



Financial Technology Experimental Permit Instructions

Issued by the Board of the Capital Market Authority
Pursuant to its Resolution Number 1-4-2018
Dated 23/4/1439H Corresponding to 10/1/2018G
Based on the Capital Market Law Issued by
Royal Decree No M/30 dated 2/6/1424H

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PART A OVERVIEW

1. Introduction

1.1 The purpose of this Instructions is to provide a regulatory framework that is conducive for the innovation of financial technology ("FinTech") in capital market within the Kingdom of Saudi Arabia (The Kingdom).

1.2 For the purpose of implementing this Instructions, the following expressions and terms shall have the meaning they bear as follows unless the contrary intention appears:

FinTech products: innovative FinTech products, services and business models related to the securities activities.

FinTech ExPermit: a permit to enable applicants to participate in the FinTech Lab to deploy and test their innovative FinTech products related to capital market within specified parameters and timeframes.

1.3 The Capital Market Authority ("Authority") has the right to waive or modify the requirements set out in this Instructions at its discretion where appropriate.

1.4 The Authority will consider the number of applicants that can be effectively supported within the FinTech ExPermit at any one time to ensure that sufficient guidance can be provided to the applicants.

2. Objectives & Principles

- 2.1 This section outlines the objectives and principles of this Instructions, and provides the eligibility and suitability of the FinTech product prior to application into the FinTech ExPermit.
- 2.2 The applicant should clearly understand the objectives and principles of the Instructions. It must be emphasized that the FinTech ExPermit cannot be used to avoid local laws and regulations.
- 2.3 These instructions shall be read in conjunction with and in addition to the Capital Market Law and its Implementing Regulations.
- 2.4 The FinTech ExPermit may NOT be suitable under the following circumstances:
 - (a) The proposed FinTech product is not related to securities activities.
 - (b) The proposed FinTech product is similar to those that are already being offered in the Kingdom, unless the applicant can show that either:
 - (i) a different technology is being applied; or
 - (ii) the same technology is being applied differently.
 - (c) The applicant has not done its due diligence, including knowing the relevant rules and regulatory requirements for deploying the proposed FinTech product.

2.5 In considering an application to participate in the FinTech ExPermit, the Authority will take into account, among others, the following:

- (a) the potential benefits of the proposed FinTech product;
- (b) the potential risks and mitigating measures associated with the proposed FinTech product; and
- (c) the integrity, capability and track record of the FinTech applicant.

2.6 The FinTech ExPermit is not intended to create a risk-free FinTech environment. The FinTech ExPermit aims to promote FinTech innovation in a controlled environment which the consequences of failure can be contained.

3. Target Applicants

3.1 Any applicant intends to test FinTech product related to securities activities can apply to FinTech ExPermit, even if it is not Authorized Person by the Authority.

3.2 An Authorized Person does not need to apply for FinTech ExPermit to test its FinTech product which complies with all relevant regulatory requirements to a wider market, if it has authorization for the activity it wishes to carry on. Alternatively, if it does not have the relevant authorization for the activity, it will need to apply to the Authority to amend its License to obtain that authorization in accordance to the Authorized Person Regulations.

3.3 FinTech ExPermit is not intended to be a platform for a person to launch an established FinTech product which complies with all relevant regulatory requirements to a wider market. A person, who intend to deploy its complying Fintech products will need to apply to the Authority to obtain a License for the activity it wishes to carry on in accordance to the Authorized Person Regulations.

3.4 If an Authorized Person / person considers that the FinTech ExPermit is the only appropriate regulatory framework to the testing of its Fintech product, it can apply for FinTech ExPermit and the Authority may accept or reject its application.

