



Frequently Asked Questions on the Rules for Foreign Investment in Securities



What is the definition of a Qualified Foreign Investor (QFI)?

A foreign investor that is qualified, in accordance with the provisions of Part (3) of Rules for Foreign Investment in Securities, to invest in the listed shares on the Main Market.

What is the difference between the qualified foreign investor (QFI) and the strategic foreign investor?

QFI according to part (3) of the Rules:

- 1) shall have a legal personality.
- 2) shall have assets under its own or its group ownership, management, or custody of SAR (1,875,000,000) one billion eight hundred and seventy-five million Saudi Riyals (or an equivalent amount) or more, at the time of submitting an application to open an investment account. And the Authority may reduce the minimum of these assets.

Foreign Strategic Investor: a foreign legal entity that aims to own a direct percentage in a listed company's shares for a period of not less than two years, for the purpose of contributing in promoting the financial or operational performance of that listed company.

Paragraph (b) of Article (6) of the Rules states the investments of foreign investors restrictions as follow:

- 1) A non-residing foreign investor (except the foreign strategic investor), may not own (10%) or more of the shares of any issuer whose shares are listed or convertible debt instrument of the issuer.
- 2) The maximum proportion of the shares of any issuer whose shares are listed or convertible debt instrument of the issuer that may be owned by all foreign investors (in all categories, whether residents or non-residents, except the foreign strategic investors) in aggregate is (49%).
- 3) The restrictions set forth in the articles of association of the listed companies.
- 4) Any regulatory restrictions, or any instructions issued by the competent authorities to which listed companies are subject to.

Should the Capital Market Institution when accepting any QFI as a client verify that he meets the AUM requirement as a continuing obligation?

When accepting any QFI as a client, the capital market institution shall verify that he meets the assets under management requirement at the time of submitting an application to open an investment account only and not as a continuing obligation of the capital market institution.



Who is responsible for monitoring the strategic investor and preventing him from selling any of the shares he owned within a period of two years after the date of ownership of such shares?

The foreign strategic investor shall be responsible for not selling any of the shares owned by him within a period of two years after the date of ownership of such shares, and the Capital Market Institution shall not enable any procedure that may violate this restriction.

Can the foreign investor transfer owned securities from the ultimate beneficiary swap account to the QFI account within the twelve months period?

Yes, the foreign investor is allowed to transfer some of the securities from the ultimate beneficiary swap account to the QFI account and vice versa during the twelve months period stated in paragraph (b) of Article 10 of the Rules.

Is existing Swap Agreement's ultimate beneficiary allowed to invest as a QFI?

Yes, provided that the ultimate beneficiary satisfies the conditions prescribed in the Rules to be qualified as a QFI. In Addition, a foreign investor who is accepted as a QFI can retain a swap agreement account for not more than twelve months from the opening of the QFI account at the Depository Center, afterward, all securities underlying the ultimate beneficiary swap account must be transferred to the QFI account. The ultimate beneficiary is defined as "non-resident foreign investor that receives the economic benefits of the securities listed on the Saudi Stock Exchange through swap transactions executed under the Swap Agreements".

What are the disclosure requirements that the foreign strategic investor shall comply with?

The foreign strategic investor shall comply with all disclosure requirements provided in the Capital Market Law and its Implementing Regulations and related laws, especially the Rules on the Offer of Securities and Continuing Obligations, where applicable.

Do the provisions of the Foreign Strategic Investors set out in the Rules for Foreign Investment in Securities apply on foreign legal persons who directly owned shares in companies listed on the Exchange before the provisions of these Instructions came into force?

Except for the provisions of paragraph (e) of article 6 of the rules which restricts the Foreign Strategic Investor from selling any of the shares it owned within a period of two years after the date of ownership of such shares, the other provisions of the Foreign Strategic Investors Ownership in Listed Companies shall apply on foreign legal persons who directly owned shares in companies listed on the Main Market, other than qualified foreign investors, before the these provisions came into force.

Can a foreigner be a foreign strategic investor and a qualified foreign investor owning shares in the same company, or vice versa, at the same time?

