



The Capital Market Law

Important Notice:

The official text is in Arabic. This document is an unofficial translation and is provided for information purposes only.

Chapter One:

Definitions



Article One

Unless the context otherwise indicates, the following words and phrases, wherever they appear in this Law, shall have the meaning herein specified:

- Kingdom: the Kingdom of Saudi Arabia.
- The Authority: the Capital Market Authority.
- The Board: the Board of the Capital Market Authority.
- The Chairman: the Chairman of the Board of the Capital Market Authority.
- Person: any natural or legal person that is recognized as such under the laws of the Kingdom.
- The Exchange: a securities exchange licensed, in accordance with the provisions of this Law, to carry out trading in Securities in the Kingdom.
- Trading: buying and selling of Securities.
- Issuer: a person who is issuing or intending to issue Securities.
- Affiliate: a person who controls another person or is controlled by that other person, or who is being controlled along with that person by a third person.
- Control: the direct or indirect ability or power to exercise effective influence over the actions and decisions of another person.
- Underwriter: a person who buys Securities from the Issuer or an affiliate of the Issuer for the purpose of offering, placing and marketing such Securities to the public, or a person who sells Securities on behalf of the Issuer or an affiliate of the Issuer for the purpose of making a public offering and placement of such Securities to the public.
- Relatives: husband, wife and minor children.



- Placement or Offering of Securities: issuing Securities, inviting the public to subscribe therein or directly or indirectly marketing Securities; or any statement, announcement or communication that has the effect of selling, issuing or offering Securities; this does not include preliminary negotiations or contracts entered into with or between Underwriters.
- Investment Adviser: an adviser who provides, offers, or agrees to provide advice to others in their capacity as investors or potential investors and in relation to purchasing, selling, subscribing or underwriting a security, or exercising any right conferred by a security to acquire, dispose of, underwrite or convert such security.
- The Depository Center: a Securities depository center licensed, in accordance with the provisions of this Law, to carry out in the Kingdom operations of deposit, transfer, settlement, and registration of ownership of Securities traded on the Exchange.
- The Clearing Center: a Securities clearing center licensed, in accordance with the provisions of this Law, to carry out operations of Securities clearing in the Kingdom.
- The Committee: the Committee for the Resolution of Securities Disputes.
- The Implementing Regulations: the rules, instructions and procedures issued by the Authority for the implementation of the provisions of this Law.
- Internal Regulations: the regulations issued by the Authority in relation to the Authority's administrative and financial affairs and the affairs of its personnel and staff.

Article Two

With due consideration to the provisions of Article three of this Law, for the purposes of this Law the term "Securities" shall mean:

- a) Convertible and tradeable shares of companies;



- b) Tradeable debt instruments issued by companies, the government, public institutions or public organisations;
- c) Investment units issued by investment funds;
- d) Any instruments representing profit participation rights and any rights in the distribution of assets, or either of the foregoing;
- e) Any other rights or instruments which the Board determines should be included or treated as Securities if the Board believes that this would further the safety of the market or the protection of investors. The Board can exercise its power to exempt from the definition of Securities rights or instruments that otherwise would be treated as Securities under paragraphs (a, b, c, d) of this Article if it believes that it is not necessary to treat them as Securities, based on the requirements of the safety of the market and the protection of investors.

Article Three

Commercial bills such as cheques, bills of exchange, promissory notes, documentary credits, money transfers, instruments exclusively traded among banks, and insurance policies shall not be considered Securities.

Chapter Two: The Capital Market Authority



Article Four

- a) An Authority to be named “The Capital Market Authority” is hereby established in the Kingdom and shall directly report to the President of the Council of Ministers. It shall have a legal personality and financial and administrative autonomy. It shall be vested with all authorities as may be necessary to discharge its responsibilities and functions under this Law. The Authority shall enjoy exemptions and facilities enjoyed by public organisations. Its personnel shall be subject to the Labour Law.
- b) The Authority shall not have the right to engage in any commercial activities, to have a special interest in any project intended for profit, to borrow or lend any funds, or to acquire, own or issue any Securities.

Article Five

- a) The Authority shall be the agency responsible for issuing regulations, rules and instructions, and for applying the provisions of this Law.

To achieve these objectives, the Authority shall:

- 1) Regulate and develop the Exchange, seek to develop and improve methods of systems and entities trading in Securities, and develop the procedures that would reduce the risks related to Securities transactions.
- 2) Regulate the issuance of Securities and monitor Securities and dealing in Securities.
- 3) Regulate and monitor the works and activities of parties subject to the control and supervision of the Authority.
- 4) Protect citizens and investors in Securities from unfair and unsound practices or practices involving fraud, deceit, cheating or manipulation.



- 5) Seek to achieve fairness, efficiency and transparency in Securities transactions.
 - 6) Regulate and monitor the full disclosure of information regarding Securities and their issuers, the dealings of informed persons and major shareholders and investors, and define and make available information which the participants in the market should provide and disclose to shareholders and the public.
 - 7) Regulate proxy and purchase requests and public offers of shares.
 - 8) License the establishment of special purposes entity, and regulate and control its business, uses, issuance of Securities, the registration in its registry established by the Authority and the provisions of its articles of incorporation, and regulate the provisions of the registration of funds transferred to it, including documentation of the rights thereof and its legal standing against others, and the issuance of rules governing thereof.
 - 9) Regulate the pledge of Securities and its enforcement.
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- b) The Authority may publish a draft of regulations and rules before issuing or amending them. The regulations, rules and instructions issued by the Authority shall be effective in the manner prescribed under their provisions.
 - c) For the purpose of conducting all investigations which, in the opinion of the Board, are necessary for the enforcement of the provisions of this Law and other regulations and rules issued pursuant to this Law, the members of the Authority and its employees designated by the Board are empowered to subpoena witnesses, take evidence, and require the production of any records, papers, or other documents which the Authority deems relevant or material to its investigation. The Authority shall have the power to carry out inspections of the records or any other materials, whoever the holder may be, to determine whether the



person concerned has violated, or is about to violate any provision of this Law, the Implementing Regulations or the rules issued by the Authority.

- d) The special purposes entity shall have legal personality and financial autonomy, and it shall cease to exist with the end of the purpose for which it was established for in accordance with the rules and regulations issued by the Authority.

Article Six

- a) The Authority shall have the power to carry out its functions under this Law as well as the regulations, rules and instructions issued pursuant thereto including, but not limited, the power to:
 - 1) Set forth policies and plans, conduct studies and issue rules necessary to achieve the Authority's objectives.
 - 2) Issue and amend the Implementing Regulations as may be necessary to enforce the provisions of this Law.
 - 3) Approve the offering of Securities.
 - 4) Give advice and make recommendations to government authorities in respect of matters that would contribute to the development of the Exchange and the protection of investors in Securities.
 - 5) Suspend the Exchange's activities for a period of not more than one day; and in cases where the Authority or the Minister of Finance deems it necessary to suspend the Exchange's activity for more than one day, the approval of this decision must be issued by the Minister of Finance.
 - 6) Approve the listing, cancel or suspend the listing, of any Saudi Security traded on the Exchange of any Saudi issuer, on any securities exchange outside the Kingdom.



