STAT

Saudi Arabia's New Enforcement Law: Key Implications for Commercial Parties

statlawksa.com

DISCOVER MORE

- **Summary**

The Kingdom of Saudi Arabia has introduced a new Enforcement Law that significantly reforms the enforcement regime for creditors, debtors and commercial parties. The law promulgated by Royal Decree No. M/237 dated 3/11/1447 AH (corresponding to 20 April 2026G) (the "**New Enforcement Law**") repeals and replaces the previous Enforcement Law in its entirety. It will enter into force on 28 October 2026G, being 180 days after its publication in the Official Gazette (Umm Al-Qura, Issue No. 5157, dated 1 May 2026G).

The new framework introduces substantial changes to the enforcement landscape in the Kingdom of Saudi Arabia. Among the most significant reforms are the requirement for electronic registration of promissory notes and bills of exchange, the abolition of enforcement imprisonment as a general coercive measure for monetary debts, the introduction of a ten-year limitation period for the enforcement of executory instruments, mandatory response deadlines for third parties, and the expansion of available enforcement tools. Under the new framework, enforcement imprisonment is generally limited to cases involving a debtor's failure to perform, or refrain from performing, a non-monetary obligation, subject to the applicable statutory conditions and limitations. This does not affect the criminal penalties that may apply to certain conduct in connection with enforcement proceedings.

The New Enforcement Law also reflects a shift towards a more principles-based framework, with many procedural aspects to be addressed in the forthcoming Implementing Regulations. As a result, while the core principles governing enforcement are now set out in the Law, aspects of the practical implementation of the new legislation remain subject to further regulatory guidance. The Implementing Regulations are required to be issued within 180 days from the date of issuance of the Law and will take effect on the date the Law enters into force.

Set out below are some of the principal changes introduced by the New Enforcement Law and their potential implications for market participants.

- **Electronic Registration and Executory Instruments**

One of the most commercially significant changes concerns the treatment of promissory notes and bills of exchange. According to Article 7 of the New Enforcement Law, bills of exchange and promissory notes will only qualify as executory instruments if they are registered on the national electronic platform in accordance with the applicable legal and procedural requirements. This marks a substantial departure from the previous framework and may affect the enforceability of instruments that are not electronically registered.

To ease the transition, the Royal Decree provides for a one-year grace period beginning on the effective date of the New Enforcement Law. During that period, bills of exchange and promissory notes validly created prior to the New Enforcement Law's entry into force will continue to constitute executory instruments, notwithstanding that such instruments were not issued through the national electronic platform.

In addition, the list of recognised executory instruments has been expanded to include notarised acknowledgements, foreign settlement agreements and contracts or other instruments that are expressly granted executory status under Saudi law or pursuant to a resolution of the Council of Ministers. At the same time, documents that previously derived their executory status solely from the debtor's acknowledgement before an enforcement court are no longer recognised as executory instruments.

Commercial parties that routinely rely on promissory notes as a form of credit support should now review their documentation and issuance processes to ensure compliance with the new requirements.

- **Faster Enforcement of Claims**

A new mechanism has been introduced for certain executory instruments where enforcement is conditional upon the creditor's prior performance of a reciprocal obligation that cannot be established from the executory instrument itself. In such cases, the creditor may submit an expert report issued by an expert approved by the Ministry of Justice evidencing the performance of that obligation. The practical application of this mechanism, including the qualifications of the expert, the nature of the report and the extent to which the enforcement court will rely upon it, is expected to become clearer through the Implementing Regulations.

The New Enforcement Law also introduces a mandatory pre-enforcement notice mechanism, under which a creditor may be required to notify the debtor to satisfy the obligation under the executory instrument before filing an enforcement application. The Implementing Regulations will specify the circumstances in which such prior notice is mandatory. This represents a new procedural step under the enforcement framework and reflects a more structured approach to the commencement of enforcement proceedings.

From the date on which the debtor is served with the enforcement order, or from the date of its publication, as applicable, the debtor is required to disclose its assets. This measure is expected to significantly accelerate the information-gathering process and reduce delays associated with identifying and locating debtors' assets.