No, a foreigner cannot be a foreign strategic investor and a qualified foreign investor owning shares in the same company at the same time. In the event that a foreign investor wishes to convert from a foreign strategic investor to a qualified foreign investor in the same company



or vice versa, it must meet the relevant requirements set out in the Rules for Foreign Investment in Securities, as applicable, and transfer all shares from the foreign strategic investor account to the qualified foreign investor account or vice versa as applicable. Further, a foreigner may be a foreign strategic investor and a qualified foreign investor in the Exchange at the same time.

Is there a minimum or maximum limit for the targeted ownership percentage of the Strategic Shareholdings?

No, there is no minimum or maximum limit for the targeted ownership percentage of the Strategic Shareholdings, taking into account the restrictions mentioned in the Rules for Foreign Investment in Securities.

What are the methods available for foreign strategic investors to own Strategic Shareholdings in listed companies?

The strategic foreign investor may own Strategic Shareholdings in listed companies in any of the methods of ownership available under the Capital Market Law and its Implementing Regulations, including but not limited to the following:

- Buying through the market directly.
- Through a private transaction.
- Proposing an offer for the acquisition of shares.
- Participating in the initial public offerings according to the relevant prospectus.

What protection is available to minority shareholders in relation to Merger and Acquisition transactions?

The provisions of the Companies Law and Merger and Acquisition Regulations included a number of protections means for minority shareholders, such as:

First: Article 93 of The Companies Law:

1. An extraordinary general assembly meeting shall be deemed valid only if attended by shareholders who represent at least half of the company's voting shares, unless the company's articles of association stipulate a higher percentage, provided that such percentage does not exceed two thirds of the voting shares.

2. If the quorum required for an extraordinary general assembly meeting is not satisfied as stipulated in paragraph (1) of this Article, a call shall be made for a second meeting to be held under the same conditions stipulated in Article 91 of this Law. The second meeting may be held one hour after the end of the period set for the first meeting, provided that the invitation for the first meeting provides for the possibility of holding a second meeting. In all cases, the second meeting shall be deemed valid if attended by shareholders who represent at least a quarter of the company's voting shares.

3. If the quorum required for the second meeting is not satisfied, a call shall be made for a third meeting to be held under the same conditions stipulated in Article 91 of this Law. The third meeting shall be deemed valid regardless of the number of voting shares represented therein.



4. Decisions of an extraordinary general assembly meeting shall be passed by the vote of two-thirds of the voting shares represented therein. Decisions relating to the increase or decrease of capital, extension of the company's term, dissolution of the company prior to the expiry of the term specified in its articles of association, merger of the company with another company, or division of the company into two companies or more shall be deemed valid only if made by the vote of three-quarters of the voting shares represented in the meeting.

5. Decisions of the extraordinary general assembly which are required to be registered with the Commercial Register as prescribed by the Regulations shall be registered therewith by the board of directors within 15 days from their issuance date.

Second: Merger and Acquisition Regulations

Paragraph (c) of Article 3: In the case of an offer, All shareholders of the same type or class of an offeree company must be treated equally by an offeror.

Paragraph (e) of Article 3: During the course of an Offer, or when an Offer is in contemplation by the Offeree Company, neither an Offeror, nor the Offeree Company, nor any of their respective advisors may furnish information to some shareholders which is not readily made available to all shareholders. This principle does not apply to the following: 1) the furnishing of information in confidence by the Offeree Company to a bona fide potential Offeror or vice versa in the context of an Offer; or 2) the furnishing of information in confidence by the selling shareholder and/or Offeree Company to an Offeror in the context of a Private Transaction.

Paragraph (j) of Article 3: In case the board of the Offeree Company has reason to believe that a bona fide Offer might be imminent, the board of the Offeree Company may not take any action in relation to the affairs of the company, that may cause the rejection of the offer or preventing shareholders from making a decision on it, without the approval of the shareholders convened in a general assembly.

Paragraph (o) of Article 3: A director shall not vote at a meeting of board or of its committees or a general assembly meeting on any resolution concerning an offer subject to these Regulations or any other relevant matter where the director, any relative or representative of his/her has a conflict of interest. In this context such a conflict of interest would arise if:

- 1) the director has, directly or indirectly, an interest related to the offer or the potential offer.
- 2) the director is a shareholder in the Offeror and at the same time he/she is a director of the Offeree Company board, or vice versa.
- 3) the director is a director of the Offeror board and at the same time he/she is a board member of, or a manager in the Offeree Company, or vice versa.