PART B REQUIREMENTS OF THE FINTECH

4. Authorization Requirements

4.1 An applicant seeking the Authority's approval to obtain a FinTech ExPermit to participate in the FinTech Lab must demonstrate to the satisfaction of the Authority that :

- (a) the applicant permitted under the FinTech ExPermit will be required to establish a commercial presence in the Kingdom;
- (b) the applicant has adequate and appropriate resources, including financial resources, to develop the FinTech product;
- (c) the applicant must intend to roll-out its FinTech product in the Kingdom once it has successfully completed testing;
- (d) the applicant is fit and proper;
- (e) the applicant is acting with integrity and with due skill, care and diligence, including but not limited to the following;
 - (i) communicating information to its clients in a way which is clear, fair and not misleading;
 - (ii) paying due regard to clients' interests, by treating them fairly and paying due regard to their interests;
 - (iii) managing conflicts of interest fairly, both between its clients and between itself and its clients; and
 - (iv) the applicant has the ability to ensure confidentiality of client information;

- (f) it complies with all obligations under the Anti-Money Laundering Law and the rules and regulations on anti-money laundering and terrorism financing as in force in the Kingdom;
- (g) it will disclose to the Authority any material event or change in its business model;
- (h) the applicant has conducted its due diligence, including knowing the relevant rules and regulatory requirements for deploying the proposed FinTech product; and
- (i) is able to satisfy all additional regulatory requirements that the Authority may prescribe.

4.2 The application should also contain the necessary supporting information to explain and depict on the following requirements:

- (a) the applicant has relevant technical and business knowledge and experience to develop and test the FinTech product;
- (b) is able to clearly define the FinTech product's targeted clients, the additional regulatory requirements, key milestones and intended outcomes;
- (c) is able to propose an acceptable reporting schedule to report to the Authority on the status and progress of development and testing of its FinTech product;

- (d) is able to satisfactorily detail the safeguards that have been put in place, and demonstrate how they are appropriate to the FinTech product being tested;
- (e) significant risks arising from the FinTech product and how it should be assessed and mitigated; and
- (f) is able to set out a fair and proper exit strategy for clients should the FinTech product be discontinued for any reasons, including but not limited to the following:
 - (i) to cease the offering of the FinTech product to its new and existing clients;
 - (ii) provides notification to its clients informing them of the decision and related reasons;
 - (iii) dispose all confidential information including client personal information collected during the FinTech ExPermit testing; and
 - (iv) submit a report to the Authority on the actions taken under this paragraph.

4.3 A proposed FinTech product should meet the following criteria prior to submission of application for FinTech ExPermit:

- (a) it must involve a security activity (i.e. it is within the scope of the activities that the Authority regulates);

- (b) it promotes FinTech innovation, in terms of the business application and deployment model of the technology;
- (c) it has the potential to:
 - (i) promote significant growth, efficiency or competition in the capital market;
 - (ii) promote better compliance and monitoring and risk management solutions for the capital market; or
 - (iii) improve the choices and welfare of clients.
- (d) it is at a sufficiently advanced stage of development to mount a live test FinTech.

4.4 The Authority may at any time modify or impose additional criteria, that it reasonably considers to be necessary to address a regulatory concern.

5. Application Process for Authorization

5.1 If the applicant is suitable to participate for the FinTech ExPermit framework (set out in Section 3 above) and meets the authorization requirements (set out in Section 4 above), it can proceed to complete and submit the FinTech ExPermit Application Form. A copy of the application form is attached at **Appendix B** to this Instructions and can be submitted to the Authority by email at FinTech.ExPermit@cma.org.sa.

- 5.2 Once the applicant has submitted its application form, the Authority will review the application and inform the applicant of its eligibility to qualify for the FinTech ExPermit.
- 5.3 The Authority will work with the applicant to determine the additional regulatory requirements (set out in Section 6 below) to be applied to the applicant and its FinTech product during the testing period. The applicant will then assess if it is able to meet these requirements.
- 5.4 If the applicant is able and willing to meet the additional regulatory requirements (set out in Section 6 below) as prescribed by the Authority during the testing period, the applicant will be granted a FinTech ExPermit.
- 5.5 Once the Authority grants the FinTech ExPermit, the applicant will be able to test its product within the additional regulatory requirements (set out in Section 6 below).
- 5.6 Details of the application process are set out in **Appendix A**.

