



The Draft Amendments of the Capital Market Institutions Regulations and Investment Accounts Instructions

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 2/6/1424 H, the CMA Board issued its resolution to publish the Draft Amendments of the Capital Market Institutions Regulations and Investment Accounts Instructions (the "Draft Amendments") for public consultation for a period of (15) calendar days.

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

The Draft Amendments aim to develop the trading mechanisms available in the Saudi capital market, by enabling the registration or recording of the client's securities in the name of the capital market institution or in the name of an overseas custodian, and by setting out the provisions regulating that, including requiring obtaining the client's prior written approval and disclosing to the client, in writing, any risks that may arise due to the client's assets being registered or recorded other than in the client's name.

C. 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>Article 85: Holding and Registration of Client Assets</p> <p>a) Securities that are eligible for the Depository Centre must be held in an account in the relevant client's name with the Depository Centre.</p> <p>...</p>	<p>Article 85: Holding and Registration of Client Assets</p> <p>a) Securities that are eligible for the Depository Centre must be held in an account with the Depository Centre, according to the Depository Centre Rules.</p> <p>...</p>	<p>To develop the mechanism of holding and registering clients' assets, it is purposed to eliminate the phrase "...in the relevant client's name..." mentioned in paragraph (a) of this Article; which will enable the determination of the mechanism for holding securities that can be deposited at the depository centre according to Depository Centre Rules.</p>
<p>Article 85: Holding and Registration of Client Assets</p> <p>...</p> <p>d) Where the asset concerned is a security acquired overseas, title to the asset may be registered or recorded in the name of an overseas</p>	<p>Article 85: Holding and Registration of Client Assets</p> <p>...</p> <p>d) In the event of registering or recording client's assets in the name of the capital market institution according to</p>	<p>To ensure enabling the client to understand the risks associated with registering or recording the client's assets in the name of the capital market institution or in the name of an overseas</p>



Capital Market Institutions Regulations		
Current Provisions	Provisions after Proposed Amendments	Clarification
<p>custodian or in the name of the capital market institution, provided that the capital market institution has satisfied itself that is not feasible for the asset to be registered or recorded in the client's name. A capital market institution must obtain the prior written agreement of a client to the client's assets being recorded or registered in the name of an overseas custodian or in the name of the capital market institution and must notify the client in writing of any adverse consequences of the assets being registered or recorded other than in its name. A capital market institution must in particular:</p> <ol style="list-style-type: none"> 1) before holding or arranging for an overseas custodian to hold client assets outside the Kingdom, notify the client in writing that there may be different settlement, legal and regulatory requirements in the relevant jurisdiction to those which apply in the Kingdom, in particular in relation to the segregation of client assets; and 2) obtain the clients prior agreement to registering or recording legal title to their assets in the name of the capital market institution and to the fact that the client assets may not be segregated from the capital market institution's own assets and may be subject to claims from the capital market institution creditors in the event of its failure. 	<p>Depository Centre Rules or in the name of an overseas custodian, the capital market institution must disclose to the client, in advance and in writing, any risks that may arise due to the client's assets being registered or recorded other than in the client's name, and obtain the client's prior written approval to register or record the client's assets in the name of the capital market institution or in the name of an overseas custodian.</p>	<p>custodian, whether inside or outside the Kingdom, and to ensure the client's approval of such risks, it is proposed to amend Paragraph (d) of this Article to clarify the capital market institution's obligation to obtain the client's approval to register or record the client's assets in the name of the capital market institution or in the name of an overseas custodian, and disclose to the client, in writing, any risks that may arise due to the client's assets being registered or recorded other than in the client's name.</p>



Capital Market Institutions Regulations		
Current Provisions	Provisions after Proposed Amendments	Clarification
<p>Article 85: Holding and Registration of Client Assets ...</p>	<p>Article 85: Holding and Registration of Client Assets ...</p> <p>e) In the event of registering or recording client's assets in the name of the capital market institution or in the name of an overseas custodian, the capital market institution must comply with the following:</p> <ol style="list-style-type: none"> 1. Maintaining separate accounts and records that enable it to distinguish between its own assets and the assets belonging to its clients. These records and accounts must enable the capital market institution to distinguish between the assets of each client and any other client. 2. A capital market institution's audit report, prepared in accordance with Paragraph (b) of Article (78) of these regulations, must confirm the capital market institution's compliance with the clients' assets rules. 	<p>To enhance the protection of clients' assets, it is proposed to add Paragraph (e) to this Article to clarify the capital market institution's obligation to maintain separate accounts and records that enable it to distinguish between its own assets and the assets belonging to its clients. These records and accounts must enable the capital market institution to distinguish between the assets of each client and any other client.</p>

D. Proposed amendments to the Investment Accounts Instructions compared with the current provisions:

Investment Accounts Instructions		
Current Provisions	Provisions after Proposed Amendments	Clarification
<p>Annex 3: Required Information in the Investment Account Statement The investment account statement must be printed, at the request of the Authority to</p>	<p>Annex 3: Required Information in the Investment Account Statement The investment account statement must be printed, at the request of the Authority to</p>	<p>It is suggested to amend Annex (3) of Investment Accounts Instructions with the goal of having the investment account statement indicate the class of the investment account in case it's a special account according</p>



Investment Accounts Instructions		
Current Provisions	Provisions after Proposed Amendments	Clarification
<p>be disclosed, in Arabic and on the official letter head of the capital market institution, and shall contain at minimum the following information:</p> <p>...</p> <p>2. Basic information:</p> <p>...</p> <ul style="list-style-type: none"> The client's Center Account number at the depository center. <p>...</p>	<p>be disclosed, in Arabic and on the official letter head of the capital market institution, and shall contain at minimum the following information:</p> <p>...</p> <p>2. Basic information:</p> <p>...</p> <ul style="list-style-type: none"> The client's Center Account number at the depository center, along with a clarification of its category if it is a special account. <p>...</p>	<p>to the provisions of Depository Centre Rules.</p>