

KINGDOM OF SAUDI ARABIA

Capital Market Authority

Draft

**Rules for Qualified Foreign Financial Institutions Investment in Listed
~~Shares~~Securities**

**English Translation of the Official Arabic Text
Issued by the Board of the Capital Market Authority
Pursuant to its Resolution Number (1-42-2015)
Dated (15/7/1436H) Corresponding to (4/5/2015G)
Based on the Capital Market Law
issued by Royal Decree No. M/30 dated 2/6/1424H**

**Amended by Resolution of the Board
of the Capital Market Authority Number 00-00-0000
Dated 00/00/0000H Corresponding to 00/00/0000G**

Arabic is the official language of the Capital Market Authority

**Important Notice: The current version of these Rules, as may be amended, can be found at the
Authority website: www.cma.org.sa**

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PART 1: GENERAL PROVISIONS

Article 1: Preliminary¹

- a. The purpose of these Rules is to set out the procedures, requirements and conditions for the registration of qualified foreign investors (“QFIs”) with the Authority ~~and the approval of their clients~~ to invest in listed ~~shares~~securities, and to specify their obligations and the obligations of authorised persons in this regard.
- b. These Rules shall be read in conjunction with and in addition to the Capital Market Law and its Implementing Regulations, including, the Listing Rules, the Market Conduct Regulations, the Authorised Persons Regulations, the Merger and Acquisition Regulations and the Anti-Money Laundering and Counter-Terrorist Financing Rules.
- c. These Rules shall not apply to Citizens of the Cooperation Council for the Arab States of the Gulf.
- d. ~~Subject to sub-paragraph b (1) of Article 7 of these Rules, QFIs and approved QFI clients~~QFIs are entitled to exercise all rights related to listed ~~shares~~securities owned by them, including trading in rights issues.

Article 2: Definitions

- a. Any reference to the “Capital Market Law” in these Rules shall mean the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
- b. Subject to paragraph (c) of this Article, expressions and terms in these Rules have the meaning which they bear in the Capital Market Law and the Glossary of defined terms used in the Regulations and Rules of the Capital Market Authority, unless the contrary intention appears.
- c. For the purpose of implementing these Rules, the following expressions and terms shall have the meaning they bear as follows unless the contrary intention appears:
 - **QFI assessment agreement:** an agreement between the assessing authorised person and the QFI meeting the requirements set out in Article ~~12~~10 of these Rules.
 - **bank:** a financial institution that has a legal personality which engages in banking business.
 - **assessing authorised person:** an authorised person who has agreed with an applicant to assess its application for registration as a QFI, or an authorised person who has executed a QFI assessment agreement with a QFI.
 - **insurance company:** a financial institution that has a legal personality which engages in insurance business.
 - **brokerage and securities firm:** a financial institution that has a legal personality which engages in securities business, including portfolio managers.

¹ The authorisation requirements will be amended, so as foreign portfolio managers, custodians and advisors are exempted from the authorisation requirement to carry on securities business in the kingdom when engaging with a QFI.

- **investment fund:** means any of the following legal persons:
 - ~~1) a sovereign wealth fund that is fully owned by a government entity, or by a legal person fully owned by a government entity.~~
 - 1) a pension fund in which its main objective is to collect fees or periodic contributions from participants or for their interest, for the purpose of compensating them according to a specific mechanism.
 - 2) Endowment fund with a principal purpose of making grants to organizations, institutions, or individuals for scientific, educational, cultural purposes, including university endowments fund.
 - 3) a collective investment scheme aimed at providing investors therein with an opportunity to participate collectively in the profits of the scheme.
- ~~— **approved QFI client:** a client of a QFI who has been approved in accordance with these Rules.~~
- **Fundforeign portfolio manager:** a foreign financial institution that has a legal personality which manages the assets of ~~an investment fund clients, that meets the requirements stated in sub paragraph (a/2) of Article 6 of these Rules, and such institution or any person in its group meets the requirements stated in paragraph (c) of Article 6 of these Rules, which engages or intend to engage with the QFI or the applicant for the purpose of investing on its behalf in listed securities.~~
- **qualified foreign investor:** a foreign investor registered with the Authority in accordance with these Rules to invest in listed ~~shares~~securities.
- **applicant:** a foreign investor that submits an application for registration to an assessing authorised person.
- **Citizens of the Cooperation Council for the Arab States of the Gulf:** natural persons who hold the citizenship of one of the Cooperation Council for the Arab States of the Gulf countries, or legal persons that (i) capital of which is majority owned by citizens or governments of the Cooperation Council for the Arab States of the Gulf; and (ii) holding the citizenship of one of the Cooperation Council for the Arab States of the Gulf countries, in accordance with the definition set out in the resolution of the Supreme Council of the Cooperation Council for the Arab States of the Gulf in its 15th session approved by the Council of Ministers Resolution number (16) dated 20/01/1418H.
- government related entities: central banks, and investment funds fully owned (directly or indirectly) to a government entity.

Article 3: Waivers

The Authority may waive a provision of these Rules in whole or in part as it applies to an applicant, a QFI or ~~any of their clients or~~ an authorised person either on an application from any of the aforementioned persons or on the Authority's own initiative.