6. Additional Regulatory Requirements

- 6.1 To grant the FinTech ExPermit, the Authority may impose additional regulatory requirements including limitations and/or conditions on the applicant and its FinTech product. These regulatory requirements may be adapted from existing CMA's regulations as applicable. These may include, but are not limited to, any of the following:

- (a) the number and type of clients with or for whom the applicant carries on, or intends to carry on within the FinTech ExPermit;
- (b) the type and size of client transactions that the applicant is permitted to enter into;
- (c) the suitability assessment and clients' written consent required prior to carrying on the regulated activity;
- (d) the applicant's ability to protect client's assets;
- (e) the requirements surrounding the applicant's handling and protection of client information;
- (f) the manner and type of financial promotion that the applicant may undertake and the associated disclosures that the applicant is required to make to clients;
- (g) the key information required to be contained in a client's agreement;
- (h) the FinTech applicant's capital requirements (if any); and
- (i) the FinTech applicant's financial and other reporting requirements.

6.2 The Authority may, at any time through the life-cycle of the FinTech ExPermit, by notice in writing to the applicant, cancel or vary any additional regulatory requirements imposed on the applicant or impose such further additional regulatory requirements.

7. FinTech ExPermit Validity Period

7.1 The FinTech ExPermit validity period (or testing period) shall not exceed two years from the date of approval by the Authority.

7.2 To extend the testing period, a written application must be submitted by the applicant to the Authority no later than three months before its expiry, or at such time as is otherwise agreed by the Authority. The application should state the additional time required and clearly explain reasons for requiring the extension.

7.3 The testing period may only be extended in exceptional circumstances and the Authority shall reserves the right to reject any application for an extension.

7.4 Upon the completion of the testing, the applicant can choose to either:

- (a) execute the exit strategy; or
- (b) proceed to deploy the FinTech product on a wider scale, provided that:
 - (i) both the Authority and the applicant are satisfied that the FinTech ExPermit has achieved its intended test outcomes;
 - (ii) a strategy is in-place for the deployment of the product on a wider scale; and
 - (iii) the applicant can and willing to fully comply with the Capital Market Law and its Implementing Regulations.

7.5 The Authority may also prohibit deployment of the FinTech product in the market upon the completion of the testing due to the following reasons:

- (a) in the event of an unsuccessful testing based on agreed test measures; or
- (b) the FinTech product has unintended negative consequences to the market.

In such case, the applicant must immediately execute its exit strategy.

8. Cancellation of Approval

8.1 The Authority may cancel an approval to participate in the FinTech ExPermit at any time before the end of the testing period if the applicant:

- (a) has failed to achieve its intended purpose, based on the latest test scenarios, expected outcomes and schedule;
- (b) is unable to fully comply with the relevant legal and regulatory requirements at the end of the testing period;
- (c) a flaw has been discovered in the FinTech product where the risks posed outweigh the benefits of the product, and the applicant acknowledges that the flaw cannot be resolved within the duration of the testing;