Paragraph (a) of Article 23: Where a person (or persons Acting in Concert with it) increase an aggregate interest in shares through a restricted purchase of shares or restricted Offer for shares so that such person's ownership (individually or collectively with persons Acting in Concert with it) becomes 50% or more of a given class of shares listed on the Exchange carrying voting rights, the Board shall have the right to exercise its discretionary power in accordance with Article 54 of the Capital Market Law to order such person (and any person or persons



Acting in Concert with it) to Offer to purchase the shares of the same class it does not own of the Offeree Company on the terms set out in this Article and in accordance with the other relevant provisions of these Regulations. When an obligation to make a general Offer is incurred under this Article, it is not necessary for the Offer to extend to treasury shares in the Offeree Company.

Paragraph (a) of Article 24: Any person obtaining shares (or have control over them) by a deal or number of deals (in owned or controlled shares, or which is controlled by persons acting in concert with it) that represent 40% or more of a specific class of shares that carry voting rights, may not have control over its shares during the following 6 months of obtaining such percentage without the Authority's approval and in accordance with the conditions it specifies.

Paragraph (a) of Article 35: Information about the Offer, including announcements, statements, presentations, circulars and information concerning companies involved in an Offer must be made equally available to all shareholders as nearly as possible at the same time and in the same manner, including publication on the website of the Offeror and Offeree Company, through the exchange or other Regulatory Information Service Providers (as applicable), no later than the end of the trading day.

Sub-paragraph (2) of paragraph (b) of Article 36: Any break-up fee that is proposed must be of a minimal size (no more than 1% of the Offer value) and the Offeree Company board of directors and its Independent Financial Advisor must confirm to the Authority in writing that the fee is in the best interests of the Offeree Company's shareholders. Any break-up fee arrangement must be fully disclosed in the Offer Document and in the announcement made under paragraph (e) of Article 17.

What is the settlement cycle for securities listed in the Saudi Stock Exchange?

The settlement cycle for trading listed securities in the Saudi Stock Exchange is two business days after executing the transaction (T+2), and the prefunding condition is subject to the contractual arrangement with the concerned securities broker and is not a regulatory requirement.

What are the QFI qualification conditions set out in the Rules?

a) A foreign investor is required to be a QFI to invest in shares listed on the main market, provided that the following qualification conditions must be satisfied:

1) shall have a legal personality.

2) shall have assets under its own or its group ownership or management or custody of SAR (1,875,000,000) or more (or an equivalent amount), at the time of submitting an application to open an investment account. And the Authority may reduce the minimum of these assets.

b) The condition set out in sub-paragraph (2) of paragraph (A) above; shall not apply to the following categories:



- 1) Pension funds in which their 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 funds in which their main objective is to making grants to organizations, institutions, or individuals for scientific, educational, cultural purposes, including university endowments fund.
- 3) Market maker's client, provided that the Capital Market Institution verifies that the investment account is for market making purposes.
- 4) Government entities, central banks and investment funds fully owned (directly or indirectly) by a government entity, including sovereign funds and funds which take the form of pension and endowments funds; and
- 5) International organizations of which the Kingdom is a member and their affiliated institutions.

What is the difference between investing as QFI and investing through the Swap Agreements?

Investing as QFI in the listed securities will allow for ownership registration under the name of the QFI at the depository center. And the QFI will be able to exercise all rights as shareholders that are related to that securities including voting rights in accordance with the Companies Law, as well as trading rights during rights issues in accordance with CMA regulations. In contrast, the Swap Agreements do not allow for legal ownership of the underlying securities. The investor only receives economic benefits from the securities under the Swap Agreements.

Can a QFI invest in a fund not managed by him and invest directly in the Saudi Exchange?

Yes, the QFI can invest directly in listed securities in the local market as well as invest in the following investment funds, according to the regulations set by the Authority:

- Foreign Investment Fund Qualified as QFI according to the Rules.
- Investment fund that invests in the Saudi Stock Exchange through the swap agreement.
- Approved local investment funds by the Authority.

How can non-resident foreign investors that do not qualify as QFIs be able to gain exposure to the Saudi listed securities?

Non-resident foreign investors that do not qualify as QFIs may enter the Saudi capital market through the Swap Agreements, investment funds, or DPMs in accordance with the Rules for Foreign Investment in Securities.