- 7) Prohibit any Security or suspend the issuance or trading of any Securities on the Exchange, as the Authority may deem necessary.
- 8) Determine the fees and commissions charged by brokers to their clients if the Board deems it appropriate, and approve the fees and other commissions charged by the Exchange, the Depository Center, and the Clearing Center.
- 9) In addition to other provisions of relevant regulations, the Authority shall have the right to establish standards and conditions required in the auditors who audit the books and records of the Exchange, the Depository Center, the Clearing Center, brokerage companies, investment funds, joint stock companies listed on the Exchange, special purposes entities, and rating agencies and companies. The Authority, with due consideration to its supervisory responsibilities, shall have the right to delegate this responsibility to the Saudi Organization for Certified Public Accountants.
- 10) Determine the contents of annual and periodical financial statements, reports and documents that must be submitted by Issuers offering Securities to the public or Issuers whose Securities are listed on the Exchange.
- 11) Define and explain the terms and provisions set out in this Law.
- 12) Issue decisions, instructions and set the procedure as deemed necessary for the implementation of the provisions of this Law and the Implementing Regulations, and conduct inquiries and investigations regarding violations of the provisions of this Law and the Implementing Regulations.
- 13) Set Internal Regulations and issue instructions and set the procedures as necessary for the management of the Authority.
- 14) Approve the regulations, rules and policies of the Exchange, the Depository Center, and the Clearing Center.



- 15) Prepare the regulations and rules for the monitoring and supervision of entities subject to the provisions of this Law.
 - 16) Approve the establishment, merger and liquidation of investment funds and their related operating rules in accordance with the provisions of Article Thirty-nine of this Law.
 - 17) Appoint a licensed auditor to audit the Authority's financial statements and final accounts.
 - 18) Grant the necessary licenses to be issued in accordance with the provisions of this Law and its Implementing Regulations, including the licensing of rating companies and agencies and the conditions thereof.
 - 19) Prepare the Authority's annual budget.
 - 20) Regulate the reporting of violations of this Law, its Implementing Regulations, and the regulations of the Exchange, the Depository Center, and the Clearing Center, including determining the financial rewards for those who report such violations, the criteria for its eligibility and disbursement, and the procedures that contribute to the protection of those who report such violations.
 - 21) Establish professional standards for brokers and their agents.
 - 22) Determine the minimum capital required for brokerage companies and the financial guarantees required from such companies, and ensure the strength and durability of their financial positions through the periodic review of their compliance with capital adequacy requirements, in addition to setting out the necessary arrangements to protect the funds and Securities in the custody of brokerage companies.
- b) Upon exercising its powers in accordance with this Law and its Implementing Regulations, the Authority shall coordinate with the Saudi Arabian Monetary Authority in connection with the procedures that it intends to set that may have an impact on the monetary situation.



Article Seven

- a) The Authority shall have a board known as the “Board of the Capital Market Authority” comprising five members, who shall be natural Saudi Arabian persons working on a full time basis, and shall be professionally qualified. The Board members shall be appointed, and their salaries and financial benefits determined, by Royal Order. The Royal Order shall specify from the Board members the chairman and deputy chairman who will replace the chairman in his absence.
- b) The term of membership of the Board shall be five years, renewable once. The member shall remain in his office after the termination of his membership term until a successor is appointed.
- c) The Board shall set forth the Internal Regulations of the Authority and the manner in which the personnel, advisors, auditors and any other experts shall be appointed as may be necessary for carrying out the responsibilities and functions entrusted to the Authority. The Board shall determine their salaries and remunerations.
- d) The Board shall exercise all authorities entrusted to the Authority in accordance with the provisions of this Law. The Board will specify how the Authority’s functions, responsibilities and operations will be organized among its divisions and departments. The Internal Regulations of the Authority will set forth the requirements for the operation of these departments and divisions. Except for the powers conferred by this Law exclusively upon the Board, the Board may delegate, by a published resolution, any of its functions. The Board shall, however, at its discretion, retain the power to review the actions and decisions made by those who had been delegated with such powers. Such a review will be made at the Board’s initiative, upon the request of one of its members, or upon the request of a party to a lawsuit arising under the provisions of this Law and in compliance with the rules issued by the Authority.



Article Eight

Any person who becomes an employee of the Authority or a member of the Board must, immediately upon commencing their duties, disclose to the Authority, in the manner set forth in the regulations of the Authority, the Securities he owns or has at his disposal or at the disposal of one of his relatives, and thereafter declare any change thereon within three days of becoming aware of such change. Any of those who become agents for the Authority must also make this disclosure in connection to what is related to the work entrusted to them, in the manner specified in the regulations of the Authority.

Article Nine

The members of the Board and the employees of the Authority shall not engage in any other profession or job, including occupying a position or a post in any company, in the government, or in public or private institutions. Furthermore, they shall not provide advice to companies and private institutions.

Article Ten

- a) The Board shall hold its meetings at the request of its chairman. Board meetings must be attended by at least three of its members including the chairman or vice chairman. Its resolutions shall be made upon a vote of a majority of the members attending the meeting. In case of equal votes, the chairman of the meeting will have a casting vote.
- b) The Internal Regulations will set forth the conditions and requirements with respect to convening meetings of the Board, including the notice for a meeting. The rules issued by the Authority may provide that it is permitted to vote for resolutions to be passed by the Board in emergency situations by telephone or by any other means of communication.



Article Eleven

The chairman of the Board shall be the Authority's chief executive officer who shall implement the Authority's policy and shall be responsible for the management of its affairs, including the following:

- a) Implementing the resolutions taken by the Board.
- b) Signing, alone or jointly with others, the Authority's reports, accounting statements, financial statements, correspondence and documents.
- c) The Authority's administrative and financial affairs.

Article Twelve

- a) The vice chairman shall carry out the tasks and duties of the chairman if the chairman is absent, is unable to carry out his duties, or if his position becomes vacant.
- b) The chairman may delegate to another member of the Board or to any employee of the Authority some of the powers entrusted to him provided that such delegation shall be specific and in writing.

Article Thirteen

- a) The financial resources of the Authority shall consist of the following:
 - 1) Fees for services and commissions charged by the Authority in accordance with the provisions of this Law and the regulations and instructions issued in pursuance thereof.
 - 2) Charges against using its facilities, returns on its funds, and proceeds of the sale of its assets.
 - 3) Fines and financial penalties imposed on violators of the provisions of this Law.
 - 4) Funds provided by the government to the Authority.
 - 5) Any other resources determined by the Board.



b) The Board shall determine the fees to be paid to the Authority for the following matters:

- 1) Registration of Securities with the Authority.
- 2) Listing of Securities on the Exchange.
- 3) Trading of Securities.
- 4) Licensing and renewal of licenses of brokerage companies or investment advisers.
- 5) Registration of investment funds.
- 6) Any other service provided by the Authority in accordance with the provisions of this Law and its Implementing Regulations.

