



AUGUST 2024

How to Start a Private Sports Club in KSA: A Comprehensive Legal Overview for Foreign Investors

Saudi Arabia's Vision 2030 aims to diversify the economy and boost non-oil sectors, with sports being a significant area of focus. It is redefining the country's economic landscape, with sports, particularly football, playing a pivotal role in this transformation. For foreign investors, this presents a golden opportunity to enter a burgeoning market ripe with potential.

Yet it might still surprise the most well-informed of investors that they are allowed to start a sports club. With a focus on football, this article provides a guide on how to start a private sports club in Saudi Arabia, focusing on the legal requirements, regulatory framework, and practical steps needed for this activity (having National Classification for the Economic Activities ISIC4 Code: 931211).

The Saudi Arabian Football Federation (SAFF) and the Saudi Arabian Olympic Committee (SAOC) are the primary bodies governing football in the Kingdom. These organizations oversee the development of football infrastructure, organize competitions, and ensure compliance with international standards. Recent initiatives, such as the National Football and Sports Development Program (NAFES), and privatization of sports clubs (Ministry of Sport in collaboration with the National Centre for Privatization and PPP) are designed to facilitate private sector involvement and attract foreign investment. With significant investments in sports infrastructure, talent development, and international partnerships, Saudi Arabia is positioning itself as a key player in the global football arena.

In this article, we provide an overview of the legal and regulatory framework that is part of the investors' journey when it comes to starting a sports club.

UNDERSTANDING THE REGULATORY FRAMEWORK

The NAFES program, launched to promote sports development in Saudi Arabia, provides the essential licenses required for private sports entities, including football clubs. This license is crucial for the legal operation and participation in local competitions. The licensing process typically takes between three to six months, depending on the completeness of the application and the approval from relevant authorities.

To establish a football club, it is mandatory to obtain a commercial registration (CR) from the Ministry of Commerce (MoC). This registration is required for all business activities. The procedure involves submitting an application that provides detailed information about the business, including its ownership structure and operational plans.



AUGUST 2024

For a football club to participate in official competitions and gain recognition, it must become a member of the SAFF and the Saudi Arabian Olympic Committee (SAOC). This membership requires the club to meet the technical and operational standards set by these federations, ensuring compliance with both national and international guidelines.

LOCATION, LOCATION, LOCATION!

To establish a football club in Saudi Arabia, it is essential to acquire a location license via the Balady platform. This license, categorized under the Arts, Entertainment, and Recreation sector, ensures that the chosen location complies with zoning laws and is suitable for football activities. The approval process for location licenses generally takes between one to two months.

The site requirements for a football club mandate that the location must be in designated commercial or sports zones. These zones should have adequate facilities for training and matches. Additionally, it is crucial to ensure that the site meets all technical requirements specified by the SAFF and local regulations.

Furthermore, there are potential tax incentives that may be attached to investing in particular regions in the Kingdom.

OBTAINING NECESSARY APPROVALS

To gain federation approval, it is necessary to submit detailed plans to the SAFF and the SAOC. These plans should include technical specifications of the facilities, operational procedures, and evidence of compliance with federation standards. Engaging with federation representatives throughout this process is crucial to ensure that all requirements are met and to facilitate a smooth approval process. It goes without saying that certain requirements by FIFA will also apply to this activity as well.

Meeting the technical requirements involves adhering to regulations regarding facilities, equipment, and coaching standards. This includes maintaining high-quality playing fields, ensuring the availability of top-notch training equipment, and hiring qualified coaching staff. Compliance with these standards is essential for the successful operation and recognition of the football club.





AUGUST 2024

FINALIZING OPERATIONS

The facility set up for a football club involves developing essential infrastructure, including training fields, locker rooms, administrative offices, and other necessary amenities. It is crucial to ensure that all facilities meet the standards required by the SAFF and local regulations. The timeline for setting up these facilities can range from six to twelve months, depending on the scale of development.

Hiring staff is another critical step, requiring the recruitment of qualified coaches, administrative staff, and support personnel. Compliance with Saudi labor laws is essential, including adherence to employment contracts and working conditions. Collaborating with local recruitment agencies and legal experts can help ensure that all labor regulations are met.

Maintaining operational compliance involves regularly reviewing and updating operational procedures to align with regulatory changes and uphold high standards. This includes routine inspections and audits conducted by the federations and local authorities to ensure ongoing compliance and excellence in operations.



CLUB RIGHTS

- **Participation in Competitions:** Football clubs in Saudi Arabia are eligible to participate in first-team competitions, starting from the Fourth Division, the lowest division. This allows clubs to gradually build their reputation and competitive stature within the Saudi football hierarchy. Additionally, upon qualifying through performance and meeting specific criteria, clubs have the opportunity to participate in continental and regional championships, enhancing their visibility and competitive experience on a larger scale.
- **Financial Rewards:** Clubs are entitled to receive all financial rewards presented by the SAFF for its championships. These rewards are subject to the regulations of each competition, ensuring that clubs are financially incentivized based on their performance and achievements.



