not, or reduction, deferral, installment, or conversion thereof into capital of the debtor, or otherwise.

m) Dates of distributions to affected creditors, and amounts thereof.

n) The manner in which the debtor conducts his business during the validity period of the procedure.

o) Detailed information on any new financing that the debtor seeks to obtain, and the manner of repayment.

p) Detailed information on any existing or potential transborder bankruptcy procedures.

q) Classification of creditors, taking into account any criteria affecting such classification, including:
   1. the inclusion of holders of similar rights in the same class; and
   2. the extent to which the proposal affects said rights and the classification of creditors to multiple classes.

r) Voting procedures.

s) A statement of the circumstances under which the debtor may propose amendments to the plan.

t) A clause for dealing with outstanding claims not included by the debtor in the proposal.

u) A timeframe for the implementation of the plan.

Article 17

1. The meeting management rules shall apply to the proposal voting process.
2. The debtor or the trustee, as the case may be, shall prepare the minutes for the creditors' meeting for voting on the proposal; said minutes shall include the meeting date, time, and venue, as well as the names and classes of attending creditors, the value of each debt, and the proposal voting results.
3. The debtor or the trustee, as the case may be, shall deposit the proposal voting results with the court, accompanied with the required information and documents.

Inclusion of the Type of Bankruptcy Procedure in the Debtor's Documents

Article 18

1. The debtor shall, upon initiating any protective settlement or financial restructuring procedures, include the type of the initiated procedure in any document issued in his name, and the trustee shall verify the debtor’s compliance with the financial restructuring procedures.
2. The trustee or the Bankruptcy Committee, as the case may be, shall, upon initiating any liquidation procedure, include the type of the initiated procedure in any document issued in the debtor's name.

Expenses of the Procedure

Article 19

Bankruptcy procedure expenses shall be paid out of the bankruptcy assets, unless misconduct or negligence is established.

Termination of the Procedure

Article 20

1. A petition for the termination of any bankruptcy procedure shall be filed,

accompanied with the required information and documents.

2. The debtor or the trustee, as the case may be, shall notify the creditors prior to filing the petition for the termination of any bankruptcy procedure with the court, and any person with interest may object to said petition before the court within 14 days from the date of filing.
3. The creditor shall notify the debtor or the trustee, as the case may be, prior to filing the petition for the termination of any bankruptcy procedure with the court, and any person with interest may object to said petition before the court within 14 days from the date of filing.
4. Any person with interest shall notify the debtor or the trustee, as the case may be, prior to filing the petition for the termination of any bankruptcy procedure with the court. The debtor or the trustee may object to said petition before the court within 14 days from the date of filing.
5. The notification stipulated in paragraphs (2), (3) and (4) of this Article must include:
   a) the date intended for filing the petition for the termination of the procedure with the court; and
   b) the grounds for filing the petition.
6. The debtor or the trustee, as the case may be, shall, upon completion of the implementation of the plan, file a petition with the court to rule on the termination of the bankruptcy procedure, accompanied with the required information and documents.

Outstanding Debts Owed by a Natural Person Debtor

Article 21

1. A natural person debtor who remains liable for an outstanding debt shall notify his creditors upon engaging in any commercial, professional, or for-profit activity within 24 months from the date of termination of any of the liquidation procedures.
2. If funds are transferred to a natural person debtor who remains liable for an

outstanding debt within a period of 24 months from the termination of any of the liquidation procedures, he shall file with the court a petition to distribute such funds, provided that such petition is accompanied with an expert report stating:

a) the amount of funds retained by the debtor to provide him and his dependents with a decent standard of living;
b) the amount of funds retained by the debtor to continue his business, if applicable; and
c) the amount of funds to be paid to creditors, each according to his share and priority.

3. If the debtor fails to petition the court in accordance with the provisions of this Article, the creditor may petition the court to claim his share of the funds transferred to the debtor. The court may decide that the creditors are entitled to claim their debts before the competent court.