Article Fourteen

The Authority shall have a separate annual budget that will be submitted to the Minister of Finance and will be approved in accordance with applicable regulations. Surplus funds collected by the Authority under Article 13 of this Law and under the provisions, rules and instructions issued thereunder, shall be remitted to the Ministry of Finance after deducting all current and capital expenses and other expenses needed by the Authority. The Authority shall maintain a general reserve equal to double of its expenditures as reported in its preceding annual budget.

Article Fifteen

Any sums owed to the Authority by third parties shall be considered as public funds and enjoy the same treatment as debts owed to the public treasury and shall be collected in accordance with the procedures for the collection of debts due to the public treasury.



Article Sixteen

The chairman of the Board shall present to the President of the Council of Ministers an annual report on the Authority's activities and its financial position during the preceding year within ninety days from the end of the year.

Article Seventeen

Any undisclosed information obtained by the Authority is considered confidential. The Authority may disclose any part of this information as the Board deems necessary for the protection of investors.

Article Eighteen

Government agencies and other persons must provide the Authority with the documents and information it requires for the purposes of carrying out its duties in accordance with the provisions of this Law.

Article Nineteen

The Internal Regulations issued pursuant to this Law will determine the rules, instructions and procedures relating to the Authority's administrative and financial affairs and the Authority's personnel affairs, including rules of professional conduct and the means of development of the Authority's operations, realization of its objectives and the enhancement of the performance and professional and academic standards of its staff.

Chapter Three:

The Exchange, the Depository Center, and the Clearing Center



Article Twenty

- a) It shall be prohibited for any person to carry out any activities of the Exchange, the Depository Center, or the Clearing Center, or establish or operate any of them without obtaining a license from the Authority, provided that such person takes the legal form of a joint stock company.
- b) The Implementing Regulations shall specify the provisions related to the licensing of the Exchange, the Depository Center, and the Clearing Center, including the requirements for licensing and maintaining such license, as well as the provisions relating to its relinquishment.
- c) The Authority may exempt any security from the activities of the Depository Center or the Clearing Center. The Depository Center or the Clearing Center may perform a part of the activities of the Clearing Center or the Depository Center for a certain category of securities as the Board deems fit.

Article Twenty Bis

- a) The objectives of the Exchange include ensuring fairness, efficiency and transparency of the listing requirements, the trading rules and its technical methods, and the information of the Securities listed on the Exchange;
- b) The Exchange shall be prohibited from distributing to its members any cash or in-kind distributions as share dividends without the approval of the Board.



Article Twenty-One

Securities listed on the Exchange shall be traded through transactions made between brokers each on behalf of its client, and shall be proven by entries in the records of the Exchange in accordance with the provisions of this Law, unless such transactions are excluded from trading pursuant to the rules and instructions issued by the Authority.

Article Twenty-Two

- a) The regulations and rules of the Exchange, the Depository Center, and the Clearing Center - each within its own purview - shall specify the conditions and requirements of the membership in each of them.
- b) The Exchange, the Depository Center, and the Clearing Center - each within its own purview - shall submit the names of the persons nominated for membership in their boards of directors to the Board of the Authority for approval on their nomination prior to their election by the shareholders' general assembly.
- c) The regulations and instructions approved by the Board of the Authority shall specify the procedures related to convening the meetings of the boards of directors of the Exchange, the Depository Center, and the Clearing Center, their decision making process, plans for conducting their activities, the powers and responsibilities entrusted to their board of directors and executive manager, and all other related administrative and financial affairs.

Article Twenty-Three

- a) The boards of directors of the Exchange, the Depository Center, and the Clearing Center - each within its own purview - shall propose the necessary regulations, rules and instructions for their operations, including in relation to the following matters:



- 1) The conditions and requirements for the membership of the Exchange, the Depository Center, and the Clearing Center.
 - 2) The professional conduct standards applied to the members of the Exchange, the Depository Center, and the Clearing Center, and the employees of such members, the members of their board of directors, executive manager and the employees of the Exchange, the Depository Center, and the Clearing Center. This includes the procedures and disciplinary sanctions against any violator of such standards or any other conditions or requirements set forth in the regulations and instructions.
 - 3) Settling disputes among members of the Exchange, the Depository Center and the Clearing Center, and disputes between those members and their clients.
 - 4) Any other rules and instructions that the Exchange, the Depository Center or the Clearing Center deem necessary for the protection of investors through ensuring fairness, efficiency and transparency in all affairs related to the Exchange, the Depository Center or the Clearing Center.
- b) With due consideration to the provisions of paragraph (a) of this Article, the board of directors of the Exchange shall propose regulations, rules and instructions regarding: the conditions for listing and trading of Securities; the immediate and regular publication of the information related to executed transactions of the Securities traded on the Exchange; the obligations of Issuers, shareholders and members to disclose to the Exchange the information that the Exchange believes to be necessary, and the appropriate controls and procedures that allow licensed brokerage companies, other than the members of the Exchange, to execute their transactions on the Exchange.
- c) With due consideration to the provisions of paragraph (a) of this Article, the board of directors of the Depository Center shall propose regulations, rules and instructions regarding the sound and effective procedures that



ensure the efficiency of the processes for the registration of Securities traded on the Exchange, and that they are settled in accordance with related regulatory procedures, as well as the necessary procedures to address the inability of the members of the Depository Center to settle transactions through the Depository Center. The Depository Center may maintain accounts in commercial banks and the Saudi Arabian Monetary Authority, or any other entity approved by the Board of the Authority for the purposes of deposit, settlement and clearance of Securities transactions within its operations.

- d) With due consideration to the provisions of paragraph (a) of this Article, the board of directors of the Clearing Center shall propose regulations, rules and instructions regarding: the sound and effective procedures that ensure the efficiency of Securities clearing processes, including the specification of rights and obligations arising from Securities trading activities, the methods for covering the financial positions resulting from such activities, and all subsequent deductions and additions to the accounts assigned for that purpose; the procedures for clearing the sale prices after settlement; the provisions for the collaterals and pledges necessary for its operation, and the mechanism for receiving, managing, liquidating and enforcing it, and the methods and procedures for managing the default of members of the Clearing Center. The Clearing Center may maintain accounts in commercial banks, the Saudi Arabian Monetary Authority, and the Depository Center or any other entity approved by the Board of the Authority for the purposes of clearing operations and the maintenance and deposit of collaterals within its operations.
- e) The Exchange, the Depository Center, and the Clearing Center shall submit to the Authority the regulations, rules, and instructions for their operations, and the amendments thereof, for approval by the Board.



Article Twenty-Four

The Exchange may charge fees on its members, Issuers of Securities listed on the Exchange, and others for services it provides to them.

Article Twenty-Five

The Exchange, the Depository Center, and the Clearing Center shall appoint an executive manager for each of them after obtaining the approval of the Board. The executive manager is prohibited from performing any other governmental or commercial work or from having any interest with or any ownership in any of the members of the Exchange, the Depository Center or the Clearing Center for which he works. The executive manager may be removed from his position by a decision from the entity for which he works.

Article Twenty-Six

With due consideration to the provisions of Article 31 of this Law, Securities listed or traded in a regulated financial market outside the Kingdom are not subject to the provisions of this Law even if the trading in such a market originates by orders transmitted telephonically or electronically from within the Kingdom, with the exception of what may be agreed upon by the Authority with other foreign authorities.