AUGUST 2024

- **General Assembly Participation:** Clubs that become designated members as per the Statutes of the SAFF have the right to attend General Assembly meetings. This participation allows clubs to be involved in key decisions and discussions affecting the football landscape in Saudi Arabia.
- **Official Player Registration:** Clubs must register their players in the SAFF systems, including the MY SAFF platform and other officially approved systems. This ensures that player records are maintained accurately and that players are eligible to participate in official competitions.
- **Club Registration:** After establishing the club, it must be officially registered in the SAFF systems. This process involves submitting the club’s acknowledgment to the SAFF using the Acknowledgment Form, which formalizes the club’s status and eligibility within the football federation’s framework.

MEMBERSHIP REQUIREMENTS

To establish a private football club in Saudi Arabia, you must first obtain a private club license from the Ministry of Sports. This license is mandatory and must be secured according to the NAFES Program guidelines for private club licensing. Meeting the technical requirements outlined by the SAFF is also crucial. This includes adhering to the Coach’s Work Mechanism and completing the Club Inspection Form to meet all necessary standards. Additionally, clubs are required to pay an annual membership fee to SAFF, currently set at 10,000 Saudi Riyals. This fee must be paid annually through the SAFF payment website.

Commitment to the Statutes of SAFF is non-negotiable. Clubs must affirm their adherence to these statutes using the Commitment Form, and comply with the rules, regulations, and calendar of SAFF and the MoS. This involves respecting membership principles, the rules issued by the International Football Federation Council, and upholding integrity, fair play, and sportsmanship. Sports-related disputes must be resolved through the appropriate judicial or arbitration bodies within SAFF, the Sports Arbitration Center, or the Court of Arbitration for Sport (CAS), and not through regular courts. For enhanced security and a streamlined licensing process, registering at the Shmoos platform is a vital step in your investor journey.





AUGUST 2024

LEGAL ASPECTS AND IMPLICATIONS

Ensuring licensing compliance is crucial for the operation of a football club in Saudi Arabia. Operating without the necessary licenses can result in significant penalties, including fines or suspension of operations. It is essential to obtain and renew all required licenses in a timely manner to avoid non-compliance, which may result in fines of up to 50,000 Saudi Riyals.

There are several other legal considerations to keep in mind. Compliance with Saudi company law is essential, including adherence to corporate governance standards and financial regulations. Engaging in any illegal activities, such as fraud or corruption, can lead to severe penalties, including imprisonment and hefty fines. Additionally, it is important to ensure compliance with Saudi labor laws, which include fair employment practices and worker rights. Violations of labor laws can result in fines and legal disputes. To navigate these complexities and mitigate potential risks, it is advisable to consult with legal experts in the Kingdom for specialist legal advice.



EXPERT OPINIONS

Mr. Abdulaziz Al-Mutairi, Director of Sports Development at the MoS, emphasizes the Kingdom's commitment to becoming a global sports hub, noting that: "Saudi Arabia is rapidly evolving into a leading destination for international sports investments. Our regulatory frameworks are designed to facilitate foreign investment, making it an opportune time for investors to enter the football sector."

CONCLUSION

Saudi Arabia offers a compelling and rapidly growing market for international investors looking to establish a private football club. By understanding and adhering to the legal framework, securing the necessary licenses and approvals, and complying with regulatory requirements, investors can successfully navigate the complexities of this sector. As the Kingdom continues to enhance its sports infrastructure and regulatory environment, early entrants will benefit from being at the forefront of this transformative journey. The future of football in Saudi Arabia is bright, and with the right approach, investors can play a pivotal role in shaping it. However, keep in mind that requirements are subject to change from time to time without notice.



AUGUST 2024

Consequently, for an optimal experience, prospective club investors should consult with an attorney in the Kingdom practicing in this area for up-to-date legal advice.

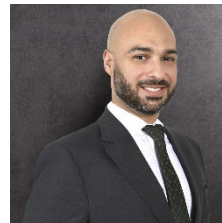
REFERENCES:

- Ministry of Sport, Saudi Arabia. "NAFES Licensing and Regulations."
- Saudi Business Center. "Commercial Registration Process."
- Balady Platform. "Location Licensing for Sports Clubs."
- Saudi Arabian Football Federation (SAFF). "Federation Membership Requirements."
- Saudi Arabian Olympic Committee (SAOC). "Technical and Operational Standards."

AUTHORED BY:



Jeffrey J. Greene
Partner
Jeff.greene@blkpartners.com



Mohammed Yasin
Senior Associate
mohammed.yasin@blkpartners.com



Khaled Aleshaiwi
Intern
khaled.aleshaiwi@blkpartners.com

This article can also be accessed at: www.blkpartners.com