General Provisions Applicable to Trustees

Article 22

1. The trustee shall carry out his duties from the date of initiating the bankruptcy procedure, unless the court's decision provides for a different date.
2. The court's decision appointing more than one trustee shall specify their duties and powers.
3. If the court subjects a third party to the initiated procedure, it may appoint a listed trustee for such party.
4. The trustee shall, upon the conclusion of the bankruptcy procedure, present to the debtor all the debtor's assets, records, correspondence, claims, and any other information or documents related to the procedure that he has obtained or created during his capacity as trustee.

Resignation and Dismissal of Trustees and Experts

Article 23

1. The Bankruptcy Committee shall notify the court of the revocation, temporary suspension, or non-renewal of the license of the trustee or the expert in order to rule on whether or not to dismiss him from the bankruptcy procedure he is assigned to.
2. The trustee may file a petition with the court for his resignation based on legitimate grounds acceptable to the court, including:
   a) the inability to perform his duties and responsibilities due to health conditions; or
   b) the emergence of a conflict of interest affecting his impartiality and independence in the performance of his duties and responsibilities.
3. If the court decides to approve the trustee's resignation, he shall notify the creditors of the court's decision or announce his resignation within seven days from its date.
4. A dismissed or resigned trustee shall deposit in the Bankruptcy Register the court's decision to dismiss him or approve his resignation.
5. The court's decision to dismiss a trustee or approve his resignation shall include the appointment of a new listed trustee; the appointed trustee shall deposit in the Bankruptcy Register the court's decision to appoint him.
6. If the trustee is dismissed or his resignation is approved during the bankruptcy procedure, he shall, within 14 days from the date of the court's decision to dismiss him or approve his resignation, submit to the new trustee, pursuant to a report to be signed by both trustees, all the debtor's assets, records, correspondence, claims, as well as any other information or documents related to the procedure he obtained or created during his work as trustee.

Creditors’ Committee

Article 24

1. The creditors' committee shall be formed of at least three members from among the creditors pursuant to a decision by the court, issued on its own motion or upon the request of the trustee or of creditors whose claims represent 50% of the total value of the debts, in cases where the court deems formation of such committee appropriate.
2. If the court decides to form a creditors’ committee, it shall notify the trustee who shall, within five days from the date of his notification, inform the creditors for nomination. A creditor who desires to nominate himself shall submit his application to the trustee within 14 days from the date of notification.
3. For a creditor to be nominated for membership of the creditors’ committee, the following must be satisfied:
   a) He shall have an admissible claim in the list of claims.
   b) His debt, subject of the claim, shall not be fully secured.
4. The trustee shall deposit the list of nominees with the court accompanied with the proposed formation and grounds therefor, taking into account equitable representation of the creditors. The court shall issue its decision to form the creditors’ committee and shall name one of its members as chairman. The trustee shall deposit a copy of the court’s decision in the Bankruptcy Register. The decision shall become effective from the date of its deposit in the Register.

Article 25

1. A creditor’s membership in the creditors’ committee shall terminate if:
   a) the court decides to initiate a bankruptcy procedure for the member;
   b) he fails to attend three consecutive meetings without a justification acceptable to the chairman of the committee;
   c) he is no longer a creditor; or
   d) he submits a request to the trustee for the termination of his membership.
2. The trustee shall inform the court of the termination of the membership of any

of the creditors' committee members, and the court may, on its own motion or upon the request of the trustee, appoint a replacement.

Creditors' Committee: Duties and Meetings

Article 26

1. The creditors’ committee shall represent creditors in carrying out the duties provided in the Law and these Regulations, including:
   a) Approving the sale of any asset of a value exceeding one quarter of the value of the bankruptcy assets.
   b) Advising the trustee, upon his request, when making decisions relating to the sale of the bankruptcy assets.
   c) Providing advice when preparing the proposal or the plan amendment proposal.
   d) Providing advice regarding the debtor's obtainment of secured financing.
   e) Reporting any violation of the Law or these Regulations.
   f) Providing advice on terminating the contracts of a debtor.
   g) Carrying out any other duty assigned thereto by the court or provided for in the plan.
2. The creditors’ committee shall hold its meetings at the time and place determined by its chairman.