Article Twenty-Seven

- a) Ownership of Securities traded on the Exchange shall be registered in the Depository Center through entries made to its records in order to be protected against third party claims. The Depository Center's records shall also include pledges or other claims related to the Securities traded on the Exchange.
- b) The Depository Center shall be responsible for the registration of all property rights in Securities traded on the Exchange. The final entries reported in the records of the Depository Center shall serve as conclusive evidence and proof of ownership of the Securities indicated therein and



the encumbrances and rights associated therewith, taking into consideration the provisions of paragraph (d) of this Article.

- c) Registration of ownership of Securities shall be effective from the time of final verification by the Depository Center of the authenticity of the ownership documents. The Depository Center shall promptly register all transactions effected upon being reported to and received by the Depository Center. If the Depository Center has reason to doubt actual or legal facts or consequences related to the registration of ownership, or if the Depository Center receives any notice that registration will harm the rights of third parties, the Depository Center may make a preliminary registration and, if it does so, shall immediately take appropriate measures to decide how the final registration for such Security shall be effected.
- d) A person who believes that there is an error in the information entered into the registry so that the registry needs to be corrected or otherwise amended should make a written request to the manager of the Depository Center or the person appointed by the manager to receive such requests. The Depository Center shall correct or amend the registry after confirming the information that is requested to be corrected or amended in the registry. Such correction or amendment can only be effected after providing notice to the person or persons the registry identifies as owning the Security, and giving them a reasonable opportunity to comment on the required correction or amendment.
- e) The Depository Center shall issue a certificate of registration upon request by the investor. The operating rules of the Depository Center will specify the manner in which periodic reports to all the owners of Securities registered on the Depository Center's records on the Securities owned by each owner and which are recorded with the Depository Center's records.
- f) Claims against decisions with respect to the registration of Securities listed on the Exchange shall be brought before the Committee.
- g) The Depository Center shall be liable for any monetary damage suffered by an investor resulting from the proven negligence or misconduct of the



Depository Center's employees that caused an error in the registration process.

- h) The compensation due for the damage under paragraph (g) of this Article may be reduced, or even not granted, if the claimant has contributed to causing the error in registration or if the error could have been avoided.

Article Twenty-Eight

The employees, independent auditors, advisors, and consultants of the Exchange, the Depository Center, the Clearing Center may not disclose any information about owners of Securities, or the owners of the financial positions registered in the records, except in the cases that are provided for in the rules issued by the Exchange, the Depository Center, or the Clearing Center in this regard.

Article Twenty-Nine

The Depository Center and the Clearing Center may charge fees and commissions for their services as may be provided for in the Implementing Regulations and operating rules of the Depository Center and the Clearing Center.

Chapter Four:

The Committee for the Resolution of Securities Disputes and the Appeal Committee for Securities Disputes



Article Thirty

- a) A committee to be known as the “the Committee for the Resolution of Securities Disputes” shall be established, and shall have jurisdiction over the disputes, in public and private actions, falling within the provisions of this Law, its Implementing Regulations, and the regulations, rules and instructions of the Authority, the Exchange, the Depository Center, and the Clearing Center. The Committee shall have all necessary powers to investigate and settle claims, including the power to issue subpoenas to witnesses, order the production of evidence and documents, issue decisions, and impose sanctions.
- b) The Committee shall consist of one circuit or more, and each circuit shall consist of three regular members and one substitute member with legal qualification and expertise in commercial, financial, and Securities disputes. The head and members of each circuit shall be appointed by a Royal Order for a three-year renewable term. Upon the lapse of such term with no restructuring of the members or renewal of their term, they shall continue to perform their work until a Royal Order is issued in this respect.
- c) The members of the Committee must not have a financial or commercial interest, whether directly or indirectly, with the parties of the claim considered before the Committee, and must have no familial relationship to the fourth degree with such parties.
- d) The Committee shall commence consideration of the claim within a period not exceeding fourteen days from the date of filing the claim with the Committee.
- e) The Committee’s jurisdiction shall include claims against decisions and actions taken by the Authority, the Exchange, the Depository Center or the Clearing Center, and the Committee shall have the right to issue a decision awarding damages and request to revert to the original status, or



issue another decision that is appropriate and would guarantee the rights of the aggrieved.

- f) The regulations and rules of the Authority shall specify the procedures that the Committee shall follow regarding the claims presented to it, and the rules for class-action claims in Securities disputes.
- g) No statement of claim may be filed with the Committee without filing a complaint first with the Authority and a (90) day period has passed from its filing date, unless the Authority notifies the claimant that he may file the claim with the Committee before the end of this period. The Authority may define exceptions to the provisions of this paragraph as it deems appropriate to achieve market safety and investors protection.
- h) The Committee's decisions may be appealed before the Appeal Committee within thirty days from their notification date.
- i) A Committee known as "the Appeal Committee for Securities Disputes" shall be established. It shall consist of one circuit or more, and each circuit shall consist of three regular members and one substitute member with legal qualification and expertise in commercial, financial, and Securities disputes. The head and members of each circuit shall be appointed by a Royal Order for a three-year renewable term. Upon the lapse of such term with no restructuring of the members or renewal of their term, they shall continue to perform their work until a Royal Order is issued in this respect. The members of the Appeal Committee must not have a financial or commercial interest, whether directly or indirectly, with the parties of the claim being considered before them, and must have no familial relationship to the fourth degree with such parties. 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.
- j) At the request of the Authority, the Exchange, the Depository Center or the Clearing Center, final decisions shall be enforced through the government agency responsible for the enforcement of judicial

judgments. Decisions issued in favor of the parties pursuant to Articles 55, 56 and 57 of Chapter 10 of this Law shall be enforced by such parties in accordance with the procedure for enforcement of judicial judgment in civil proceedings.

- k) Evidence in Securities cases shall be admissible in all forms including electronic or computer data, telephone recordings, facsimile messages and electronic mail.

Chapter Five: Brokers and Members Regulation



Article Thirty-One

With due consideration to the provisions of paragraph (c) of Article 32 of this Law, no person may carry out any of the activities provided for in Article 32 of this Law in the Kingdom, or claim to practice it, unless it has obtained a license from the Authority, even if the relevant security is listed or traded in a financial market regulated outside the Kingdom.

Article Thirty-Two

- a) Broker means a joint stock company that carries on brokerage activities and the broker agent who is working at the brokerage company and carries out all or part the following activities:
- 1) Acts in a commercial capacity as an intermediary in the trading of Securities, other than persons working on the basis of a contractual arrangement as defined in paragraph (b) of this Article, including any person who commercially acts as a custodian for Securities;
 - 2) Presents in a commercial capacity an offer to others for obtaining financial assets in the form of Securities by opening an account through which transactions in Securities may be effected;
 - 3) Effects in a commercial capacity Securities transactions for its own account other than by way of issuing Securities, in order to create a market in Securities and make a profit out of the difference between offer prices for Securities and demand;
 - 4) Acquires or offers Securities in a commercial capacity for an Issuer or a person who controls such Issuer;
 - 5) Acts as an intermediary in a commercial capacity - other than persons who act on the basis of a contractual arrangement as defined in paragraph (b) of this Article - including in arranging currency or Securities swaps.
- b) A portfolio manager means:



- 1) Any person acting in a commercial capacity who, on the basis of a contractual arrangement or otherwise, manages either Securities owned by a person or investment funds owned by a natural or judicial person that are intended for investment in Securities, and whose activities may include transactions in Securities or ordering Securities transactions to be effected for the account of the person with whom the contractual arrangements have been made;
 - 2) Any person acting in a commercial capacity who, on the basis of a contractual arrangement, carries on the works mentioned in paragraph (a/5) of this Article.
- c) The Authority may specify, in the rules that it issues, exemptions from the provisions of paragraphs (a) and (b) of this Article as it deems fit to achieve the safety of the market and the protection of the investor.