Article 4: Right to appeal

Any person subject to these Rules may appeal to the Committee in respect of any decision or action that the Authority takes under these Rules.

PART 2: APPLICATIONS FOR REGISTRATION

Chapter One: Registration conditions

Article 5: Registration

An applicant may not be registered as a QFI unless it meets each of the conditions prescribed by Article 6 of these Rules.

Article 6: The registration conditions

a. Type of the financial institution

- 1) The applicant must be a financial institution that has a legal personality which falls within one of the following types:
 - a) Banks;
 - b) Brokerage and securities firms;
 - ~~b) fund managers; and~~
 - c) ~~insurance~~Insurance companies.
 - d) Government and government related entities.
 - e) Investment funds.
 - f) Any other financial institution considered eligible by the Authority.
- 2) The financial institutions referred to in sub-paragraphs a (1), b (1), c (1) of paragraph (a-4) of this Article must be licensed or otherwise subject to regulatory oversight by a regulatory authority and incorporated in a jurisdiction that applies regulatory and monitoring standards equivalent to those of the Authority or acceptable to it.
- 3) The financial institution referred to in sub-paragraph e (1) of paragraph (a) of this Article must be incorporated in a jurisdiction that applies regulatory and monitoring standards equivalent to those of the Authority or acceptable to it.
- ~~2)4) For the purposes of this paragraph~~Article, the Authority may, at its absolute discretion, determine whether the regulatory and monitoring standards are equivalent to those of the Authority or acceptable to it, and the Authority shall provide authorised persons duly authorised to conduct dealingcustody activities with a list of jurisdictions that applies regulatory and monitoring standards equivalent to those of the Authority or acceptable to it, and any update occurs to that list.

b. Size of the financial institution

- 1) ~~The~~With the exception of sub paragraph d (1) of paragraph (a) of this Article, the applicant must have assets under management of SAR ~~183,750,000,000~~ eighteen~~three~~ billion seven hundred and fifty million Saudi Riyals (or an equivalent amount) or more. ~~The~~And the Authority may reduce ~~the minimum for these assets to SAR 11,250,000,000~~ eleven billion ~~two hundred and fifty million Saudi Riyals (or equivalent amount).~~
- 2) For the purposes of these Rules, assets under management include:

- a) assets owned by the applicant or its group for the purpose of investment; and in relation to the financial institution referred to in sub paragraph e (1) of paragraph (a) of this Article, including assets owned by the external portfolio manager or it's group, for the purpose of investment.
- b) assets managed by the applicant or its group for the account of another person or persons, and in relation to the financial institution referred to in sub paragraph e (1) of paragraph (a) of this Article, including assets owned by the external portfolio manager or it's group, for the account of another person or persons.

c. Investment experience

With the exception of sub paragraphs d (1), e (1) of paragraph (a) of this Article, The applicant or any person of its affiliates group must have been engaged in securities activities and investment therein for a minimum of 5 years.

Article 7: Approval of clients

- ~~a. A QFI may not invest in listed shares on behalf of any of its clients unless the client has been approved in accordance with these Rules.~~
- ~~b. A QFI client may not be approved as such unless:

 - ~~1) the QFI or the applicant is responsible for the management of the client funds when invested in listed shares;~~
 - ~~2) the client is neither a QFI nor approved QFI client of another QFI; and~~
 - ~~3) the client is either:

 - ~~a) an investment fund which must be incorporated in a jurisdiction that applies regulatory and monitoring standards equivalent to those of the Authority or acceptable to it. For the purposes of this paragraph, the Authority may, at its absolute discretion, determine whether the regulatory and monitoring standards are equivalent to those of the Authority or acceptable to it, and the Authority shall provide authorised persons duly authorised to conduct dealing activities with a list of jurisdictions that applies regulatory and monitoring standards equivalent to those of the Authority or acceptable to it, and any update that occurs to that list.~~
 - ~~b) a financial institution that meets each of the conditions prescribed by Article 6 of these Rules.~~~~~~

Chapter Two: Registration procedures

Article 7: Application for registration

- ~~a.~~ An application for registration must be made by submitting an application in the form prescribed by the Authority to an assessing authorised person ~~and.~~
- ~~a.b.~~ An application for registration referred to in paragraph (a) of this Article must be accompanied by the information and documents required under Annex 2.1 of these Rules.

~~b.c.~~ The assessing authorised person must assess the application in accordance with the criteria and procedures set out in Chapter Three of this Part.

Article 8: Additional conditions to be met by applicant investing on behalf of its clients

- ~~a.~~ Where an applicant intends to invest in listed shares on behalf of one or more of its clients, an application for approval of the client(s) in question as approved QFI clients must be made by submitting an application in the form prescribed by the Authority to an assessing authorised person and be accompanied by the additional information required by Annex 2.1 of these Rules to enable the assessing authorised person to assess whether the clients in question meet the applicable registration conditions as specified in these Rules.
- ~~b.~~ The assessing authorised person must assess the application referred to in paragraph (a) of this Article in accordance with the criteria and procedures set out in Chapter Three of this Part.
- ~~c.~~ The procedures in Chapters 2 and 3 of this Part (with the exception of Article 12) shall apply to the application referred to in paragraph (a) of this Article, save that:
- ~~1)~~ references to the application for registration should be read as references to the application for approval of the client(s) in question as approved QFI clients;
 - ~~2)~~ references to the acceptance or rejection of the application for registration should be read as references to the acceptance or rejection of the application for approval of the client(s) in question as approved QFI clients;
 - ~~3)~~ references to the registration of the applicant should be read as references to the approval of the client in question; and
 - ~~4)~~ references to the registration conditions should be read as references to the approval of the clients conditions.