Article 27

1. The chairman of the creditors’ committee shall manage its meetings, and he may delegate in his absence, in writing, a committee member to act on his behalf.
2. A creditors' committee meeting shall only be valid if attended by the majority of members, and its decisions shall be passed by majority vote of attending members.
3. The creditors’ committee meetings, including deliberations and voting, may be conducted using modern electronic means.
4. Minutes shall be drafted for the creditors’ committee meeting wherein its

decisions shall be recorded. The committee shall provide the trustee with a copy of said minutes.

Article 28

All reasonable expenses incurred by a creditors' committee member to attend committee meetings shall be paid from the bankruptcy assets.

Article 29

Membership of the creditors' committee shall not prevent a member from dealing with a debtor, provided that such dealings are made in good faith and at fair value.

Exact Property in the Possession of the Debtor

Amendment of the Plan

Article 30

The court shall, during the moratorium period, consider the petition of a creditor whose exact property is found in the possession of the debtor, and shall rule to return the same to the creditor if:

a) the value of said property has not changed by increase, decrease, modification, or mixing with another property, thereby changing its nature;
b) the creditor has not received any portion of the value of such property; or
c) the creditor files his petition within five days from the date of commencement of the moratorium.

Article 31

1. The court shall, upon the request of the debtor or the trustee, as the case may be, agree that a plan amendment proposal be submitted to the creditors and owners, and shall set a date for voting thereon in any of the following cases:
   a) The occurrence of any of the cases requiring amendment of the plan.
   b) The occurrence of a compelling event which affects the implementation of

the plan that was not originally included therein, provided the petition is filed within 14 days from its occurrence, including:

I. events of force majeure;
II. compelling exigent circumstances, such as exceptional economic or financial disturbances, or the death of the guarantor of the plan; and
III. initiating a bankruptcy procedure against a debtor's counterparty whose goods or services affect the debtor's ability to remain in business.

c) If the amendment is proposed by one or more creditors whose claims represent 50% or more of the total value of the creditors' debts in the plan, or if such creditors approve the petition for amendment filed by the debtor.

2. The petition for plan amendment stipulated in paragraph (1) of this Article shall be accompanied with the required information and documents.
3. The court may, upon the request of the debtor or the trustee, grant a moratorium if the plan amendment is due to the occurrence of a compelling event.
4. The provisions governing the voting of creditors and owners on the proposal, the confirmation of the proposal, and relevant notifications and announcements shall apply to voting on the proposal or confirmation thereof.

Chapter 3: Protective Settlement Procedure: Trustee's Annotation on the Proposal

Article 32

The proposal accompanying the petition for the initiation of a protective settlement procedure shall be annotated by a listed trustee, indicating that the required information and documents have been satisfied.

Notification of the Court's Decision of Procedure Initiation

Article 33

1. The debtor shall notify the creditors designated in the proposal of the court's decision to initiate the protective settlement procedure within seven days from

the date of its issuance, and shall invite them to vote on the proposal, provided that said notification is accompanied by a copy of the proposal or proof of access thereto through any electronic means specified by the Bankruptcy Committee.

2. The creditor, whose claim is not included in the proposal, shall file a petition with the court for inclusion thereof within 14 days from the date of the debtor's announcement of the initiation of the procedure stipulated in Article 16(2) of the Law.

Moratorium

Article 34

The debtor shall deposit, in the Bankruptcy Register, the court's decision to approve the petition for moratorium or extension thereof, immediately upon its issuance.

Article 35

The petition shall be filed pursuant to Article 21(1) and (3) of the Law, and shall be accompanied with the required information and documents.

Contracts

Article 36

Exercising due diligence to ensure the debtor's satisfaction of his contractual obligations arising after the initiation of the protective settlement procedure, in accordance with Article 24(3) of the Law, which include:

a) providing a security from the debtor without prejudice to the provisions of the secured financing stipulated in the Law; and
b) providing a security from a third party.

