



## **The Draft Amendments of Article (77) of the Capital Market Institutions Regulations**

### **A. Introduction:**

As part of the Capital Market Authority's ("CMA") strategic objectives to develop the capital market, and based on the Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424 H, the CMA Board issued its resolution to publish the Draft Amendments of Article (77) of the Capital Market Institutions Regulations ("Draft Amendments") for public consultation for a period of (15) calendar days.

### **B. Objectives of the Draft Rules and its main elements:**

The Draft Amendments aim to develop the provisions of Article (77) of the Capital Market Institutions Regulations to provide capital market institutions' clients with the opportunity to utilize their deposited money through investing in investment products and gaining returns.



**A) Proposed amendments to the Capital Market Institutions Regulations compared with the current provisions:**

Capital Market Institutions Regulations		
Current Provisions	Provisions after Proposed Amendments	Clarification
<p><b>Article 77: Returns</b></p> <p>a) No returns are payable to a client in respect of client money held in a client account.</p> <p>b) Without prejudice to the provisions of this Part, a capital market institution may deposit the client's money in an account that provides returns with a local or overseas bank, and obtain such returns or part of them, provided that the client's prior written approval has been obtained, in addition to satisfying the conditions stipulated in the Client Money Rules.</p>	<p><b>Article 77: Returns</b></p> <p>Without prejudice to the provisions of this Part, a capital market institution may:</p> <ol style="list-style-type: none"> <li>1) Deposit the client's money in an account that provides returns with a local or overseas bank, and obtain such returns or part of them, provided that the client's prior written approval has been obtained, in addition to satisfying the conditions stipulated in the Client Money Rules.</li> <li>2) Provide a service to the client, in which the money held in the client's investment account is invested and provide a return on it, if the following requirements are satisfied: <ol style="list-style-type: none"> <li>a. comply with the requirements of understanding risks and suitability in accordance with the provisions of these Regulations.</li> <li>b. Obtaining the customer's prior written approval to receiving the service and terms of providing it, including the period in which the client can - based on his request - redeem his invested money.</li> <li>c. Investment shall be in short-term and low-risk products.</li> </ol> </li> </ol>	<p>The proposed amendments aim to provide capital market institutions' clients with the opportunity to utilize their deposited money by investing that money in investment products and gaining returns by removing the provision of Paragraph (A) of Article (77) of the Capital Market Institutions Regulations and adding a new provision to the same Article as Subparagraph (2).</p>