Article 8: Accuracy of information and documents submitted to the assessing authorised person

- a. All information and documents submitted by the applicant to the assessing authorised person must be complete, accurate, up-to-date and not misleading.
- b. An applicant must notify the assessing authorised person immediately within a reasonable period of time not exceeding 5 days of any material changes to the information or documents submitted previously.

Chapter Three: Determination of applications

Article 9: Determination by the assessing authorised person and notifying the Authority

- ~~a.~~ The assessing authorised person must provide a determination on the application for registration within 5 days of receiving all information and documents required by these Rules, unless the assessing authorised person and the applicant agree otherwise.

~~b.a.~~ The assessing authorised person must not accept the application until after conducting the following:

~~1) taking the necessary steps to ensure that all information and documents referred to in paragraph (a) of this Article are complete and accurate;~~

~~2)1)~~ ensuring that the application complies with the requirements prescribed by these Rules; and

~~3)2)~~ ensuring that the applicant ~~(and, where relevant, each of its clients)~~ meets the applicable registration conditions prescribed by these Rules.

b. The assessing authorised person must provide the Authority with a written notice of its determination, including a written statement of the reasons for its determination in such form as the Authority may require.

c. Where the assessing authorised person has accepted the application, it must also submit to the Authority the following:

1) An application for registration required under paragraph (a) of Article 7 of these Rules, accompanied by the information and documents referred to in sub-paragraphs 1 (g); 1(i); 1 (j) and 1 (k) of Annex 2.1 of these Rules..

2) A written declaration in such form as the Authority may require confirming that The applicant meets the registration conditions stated in these Rules.

~~Article 11~~Article 10: QFI assessment agreements

a. An assessing authorised person, ~~where it accepts an application for registration,~~ must agree with the applicant a draft form of QFI assessment agreement meeting the minimum requirements specified in this Article.

b. A QFI assessment agreement must include the following minimum requirements:

1) a representation by the applicant that it meets the registration conditions stated in these Rules;

2) an undertaking by the applicant to provide the assessing authorised person with all information and documents required under these Rules;

3) an undertaking by the applicant to notify the assessing authorised person ~~immediately~~immediately within a reasonable period of time not exceeding 5 days of any event or circumstance requiring such notification under these Rules;

4) a confirmation by the applicant of its consent that the assessing authorised person may disclose to the Authority or the Exchange information or documents which the assessing authorised person receives under these Rules or the Capital Market Law and its Implementing Regulations, and that such information may also be disclosed to other government agencies of the Kingdom in accordance with the relevant laws; and

5) an undertaking by the applicant to abide by the Capital Market Law and its Implementing Regulations and the rules of the Exchange and other relevant laws.

c. All requirements specified in paragraph (b) of this Article must be in such form as the Authority may require.

Article 12: Notice of determination to the Authority

~~a. The assessing authorised person must provide the Authority with a written notice of its determination within 1 day of determining an application, including a written statement of the reasons for its determination in such form as the Authority may require.~~

~~b. Where the assessing authorised person has accepted the application, it must also submit to the Authority the following:~~

~~1) the documents and information referred to in sub paragraphs 1 (f); 1 (g); 1 (i); 1 (j) and 1 (k) of Annex 2.1 of these Rules. Where the client is an investment fund, only documents and information referred to in sub paragraphs 2 (b/4) and 2 (b/5) of Annex 2.1 of these Rules need to be provided to satisfy this paragraph.~~

~~2) the draft QFI assessment agreement (where relevant); and~~

~~3) a written declaration in such form as the Authority may require confirming that:~~

~~a) the applicant (and, where relevant, each of its clients) meets the registration conditions stated in these Rules; and~~

~~b) it has agreed with the applicant a draft form of QFI assessment agreement meeting the minimum requirements specified by Article 12 of these Rules (where relevant).~~

Article 13 Article 11: Review by the Authority and registration of the QFI

a. Upon the Authority's receipt of all applicable ~~documents and information~~ and documents required under Article ~~139~~ of these Rules, the Authority shall notify the assessing authorised person ~~in writing~~ of this fact without delay.

b. The assessing authorised person's determination to reject the application becomes final upon the receipt of the Authority's notification referred to in paragraph (a) of this Article.

c. Subject to paragraph (d) of this Article, the assessing authorised person's determination to accept the application ~~becomes final upon the lapse of,~~ the Authority shall notify the assessing authorised person in writing with its determination in regard to the assessing authorised person's determination within 5 days from the date of the Authority's notification referred to in paragraph (a) of this Article, ~~unless the Authority notify the assessing authorised person in writing that such determination is rejected before the lapse of the period specified under this paragraph.~~

d. The Authority, as it deems appropriate, may impose an additional period to review the determination of the assessing authorised person to accept the application and in which case it will notify the assessing authorised person in writing of this fact before the lapse of the period specified under paragraph (c) of this Article.

e. The Authority will notify the assessing authorised person in writing within the time period specified in the notice referred to in paragraph (d) of this Article that the determination of the assessing authorised person to accept the applicant shall be approved or not.