Is the foreign advisor required to obtain authorisation by the CMA to practice advising activity when providing advice to a QFI?

The foreign advisor is not required to obtain authorisation by the CMA to practice advising activity when providing advice to a QFI.

How are investment fund assets will be calculated in the event of not fulfilling the minimum assets under management requirement and has appointed more than one foreign portfolio manager?

If the investment fund or its group does not fulfil the minimum assets under management requirement and has appointed more than one foreign portfolio manager, the investment fund or its group with one of the appointed portfolio managers or their group must have the assets under management of SAR (1,875,000,000) or more.

Can a legal person that the capital of which is majority owned by citizens or governments of the Cooperation Council for the Arab States of the Gulf (GCC) and who does not have the nationality of one of the GCC countries, submit an application to open an investment account as QFI?

Yes, the legal person that the capital of which is majority owned by citizens or governments of the Cooperation Council for the Arab States of the Gulf (GCC) and who holds the citizenship of non-GCC nationality can submit the application to open an investment account as QFI if it satisfies the conditions prescribed by the Rules, because in this case, the definition of GCC citizens as referred to in paragraph (c) of Article 2 of the Rules, does not apply to the applicant. As the applicant must be a person that the capital of which is majority owned by citizens or governments of the GCC and also holds the citizenship of one of the GCC countries.

Are foreign investors able to vote electronically in respect of the shares owned by them?

Yes, in accordance with Tadawulaty system.

Do assets under management include the assets of the funds managed by the QFI even if such funds do not satisfy the conditions required to be qualified as QFI?

Yes, assets under management include assets of the funds managed by the QFI even if such funds did not satisfy the conditions required to be as QFI.

Are QFIs subject to the Saudi Income Tax Law?

As per the Saudi Income Tax Law, QFIs are subject to a 5% withholding tax from the total dividends distributed by the listed company. Capital gains are not subject to tax. The Saudi Income Tax Law and its Implementing Regulations may be viewed through the following link:

<https://www.zatca.gov.sa>

Can a legal person that is newly established submit an application to open an investment account as a QFI?



Yes, subject to the fulfillment of the qualification requirements specified in the Rules for Foreign Investment in Securities.

How long does it take to transfer securities from a Swap Agreement account to a QFI account?

The shares shall be transferred within 2 business days from the date on which all the requirements were completed.

Does transferring securities from a Swap Agreement account to QFI account affect the market value of such securities?

Transferring securities from a Swap Agreement account to a QFI account does not affect the market value of the securities.

What are the costs of transferring securities from a Swap Agreement account to a QFI account?

The cost of transferring is 20 SAR for the securities of each listed company (not per security).

What are the responsibilities of Capital Market Institutions and foreign investors with regard to the ownership limits in listed companies stipulated in the Rules?

- Capital Market Institutions must comply with the relevant rules set out in the Capital Market Law and its Implementing Regulations, in particular the Capital Market Institutions Regulations, Market Conduct Regulations and the Rules. The capital market institution whom custody the securities that exceeded ownership limits must also comply with the ownership's procedures and provisions of the ownership controls in accordance with the Securities Depository Center Rules.
- Foreign investors shall comply with the ownership limits specified in sub-paragraphs (b/1), (b/3), and (b/4) of Article 6 of the Rules for investments in their account.

Can a QFI be the Foreign Counterparty under a Swap Agreements Framework?

Yes, a QFI can be the Foreign Counterparty in Swap Agreements.

Is there a special notification form with regards to the ownership in listed companies?

Yes, the notification shall be in accordance with a form prepared by the Exchange, which may be viewed through the following link: [Disclosure Forms](#)

Can QFIs vote in general assembly meetings?

Yes, in accordance with the Companies Law.



Can the foreign investor own (10%) or more of the shares of any issuer whose shares are listed or convertible debt instrument of the issuer through his QFI account and his ultimate beneficiary swap account within the first twelve months after the opening of a QFI account while retaining an ultimate beneficiary swap account?

No, the non-residing foreign investor shall not own (10%) or more of the shares of any issuer whose shares are listed or convertible debt instrument of the issuer for both accounts aggregated. Foreign investor must comply with the investment limitations provisions in the Capital Market Law and its Implementing Regulations, as well as the Rules and Regulations of the Exchange and other relevant laws.

