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Due Diligence for Saudi Outbound Investment

An Introduction for SBJBC Members

Introduction

Saudi outbound investment has grown dramatically over the past decade and has become increasingly varied across all sectors. The Public Investment Fund (PIF) holds estimated total assets of around US$1.15 trillion[1], making it the 5th largest sovereign wealth fund, and Saudi-listed corporates, family offices, and private companies now deploy capital across major international markets in record volumes. This paper, the second in the SBJBC and Garancie Due Diligence Series, sets out the obligations that apply when a Saudi investor is exploring the deployment of capital for an international investment. It covers the Saudi laws that follow an investor abroad, the foreign regimes that apply in destination markets, the core pre-transaction checks, and one example of what happens when those checks are absent.

Saudi Regulatory Obligations on Outbound Capital

A Saudi investor placing capital abroad remains bound by the laws of the Kingdom, not just the laws of the inbound jurisdiction. The Anti-Money Laundering Law of 2017, issued by Royal Decree No. M/20, criminalises the laundering of proceeds from a wide range of offences and imposes customer identification, transaction monitoring, and suspicious activity reporting obligations on financial institutions and designated non-financial businesses[2]. SAMA and the Capital Market Authority (CMA) enforce parallel obligations on licensed financial and capital market institutions through the SAMA Rulebook and the CMA AML/CTF Rules[4].

The Anti-Bribery Law, amended in 2021, applies to both public and private sector bribery, including conduct involving international organisations[5]. The Nazaha Law of July 2024 grants the Saudi Oversight and Anti-Corruption Authority expanded powers of arrest, investigation, and prosecution, applicable to Saudi nationals and entities operating overseas[6]. A Saudi acquirer that fails to identify corruption risk in an international target may inherit exposure that draws legal attention through the Nazaha law to the parent. The Personal Data Protection Law (PDPL), fully effective from September 2024, governs the processing of personal data by Saudi entities and applies extraterritorially to data on Saudi residents held abroad[7]. A Saudi investor acquiring a target that holds such data must verify the target's practices on cross-border transfer and localisation against PDPL requirements, including where that data is sorted, be it in international servers, or if information is transferred across jurisdictions.

Foreign Regulatory Regimes Affecting Saudi Investors

Saudi investors entering foreign markets are similarly bound by the laws of those markets. Foreign direct investment screening has widened across the past decade, and transactions that proceed without proper assessment risk being blocked, unwound, or voided. In the United Kingdom, the National Security and Investment Act 2021 requires mandatory notification of acquisitions of 25% or more in entities operating across seventeen sensitive sectors, including defence, energy, artificial intelligence, civil nuclear, and critical suppliers to government.[8] A transaction completed without clearance is void in law, with penalties of up to five years imprisonment and fines reaching 5% of worldwide group turnover.[9] In the United States, the Committee on Foreign Investment in the United States reviews investments by foreign persons, including Saudi sovereign and quasi-sovereign entities, in businesses tied to critical technologies, critical infrastructure, or sensitive personal data.[11] The Comprehensive Outbound Investment National Security Act of 2025 now restricts Saudi co-investment in certain US funds active in restricted sectors.[12] The European Union operates a coordinated screening mechanism under Regulation 2019/452, supplemented by national regimes across member states.

Two extraterritorial regimes also deserve particular attention. The UK Bribery Act 2010 applies to any company carrying on a business, or part of a business, in any part of the United Kingdom, which captures Saudi entities with a UK subsidiary, branch, or substantive presence.[14] The US Foreign Corrupt Practices Act reaches any act in furtherance of a corrupt payment made within US territory, including payments routed through the US dollar clearing system, even where neither party has a physical US presence.[15] The same logic applies to sterling, euro, and yen payments through their home banking systems, so a Saudi investor should map the clearing jurisdiction of every payment leg during diligence rather than after closing.

Core Due Diligence Checks for the Saudi Outbound Investor

A Saudi investor preparing for an international transaction should structure its due diligence around the highest standards to which they are exposed, and ensure this level is applied uniformly across every jurisdiction. For instance, sanctions and watchlist screening covers the entity, its directors, its ultimate beneficial owners, and any associated entities, against consolidated lists maintained by OFAC, the UK Office of Financial Sanctions Implementation (OFSI), the EU consolidated sanctions list, and UN Security Council designations[16], with extension to politically exposed persons (PEPs) and adverse media databases in both English and the relevant local languages.

Beneficial ownership verification identifies the persons who ultimately own or control the target entity, with documentary evidence rather than self-declared confirmations. Nominee shareholders and layered ownership chains remain available in many jurisdictions, and verification work should be conducted to the standard set by the Financial Action Task Force (FATF)[17]. Additionally, litigation and regulatory history examine the target's court records, arbitral proceedings, regulatory enforcement actions, and tax investigations across every jurisdiction in which the target has operated, alongside the FDI screening history of comparable transactions in the same sector.

Financial and governance review covers audited statements over at least three to five years, related-party transactions, internal controls, and contractual obligations. Where a target is acquired through share purchase, all historical liabilities are inherited regardless of whether they have been disclosed[18]. Moreover, reputational and political risk assessment is heightened for Saudi acquirers, particularly sovereign-linked entities, who should expect host country regulators and counterparties to require assurances on governance, control, and independence from state direction.

Lastly, foreign investment screening compliance requires destination-jurisdiction legal counsel to confirm, before any commitment, whether the transaction triggers mandatory notification under the relevant FDI regime. Where the answer is uncertain, voluntary notification is the safer route.

Example of Due Diligence Failure

A recent matter reviewed during enhanced due diligence demonstrates the consequences when these checks are absent. A cash-based transaction that occurred decades earlier between closely connected individuals became the subject of conflicting interpretations as to whether the funds constituted an equity investment or a repayable loan. The absence of contemporary documentation, the use of nominee shareholders, and the layering of trust and corporate structures across multiple jurisdictions allowed the dispute to persist. The assets concerned were later incorporated into a restructured entity that entered public markets, which raised the visibility of the unresolved funding questions. More than a decade after the original transaction, one of the individuals concerned became the target of organised criminal intimidation linked by investigators to the historic dispute, with threats, surveillance of family members, and acts of property damage all reported[19]. Any acquirer of an interest in the restructured entity, or a counterparty contracting with it, would have inherited the reputational and legal exposure attached to those questions. Diligence covering beneficial ownership, source of funds, and the historical record would have surfaced the exposure at an early stage and allowed the acquirer to either price the risk or step away.

The Role of Garancie

Garancie is an independent due diligence provider with over sixteen years of specialist experience conducting investigations across more than 165 countries, with a particular focus on Europe, the Middle East, and Africa. The firm's methodology centres on public record searches and open-source intelligence (OSINT), delivering fully cited, auditable reports that cover corporate registry checks, beneficial ownership verification, sanctions and watchlist screening, PEP identification, adverse media analysis, and regulatory compliance assessments. Garancie's research is conducted in English and in relevant local languages by jurisdiction-specific expertise, and the firm has completed over 10,000 investigations and due diligence assessments globally. For SBJBC members entering or expanding within the Saudi market, Garancie's ability to conduct independent, evidence-based due diligence on prospective partners, agents, distributors, and acquisition targets provides the means to meet the necessary demands set under UK and Saudi Arabian laws and of meeting broader compliance obligations.

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