Article 14: Registration

a. ~~Where~~ An applicant becomes a QFI from the date of the Authority's notification to approve the determination of the assessing authorised person to accept the ~~application becomes final, the Authority will register the applicant as a QFI and notify the assessing authorised person in writing of this fact without delay.~~

~~b.f. Where the determination of the assessing authorised person is to accept the application and the Authority decides, following imposing the additional review period (a "notification of registration"), in accordance with the provisions of paragraph (d.c) or paragraph (e) of this Article 14 of these Rules, that the determination shall be approved, the Authority will register the applicant as a QFI and notify the assessing authorised person in writing of this fact within the mentioned additional review period.~~

~~e. An applicant becomes a QFI upon being registered with the Authority as such.~~

~~Article 15~~ Article 12: Notice of registration or rejection of the application

a. The assessing authorised person must within ~~1 day~~ a reasonable period of time not exceeding 5 days notify the QFI in writing that it has been registered with the Authority as a QFI following receipt by the assessing authorised person of the notification of registration under Article ~~1511~~ of these Rules.

~~b.~~ Following receipt of the Authority's notification of registration under Article ~~1511~~ of these Rules, the assessing authorised person must:

~~e.b.~~ accept the QFI as a client in accordance with the Authorised Persons Regulations; and

~~1) sign the QFI assessment agreement agreed with the applicant under Article 12 of these Rules immediately, and submit a signed copy of the QFI assessment agreement to the Authority once signed by both parties.~~

~~d.c.~~ The assessing authorised person must notify the applicant in writing on the rejection of the application where:

- 1) The determination to reject the application for registration becomes final; or
- 2) The assessing authorised person receives the Authority's notification to reject the assessing authorised person's determination to accept the application for registration.

~~Article 16~~ Article 13: Record Keeping

a. The QFI must retain, and make available to the Authority on request, the information and documentation required under these Rules for as long as it remains registered as a QFI.

b. The assessing authorised person must retain, and make available to the Authority on request, the information and documentation required under these Rules as long as the person remains registered as a QFI. Where the applicant has been rejected or where the QFI has had its registration cancelled ~~or the QFI client has had its approval withdrawn under Articles 26 or 28 of these Rules,~~ the assessing authorised person must retain, and make available to the Authority on request, the information and documentation required under these Rules for 10 years from the date of rejecting the application or the date of cancellation of registration.

Chapter Four: Further requirements following registration

~~Article 17~~ Article 14: Commencement of trading

a. A QFI may not invest in any listed ~~shares~~ securities unless it:

- 1) holds a client account;

- 2) holds an account with the Depository Center; and
- 3) has satisfied any other conditions as may be imposed by the Authority.

~~b. The requirements in paragraph (a) of this Article must be satisfied by each of the approved QFI clients.~~

Article 18: Approval of new QFI clients

~~The procedures in Chapters 2 and 3 of this Part (with the exception of Article 12) shall apply where a QFI applies for any further clients on whose behalf it intends to invest in listed shares, save that:~~

- ~~1) references to the application for registration should be read as references to the application for approval of the client(s) in question as approved QFI clients;~~
- ~~2) references to the acceptance or rejection of the application for registration should be read as references to the acceptance or rejection of the application for approval of the client(s) in question as approved QFI clients;~~
- ~~3) references to the registration of the applicant should be read as references to the approval of the client in question; and~~
- ~~4) references to the registration conditions should be read as references to the approval of the clients conditions.~~

Annex 2.1 Information and documents to be provided by applicants

1. Information and documents to be provided by applicants:

The applicant must provide the below information to the assessing authorised person, in such form as the Authority may prescribe:

- a. Details of the applicant's legal form and jurisdiction of establishment, supported by copies of relevant constitutional documents;
- b. A description of the applicant's business activities (if applicable), which may be extracted from the applicant's annual report or equivalent corporate documents, but should include confirmation of the period for which the applicant has been engaged in securities activities and investment therein~~);~~.
- c. In relation to the financial institution referred to in sub paragraph e (1) of paragraph (a) of Article 6, the fund's investment policy.
- ~~e.~~d. In relation to the financial institution referred to in sub paragraphs a (1), b (1), c (1) of paragraph (a) of Article 6, Evidence of the applicant's regulatory status;
- ~~d.~~e. A list of all controllers of the applicant, and provide details of the identity and ownership of each controller (if applicable~~);~~).
- ~~e.~~f. A copy of the most recent annual report and consolidated accounts of the applicant ~~and (where or its group (if applicable) its group;)~~.
- ~~f.~~ ~~The identity of any affiliate;~~
- g. Details of other account names or affiliations under which the applicant ~~or its affiliates~~ invest in the Kingdom, if any;
- h. Details of all authorised persons of which the applicant ~~or any of its affiliates or its clients on whose behalf it intends to invest in listed shares~~ is a client;
- i. Details of ~~any~~ any of the following material legal or regulatory sanctions imposed on the applicant ~~or its affiliates~~ during the 5 years prior to the submission of the application:
 - 1) the suspension or revocation by a regulatory authority of any licence or permission in any jurisdiction or the imposition by a regulatory authority of any material restriction or condition upon any such licence or permission; and
 - 2) any criminal, civil or regulatory sanction or penalty imposed as a result of insider trading, market manipulation or other market abuse or misconduct.together with a declaration from the applicant that no other such sanctions have been imposed on the applicant ~~or its affiliates~~ during this period. If no legal or regulatory sanctions falling within the categories specified in this paragraph have been imposed on the applicant ~~or its affiliates~~ during the past 5 years, a declaration by the applicant to this effect.
- j. Details of any pending or ongoing criminal or regulatory investigations or civil proceedings;