Is it allowed for all categories of foreign investors to invest directly in the shares of the foreign issuer whose shares are listed on the Main Market?

Yes, all categories of foreign investors may invest directly in the shares of the foreign issuer whose shares are listed on the Main Market.

Who is responsible of complying with the investment limits when the QFI engages with foreign portfolio manager?

The QFI is responsible of complying with investment limits and disclosure requirements and abide by the Capital Market Law and its Implementing Regulations and the rules of the Exchange and other relevant laws.

What are the trading hours of the Saudi Stock Exchange?

Trading is open for one session from 10:00 am – 3:00 pm (KSA time zone), Sunday through Thursday. The Saudi Stock Exchange is closed during all official holidays.

Can QFI deal with a GCC portfolio manager?

Yes, the QFI can deal with a GCC portfolio manager for the management of its investments in the Saudi Stock Exchange.

Is it possible for QFI to deal with another QFI to manage his investments in listed securities?

Yes, the QFI can deal with another QFI to manage his investments in listed securities and that does not prejudice the responsibility to abide by the law and its implementing regulations and market rules and its regulations, and other rules that are related.

Who is responsible for deducting the withholding tax on dividends distributed to QFIs?

Listed companies are responsible for deducting the withholding tax from dividends that they distribute to QFIs.



What are the securities that the Rules permit foreign investors to invest in?

The Rules are governing the investment of foreign investors in listed securities, debt instruments, and funds.

Should each QFI open a separate account in the Depository Center?

Yes, every QFI shall open an independent account. After that, the QFI can open several investment portfolios that are linked to the account.

Is the QFI required to obtain authorisation by the CMA to practice dealing activity, when dealing as principal in the listed securities?

The QFI is not required to obtain authorisation from the CMA to practice dealing activity, when dealing as principal in the listed securities.

How do the Rules define GCC citizens?

The Rules define GCC citizens as: natural person who hold the citizenship of one of the Cooperation Council for the Arab States of the Gulf countries, Or legal person 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.

Can GCC citizens invest in listed securities through the Rules for Foreign Investment in Securities?

No, GCC citizens can invest directly in Saudi listed securities in accordance with regulations set by the Authority.

Can foreign investor nominate representatives for the board of directors of listed companies?

Yes, in accordance with the Companies Law.

Can foreign investor subscribe in Initial Public Offerings (IPOs)?

Yes, taking into consideration the provisions of the Rules, and in accordance with the relevant IPO prospectus.

Can foreign investor invests in listed derivatives?

Yes, foreign investor can invest in listed derivatives.

Is the foreign investor required to provide the Exchange with notifications regarding their ownership in listed companies?

Yes, the foreign investor is required to notify the Exchange as per the events stipulated in Article (85) of Rules on the Offer of Securities and Continuing Obligations which are as follow:

a) Any person must notify the Exchange if such person becomes the owner of, or is interested in, 5% or more of any class of voting shares or convertible debt instruments of the issuer at the



end of the third trading day following the execution of the transaction or the occurrence of the event which results such ownership or interest; The person notification to the Authority shall also include a list of persons, in which those persons, have an interest in the shares or convertible debt instruments which they own or control.

b) The person referred to in paragraph (a) of this Article must notify the Exchange in the event of any change to the list of persons referred to in paragraph (a) of this Article including any event which requires the inclusion of a person to that list or the exclusion of any person who has been previously included in that list. Such notification must be made at the end of the third trading day following the occurrence of the relevant event.

c) For the purposes of this Article, a person's notification to the Exchange pursuant to paragraph (a) of this Article, regarding its ownership or interest in (5%) or more of any class of voting shares of the foreign issuer whose shares are listed on the Main Market in accordance with the Listing Rules, limited to those listed in the Main Market pursuant to the Listing Rules.

d) For the purposes of this Article, in calculating the total number of shares or convertible debt instruments in which a person is interested, that person will be deemed to be interested in any shares or convertible debt instruments owned by or controlled by any of the following persons:

- 1) a relative of that person;
- 2) a company controlled by that person; or
- 3) any other persons with which that person has agreed to act in concert to acquire an interest in or exercise voting rights in the shares or in the convertible debt instruments of the issuer.

e) The notices referred to in this Article shall be in accordance with the form prepared for this regard. The notice referred to in paragraph (a) of this Article must contain at least the following information:

- 1) the names of the persons who own or have the right to dispose of the subject shares or convertible debt instruments;
- 2) details of the ownership process; and
- 3) details of any loans or financial support for the ownership process that the person has received from any other persons.