Article 37

1. A debtor who desires to terminate any of the contracts to which he is party shall

file a petition for termination with the court, along with the petition for the initiation of the protective settlement procedure, provided it is accompanied with a report from a listed trustee indicating that the termination is necessary for the protection of the debtor's business, and is in the best interest of the majority of creditors, and does not cause substantial damage to the counterparty.
2. The debtor shall notify the counterparty of the date of the court hearing of the petition for termination at least five days prior to such date, and of the court's termination decision within five days from the date of its issuance if the counterparty fails to attend the hearing.

Amendment of the Proposal

Article 38

1. The debtor may petition the court for approval of the proposal amendment, if justifiable.
2. If the proposal amendment is approved, the court shall take into account the date of voting thereon, and it may change such date to enable creditors to review the amendment.
3. The debtor shall notify the creditors of the proposal amendment and the date of voting thereon within five days from the date of the court's approval, attach to the notification a copy of the proposal or proof of access thereto through any of the electronic means specified by the Bankruptcy Committee, and deposit a copy thereof with the court.

Voting on the Proposal

Article 39

Only the creditor or the owner whose legal or contractual rights are affected by the proposal through reduction, deferral, or installment thereof, shall have the right to vote on the proposal.

Article 40

If the debtor fails to deposit the proposal's voting results with the court pursuant to Article 31(4) of the Law, the court may take any action it deems appropriate.

Court Confirmation

Article 41

The debtor shall file with the court a petition for confirmation of the proposal, accompanied with the required information and documents.

Chapter 4: Financial Restructuring Procedure

Article 42

The debtor, owner, manager, officer, board member, or auditor shall be exempted from the application of the provisions of the Companies Law regarding the debtor's losses amounting to the specific percentage provided in the Companies Law, if the petition for initiating the financial restructuring procedure is registered prior to the expiry of the period specified in the law, unless the court rejects the initiation or terminates the procedure.

Article 43

A person whose assets are in the possession of the debtor or attached thereby shall file a petition with the court for the recovery of such assets, accompanied with the required information and documents.

Access to List of Claims

Article 44

The trustee shall enable the creditor to access the list of claims approved by the court.

Voting on the Proposal

Article 45

1. The trustee shall, upon depositing the proposal with the court, attach a report providing his opinion on the likelihood of creditors accepting the proposal as well as the feasibility of its implementation.
2. The debtor shall, upon the trustee's approval, notify the creditors and owners affected by the proposal of the date of voting thereon using the designated form, and shall attach thereto a copy of the proposal or proof of access through any of the electronic means specified by the Bankruptcy Committee.

Article 46

1. The owners' meeting shall only be valid if attended by owners representing at least one quarter of the company's capital. The owners' decision to accept the proposal shall be issued if holders of the majority of two-thirds of the voting shares or stakes are in its favor, unless the company's articles of incorporation or articles of association provide otherwise.
2. Creditors shall vote on the proposal on the set date, even if the owners vote against it or are unable to vote thereon.
3. The trustee shall deposit with the court the proposal's voting results, and shall petition the court for confirmation of the proposal or termination of the financial restructuring procedure.
4. If the creditors are unable to vote on the proposal, the trustee shall file a petition with the court to set another date for voting or to terminate the procedure, and shall attach supporting information and documents.

Debtor's Reports

Article 47

The debtor shall provide the trustee with a quarterly progress report on the implementation of the plan and the management of the debtor's business, provided that such report includes:

a) a statement of the implemented items of the plan during the period of the report;
b) a statement of the difficulties the debtor encounters in the implementation of the plan, and the measures taken or proposed to be taken under the plan to overcome such difficulties;
c) financial statements if the debtor is a legal person, and a statement of his financial position if he is a natural person; and
d) any other information or data determined by the Bankruptcy Committee.

Chapter 5: Liquidation Procedure: Request for Payment

Article 48

The debt payment request submitted by the creditor to the debtor pursuant to Article(2)(c) of the Law shall be dated, and shall specify the debt amount and reason.