k. Details of any settlement regarding criminal or regulatory investigations or civil proceedings during the 5 years prior to the submission of the application;

l. Financial statements prepared and accredited by the applicant's or its group auditors in accordance with accounting standards prescribed by the relevant authorities in the applicant's jurisdiction of establishment, and showing the applicant's ~~current~~or its groupcurrent financial position, including its capital, financial resources, revenues and expenses at the date of the financial statements;

~~m. Confirmation of its consent that the assessing authorised person may disclose to the Authority or the Exchange information which the assessing authorised person receives under these Rules or the Capital Market Law and its Implementing Regulations, and that such information may also be disclosed to other government agencies of the Kingdom in accordance with the relevant laws;~~

~~n. Confirmation by the applicant of its consent to disclose any information or documents required by the Authority or other government agencies of the Kingdom in accordance with the relevant laws; and~~

~~o.m.~~ Such other documents or other evidence as may be sufficient to satisfy each of the registration conditions under these Rules.

n. Additional A QFI assessment agreement must include the following minimum requirements:

1) A representation by the applicant that it meets the registration conditions stated in these Rules;

~~1)2) An undertaking by the applicant to provide the assessing authorised person with all information and documents to be provided by applicants intending to invest in listed shares on behalf of its clients;~~ required under these Rules;

~~Where an~~ An undertaking by the applicant ~~intends to invest in listed shares on behalf of one or more its clients, it must provide, in relation to each client for which approval is sought:~~

~~a. All the information and documents specified in paragraph (1) of this Annex insofar as they apply to each relevant client.~~

~~b. Where~~ notify the client is an investment fund, only the following information need to be provided to satisfy paragraph (1) of this Annex:

~~1) details of the fund's jurisdiction of establishment;~~

~~2) the fund's investment policy;~~

~~3) assessing authorised person within a list of all of the fund's controllers, details of the identity and ownership of each controller (if applicable);~~

~~4) the identity~~ reasonable period of time not exceeding 5 days of any affiliate;

~~2)3) Details of other account names or affiliations~~ event or circumstance requiring such notification under ~~which the fund or its affiliates invest in the Kingdom, if any~~ these Rules;

~~3)4) Confirmation of the fund's~~ A confirmation by the applicant of its consent that the assessing authorised person may disclose to the Authority or the Exchange information or documents

which the assessing authorised person receives under these Rules or the Capital Market Law and its Implementing Regulations, and that such information may also be disclosed to other government agencies of the Kingdom in accordance with the relevant laws; and

5) An undertaking by the applicant to abide by the Capital Market Law and its Implementing Regulations and the rules of the Exchange and other relevant laws.

~~4)6)~~ Confirmation by the ~~fund~~applicant of its consent to disclose any information or documents required by the Authority or other government agencies of the Kingdom in accordance with the relevant laws.

~~A signed written confirmation from persons duly authorised~~

~~e. —~~ Additional information and documents to sign on behalf of the applicant, confirming that:

~~1) the client for which approval is sought meets the applicable registration conditions under these Rules;~~

~~2. 2) the applicant has the authority~~ be provided by applicants intending to manage the client's funds, and the authority engage with foreign portfolio managers to take investment decisions based on its absolute discretion when investing ~~invest~~ in listed shares; and ~~;~~

~~3) the applicant will notify the assessing authorised person immediately of any changes to the terms of its investment management that would alter or impede the extent of this discretion.~~

a. Where an applicant intends to engage with foreign portfolio managers to invest in listed shares, it must provide a list with all foreign portfolio managers intends to engage with.

b. A list of foreign portfolio managers referred to in sub paragraph a (2) of this Annex must be accompanied by the information and documents referred to in sub-paragraphs 1 (a), 1 (d), 1 (f), 1 (i), 1 (j), 1 (k) and 1 (l) of this Annex, in relation to any foreign portfolio manager, with the exception of a QFI foreign portfolio manager.

PART 3: CONTINUING OBLIGATIONS

Article 15: Compliance with laws and regulations

A QFI ~~and approved QFI clients~~ must at all times comply with the applicable provisions stated in the Capital Market Law and its Implementing Regulations, as well as the rules and the regulations of the Exchange and other relevant laws.

