



## The Draft Amendments of Investment Funds 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 Investment Funds Regulations (the "**Draft Amendments**") for public consultation for a period of (30) calendar days.

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

The Draft Amendments aim to develop the provisions governing the subscription of public investment funds in privately placed debt instruments, by expanding the base of issuers in which the public fund manager may subscribe in debt instruments issued by them, aiming to support the growth of the asset management industry.

The main elements of the draft are as follows:

- 1) Removing the conditions imposed on the subscription of public investment funds in privately placed debt instruments, as stipulated in Article (37) of the Investment Funds Regulations, provided that the debt instruments subscribed to are issued by issuers in the Kingdom.
- 2) Obligating managers of money market funds and capital protected funds to not invest more than (10%) of the fund's net asset value in debt instruments issued by a single issuer.
- 3) Obligating managers of public investment funds that invest in debt instruments to disclose the credit rating of the invested debt instruments in the fund's quarterly statement.



**C. Proposed amendments to Investment Funds Regulations compared with the current provisions:**

Current provisions	Provisions after Proposed Amendments	Clarification
<p><b>Article 37: Fund's Subscription in Securities</b></p> <p>a. With regards to the provisions of Article (41) of these Regulations and the investment limitations on specialized public funds stipulated in these Regulations, a public fund may subscribe in securities according to the following conditions:</p> <p>1) The securities are being offered in a public offer within the Kingdom or outside the Kingdom. If the public offer was made in a jurisdiction outside the Kingdom, the offer must be subject to regulatory standards and requirements at least equivalent to those applied on public offering in the Kingdom. The Authority shall have the discretion to assess whether the regulatory standards and requirements applied on the offer is at least equivalent to those applied by the Authority.</p> <p>2) With the exception of Initial Public Offering that are made in accordance with the Instructions of Book Building Process and Allocation Method in Initial Public Offering, the securities may be subscribed by the public fund at a price which is no more than the offering price;</p>	<p><b>Article 37: Fund's Subscription in Securities</b></p> <p>a. With regards to the provisions of Article (41) of these Regulations and the investment limitations on specialized public funds stipulated in these Regulations, a public fund may subscribe in securities according to the following conditions:</p> <p>1) The securities are being offered in a public offer within the Kingdom or outside the Kingdom. If the public offer was made in a jurisdiction outside the Kingdom, the offer must be subject to regulatory standards and requirements at least equivalent to those applied on public offering in the Kingdom. The Authority shall have the discretion to assess whether the regulatory standards and requirements applied on the offer is at least equivalent to those applied by the Authority.</p> <p>2) With the exception of Initial Public Offering that are made in accordance with the Instructions of Book Building Process and Allocation Method in Initial Public Offering, the securities may be subscribed by the public fund at a price which is no more than the offering price;</p>	<p>The proposed amendment to paragraph (b) of Article (37) of the Investment Funds Regulations aims to expand the base of issuers in whom the public fund manager may subscribe in debt instruments issued by them by removing the conditions imposed on the public fund's subscription to privately placed debt instruments, provided that they are issued by issuers in the Kingdom, and taking into account the provisions of Article (41) of the Investment Funds Regulations and the investment limitations on specialized public funds stipulated in the regulations.</p>



Current provisions	Provisions after Proposed Amendments	Clarification
<p>b. With regards to the provisions of Article (41) of these Regulations, a public fund may subscribe in debt instruments offered by way of private placement with the following conditions:</p> <ol style="list-style-type: none"> <li>1) The debt instruments shall be issued by a listed company on the Exchange.</li> <li>2) The debt instruments shall be rated in as an Investment Grade by an authorised credit rating agency or by an authorised foreign credit rating agency or by a foreign credit rating agency authorised, or registered in a jurisdiction whose regulatory standards and requirements are at least equivalent to those of the Authority; or</li> <li>3) Such debt instruments shall be guaranteed by the government of the Kingdom</li> </ol>	<p>b. With regard to the provisions of Article (41) of these Regulations, and the investment limitations on specialized public funds stipulated in these Regulations, a public fund may subscribe to debt instruments issued by an issuer in the Kingdom by way of private placement.</p>	
<p><b>Article 54: Money Market Fund</b></p> <p>a. A money market fund manager must invest the fund's assets and money only in the following types of investments:</p> <ol style="list-style-type: none"> <li>1) Money market transactions concluded with a party regulated by the Saudi Central Bank or an equivalent regulator to the Saudi Central Bank in a jurisdiction outside the Kingdom.</li> <li>2) Debt instruments.</li> <li>3) Derivatives.</li> <li>4) Bank deposits with institutions regulated by the Saudi Central Bank or equivalent regulator to the</li> </ol>	<p><b>Article 54: Money Market Fund</b></p> <p>a. A money market fund manager must invest the fund's assets and money only in the following types of investments:</p> <ol style="list-style-type: none"> <li>1) Money market transactions concluded with a party regulated by the Saudi Central Bank or an equivalent regulator to the Saudi Central Bank in a jurisdiction outside the Kingdom.</li> <li>2) Debt instruments.</li> <li>3) Derivatives.</li> <li>4) Bank deposits with institutions regulated by the Saudi Central Bank or equivalent regulator to the</li> </ol>	<p>The proposed amendment aims to modify paragraph (d) of Article (54) of the Investment Funds Regulations and to introduce a new paragraph designated as (d) to the same article. This is in accordance with the proposed amendment to paragraph (b) of Article (37) of the regulations.</p>