Article 49

The debtor shall, upon filing a petition for the initiation of the liquidation procedure, notify his creditors of such petition and of the hearing date within seven days from the date of its registration. The creditor may object to the petition before the court at least five days prior to the date of said hearing.

Announcement prior to the Sale of Bankruptcy Assets

Article 50

1. The trustee shall file a petition with the court to identify the bankruptcy assets to be announced prior to their sale, accompanied with the required information and documents.
2. In identifying the bankruptcy assets which are to be announced prior to their sale, the following shall be taken into consideration:

a) The bankruptcy assets must be substantial.
b) The effect of the announcement on the value of said asset.
c) The cost of the announcement.

3. The court shall determine the means of announcement that it deems appropriate.

Article 51

If any of the bankruptcy assets is disputed, the trustee may not sell such assets except after obtaining the court's approval.

Deductions

Article 52

The initiation of a liquidation procedure may not affect any deduction due to the debtor prior to the initiation, even if agreed otherwise.

Contracts of Employment

Article 53

1. The trustee's petition, filed with the court, to terminate the employment contracts of the debtor's employees shall provide justification for the petition and a detailed account of such contracts.
2. Remunerations of employees who continue to perform their duties after the initiation of the liquidation procedure shall be paid as soon as they become due, until the expiry of their contracts or conclusion of the procedure.

Distribution to Creditors

Article 54

1. The decision of distribution to creditors must include:
   a) a list of the sold bankruptcy assets and their sale proceeds;
   b) the method and date of distribution of the proceeds generated from the sale

of the bankruptcy assets; and

c) the names of creditors and the amounts allocated to each creditor in accordance with their priority ranking, taking into account, upon distribution, the amounts deducted from the profits of future dues in case of early repayment.

2. If the trustee determines the need for amendment of the distribution decision, he shall petition the court to approve said amendment, provided he includes supporting documents.

Article 55

The trustee shall return to the natural person debtor or the owners of the legal person debtor the remainder of the sale proceeds of the bankruptcy assets upon satisfying the creditors' dues.

Article 56

The trustee may, upon the debtor's request, petition the court to defer the termination of the liquidation procedure for a justifiable cause, including filing a lawsuit against a third party for compensation or recovery of an asset, provided such petition is accompanied with the required information and documents.

Chapter 6: Small Debtors' Protective Settlement Procedure: Termination of Contracts

Article 57

1. The small debtor who desires to terminate any of the contracts to which he is party shall file a petition for termination with the court after depositing the decision to initiate the small debtors' protective settlement procedure in the Bankruptcy Register and prior to the creditors' voting on the proposal, provided he includes a report from a listed trustee indicating that the termination is necessary for the protection of the debtor's business, is in the best interest of the majority of creditors, and does not cause substantial damage to

the counterparty.

2. The small debtor shall notify the counterparty of the court hearing date at least five days prior to said hearing, and of the court’s termination decision within five days from the date of its issuance if the counterparty fails to attend the hearing.

Calling for a Vote on the Proposal

Article 58

The small debtor shall notify the creditors specified in the proposal of the voting date, and shall include with such notification a copy of the proposal or proof of access thereto through any of the electronic means specified by the Bankruptcy Committee.

Moratorium

Article 59

The small debtor's petition for moratorium shall be accompanied with supporting information and documents.

Article 60

1. The small debtor shall, upon the issuance of the court’s decision to approve the petition for moratorium or extension thereof, deposit such decision in the Bankruptcy Register.
2. The small debtor shall announce the court’s decision to approve the petition for moratorium or the extension thereof within five days from the date of its issuance.

Deposit of Voting Results

Article 61

The small debtor shall, within five days from the conclusion of the creditors’ voting on the proposal, deposit in the Bankruptcy Register proof of deposit of the voting results with the court, and shall announce the implementation of the plan within five days from its effective date.