Article 16: Investment limits

- a. Investments of QFIs ~~and approved QFI clients~~ shall be subject to the following limitations:
- 1) Each QFI, ~~together with its affiliates, or each approved QFI client together with its affiliates~~ may not own ~~a maximum of 5%~~ 10% or more of the shares of any issuer whose shares are listed.
 - ~~1) Where a QFI invests on behalf of an approved QFI client, it must not execute a transaction which would result in the relevant client, together with its affiliates, owning more than 5% of the shares of any issuer whose shares are listed.~~
 - 2) The maximum proportion of the shares of any issuer whose shares are listed that may be owned by all foreign investors (in all categories, whether residents or non-residents) in aggregate is ~~49%~~, including interests under swaps.
 - ~~2) The maximum proportion of the shares of any issuer whose shares are listed that may be owned by QFIs and approved QFI clients is 20%.~~
 - ~~3) The maximum proportion of the shares of all issuers whose shares are listed that may be owned by QFIs and approved QFI clients in aggregate is 10% by market value, including any interests under swaps.~~
 - 3) Other legislative limitations on foreign ownership in joint stock companies.
 - 4) The limitations set forth in the articles of association or by-laws of the listed companies or any instructions issued by the supervisory or regulatory authorities to which these companies are subject.
- b. The Exchange shall publish on its website, as determined by the Authority in this regard, the following information:
- 1) A statistic reflecting the ownership percentages specified in sub-~~paragraphs~~ paragraph a ~~(3); a (4) and a (5)~~ 2 of this Article.
 - 2) The limitations specified in sub-paragraphs a ~~(6)~~ 3 and a ~~(7)~~ 4 of this Article, according to the information received by the Exchange from listed companies in this regard.

Article 17: Changing the assessing authorised person engaged by the QFI

- a. A QFI must have, for as long as it remains registered as a QFI, an assessing authorised person engaged by it, and must not engage with more than one assessing authorised person within the same period.
- b. For the purposes of these Rules, a QFI has engaged an assessing authorised person if it has executed a QFI assessment agreement with the assessing authorised person and that agreement remains valid and in force.

- c. A QFI's registration shall not be revoked by reason of the lapse or termination by either party of a QFI assessment agreement, provided that the QFI engages a replacement assessing authorised person within 10 days. The replacement assessing authorised person shall without delay notify the Authority in writing of its appointment ~~and submit to it a copy of the executed QFI assessment agreement.~~
- d. If a QFI fails to engage a replacement assessing authorised person within the period prescribed by paragraph (c) of this Article, it must notify the Authority of this fact without delay~~7.2~~, whereupon the Authority may either grant an extension or revoke the QFI's registration.

Article 18: Disclosure requirements

- ~~b. — A QFI must disclose annually to the assessing authorised person engaged by it the information and documents set out in Annex 3.1 of these Rules.~~
- a. Subject to paragraph (eb) of this Article, a QFI must ~~immediately~~within a reasonable period of time not exceeding 5 days notify the assessing authorised person engaged by it if any of the ~~immediate~~ notifiable events set out in Annex 3.1 of these Rules occurs.
- b. Where ~~an immediate~~a notifiable event set out in Annex 3.1 of these Rules has occurred and the QFI reasonably believes that disclosure of the event to an assessing authorised person in accordance with paragraph (ba) of this Article would materially prejudice the operations and businesses of the QFI or a third party, the QFI may make ~~an immediate~~a notification to the Authority in substitution for the notification required under paragraph (ba) of this Article.
- c. The QFI must provide without delay to the Authority any information, documents or written explanation as it may request.
- d. All information and documents disclosed and notifications made to the assessing authorised person or to the Authority under this Article must be complete, accurate, up-to-date and not misleading.

Annex 3.1 Information and documents to be disclosed by QFIs to assessing authorised persons

~~1. Information and documents to be disclosed annually~~

~~a. A copy~~

Notifiable events

- ~~a. The commencement of insolvency proceedings against the QFI's (QFI in any jurisdiction;~~
- ~~b. The commencement of criminal or legal or regulatory proceedings against the QFI in any jurisdiction;~~
- ~~c. Any breach or anticipated breach by the QFI of the investment limits and restrictions set out in sub-paragraphs a (1); a (3) and a (4) of Article 16 of these Rules;~~
- ~~d. Any breach or anticipated breach by the QFI of any obligations under these Rules;~~
- ~~e. The QFI becomes a client of another authorised person for the purpose of investing in listed securities;~~
- ~~f. The QFI must notify the assessing authorised person in the event in which the QFI engages with a new foreign portfolio manager for the purpose of investing in listed securities.~~
- ~~g. Any material change that affects its status or activities to:~~
 - ~~where applicable its approved QFI clients) annual report~~ 1) the business of the QFI;
 - 2) the regulatory status or permissions of the QFI in its home jurisdictions; and consolidated accounts;
 - ~~b. 3) the identity of any controller(s) of the QFI.~~
- ~~h. The QFI becoming aware that it no longer meets or will no longer meet the registration conditions stated in these Rules; and~~
- ~~i. Any restructuring of the QFI.~~
- ~~a.j. Any material changes to the information provided by the QFI under Annex 2.1 of these Rules or furnished subsequently in connection with: (1) the granting or maintenance of the QFI's registration; and/or (2) the approval of its approved QFI clients.~~