Furthermore, a ten-year limitation period now applies for executory instruments, calculated from the date on which the relevant right becomes due. This development enhances legal certainty, provides greater predictability, and incentivises creditors to pursue claims in a timely manner.

- **Cross-Border Enforcement Framework**

The New Enforcement Law consolidates the requirements for the enforcement of foreign judgments, arbitral awards and other foreign executory instruments into a single provision. While the substantive requirements remain broadly consistent with existing Saudi practice, the new framework provides greater clarity by expressly setting out the principal conditions for enforcement, including matters relating to jurisdiction, reciprocity, finality, due process, public policy, and conflicting judgments. In particular, enforcement is precluded where the underlying dispute falls within the exclusive jurisdiction of a Saudi judicial authority, or where similar proceedings were commenced in the Kingdom before the foreign proceedings resulting in the judgment or order sought to be enforced. This enhances predictability for parties involved in cross-border disputes and transactions.

Importantly, the consolidated provision does not displace the Kingdom of Saudi Arabia's treaty commitments: foreign arbitral awards continue to be recognised and enforced in accordance with Saudi Arabia's obligations under the 1958 New York Convention (to which the Kingdom of Saudi Arabia acceded in 1994), with the statutory requirements under the Law applying alongside that treaty framework rather than in substitution for it.

- **Stronger Creditor Protection Measures**

The New Enforcement Law broadens the range of measures available to creditors to secure compliance with enforcement orders and protect against actions that may prejudice recovery.

The Law also introduces mechanisms aimed at encouraging timely compliance with enforcement orders. Under Article 18, where a debtor provides a bank guarantee sufficient to satisfy the relevant obligation, the debtor is granted an additional ten working days before compulsory enforcement measures against its assets commence. The enforcement court may also impose a financial penalty of up to SAR 5,000 for each day of continued non-compliance, subject to an overall cap to be specified in the Implementing Regulations. Any amounts collected in respect of such penalties are payable to the State Treasury and do not constitute compensation to the creditor.

A more comprehensive framework has also been introduced for protecting creditors against transactions intended to prejudice enforcement. Under Article 23, all of the debtor's assets stand as security for its debts from the date of the relevant pre-enforcement notice or, as applicable, service or publication of the enforcement order. Article 24 allows a creditor to seek the avoidance of certain transactions made during the period from such notification, service or publication until an attachment order is issued, including gifts and donations, payment of debts before maturity, and contracts or financial obligations that are unusual for the debtor. The court may avoid such transactions, in whole or in part, up to the amount of the executory instrument. Any disposition of assets subject to enforcement after an attachment order has been issued is void.

- **Streamlined Enforcement and Greater Procedural Certainty**

The New Enforcement Law introduces several measures aimed at improving efficiency and predictability of enforcement proceedings.

Public entities are now required to respond to orders issued by an enforcement court within three working days, addressing the longstanding source of delayed compliance by third parties. The Law also introduces a coordination mechanism between authorities issuing attachment orders and the garnishee (third party holding the funds), preventing conflicting measures from being imposed on the same asset where multiple enforcement actions are pursued concurrently. This reduces procedural complexity and improves coordination between enforcement authorities.

In relation to asset recovery, the enforcement court is granted greater flexibility to select and liquidate assets capable of most efficiently satisfying the debt, while allowing the debtor an opportunity to propose suitable alternative assets in lieu of those targeted for liquidation. This introduces a degree of proportionality into the enforcement process and may reduce disputes concerning asset selection.

The Law also strengthens asset-tracing mechanisms. Where there are indications that a debtor has concealed or transferred assets, the enforcement court may, at the creditor's request, order the tracing of the debtor's assets and may conduct related inquiries itself or through the competent authority or licensed private-sector asset-tracing providers. More broadly, the Law permits certain enforcement procedures to be delegated, by decision of the Minister of Justice, to competent authorities or licensed private-sector providers, while reserving specified judicial functions to the enforcement court. The Ministry of Justice is responsible for licensing and supervising such enforcement service providers, including asset recovery and asset-tracing providers.