Article Thirty-Three

- a) The Authority shall grant the license referred to under Article 31 of this Law within thirty days of receiving the information and documents that are required by the rules issued by the Authority and which demonstrate that the applicant satisfies the conditions and requirements necessary for obtaining a license for working as a broker or a broker's agent. The term of validity of the licenses must be defined and their holder must be subject to periodic qualification examination as set forth by the Implementing Regulations.
- b) The Implementing Regulations shall set forth the requirements and conditions that must be met by applicants for obtaining a brokerage license. The conditions for licensing or renewal of a license must include the following:
 - 1) Criteria pertaining to an applicant's competence to act as a broker or a broker's agent;
 - 2) Criteria for the integrity and suitability of persons to conduct brokerage activities;



- 3) Minimum capital requirements that brokerage companies must continually meet, which must not be less than (SR 50 million).

Article Thirty-Four

Each member of the Exchange, the Depository Center and the Clearing Center must comply with the regulations and rules pertaining to the regulation of the activities of each of them.

Article Thirty-Five

The Exchange may carry out investigations and inspections in connection with any of its members to verify whether that member or another person has violated, is violating or there are indications that it is about to violate the regulations and instructions of the Exchange. Such powers shall include the power to require persons' testimony, papers, books and documents which the Exchange deems necessary or relevant to its inquiry. The Exchange may require the attendance of witnesses or the submission of documents and evidence, and inspection may take place wherever the records are situated. The Exchange exercises its investigatory and inspection powers by submitting a request that includes its justification to obtain the Committee's decision to that effect. The Committee shall accept the Exchange's request by issuing the required decision unless it has established that the Exchange's request is arbitrary or involves abuse of power.

Article Thirty-Six

Any broker or broker's agent may relinquish its license by filing a written notice with the Authority in accordance with such terms and conditions as the Authority may deem necessary or appropriate for the safety of the market or the protection of the investor.

Article Thirty-Seven

Licensed brokers or broker's agents must file with the Authority and the Exchange such reports as required by the regulations and rules of the Authority and the Exchange.

Article Thirty-Eight

The Authority shall supervise the compulsory and voluntary liquidation of the broker's business.

Chapter Six:

Investment Funds and Collective Investment Schemes



Article Thirty-Nine

- a) An investment fund is a collective investment scheme aimed at providing investors therein with an opportunity to participate collectively in the profits of the scheme which is managed by an investment manager for specified fees.
- b) The Authority shall assume the power to regulate the activities of investment funds managed by banks within two years from the enactment of this Law.
- c) The Authority shall regulate portfolio managers and investment advisers and supervise them. This shall include setting the regulations, rules and instructions that pertain to the following:
 - 1) The organizational structure;
 - 2) Accounting systems and operational rules;
 - 3) Investment fund governance and decision making;
 - 4) Securities custody procedures and efficient provision of services to clients;
 - 5) Services fees and commissions and management remuneration;
 - 6) Entering into transactions with related parties;
 - 7) Performance reports and the calculation of asset values and unit prices and advertisement;
 - 8) Conditions and requirements for the approval of establishing new funds;
 - 9) Financial and periodic reporting requirements of funds;
 - 10) Liquidity requirements and risk limits;
 - 11) Professional qualifications, personal suitability, financial responsibility and licensing requirements.

Chapter Seven:

Disclosure



Article Forty

- a) The contents of the prospectus set forth under Article 42 of this Law, or portions thereof, shall be published in such a manner and for such duration as required by the regulations and rules of the Authority.
- b) An Issuer or an Affiliate of an Issuer or an Underwriter may not Offer Securities of the Issuer or the Issuer's Affiliate unless he has submitted a prospectus to the Authority, published the prospectus in the manner set forth in paragraph (a) of this Article, and has paid the requisite fees. The Authority may exempt the Issuer from some requirements based on the manner of the Offering, the amount of the Offering, the number of investors and their characteristics, or the characteristic of the Issuer of the Security or the Security itself.
- c) Upon satisfying the requirements of paragraphs (a) and (b) of this Article, Offers may be made in any of the forms listed below:
 - 1) Verbally;
 - 2) Through a prospectus satisfying the conditions of Article 42 of this Law;
 - 3) Through an announcement containing a summary of the prospectus and any other information required by the Authority or authorized by it in accordance with the rules specified by the Authority;
 - 4) Through other means, including electronic media, provided that such mean has been approved by the Authority.

Article Forty-One

An Issuer, an Affiliate of the Issuer or an Underwriter may not sell any Security owned by that Issuer before the prospectus is approved by the Authority and becomes effective, provided that the approved prospectus shall be sent to the buyer prior to the sale date in accordance with such rules as the Authority may issue.



Article Forty-Two

The prospectus must contain the following information and statements:

- a) Information required by the Authority's rules that give an adequate description of the Issuer, the nature of its business, the individuals in charge of its management such as members of the board of directors, executive officers, senior staff and its major shareholders.
- b) Information required by the Authority's rules which give an adequate description of the Securities to be issued, their number, price, and related rights, preferences or privileges of the Issuer's other Securities, if any. The description will set forth how the issue proceeds will be disbursed, and the commissions levied by persons connected with the issue.
- c) A clear statement of the financial position of the issuer and any significant financial data including the audited financial balance sheet, profit and loss account and cash flow statement as the rules of the Authority may require.
- d) Any other information required or authorized by the Authority in accordance with rules issued by the Authority which it deems necessary to assist investors and their advisers in making decisions about investing in the Securities to be issued.

Article Forty-Three

- a) After its review of the prospectus, the Authority shall announce its approval or rejection of the prospectus. If it approves the prospectus, the Authority may define a period of time during which the prospectus remains valid.
- b) Every Issuer Offering Securities to the public through a prospectus must notify the Authority in writing of any change to the statements set forth in the prospectus that may affect the price or value of the Security, immediately upon becoming aware of such change. The Issuer should also prepare and publish a press release to disclose such change.



The Authority's regulations and rules shall set forth the information to be disclosed and the conditions applicable regarding the press release.

Article Forty-Four

The Board of the Authority may reject a prospectus in any of the following cases:

- a) If the prospectus does not contain the information required by Article 42 of this Law.
- b) If the prospectus contains incorrect information pertaining to material matters, false or misleading statements or omits to state material information or statements that would under the circumstances render the prospectus misleading or incorrect.
- c) If the prospectus fees have not been paid in full to the Authority.
- d) If the Issuer has failed to provide any of the reports stipulated in Article 45 of this Law.