~~2. Immediate notifiable events~~

- ~~a. The commencement of insolvency proceedings against the QFI or any of its approved QFI clients in any jurisdiction;~~
- ~~b. The commencement of criminal or legal or regulatory proceedings against the QFI or any of its approved QFI clients in any jurisdiction;~~
- ~~c. Any breach or anticipated breach by the QFI or any of its approved QFI clients of the investment limits and restrictions set out in sub-paragraphs a (1); a (2); a (6) and a (7) of Article 21 of these Rules;~~

- ~~d. Any breach or anticipated breach by the QFI or any of its approved QFI clients of any obligations under these Rules;~~
- ~~e. The QFI or any of its approved QFI clients becomes a client of another authorised person for the purpose of investing in listed shares;~~
- ~~f. Any material change that affects its status or activities to:~~
 - ~~1) the business of the QFI or any of its approved QFI clients;~~
 - ~~2) the regulatory status or permissions of the QFI or any of its approved QFI clients in its home jurisdictions; and~~
 - ~~3) the identity of any controller(s) of the QFI or any of its approved QFI clients.~~
- ~~g. The QFI becoming aware that it or any of its approved QFI clients no longer meets or will no longer meet the registration conditions stated in these Rules; and~~
- ~~h. Any restructuring of the QFI or any of its approved QFI clients.~~

PART 4: AUTHORISED PERSONS OBLIGATIONS

Article ~~24~~19: Obligations of authorised persons and their eligibility

- a. An authorised person must not consider any applications for registration in accordance with these Rules or engage with a QFI as an assessing authorised person unless such person is duly authorised to conduct ~~dealing~~custody activities.
- b. An authorised person must not accept a QFI as a client for the purpose of investing in listed ~~shares~~securities unless it is satisfied that the QFI is duly registered with the Authority in accordance with these Rules.
- c. An authorised person that was a party of a QFI assessment agreement must notify the Authority immediately upon the laps or termination of such agreement.
- d. An authorised person must at all times comply with the applicable provisions stated in the Capital Market Law and its Implementing Regulations, as well as the rules and the regulations of the Exchange and other relevant laws.
- e. The Authority may impose any conditions and/or limitations that it sees fit on authorised persons in relation to their dealings with QFIs.
- f. An assessing authorised person must pay such fees as determined by the Authority for the registration of applicants ~~and/or the approval of clients~~.

Article ~~25~~20: Monitoring of QFIs

- ~~a. An assessing authorised person that is engaged with a QFI, must review on an annual basis whether such QFI (and where applicable, its approved QFI clients) continues to meet the applicable registration conditions stated in these Rules and complies with all of its obligations under these Rules.~~
- ~~b.a.~~ b.a. If an assessing authorised person finds at any time that a QFI by which it is engaged (~~or any of its approved QFI clients~~) no longer meets the applicable registration conditions stated in these Rules or has breached any of its obligations under these Rules, the assessing authorised person must report such findings to the Authority in writing without delay.
- ~~e.b.~~ e.b. An assessing authorised person must report to the Authority in writing immediately after being aware of any of the following events in relation to each QFI by which it is engaged:
 - 1) Details of the commencement of insolvency proceedings against the QFI ~~or any of its approved QFI clients~~ in any jurisdiction;
 - 2) Details of the commencement of criminal or legal or regulatory proceedings against the QFI ~~or any of its approved QFI clients~~ in any jurisdiction;
 - 3) The QFI ~~or any of its approved QFI clients~~ becomes a client of another authorised person for the purpose of investing in listed shares;
 - 4) Where the QFI engages with a new foreign portfolio manager for the purpose of investing in listed securities
 - ~~4)5) Any restructuring of the QFI or any of its approved QFI clients; and~~

~~5)6)~~ Any material changes to the information provided pursuant to sub-~~paragraphs 1 (f),~~
~~+paragraph 1 (g), 2 (b)4 and 2 (b)5~~ of Annex 2.1 of these Rules.

Article 21: Cancellation of a QFI's registration ~~or withdrawal of approval of approved QFI clients~~

- a. Where an assessing authorised person receives a request from a QFI to cancel its registration ~~or withdraw the approval of any of its approved QFI clients~~, it must submit a request to the Authority to that effect (a "cancellation ~~or withdrawal~~ request").
- b. ~~Where the cancellation or withdrawal~~ The cancellation request ~~relates~~ submitted to the ~~cancellation of the QFI's registration, it~~ Authority in accordance with paragraph (a) of this Article must be accompanied with a confirmation from the QFI that it does not, ~~nor does any of its approved QFI clients, own any listed shares. If the cancellation or withdrawal request relates to the withdrawal of approval of one or more of the QFI's approved QFI clients, it must be accompanied with a confirmation from the QFI that the clients in question do not~~ own any listed ~~shares.~~ securities.
- c. The Authority may issue a notice rejecting the cancellation ~~or withdrawal~~ request submitted under paragraph (a) of this Article within 2 days of receiving such request, giving reasons for the rejection.
- d. If the Authority does not issue a notice under paragraph (c) of this Article within 2 days of receiving the cancellation ~~or withdrawal~~ request from the assessing authorised person, the cancellation of the QFI registration ~~or the withdrawal of approval of its approved QFI client (as the case may be)~~ shall be effective.
- e. The assessing authorised person must give the person who made the cancellation or withdrawal request a notice confirming that the request has been rejected or has become effective as applicable.