Chapter 7: Small Debtors’ Financial Restructuring Procedure: Initiation of the Procedure

Article 62

1. The small debtor or the competent authority shall issue a decision to initiate the small debtors’ financial restructuring procedure, using the designated form.
2. The trustee shall, based on the information provided to him by the small debtor or the competent authority, verify satisfaction of the procedure's initiation conditions provided for in Article 148 of the Law, prior to judicial depository.
3. A petition for judicial depository shall be registered with the court, and the court shall rule on the approval of such depository within three days from the date of registration.
4. If the petition for the initiation of the procedure is filed by the creditor, the court shall set a date for consideration of such petition within 40 days from the date of registration, notify the creditor and the small debtor of the hearing date within five days from the date of registration, and decide on the petition in accordance with Article 148 of the Law.

Article 63

The trustee shall deposit in the Bankruptcy Register the court’s decision to initiate the small debtors’ financial restructuring procedure or its decision to approve judicial depository within five days from the date of initiation of the procedure.

Small Debtors’ Financial Restructuring Proposal

Article 64

The small debtor shall, with the assistance of the trustee, draft the proposal within

30 days from the expiration of the claim submission period; the court may, upon the request of the trustee, extend such period for no more than 30 days.

Trustee's Report

Article 65

The trustee shall, upon depositing the proposal with the court, attach a report providing his opinion on the likelihood of creditors accepting the proposal as well as the feasibility of its implementation.

Deposit of Voting Results

Article 66

The trustee shall, within five days from the conclusion of the creditors' voting on the proposal, deposit in the Bankruptcy Register proof of deposit of the voting results with the court, and shall announce the implementation of the plan within five days from its effective date.

Chapter 8: Small Debtors' Liquidation Procedure: Petition for Initiation of the Procedure

Article 67

1. The small debtor or the competent authority shall issue a decision to initiate the small debtors' liquidation procedure, using the designated form.
2. The trustee shall, based on the information provided to him by the small debtor or the competent authority and prior to judicial depository, verify satisfaction of the procedure's initiation conditions provided for in Article 163 of the Law.
3. A petition for judicial depository shall be registered with the court, and the court shall issue a decision to approve the depository within three days from the date of registration.
4. If the petition for the initiation of the procedure is filed by the creditor, the court shall set a date for consideration of such petition within 40 days from the date

of its registration, notify the creditor and the small debtor of the hearing date within five days from the date of registration, and decide on the petition in accordance with Article 163 of the Law.

Chapter 9: Administrative Liquidation Procedure

Article 68

The Bankruptcy Committee may seek assistance in the performance of the administrative liquidation procedure.

Listing Bankruptcy Assets

Article 69

The Bankruptcy Committee shall prepare an inventory of the bankruptcy assets, including the estimated value of such assets.

Sale Proceeds of Bankruptcy Assets

Article 70

The sale proceeds of the bankruptcy assets shall be deemed insufficient if:

a) the estimated cost of selling the asset is equal to or greater than the estimated value of the asset; or
b) the asset cannot be sold within a reasonable period.

Article 71

If the sale of the bankruptcy assets results in sufficient proceeds to cover the costs of the liquidation procedure or the small debtors' liquidation procedure, such proceeds shall be distributed in the following order:

a) Fees and expenses of the Bankruptcy Committee.
b) Distribution to creditors in accordance with the provisions stipulated in the Law and these Regulations.

Termination of the Procedure

Article 72

1. The Bankruptcy Committee shall deposit with the court the decision to terminate the administrative liquidation procedure, accompanied with the required information and documents, and shall deposit in the Bankruptcy Register and the commercial register proof of termination of the procedure within five days from the date of termination.
2. The decision to remove the debtor's name from the Bankruptcy Register stipulated in Article 179(5) of the Law shall be limited to natural person debtors.

Chapter 10: Set-offs and Reciprocal Debts

Article 73

Automatic set-offs may not be made based on the transfer of debts arising after filing a petition to initiate any of the liquidation procedures.

Multilateral Set-offs

Article 74

The competent authority shall issue rules governing multilateral set-off transactions between regulated entities engaged in financial activities.

Exchange Rates

Article 75

An automatic set-off shall be made based on the exchange rates set by the Saudi Arabian Monetary Authority on the procedure initiation date.