How can the information on ownership limits in listed companies stipulated in the Rules be obtained?

The Saudi Exchange Company publishes on its website a statistic reflecting the ownership percentage prespecified in sub-paragraph (2) of paragraph (b) of Article 6 of the Rules, and a statistic reflecting the ownership percentage of the Foreign Strategic Investors in listed companies. And the restrictions specified in sub-paragraphs (3) and (4) of paragraph (b) of Article (6) of the rules, according to the received information by the exchange from listed companies in this regard.



Also, Saudi Exchange Company publishes reports on its website showing the percentage of ownership available to foreign investors in the listed companies.

Is it required that the terms of a business agreement to be signed between the capital market institution and the qualified foreign investor?

In accordance with CMA Board's resolution issued on 23/11/2017, paragraph (b) of Article (38) of capital market institutions Regulations does not require that the terms of business with the clients be signed between the capital market institution and the investor as a legal person or the qualified foreign investor directly. The agreement may be indirect, provided that the terms of business define the basis for conducting securities business with the client or for his account. For example: a qualified foreign investor may delegate a third party to sign the terms of business agreement with the capital market institution, or the capital market institution may sign a master agreement with a third party covering the terms of business to the qualified foreign investor introduced by that party.

Is it permissible to rely on a third party to verify the documents required to open an investment account as per the Investment Accounts Instructions?

Yes, taking into consideration the provisions of reliance on third parties to conduct customer due diligence measures in accordance with the relevant provisions of the Anti-Money Laundering Law and Law of Combating Crimes of Terrorism and its Financing and their implementing regulations.

Is the capital market institution when opening an investment account for a QFI, or relying on a third party for opening an investment account for a QFI, required to obtain copies of identifications of the QFI's owners, managers, authorized signatories and persons authorized to manage the account?

As per the CMA Board resolution issued in this regard, the capital market institution when opening an investment account for a QFI is not required to obtain copies of the identification of the QFI's owners, managers, authorized signatories and persons authorized to manage the account, without prejudice to the capital market institution 's obligation to identify and verify their identity using reliable, independent source documents, data or information in accordance with the related laws, regulations and instructions. This includes cases in which the capital market institution rely on a third party for opening an investment account for a QFI, without prejudice to the capital market institution 's obligation to take adequate steps to ensure that copies of identification documents and other relevant documentation relating to the CDD requirements will be made available from the third party promptly upon request in accordance with the related laws, regulations and instructions.

What are the consequences for non-compliance of qualified foreign investor with the ownership limits in listed companies stipulated in the Rules?

In the case of non-compliance with the ownership limits, the provisions of Article (56) of the Securities Depository Center Rules applies and the foreign investor is considered in breach of the Rules, and the CMA can take the action it sees fit under the Capital Market Law specifically



the power stipulated under paragraph (a) of Article (59) of the Capital Market Law that states: "If it appears to the Authority that any person has committed or engaged in, or attempted to commit or engage in acts or practices constituting a violation of any provisions of this Law, the regulations or rules issued by the Authority, or the regulations of the Exchange, the Depository Center or the Clearing Center, the Authority shall have the right to bring a legal action before the Committee to seek an order for the appropriate sanction. The sanctions include the following: (3) obliging the person concerned to take the necessary steps to avert the violation, or to take such necessary corrective steps to address the results of the violation".

Does the foreign investor need to be aware of other laws or regulations?

The foreign investor must, at all times, comply with the relevant provisions stipulated in the Capital Market Law and its Implementing Regulations, Exchange Rules and its Regulations, and other related laws.

Who is the competent authority responsible for the resolution of disputes resulting from trading?