Article 22: Powers of the Authority in relation to authorised persons engaged with QFIs

- a. The Authority may at any time by issuing a written notice prohibit an authorised person from engaging with QFIs.
- b. The Authority may require an authorised person to provide the Authority without delay any information, documents or written explanation relating to the authorised person dealings with QFIs.
- c. The Authority may require an authorised person, or its representative, to attend before the Authority to answer questions and explain any aspect of its dealings with QFIs.
- d. If the Authority considers that circumstances amounting to an emergency requires it do so, it may assume any assessing authorised person's rights against a QFI upon sending written notice of such fact from the Authority to the relevant QFI and the assessing authorised person.

PART 5: POWERS OF THE AUTHORITY IN RELATION TO QFIs

Article 23: Powers of the Authority in relation to QFIs ~~and approved QFI clients~~

- a. If the Authority considers that any of the events specified in paragraph (d) of this Article has occurred in relation to a QFI ~~or any of its approved QFI clients~~, or is likely to occur, the Authority may:
- 1) require the QFI to provide such information, documents and/or written explanation as the Authority requires in respect of the matters giving rise to its consideration;
 - 2) require the QFI or its representative, to attend before the Authority to answer questions and explain any matter the Authority considers relevant;
 - 3) carry out any enquiries that it considers appropriate;
 - 4) take any steps to verify any information furnished by the QFI, including by communicating with overseas regulatory authorities;
 - 5) suspend the QFI's registration or prohibit the QFI ~~from dealing on behalf of one or more of its approved QFI's clients for such period as the Authority requires;~~
 - 6) cancel the QFI's registration, ~~or withdraw the approval of any of its approved QFI clients;~~
 - ~~1) prohibit the QFI from dealing on behalf of one or more of the approved QFI's clients in listed shares; and~~
 - 7) exercise any of its other powers under the Capital Market Law.
- b. Suspension or cancelation of registration or prohibition of dealing on behalf of approved QFI clients or withdrawal of their approval under sub-paragraphs (5), (6) ~~or (7)~~ of paragraph (a) of this Article shall be effective immediately upon sending a written notice of such fact from the Authority to the QFI or the relevant authorised person.
- c. The Authority may publish the identity of any institution whose registration has been suspended or revoked ~~or whose approval has been withdrawn.~~
- d. The events referred to in paragraph (a) of this Article include the following:
- 1) the QFI ~~or any of its approved QFI clients~~ no longer meets the conditions, obligations or requirements stated in these Rules;
 - 2) the QFI has not fulfilled the requirements of paragraph (a) of Article (18) of these Rules within 60 days of its registration;
 - ~~2) the approved client of the QFI has not fulfilled the requirements of paragraph (a) of Article (18) of these Rules within 60 days of its approval;~~
 - 3) an insolvency event has occurred in relation to the QFI ~~or any of its approved QFI clients;~~
 - 4) the QFI ~~or any of its approved QFI clients~~ has breached any of its obligations under the Capital Market Law and its Implementing Regulations and/or any other laws of the Kingdom;

- 5) the QFI has obtained its registration ~~or the approval of any of its approved QFI clients~~ on the basis of incomplete, false, outdated ~~or~~ and misleading information;
 - 6) the QFI ~~or any of its approved clients~~ has been the subject of any material legal or regulatory sanction in any jurisdiction;
 - 7) any restructuring of the QFI ~~or any of its approved QFI clients~~; and
 - 8) any other event that the Authority believes necessitates its intervention in order to protect investors or safeguard the functioning of the capital market within the Kingdom.
- e. Following revocation or suspension of registration, the investor in question may not purchase ~~(whether for its own account or for the account of its approved QFI clients) any listed shares~~ any listed securities.
- f. Following revocation or suspension of registration, the investor in question may not dispose of ~~shares~~ securities held in its account ~~(and/or in the accounts of its approved QFI clients)~~ with the Depository Center without the prior consent of the Authority.
- ~~b. Following the withdrawal of approval, a QFI may not purchase listed shares for the account of its client in question.~~
- ~~c. Following the withdrawal of approval, a QFI may not dispose shares held in the account of its client in question with the Depository Center without the prior consent of the Authority.~~
- ~~d. Following the prohibition from dealing on behalf of an approved QFI client in listed shares, the QFI may not purchase listed shares for the account of its client in question, or dispose shares held in the account of its client in question with the Depository Center without the prior consent of the Authority.~~

PART 6: CLOSING PROVISIONS

Article 24: Publication and entry into force

These Rules shall become effective on ~~14/8/1436H~~27/10/1437H (corresponding to ~~1/6/2015G~~8/2016G).