Current provisions	Provisions after Proposed Amendments	Clarification
<p>Saudi Central Bank in a jurisdiction outside the Kingdom.</p> <p>5) Units of money market funds with a similar strategy.</p> <p>6) Units of debt instruments funds with fixed income.</p> <p>....</p> <p>d. With regards to Paragraph (a) of this Article, the investments of a money market fund <b>with or in a single counterparty, or</b> with or in parties belonging to the same group, may not exceed (25%) of the fund's net assets. This includes all investments in money market transactions concluded with <b>one counterparty or</b> different parties belonging to the same group, securities issued by <b>one person or</b> different parties belonging to the same group, and bank deposits with <b>one or</b> different parties belonging to the same group.</p> <p>...</p> <p>f. Debt instruments issued by the Kingdom's government are excluded from the provisions of Paragraphs (c) <b>and</b> (d) of this Article.</p>	<p>Saudi Central Bank in a jurisdiction outside the Kingdom.</p> <p>5) Units of money market funds with a similar strategy.</p> <p>6) Units of debt instruments funds with fixed income.</p> <p>....</p> <p>d. The value of money market fund investments in debt instruments issued by a single issuer must not exceed (10%) of the fund's net asset value, and in all cases, the investments of a money market fund with or in a single counterparty may not exceed (25%) of the fund's net asset value.</p> <p>e. With regards to Paragraph (a) of this Article, the investments of a money market fund with or in parties belonging to the same group, may not exceed (25%) of the fund's net assets. This includes all investments in money market transactions concluded with different parties belonging to the same group, securities issued by different parties belonging to the same group, and bank deposits with different parties belonging to the same group.</p> <p>...</p> <p>g. Debt instruments issued by the Kingdom's government are excluded from the provisions of Paragraphs (c), (d) <b>and</b> (e) of this Article.</p>	



Current provisions	Provisions after Proposed Amendments	Clarification
<p><b>Article 57: Capital Protected Fund</b></p> <p>...</p> <p>c. Without prejudice to Paragraph (b) of Article (40) of these Regulation, the investments of a capital protected fund <b>with or in a single entity, or</b> with or in parties belonging to the same group, may not exceed (25%) of the fund's net assets. These investments shall include money market transactions concluded with <b>one counterparty or</b> different parties belonging to the same group, debt instruments issued by <b>one or</b> different parties belonging to the same group, and bank deposits with <b>one or</b> different parties belonging to the same group.</p>	<p><b>Article 57: Capital Protected Fund</b></p> <p>...</p> <p>c. The value of capital protected fund investments in debt instruments issued by a single issuer must not exceed (10%) of the fund's net asset value, and in all cases, the investments of a capital protected fund with or in a single counterparty may not exceed (25%) of the fund's net asset value.</p> <p>d. Without prejudice to Paragraph (b) of Article (40) of these Regulation, the investments of a capital protected fund with or in parties belonging to the same group, may not exceed (25%) of the fund's net assets. These investments shall include money market transactions concluded with different parties belonging to the same group, debt instruments issued by different parties belonging to the same group, and bank deposits with different parties belonging to the same group.</p>	<p>The proposal includes amending paragraph (c) of Article (57) of the Investment Funds Regulations and adding a new paragraph designated as (c) to the same article. This is in response to the proposed amendment to paragraph (b) of Article (37) of the regulations.</p>
<p><b>ANNEX 4</b></p> <p><b>CONTENTS OF THE QUARTER STATEMENTS</b></p> <p>The quarter statement must include the following information as a minimum:</p> <p>...</p>	<p><b>ANNEX 4</b></p> <p><b>CONTENTS OF THE QUARTER STATEMENTS</b></p> <p>The quarter statement must include the following information as a minimum:</p> <p>...</p> <p>f. The credit rating of the debt instruments in which the fund invests, as per the following:</p> <p>1) A statement of the credit rating of the debt instrument.</p>	<p>The proposal suggests adding a new paragraph labeled (f) to the contents of the quarter statement (ANNEX 4) of the Investment Funds Regulations, in accordance with the proposed amendment to paragraph (b) of Article (37) of the same regulations.</p>



Current provisions	Provisions after Proposed Amendments	Clarification
	<p>2) A statement of the credit rating of the issuer of the debt instrument.</p> <p>3) A statement of the name of the credit rating agency issuing the credit rating.</p> <p>4) A statement of the date of the credit rating.</p> <p>If the debt instruments invested in are not rated by an authorized credit rating agency, such information must be disclosed.</p>	