



The Draft Amendments to the Rules for Registering Auditors of Entities Subject to the Authority's Supervision

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 2/6/1424H, the CMA Board issued its resolution to publish the Draft Amendments to the Rules for Registering Auditors of Entities Subject to the Authority's Supervision (the "Draft Amendments"), for public consultation for a period of (30) calendar days.

b) Objectives of the Draft Amendments:

The Draft Amendments aims to develop the standards and conditions required for Auditors of Entities Subject to the Authority's Supervision in light of the issuance of the Law of the Profession of Accounting and Auditing. The Draft Amendments also aims to develop every aspect that would enhance the confidence of the capital market's participants and support its growth and prosperity.

c) The proposed amendments to the Rules for Registering Auditors of Entities Subject to the Authority's Supervision compared with the current provisions:

No.	Current Provisions	Provisions After Proposed Amendments
1	-	Replacing the phrase (Saudi Organization for Certified Public Accountants) with (Saudi Organization for Chartered and Professional Accountants) wherever it is mentioned in the Rules for Registering Auditors of Entities Subject to the Authority's Supervision.
2	-	Replacing the phrase (Law of Certified Public Accountants) with (Law of the Profession of Accounting and Auditing) wherever it is mentioned in the Rules for Registering Auditors of Entities Subject to the Authority's Supervision.
3	<p>Article 2: Definitions</p> <p>...</p> <p>Entities Subject to the Authority's Supervision (ESAS): for the purposes of these Rules, it shall mean the following:</p> <ol style="list-style-type: none"> 1) The Exchange. 2) The Depository Center. 3) Authorised persons licensed to carry on securities business, except authorised persons licensed to carry on arranging or advising activities. 4) Investment Funds. 5) Listed Companies. 	<p>Article 2: Definitions</p> <p>...</p> <p>Entities Subject to the Authority's Supervision (ESAS): for the purposes of these Rules, it shall mean the following:</p> <ol style="list-style-type: none"> 1) The Exchange. 2) The Depository Center. 3) The CCP. 4) Capital Market Institutions, except Capital Market Institutions licensed to carry on arranging or advising activities. 5) Investment Funds. 6) Listed Companies. 7) Special Purposes Entities.



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4	<p>Article 2: Definitions</p> <p>...</p> <p>Audit Engagements: Audit of financial statements, prepared by an entity, in accordance with the auditing standards adopted by the Saudi Organization for Certified Public Accountants for the purpose of expressing an opinion as to whether such financial statements present fairly the financial position of the entity at a specific date, and the results of its operations for a specific financial period, or review of the interim financial statements, prepared by the entity, to determine if significant amendments are needed for the interim financial statements to be in agreement with the accounting standards adopted by the Saudi Organization for Certified Public Accountants.</p> <p>...</p>	<p>Article 2: Definitions</p> <p>...</p> <p>Audit Engagements: Audit of financial statements, prepared by an entity, in accordance with the auditing standards adopted by the Saudi Organization for Chartered and Professional Accountants for the purpose of expressing an opinion as to whether such financial statements present fairly the financial position of the entity at a specific date, and the results of its operations for a specific financial period, or review of the interim financial statements, prepared by the entity, for the purpose of expressing a conclusion as to whether anything has come to the attention that causes to believe that the interim financial statements are not prepared, in all material respects, in accordance with the accounting standards adopted by the Saudi Organization for Chartered and Professional Accountants.</p> <p>...</p>
5	<p>Article 2: Definitions</p> <p>...</p> <p>Quality Control System: Policies and procedures approved by the accounting firm in order to reasonably verify the compliance of the firm's employees with the professional standards and related laws governing their performance in carrying on audit engagement, including the professional code of ethics approved by the Saudi Organization for Certified Public Accountants.</p>	<p>Article 2: Definitions</p> <p>...</p> <p>Quality Control System: Policies and procedures approved by the accounting firm in order to reasonably verify the compliance of the firm and its employees with the professional standards, the Capital Market Law and its implementing regulations and related laws governing their performance in carrying on audit engagement, including the professional code of ethics approved by the Saudi Organization for Chartered and Professional Accountants.</p>
6	<p>Article 8: CPA Registration Conditions</p> <p>To register the CPA with the Authority, the following conditions must be satisfied:</p> <p>...</p> <p>2) He is fit and proper to carry on audit engagements for ESAS, including:</p> <ol style="list-style-type: none"> To hold the Fellowship Certificate in accordance with the Law of Certified Public Accountants. No judicial decision has been issued against him as a result of an offence involving fraud or any act involving 	<p>Article 8: CPA Registration Conditions</p> <p>To register the CPA with the Authority, the following conditions must be satisfied:</p> <p>...</p> <p>2) He is fit and proper to carry on audit engagements for ESAS, including:</p> <ol style="list-style-type: none"> To hold the Fellowship Certificate in accordance with the Law of the Profession of Accounting and Auditing. No judicial decision has been issued against him as a result of an offence



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	<p>a lack of integrity or dishonesty during the five years preceding the date of application for registration with the Authority.</p> <p>c. He has not been sentenced to removal of his name from the Certified Public Accountant Register, imprisonment or fines under the Law of Certified Public Accountants within the five years preceding the date of application for registration with the Authority.</p> <p>d. He has not been subjected to suspension under the Law of Certified Public Accountants, during the two years preceding the date of the application for registration with the Authority.</p> <p>e. He has practiced the profession of account auditing after obtaining the license in accordance with the Law of Certified Public Accountants for a period not less than five years, including a period of not less than three years working in a supervisory level over the audit engagements for ESAS, the entities accepted by the Authority, or entities under the supervision of a foreign regulatory body that applies regulatory standards and requirements equivalent to those of the Authority or are accepted by it.</p>	<p>involving fraud or any act involving a lack of integrity or dishonesty during the five years preceding the date of application for registration with the Authority.</p> <p>c. He has not been sentenced for committing any of the offenses stipulated in Article (10) of the Law of the Profession of Accounting and Auditing within the five years preceding the date of application for registration with the Authority.</p> <p>d. He has not been sentenced to removal of his name from the Certified Public Accountant Register under the Law of the Profession of Accounting and Auditing within the five years preceding the date of application for registration with the Authority.</p> <p>e. He has not been subjected to suspension under the Law of the Profession of Accounting and Auditing, during the two years preceding the date of the application for registration with the Authority.</p> <p>f. He has practiced the profession of account auditing after obtaining the license in accordance with the Law of the Profession of Accounting and Auditing for a period not less than five years, including a period of not less than three years working in a supervisory level over the audit engagements for ESAS, the entities accepted by the Authority, or entities under the supervision of a foreign regulatory body that applies regulatory standards and requirements equivalent to those of the Authority or are accepted by it.</p> <p>g. He has to be a full-time professional to practice the profession of account auditing in accordance with the Law of the Profession of Accounting and Auditing.</p> <p>h. The Accounting Firm for which he works must be registered with the Authority.</p>