The Committee for the Resolution of Securities Disputes (CRSD) has the jurisdiction over the disputes falling under the provisions of the Capital Market Law, its Implementing Regulations, and the regulations, rules and instructions of the Authority, the Exchange, the Depository Center, and Clearing Center, with respect to public and private actions, including any trading disputes that may arise among all parties subject to the Rules. The CRSD's members shall be appointed by a Royal Order. The CRSD's decisions may be appealed before the Appeal Committee. The Appeal Committee shall have jurisdiction of considering objections on the decisions of the Committee for the Resolution of Securities Disputes based on the information provided for in the claim's file. The decisions of the Appeal Committee shall be final. The decisions issued by these committees are published in both Arabic and English on the Committees for the Resolution of Securities Disputes' website, and those decisions can be viewed through the following link: <http://www.crsd.org.sa>.

What is the following procedure after the elapse of twelve months of opening a qualified foreign investor account while retaining ultimate beneficiary swap account?

After the elapse of twelve months of opening a QFI account, the capital market institution that opened the QFI's investment account must ensure that the QFI closed one of the accounts and transferred all securities from the account which the foreign investor is intending to close to the account that foreign investor is intending to continue his investments through.

Should the foreign portfolio manager meet the conditions set out in paragraph (a) of Article 7 of the Rules when managing the QFI assets in listed securities?

No, the foreign portfolio manager should not meet the conditions set out in paragraph (a) of Article 7 of the Rules, when managing the QFI assets in listed securities.

How securities are transferred from a Swap Agreement account to a QFI account?



The transfer operation is done according to the following:

- 1) The QFI shall submit through the capital market institution that opened the QFI's investment account – a detailed transfer request of all securities under his swap agreement account where the QFI is the ultimate beneficiary, to his account at the Depository Center as per the form prepared by the Depository Center for this purpose.
- 2) The transfer request mentioned in paragraph (1) above shall be submitted when applying for opening an account with the Depository Center.
- 3) The Depository Center shall take the necessary procedures to execute the transfer process and close the swap agreements account of the QFI in relation.
- 4) The transfer process shall be executed after ensuring that there are no obligations (including, but not limited to, pledges or freeze on securities) or an on-going buy and sell orders on the securities in relation to the transfer request.
- 5) The cost of transferring is 20 Saudi Riyals for each company.

Can a QFI send trading orders through an international broker that is not qualified as a foreign investor?

If the international broker's role is limited to sending orders issued by the QFI to the capital market institution, then the international broker is not required to qualify as a QFI, provided that the international broker must have the authority to send such orders.

Can a portfolio manager be a capital market institution licensed by the Authority?

Yes, the QFI can deal with portfolio manager who is a capital market institution licensed by the CMA.

What is the process to submit a waiver from any of the provisions of the Rules in whole or in part?

Any person can apply for a waiver from any of the Rules provisions in whole or in part by sending a request for a waiver along with justifications to CMA's Chairman. The CMA will study the request to reach a decision to whether accept or reject it. The decision will be sent to the applicant of the waiver with explanation of rejection or the process to be followed if the request is approved.

Can a foreign investor establish a discretionary portfolio management (DPM) by a capital market institution?

A foreign investor (natural or legal person) can establish a DPM with a capital market institution in relation to its investments.

Can a QFI become a client of another capital market institution for the purpose of investing in listed securities?

Yes, a QFI can be a client of any other capital market institution when investing in listed securities.



Can a QFI deal with more than one portfolio manager?

Yes, the QFI can deal with more than one portfolio manager at the same time, either if it was a capital market institution authorised from the CMA or a foreign portfolio manager which includes a GCC portfolio manager.

Can QFIs receive financing from local banks to fund their investments?

Yes, pursuant to the applicable procedures set forth by the CMA and the Saudi Central Bank, QFIs can receive financing from local banks to fund their investments.

Will the Depository Center allow capital market institutions who are licensed to conduct custody activities, but who do not have a dealing license, to be connected with the Depository and Settlement System, in order to enable them to offer independent custody services for investors in Saudi listed securities?

Yes, the Depository Center allows capital market institutions with custody licenses to be connected with the Depository and Settlement System, so that they can offer custody and all related services to the investors. Therefore, investors in Saudi listed securities are able to appoint an independent custodian different than the capital market institution who executes their trades.

Is the foreign custodian required to obtain authorisation by the CMA to carry on custody activity when safeguarding listed securities belonging to a QFI?

The foreign custodian is not required to obtain authorisation by the CMA to carry on custody activity when safeguarding listed securities belonging to a QFI without prejudice to appoint a local capital market institution authorised by the CMA to carry out custody business.



Thank you