Chapter 11: Priority of Debts

Article 76

The priority of debts within each of the priorities provided for in Article 196 of the Law shall be in accordance with their order in relevant laws.

Article 77

Debtor's debts necessary for the continuation of his business, which arise after the initiation of the bankruptcy procedure, shall be deemed part of the procedure expenses, and the priority of payment of such debts shall be decided in accordance with Article 196(e) of the Law.

Article 78

Dues shall be paid prior to the termination of the protective settlement procedure, small debtors' protective settlement procedure, financial restructuring procedure, or small debtors' financial restructuring procedure, in the following order:

a) Fees or expenses of the trustee or the expert which become due during the procedure.
b) Any financing obtained by the debtor in accordance with Chapter 10 of the Law.
c) Expenses necessary for the continuation of the debtor's business during the procedure, including the provision of goods and services, as well as employment contracts.

Chapter 12: Security and Set-off Arrangements Relating to Financial Transactions

Article 79

The Saudi Arabian Monetary Authority and the Capital Market Authority shall, in agreement with the Ministry and in accordance with Article 214 of the Law, determine the contracts and transactions pertaining to the arrangements of securities and set-offs relating to financial transactions and the provisions of law from which they are exempted.

Chapter 13: Right to Challenge Judgments and Decisions

Article 80

Any person with interest may appeal a court judgment or decision before the court of appeals if the subject matter of such judgment or decision is:

a) the liability of joint owners as provided for in Article 120(2) of the Law; or
b) revocable transactions as provided for in Chapter 13 of the Law.

Chapter 14: Provisions Relating to Deceased Debtors: Death of Debtor after Initiation of any of the Protective Settlement Procedures

Article 81

If a debtor dies during the protective settlement procedure or the small debtors' protective settlement procedure, the court may, upon the request of any of his heirs or creditors, temporarily appoint a listed trustee to manage the business of the deceased debtor until the establishment of a company or termination of the procedure in accordance with Chapter 16 of the Law. Any creditor or heir may propose a trustee to the court.

Creditors' Meeting with the Heirs of the Deceased Debtor

Article 82

1. The court shall, pursuant to the provisions of Articles 219, 220 or 221 of the Law, set a date for the meeting of the deceased debtor's heirs and creditors, upon the request of any of them, provided that such date is scheduled within a period not exceeding 30 days from the date of the request, unless the court decides to set another date not later than 30 days thereafter.
2. The meeting date shall be announced by the requesting party within five days from the court's decision to schedule such date.

3. The meeting of the deceased debtor's heirs and creditors shall be conducted in accordance with meeting management rules.

Debtor's Death prior to Filing a Petition for Procedure Initiation

Article 83

If a bankrupt or distressed debtor dies prior to filing a petition for the initiation of a bankruptcy procedure, his heirs may, upon agreement with the creditors to establish a company and transfer the assets of the estate thereto, petition the court to initiate the appropriate bankruptcy procedure for such company.

Article 84

1. If funds are transferred to the estate of the deceased debtor after establishing the company pursuant to the provisions of Chapter 16 of the Law, they shall be paid to such company, unless the heirs and creditors agree otherwise.
2. If funds are transferred to the estate of the deceased debtor after the liquidation of said estate, pursuant to any of the liquidation procedures, or after the liquidation of the company established pursuant to the provisions of Chapter 16 of the Law, said funds shall be paid to the creditors, each according to his share and priority. Any creditor may claim his due share in such funds before the competent court.

Chapter 15: Bankruptcy Committee

Article 85

Subject to the provisions of Article 9 of the Law, the Bankruptcy Committee shall have the following powers:

a) Issue rules for maintaining and managing the Bankruptcy Register and the register stipulated in Article 204(2) of the Law.
b) Issue rules for licensing trustees and experts.
c) Issue rules for regulating the work of bankruptcy trustees and experts, in

coordination with the Ministry of Justice.

d) Issue rules for the professional conduct of trustees and experts.
e) Issue rules for inspection and verification.
f) Issue rules for the nomination of trustees and experts, in coordination with the Ministry of Justice.