Article Forty-Five

- a) Every Issuer Offering Securities to the public or whose Securities are traded on the Exchange must submit to the Authority quarterly and annual reports. Annual reports must be audited as required by the rules of the Authority. These reports shall contain the following:
 - 1) The balance sheet;
 - 2) The profit and loss account;
 - 3) The cash flow statement; and
 - 4) Any other information as required by the rules of the Authority.
- b) In addition to the information required in paragraph (a) of this Article, the annual report must contain the following:



- 1) An adequate description of the issuing company, the nature of its business and its activities as required under the rules of the Authority;
 - 2) Information regarding the members of its board of directors, executive officers, senior staff and major investors or shareholders as required under the rules of the Authority;
 - 3) An evaluation by the issuing company's management of current and future developments and any future possibilities that may have significant effect on the business results or financial position of the company as required under the rules of the Authority.
 - 4) Any other information as may be required by the rules of the Authority as it deems necessary to assist investors and their advisers in making a decision to invest in the Issuer's Securities.
- c) All information and data described in paragraphs (a/1, 2, 3) and (b/3) of this Article shall be deemed confidential. Before providing such information and data to the Authority and announcing them, the issuing company shall be prohibited from disclosing such information to parties not bound by a confidentiality obligation and an obligation to protect such information.

Article Forty-Six

- a) A party who issues Securities must inform the Authority in writing upon becoming aware of any material developments that may affect the prices of the Securities issued by such party. If such party has a Security traded on the Exchange, the Exchange must be informed of such developments in writing.
- b) The Authority or the Exchange may request the party issuing Securities to provide any information or data pertaining to such party and the issuing party shall provide the same within the period of time specified in the request.



- c) The Board of the Authority or the Exchange may, after reviewing the facts, require the issuing party to announce any information or data related to that party. The Board or the Exchange shall also have the right to publish such information and data at the expense of the issuing party.

Article Forty-Seven

The public shall be allowed, in return for fees to be determined by the Authority, to review and obtain copies of the prospectuses, periodical reports, and information and data that have been filed with the Authority and were made public.

Article Forty-Eight

- a) The Authority shall specify the disclosure forms and instructions, including the information which must be included in the prospectuses and periodical reports that must be provided to the Authority by the parties that are subject to its control and supervision or which must be announced to the public, as the case may be.
- b) The Authority shall have no responsibility for the omission in prospectuses, periodical reports, advertisements, or any other document filed with it by any party of any important information or data or for including misleading information or data.
- c) The publisher of the advertisement shall be responsible for any errors committed by it in publishing the contents of the advertisement pursuant to the regulations applicable in the Kingdom.

Chapter Eight: Manipulation and Insider Trading



Article Forty-Nine

- a) Any person shall be considered in violation of this Law if he intentionally does any act or engages in any action which creates a false or misleading impression as to the market, the prices or the value of any Security for the purpose of creating that impression or thereby inducing third parties to buy, sell or subscribe for such Security or to refrain from doing so or to induce them to exercise, or refrain from exercising, any rights conferred by such Security.
- b) The Authority shall set out rules determining the acts and practices which shall constitute violations of paragraph (a) of this Article. These rules shall specify the acts and practices excluded from the application of the provisions of paragraph (a) of this Article. The powers of the Authority provided for in this paragraph shall include the power to set forth the rules, define the circumstances and procedures aiming at stabilizing the prices of Securities offered to the public, and the manner in which and the period during which these actions must be taken.
- c) The following acts and practices shall be among those which shall be considered types of manipulation that are prohibited by paragraph (a) of this Article:
 - 1) To perform any act or practice aiming at creating a false or misleading impression of an existing active trading in a Security as may be contrary to the reality. These acts and practices shall include, but not be limited to the following:
 - (a) Undertaking transactions in Securities which do not involve a true transfer of ownership thereof.
 - (b) Entering an order or orders for the purchase of a particular Security with prior knowledge that an order or orders of substantially the same size, price and timing for the sale of the



same Security has been or will be entered by a different party or parties.

- (c) Entering an order or orders for the sale of a particular Security with prior knowledge that an order or orders of substantially the same size, price and timing for the purchase of the same Security has been or will be entered by the same party or different parties.
- 2) To affect, alone or with others, the price of a particular Security or Securities traded on the Exchange through executing a series of transactions in such Security or Securities creating actual or apparent active trading or causing an increase or decrease in the prices of such Securities, for the purpose of inducing third parties to buy or sell such Securities as the case may be.
- 3) To affect, alone or with others through any series of transactions such as buying or selling or buying and selling a Security traded on the Exchange for the purpose of pegging or stabilizing the price of such Security in violation of the rules set forth by the Authority for the safety of the market and the protection of investors.

Article Fifty

- a) Any person who obtains, through family, business or contractual relationship, inside information (hereinafter an “insider”) is prohibited from directly or indirectly trading in the Security related to such information, or to disclose such information to another person with the expectation that such person will trade in such Security.

Insider information means information obtained by the insider and which is not available to the general public, has not been disclosed, and such information is of the type that a normal person would realize that in view of the nature and content of this information, its release and availability would have a material effect on the price or value of a Security related to such information, and the insider knows that such information is not

generally available and that, if it were available, it would have a material effect on the price or value of such Security.

- b) No person may purchase or sell a Security based on information obtained from an insider while knowing that such person, by disclosing such insider information related to the Security, has violated paragraph (a) of this Article.
- c) The Authority has the power to establish the rules for specifying and defining the terms provided for under paragraphs (a) and (b) of this Article, and such acts or practices which the Authority deems appropriate to exempt them from their application, as may be required for the safety of the market and the protection of investors.

Chapter Nine:

Regulation of Proxy Solicitations, Restricted Purchase and Restricted Offer for Shares



Article Fifty-One

The Authority shall issue rules for the regulation of disclosure of information and other practices in connection with the solicitation of proxies if such solicitation pertains to any Security listed on the Exchange.

Article Fifty-Two

The Authority shall issue rules for the regulation of restricted purchase of shares transactions and restricted offer for shares transactions. For the purpose of application of the provisions of this Law, these two terms mean the following:

- a) A restricted purchase of shares is the purchase of voting shares listed on the Exchange when as a consequence of such purchase ten percent (10%) or more of such class of the relevant company shares is owned by, or under control of, the purchaser or those acting in concert with the purchaser.
- b) A restricted offer for shares is making a public announcement by which the announcer offers to purchase voting shares of a particular class of shares listed on the Exchange if the amount of shares sought to be acquired by the offering party would increase its ownership or the ownership of those acting in concert with the offering party, or the shares under their control, to ten percent (10%) or more of the shares of the relevant company.