The Law also provides a clearer framework for the distribution of proceeds among competing creditors. In the absence of agreement, priority debts recognised under Saudi law take precedence, including those benefiting from statutory priority under legislation such as the Movable Property Security Law and the Commercial Pledge Law. This introduces a clearer statutory hierarchy for resolving distribution disputes and reduces uncertainty in multi-creditor enforcement scenarios.

- **Enhanced Debtor Protections**

Several measures have also been introduced to strengthen debtor protection while preserving the effectiveness of the enforcement process.

Debtors may voluntarily approach the enforcement court for the purpose of satisfying their obligations. This may be particularly relevant where a creditor delays or refuses collection, shielding the debtor from adverse consequences of ongoing enforcement proceedings such as travel bans and other enforcement measures.

The Law also establishes clear limits on travel bans. A travel ban may be imposed for a period of up to three years and may be extended upon further application by the creditor, provided that the aggregate period does not exceed six years. The Law also specifies grounds for lifting a travel ban, including medical necessity, occupational requirements and where the debtor discloses sufficient assets to satisfy the debt and there is no impediment to enforcement against those assets. These changes reflect a more balanced approach to enforcement by seeking to preserve fundamental personal freedoms while maintaining the effectiveness of enforcement measures. Most significantly, imprisonment is no longer available as a general enforcement measure for monetary debts.

In addition, creditors are required to formally close enforcement proceedings once the underlying debt has been satisfied, providing greater certainty regarding the status of enforcement proceedings following settlement of the relevant obligation and complementing the broader debtor protection measures provided under the New Enforcement Law.

- **What It Means for You**

The reforms introduced by the New Enforcement Law require immediate action from different market participants. The key implications for specific client groups are set out below.

(i) Financiers – Existing Security Packages and Promissory Notes

Financiers and lenders that hold promissory notes as collateral or credit support face the most immediate compliance exposure under the New Enforcement Law. Following the expiry of the one-year transitional period, promissory notes and bills of exchange will qualify as executory instruments only if they have been registered on the national electronic platform in accordance with the applicable legal and procedural requirements.

Financiers should, as a priority, audit their existing security packages to identify all promissory notes currently held as collateral and assess whether any were issued prior to the New Enforcement Law's entry into force. Where the transitional window remains open, arrangements should be put in place to migrate to electronically registered instruments or to obtain replacement instruments that satisfy the new requirements before the transitional period expires. For new facilities, internal processes and standard-form documentation should be updated to make electronic registration of promissory notes a condition precedent or ongoing obligation of the borrower.

Beyond promissory notes, financiers should also note the expansion of executory instruments to include notarised acknowledgements of debt and foreign settlement agreements. These categories may offer useful alternative structuring options for cross-border lending arrangements or transactions where a promissory note is not the preferred instrument. The abolition of imprisonment for monetary debts is also relevant to the enforcement calculus: while the new periodic financial penalties and the broadened *actio pauliana* framework partially compensate for this change, financiers should revisit their enforcement strategies and consider whether additional layers of security or covenant protection are warranted under their existing documentation.

(ii) Contracts Conditional Upon Reciprocal Performance – The Expert Report Mechanism

The expert report mechanism introduced under the New Enforcement Law has relevance for parties seeking to enforce certain executory instruments, namely settlement agreements, authenticated documents, acknowledgements or contracts and any other executory instruments expressly recognised as such, where payment obligations are typically conditional on the achievement of agreed milestones, certified completion or the prior performance of another contractual obligation. Under the previous framework, a party seeking to enforce a payment obligation that the counterparty disputed as not yet due would generally need to initiate litigation or arbitration to establish entitlement before enforcement could proceed. The new mechanism materially shifts this position.