Article 86

1. The employees of the Bankruptcy Committee's general secretariat, appointed pursuant to a decision by the Committee, shall undertake the tasks of inspection, verification, and control. The Committee may, in performing such tasks, seek the assistance of any person it deems qualified for such task.
2. A person carrying out inspection, verification, and control shall, in the performance of his duties, be entitled to access and obtain any statement, document, or decision necessary for the performance of such duties, or to request the same from any person in possession thereof.
3. The Bankruptcy Committee may file a petition for imposing the penalty stipulated in Article 207 of the Law, provided that such petition is accompanied with the required information and documents.

Article 87

The employees of the Bankruptcy Committee's general secretariat shall be subject to the Labor Law and the Social Insurance Law.

Article 88

The Bankruptcy Committee shall, in coordination with the Ministry of Justice, specify the information and documents stipulated in the Law and these Regulations. Such information and documents shall be published in the Official Gazette and shall enter into force from the date of their publication.

Chapter 16: Bankruptcy Register

Article 89

1. The documents and information shall be electronically deposited in the Bankruptcy Register using the designated form, and shall be made accessible on the Bankruptcy Committee's website.
2. Any person who deposits a document or piece of information in the Bankruptcy Register shall keep such documents and information updated.

Article 90

The register, provided for in Article 204(2) of the Law, shall be accessible on the Bankruptcy Committee's website, after the penalty decision becomes final. Only the name of the person against whom the penalty stipulated in Article 203(2) of the Law is imposed, as well as the type and duration of the penalty shall be made accessible.

Chapter 17: Trustees and Experts: Licensing of Trustees and Experts

Article 91

1. The licensing rules shall define the terms and procedures for granting the license, as well as the duties of the licensee.
2. The name of the licensee shall be recorded in the list of trustees or experts, and may not be removed except in the following cases:
   a) Expiration of the license.
   b) Issuance of a decision by the Bankruptcy Committee to temporarily suspend, or cancel the license.
3. If the licensee breaches his duties or the licensing conditions, the Bankruptcy Committee may impose against him any of the following penalties:
   a) Warning.
   b) Admonition.
   c) Temporary suspension of the license.

   d) Cancellation of the license.
4. Decisions of the Bankruptcy Committee suspending or cancelling a license shall be deemed effective from the date of notification thereof.

Duties of Trustees and Experts

Article 92

Trustees and experts shall comply with the Law, these Regulations, and rules issued by the Bankruptcy Committee, as well as relevant applicable laws, regulations, and rules in force.

Approval of Professional Licensing Agencies

Article 93

1. The Bankruptcy Committee may approve professional agencies for licensing trustees or experts according to the following:
   a) The professional agency shall comply with the conditions set by the Bankruptcy Committee.
   b) The professional agency shall have the competence to regulate and oversee the practice of the profession.
   c) The license issued by the professional agency shall be limited to its members.
2. The Bankruptcy Committee may delist a professional agency previously approved if it fails to comply with the specified conditions.

Fees of Trustees and Experts

Article 94

The trustee and the expert shall be entitled to receive fees in return for performing the tasks assigned to them in the bankruptcy procedure, in accordance with the rules governing the fees of trustees and experts.

Chapter 18: Concluding Provisions

Article 95

All transactions stipulated in the Law or these Regulations may be conducted electronically.

Article 96

The assistance of the private sector in carrying out supporting services for the implementation of the Law and these Regulations may be sought.

Article 97

1. The Minister shall, in coordination with the Minister of Justice, issue the rules governing transborder bankruptcy procedures.
2. The Minister shall issue the meeting management rules.
3. The Minister of Justice shall, in agreement with the Supreme Judicial Council, issue the rules regulating the procedures of bankruptcy cases, provided they include procedures for reviewing petitions, and for issuing, challenging, and enforcing related judgments and decisions.
4. The Minister of Justice shall, in coordination with the Bankruptcy Committee, issue rules governing the fees of trustees and experts.

Article 98

These Regulations and the rules issued thereunder shall be published in the Official Gazette and shall enter into force on the date of their publication.