Article Fifty-Three

The Authority's powers to issue rules for the regulation of restricted purchases of shares and restricted offers for shares shall include, without limitation, the power to issue rules in connection with the following:

- a) Amending the percentages prescribed under Article 52 of this Law and approving exceptions to the definitions of restricted purchases of shares and restricted offers for shares;



- b) Specifying the timing, form and manner for announcements in connection with restricted purchases of shares and restricted offers for shares;
- c) Setting forth the information which party purchasing the shares or offering party must disclose, and the manner for its disclosure, including any requirements for the continuous disclosure with respect to changes in share ownership;
- d) Imposing any conditions or requirements on the company the shares of which are subject or target of a restricted purchase of shares or a restricted offer for shares that it announces its position or viewpoint regarding such restricted purchase or restricted offer;
- e) Any other rules pertaining to restricted purchases of shares or restricted offers for shares as may be necessary for the safety of the market and the protection of investors.

Article Fifty-Four

If any person increases its ownership of shares in a given company through a restricted purchase of shares or restricted offer for shares so that such person or those with whom such person is acting in concert become the owner of (50%) fifty percent or more of a given class of voting shares listed on the Exchange, the Board shall have the right, within sixty (60) days, if it believes it would achieve the safety of the market and the protection of shareholders, to order such person to offer to purchase the shares of the same class it does not own on such terms and conditions as the Board shall determine. In no case will the prospective purchaser be compelled to offer to purchase the remaining shares at a price exceeding the highest price he paid to purchase any of the shares of that company during the (12) months preceding the date of the Board order.

Chapter Ten: Sanctions and Penalties for Violations



Article Fifty-Five

- a) In case a prospectus, when approved by the Authority, contained incorrect statements of material matters or omitted material facts required to be stated in the prospectus, the person purchasing the Security that was the subject of such prospectus shall be entitled to compensation for the damages incurred by him as a result thereof. A statement or omission shall be considered material for the purposes of this paragraph if it is proven to the Committee that had the investor been aware of the truth when making such purchase it would have affected the purchase price.
- b) The following persons shall be liable under paragraph (a) of this Article:
- 1) The party issuing the Security. The Issuer shall be liable irrespective of whether it had acted reasonably, or it was not aware of the incorrect statements in connection with material matters, or of the omission of material facts that should have been disclosed in the prospectus.
 - 2) The senior officers of the issuing party of the Security in accordance with the definition provided in the rules issued by the Authority. Such liability could be relieved according to paragraph (c/1, 2) of this Article.
 - 3) The members of the board of directors of the issuing party, or persons performing similar functions, as of the date on which the prospectus was approved by the Authority. Such liability could be relieved in accordance with paragraph (c/1, 2) of this Article.
 - 4) The Underwriters who have undertaken to Offer on behalf of the Issuer the Security for sale to the public, provided that an underwriter shall not be liable for more than the total price of the Securities underwritten or amount of Securities distributed by him, whichever amount is greater.
 - 5) The accountant, engineer or appraiser and others identified in the prospectus, who have consented in writing to be so identified, as



having certified the accuracy and truthfulness of the information stated in the prospectus; however, such person's liability shall not extend to information in parts of the prospectus which are not so certified by him. That person shall be liable for any part of the prospectus understood to have been prepared according to his statement and approval in his capacity defined under this paragraph, unless he proves that he was convinced after conducting reasonable examination and on the basis of reasonable grounds, that that part of the prospectus is not in violation of paragraph (a) of this Article.

- c) Any of the persons mentioned in paragraph (b/2, 3, 4) of this Article shall be liable as provided for in the provisions of paragraph (a) of this Article unless it is proven that:
- 1) As to any part of the prospectus not certified by the person described in paragraph (b/5) of this Article that, after reasonable examination, and on the basis of reasonable grounds, he was convinced that such part of the prospectus was not in violation of paragraph (a) of this Article;
 - 2) As to any part of the prospectus purporting to have been made based on the statement of a person set forth in paragraph (b/5) of this Article, and the person invoking the defense is identified in paragraphs (b/2, 3, 4) of this Article, he had no reasonable ground at that time to believe that such part of the prospectus contained what could be deemed a violation of paragraph (a) of this Article.
- d) In determining whether the examination is deemed reasonable or what shall constitute reasonable ground for belief for the purposes of paragraph (c) of this Article, the standard of reasonableness for the purpose of this Article shall be that of the prudent person in the management of his property.
- e) With consideration to the provisions of paragraph (d) of Article 59 of this Law, damages may be obtained through a claim brought based on paragraph (a) of this Article, and such damages shall represent the



difference between the price actually paid for purchasing the Security (not to exceed the price at which it was offered to the public) and the value thereof as of the date of bringing the claim or the price which such Security could have been disposed of on the Exchange prior to filing the claim with the Committee, provided that if the defendant proves that any portion in the decline in value of the Security is due to causes which are not related to the omission or the incorrect statement that is the subject of the claim, such portion shall be excluded from the damages for which the defendant is responsible. The defendants are individually and jointly liable for damages for which they are responsible under this Article. The compensation amount shall be subject to the provisions of the contract or agreement entered into between the parties identified in paragraph (b) of this Article or as the Committee deems equitable and does not harm the interests of investors or otherwise contradicts the objectives of this Law.

Article Fifty-Six

- a) Any person who makes, or is responsible for other person making, orally or in writing an untrue statement of material fact or omits to state such material fact, if it causes other person to be misled in relation to the sale or the purchase of a Security, shall be liable for compensation of the damages. For establishing responsibility for damages in pursuance of the provisions of this Article, it is not required that a relationship exists between the claimant and the defendant, and the claimant must prove:
- 1) That he was not aware that the statement was omitted or untrue.
 - 2) That he would not have purchased or sold the Security in question had he known that information was omitted or untrue, or that he would not have purchased or sold such Security at the price at which such Security was purchased or sold.
 - 3) That the person responsible for the disclosure of the statements or the giving of such incorrect information knew of the said



untruthfulness or was aware that there was a substantial likelihood that the information disclosed omitted or misstated a material fact.

- b) The damages recoverable under this Article from any defendant, and the rights of compensation and its distribution among the persons responsible shall be as provided in paragraph (e) of Article 55 of this Law.
- c) For the purpose of this Article, a statement or omission shall be considered related to an important material fact in accordance with the standard provided for in paragraph (a) of Article 55 of this Law.

Article Fifty-Seven

- a) Any person who violates Article 49 of this Law or any of the regulations or the rules issued by the Authority pursuant to the said Article by engaging in an act or transaction for the purpose of intentionally manipulating the price of a Security, or participating in such act or transaction, or is responsible for a person who undertakes such act or transaction shall be liable for damages to any person who purchases or sells the Security whose price has been significantly adversely affected by such manipulation for the amount such person's purchase or sale price was so affected.
- b) The damages recoverable under this Article from any defendant, and the rights of compensation and its distribution among the persons responsible shall be determined in a manner that is consistent with the provisions of paragraph (e) of Article 55 of this Law.
- c) In addition to the penalties and financial compensation provided for under this Law, the Committee may, based on a claim filed by the Authority, punish the persons who violate Articles 49 and 50 with imprisonment terms not exceeding five years.

Article Fifty-Eight

A private action claim under Articles 55, 56 and 57 of this Law shall not be heard if the complaint is filed with the Authority after the elapse of one year from the



date upon which the claimant should have been aware of the facts causing him to believe he had been the victim of a violation, and in no case may such claim be heard by the Committee after five years from the occurrence of the violation subject of the claim, unless the defendant acknowledges the liability, or the plaintiff provides a justification accepted by the Committee.