Where a creditor seeks to enforce one of the executory instruments referred to above, and the creditor's right to enforce depends on prior performance of a reciprocal obligation which cannot be established from the executory instrument itself, the creditor may now rely on a report issued by an expert approved by the Ministry of Justice to establish that the relevant obligation has been fulfilled. By way of example, where a payment under an authenticated construction contract, supply or services contract is conditional upon completion of specified works or services, the creditor may, in principle, seek enforcement supported by such expert report rather than first obtaining a substantive judgment on the underlying issue. This has the potential to shift negotiating leverage considerably in payment disputes, particularly where the contested amount is significant and delays have cash-flow consequences.

Creditors should be aware that this mechanism may provide a more effective and expedited route to recovery in the event of non-payment where requirements of Article 8 of the New Enforcement Law are satisfied. The precise procedural requirements for engaging this mechanism, including the requirements applicable to a Ministry of Justice-approved expert, the scope of the report, and the debtor's right to contest the findings, remain subject to the Implementing Regulations, which should be reviewed carefully once published.

(iii) Real Estate and Employment Contracts (Ejar & Qiwa Platforms)

The New Enforcement Law has direct implications for parties operating under contracts documented through government platforms such as Ejar and Qiwa, where such contracts qualify as executory instruments under applicable laws and regulations. The expert report mechanism may allow a party whose right to enforcement depends on the prior performance of a reciprocal obligation to establish fulfilment of that obligation through a report issued by an expert approved by the Ministry of Justice, rather than through full litigation, thereby expediting enforcement. Parties that consistently rely on these platforms should therefore consider whether this mechanism is available to them and, where relevant, ensure that the necessary documentation is in place to support an expert report process.

Key Takeaways

The New Enforcement Law introduces substantial changes to the enforcement landscape in the Kingdom of Saudi Arabia. The reforms reflect a broader effort to streamline the enforcement framework and are likely to be of particular relevance to parties that rely on promissory notes, contractual enforcement mechanisms and creditor recovery processes.

While many procedural aspects remain subject to the forthcoming Implementing Regulations, commercial parties should begin reviewing their existing practices, particularly in relation to executory instruments, enforcement strategies, and asset recovery procedures, to ensure readiness for the new framework.

Action Items

In light of the changes introduced by the New Enforcement Law, we recommend that commercial parties consider taking the following steps as a matter of priority:

a) Review existing promissory note portfolios: identify all promissory notes currently held as collateral or credit support and assess whether they have been, or need to be, registered on the national electronic platform before the transitional period expires.

b) Audit pending enforcement files: review ongoing enforcement proceedings to assess the impact of the new framework, particularly the pre-enforcement notice requirement and the ten-year limitation period.

c) Review security documents referencing the old law: review template facility agreements, security packages, and standard-form documentation to identify provisions that reference or rely on the previous Enforcement Law and update them to reflect the new framework.

d) Assess EPC and construction contracts: for contractors and subcontractors, consider whether the expert report mechanism is available in respect of existing payment disputes and review milestone completion criteria in current and forthcoming contracts.

e) Monitor Implementing Regulations: many of the procedural aspects of the New Enforcement Law remain subject to the Implementing Regulations, and market participants should monitor regulatory developments closely and revisit their practices once the regulations are published.

How We Can Help

STAT has extensive experience advising clients on enforcement proceedings, creditor recovery and the practical application of Saudi law. We regularly act for lenders, contractors, and commercial parties in complex enforcement matters and are well placed to assist with the practical implications of the New Enforcement Law, including reviewing existing security packages and facility documentation, advising on enforcement strategy under the new framework, and supporting parties seeking to rely on the expert report mechanism in disputes involving reciprocal contractual obligations. If you would like to discuss how these reforms may affect your business or transactions, you can contact us.

Contacts

If you have any questions about the matters addressed in this alert, please contact the following STAT authors.

Zeyad Y. AlSalloum
Partner

T +966 55 911 0779
E zalsalloum@statlawksa.com

Ruba Alharthi
Counsel

T +966 55 588 6753
E ralharthi@statlawksa.com

Abdullatif Alharbi
Associate

T +966 54 462 1234
E aalharbi@statlawksa.com

Disclaimer