Article Fifty-Nine

- a) If it appears to the Authority that any person has committed, 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:
- 1) Warning the person concerned.
 - 2) Obliging the person concerned to cease or refrain from carrying out the act which is the subject of the claim.
 - 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.
 - 4) Obliging the violator to pay an amount not exceeding threefold of its achieved gains or threefold of its avoided losses as a result of the violation to the Authority's account, or to compensate the persons who have suffered damages as a result of the committed violation.
 - 5) Suspending the trading in the Security.
 - 6) Barring the violator from acting as a broker, portfolio manager or investment adviser for such period of time as is necessary for the safety of the market and the protection of investors.
 - 7) Seizing and executing on property.
 - 8) Travel ban.



- 9) Barring from working in the entities subject to the Authority's supervision.
- b) The Authority may, in addition to taking the actions provided for under paragraph (a) of this Article, request the Committee to impose a financial fine upon the persons responsible for an intentional violation of the provisions of this Law, its Implementing Regulations, the rules of the Authority and the regulations of the Exchange, the Depository Center, and the Clearing Center. The fine imposed by the Committee shall not exceed twenty-five million Saudi Riyals (SR 25,000,000) for each violation committed by the defendant.
 - c) The Authority may, instead of the actions set forth in paragraphs (a) and (b) of this Article, take all or any of the following actions:
 - 1) Warning the person concerned.
 - 2) Obliging the person concerned to take the necessary steps to avert the violation, or to take the necessary corrective steps to address the results of the violation.
 - 3) Impose a fine by the Board on any person responsible for a violation of this Law and its Implementing Regulations, and the rules and regulations of the Exchange, the Depository Center, and the Clearing Center. The fine imposed shall not exceed five million Saudi Riyals (SR 5,000,000) for each violation committed by the violator.
 - d) With consideration to the provisions of sub-paragraph (4) of paragraph (a) of this Article, the Authority may regulate the procedures for compensating persons who have incurred damages as a result of the committed violations. In order to achieve that, the Authority may establish compensation funds the resources of which come from the illegal gains collected in the Authority's account. The compensation of the persons who have incurred damages shall be in accordance with a distribution plan approved by a decision of the Committee. These funds shall be subject to the rules and procedures set by the Authority to



enhance the operation of such funds and reduce the legal and financial risks associated with them.

Article Sixty

- a) Any person who carries on, or purports to carry on, the activities provided in Article 32 of this Law without a license, shall be considered in violation of the provisions of Article 31 of this Law and the Committee may sentence the violator, in addition to the sanctions set out in Article 59 of this law, to imprisonment for a term not to exceed nine (9) months.
- b) Any agreement or contract that is entered into in relation to a Security related transaction that is in violation of Article 31 of this Law shall be void, and the violator may not complain on the basis of such agreement or contract against the other party, and the other party shall be entitled to request the rescission of the agreement or contract and the recovery of any money or other property paid or transferred by him under the agreement or contract, provided that he returns any money or other property received by him through such agreement or contract. The Committee shall have jurisdiction over claims brought pursuant to this Article.

Article Sixty-One

- a) The violation of a member of the Exchange, the Depository Center or the Clearing Center of the regulations and rules pertaining to the regulation of its activities shall give rise to disciplinary proceedings pursuant to the procedures established in such regulations. The Exchange, the Depository Center, and the Clearing Center may, when a violation of its regulations is discovered, file a claim with the Committee to impose a suitable sanction against the violator; such sanctions include the following:
 - 1) Revocation or suspension of the license granted to it.
 - 2) Imposing a fine of not more than the fine stipulated in paragraph (b) of Article 59 of this Law.



- 3) Obliging it to return the amounts owed to clients as a result of the violation.

The member of the Exchange, the Depository Center or the Clearing Center who has been subject to sanctions may request the Appeal Committee to review the decision against him

- b) The Authority may, pursuant to its powers under Article 59 of Chapter 10 of this Law, take necessary actions against members of the Exchange, the Depository Center or the Clearing Center who violated rules related to their activities.

Article Sixty-Two

- a) The Board may issue a decision providing for a reprimand to any person granted a license under the provisions of this Law and its Implementing Regulations, or may, pursuant to the decision, place restrictions on the licensed activities, functions or operations of such person, or suspend those activities for a period not exceeding twelve months, or revoke the license if the Board finds, after notifying the concerned person and giving it an opportunity for a hearing, that such person, whether prior or subsequent to obtaining a license has committed any of the following violations:
 - 1) It deliberately gave or caused to be given materially false or misleading statements in the application to obtain a license or in any document or report submitted to the Exchange or to the Authority.
 - 2) It deliberately violated, or assisted another person to violate the provisions of this Law and its Implementing Regulations or the regulations or the rules of the Exchange, the Depository Center or the Clearing Center.
 - 3) The person violated a judgment or decision issued by any court of the Kingdom or by the Committee prohibiting it permanently or temporarily from carrying on its activities.



- 4) The Authority has formally been notified by a Securities regulator in another country that the person had willfully violated the Securities laws of that country or provided false and misleading information in the reports required to be submitted in such foreign jurisdiction.
- b) The Board may issue a decision suspending the license of any person who was granted a license under the provisions of this Law and its Implementing Regulations, pending the issuance of a final decision in relation to the revocation of the license, if such suspension appears to the Board, after notifying the concerned person and giving it an opportunity to be heard on an urgent basis, to be necessary for the safety of the market and the protection of investors.
- c) The Board may, in urgent cases, and without prior notice or hearing being granted to the concerned person to the decision, issue a decision suspending its license or barring it from performing its activities for a period not to exceed (60) days. Issuing such a decision does not prevent the Authority, the Exchange, the Depository Center or the Clearing Center from taking other actions against it in accordance with the provisions of this Law.

Article Sixty-Three

The license of any person granted a license under the provisions of this Law and its Implementing Regulations may be suspended by order of the Board upon discovering that such person ceases to exist or has, for a period of twelve months, ceased to carry out its licensed activities.

Article Sixty-Four

- a) In agreement between the Authority and the person accused of violating any provisions of this Law and its Implementing Regulations, a settlement of such violations may be reached in accordance with the rules and procedures set out by the Authority. Provided that the amount paid to the Authority does not exceed threefold of the maximum amount of the fine stipulated in sub-paragraph (3) of paragraph (c) of Article 59 of this Law,



and that payment is made of an amount not exceeding threefold of the profits gained or threefold of the losses avoided as a result of committing the violation.

- b) The settlement agreement referred to in paragraph (a) of this Article shall not prejudice any compensation resulting from the accused committed violation.

Article Sixty-Five

This Law shall repeal all provisions that are contrary hereto.

Article Sixty-Six

The Implementing Regulations for this Law shall be issued within (150) days from the date of publication of the Law, and shall come into effect with the effective date of the Law.

Article Sixty-Seven

This Law shall be published in the Official Gazette and shall be effective (180) days after the date of the publication thereof.