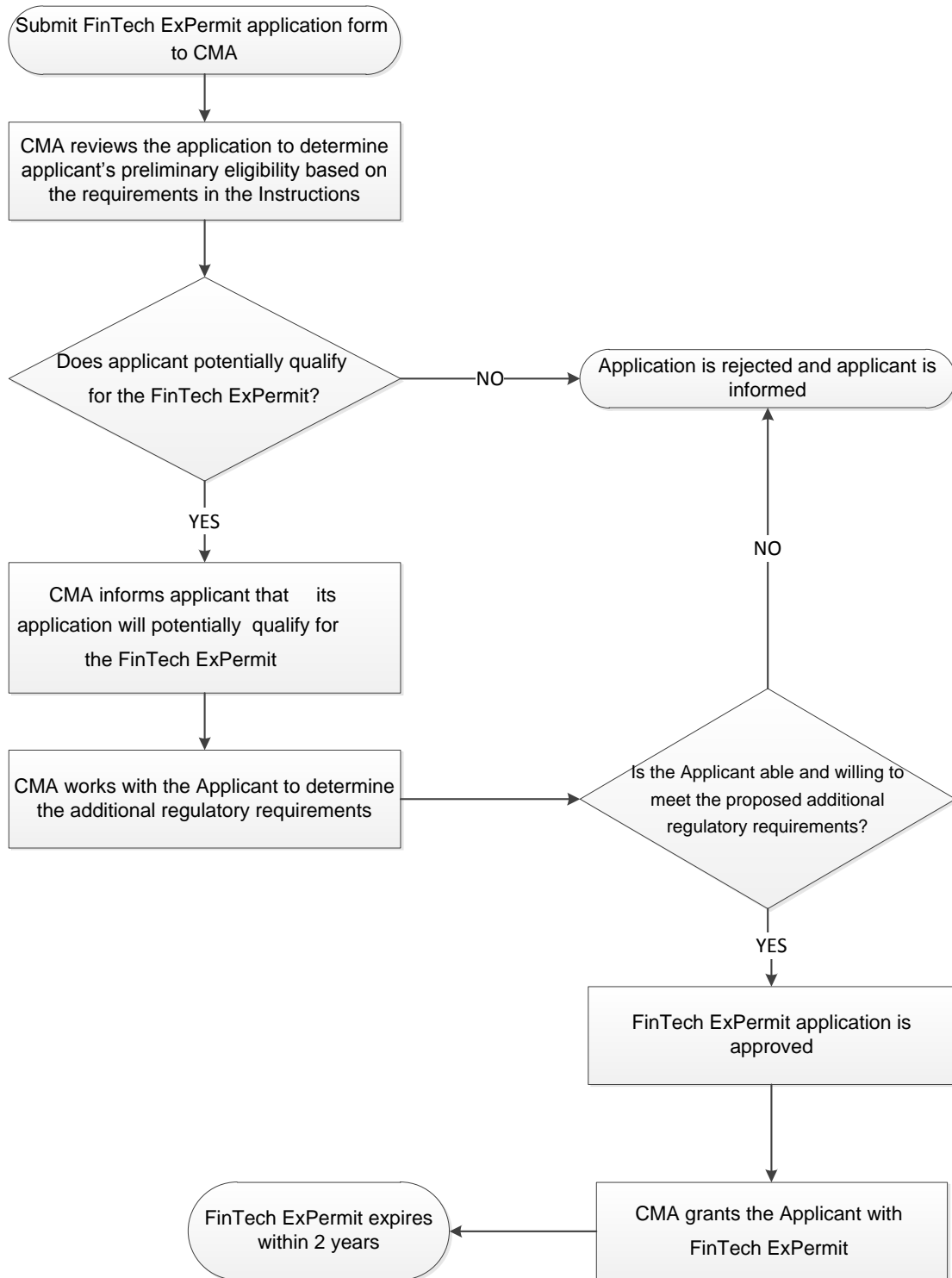
(d) breaching any condition imposed for the duration of the FinTech ExPermit ; or

(e) contravenes any applicable of the CMA's Implementing Regulations or any applicable law in the Kingdom or abroad which may affect the applicant's integrity and reputation.

8.2 Upon cancellation of approval, the applicant must immediately execute its exit strategy.

APPENDIX A

APPLICATION PROCESS



APPENDIX B

APPLICATION TEMPLATE

1. Details on the Applicant

General Information

1.1. Full name of Applicant:

1.2. Main address:

1.3. Contact e-mail address:

1.4. Contact telephone number and facsimile number:

1.5. National Identity No. / Passport No. :

1.6. Has the application been prepared on behalf of the Applicant by an external service provider? If yes, please fill the following:

- Yes
 No

a) Full name of contact person :

b) Firm name and main address:

c) Contact e-mail address:

d) Contact telephone number and facsimile number:

e) National Identity / Passport No.

Commercial Registration No.

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Resources, Experience and Track Record of the Applicant

1.7. Details of the Applicant's resources, including financial resources, to develop and test its FinTech product:

1.8. Details of the Applicant's relevant technical and business knowledge and experience to develop and test the FinTech product:

1.9. Details of the Applicant's previous experience in FinTech (if any):

1.10. Details of the proposed project members' relevant technical and business domain knowledge and experience to develop and test the FinTech Proposal:

1.11. Is or has the Applicant been licensed by, or subject to, the oversight of other government / regulatory bodies? If so, provide details:

2. Establishment of the Applicant's Entity (if applicable)

2.1. If the Applicant has established an entity:

- a. please indicate the legal form of Applicant (e.g. Joint Stock Company, Limited Liability Company, etc.):

- b. Commercial Registration Number:

- c. Full list of project members including the Applicant, designated founders, shareholders, management / Directors, team members / employees of the FinTech entity. Please provide organisation chart as a separate attachment:

2.2. If the Applicant is individual:

- a. Please indicate the propose name of FinTech entity and its legal form (to be established in the Kingdom):

- b. Propose legal form of FinTech entity (e.g. Joint Stock Company, Limited Liability Company, etc.):

- c. Propose corporate and ownership structure of FinTech entity:

- d. Full list of proposed project members including the Applicant, designated founders, shareholders, management / Directors, team members / employees of the FinTech entity. Please provide organisation chart as a separate attachment:

2.3. Does the Applicant at the time of filling this application have a firm that is currently operating in FinTech business, securities business, or banking?

If yes, please provide details:

2.4. Is the Applicant intending to carry or is carrying on FinTech business in other countries?

If yes, please provide details:

3. Fit and Proper Requirements

3.1. In the past ten years, has the Capital Market Authority or any other governmental authority, professional body, self-regulatory organization in the Kingdom of Saudi Arabia or elsewhere ever:

- a) found the Applicant or a person who directly or indirectly controls the Applicant to have made a false statement or omission?

If yes, please provide details:

- b) found the Applicant or a person who directly or indirectly controls the Applicant to have been involved in a violation of its rules or regulations?

If yes, please provide details:

- c) found the Applicant or a person who directly or indirectly controls the Applicant to have been a cause of an investment-related business having its Authorisation to do securities business, Fintech business or other business refused, suspended, revoked, or restricted?

If yes, please provide details:

- d) Entered a judgment or order against the Applicant or a person who directly or indirectly controls the Applicant to in connection with securities business, Fintech business or any investment-related activity?

If yes, please provide details:

- e) Entered a judgment or order the Applicant or a person who directly or indirectly controls the Applicant to cease and desist from any activity?

If yes, please provide details:

f) Imposed a civil money penalty on the Applicant or a person who directly or indirectly controls the Applicant to?

If yes, please provide details:

3.2. In the past ten years, has any court in the Kingdom of Saudi Arabia or elsewhere done any of the following :

a) Restricted or restrained the Applicant or a person who directly or indirectly controls the Applicant in connection with securities business, FinTech business, or any investment-related activity?

If yes, please provide details:

b) Ever found the Applicant or a person who directly or indirectly controls the Applicant was involved in a violation of any Saudi Arabian laws or regulations?

If yes, please provide details:

c) Ever dismissed any investment-related civil action brought against the Applicant or a person who directly or indirectly controls the Applicant by any foreign financial regulatory authority?

If yes, please provide details:

3.3. Currently, is the Applicant or any person who directly or indirectly controls the Applicant subject of any civil or criminal proceeding that could result in a "yes" answer to any part of Items 3.1 or 3.2?

If yes, please provide details:

3.4. In the past ten years, has the Applicant or any of the Applicant's registered or proposed executive directors, or officers declared insolvency or been declared insolvent by authority in the Kingdom of Saudi Arabia or elsewhere?

If yes, please provide details:

4. Details on the FinTech Product

4.1. Describe how the FinTech product is addressing the needs (or issues) in relation to securities business:

4.2. Describe how the FinTech product will promote FinTech innovation in terms of the business application and deployment model of the technology:

4.3. In relation to Item 4.2 above, explain how the FinTech product address gaps in or open up new opportunities for financial market:

4.4. Describe the benefits of the FinTech product, including how it may:

- (i) promote significant growth, efficiency, or competition in the capital market;
- (ii) promote better compliance and monitoring and risk management solutions for the capital market; or
- (iii) improve the choices and welfare of consumers.

4.5. Demonstrate how the FinTech product is at a sufficiently advanced stage of development to mount a live test in the FinTech Lab. Provide details of actual funding raised or potential funding sought for the FinTech product (if any).

4.6. Provide a brief description of the FinTech product to be experimented in the ExPermit including but not limited to the following:

a) Explain why the FinTech product needs to be tested within the FinTech Lab, and cannot be implemented otherwise:

b) Describe the market research carried out to assess the state, demand and readiness of the relevant financial segments and target customers in the Kingdom to adopt the FinTech product (please provide relevant statistics and supporting data where applicable):

4.7. Describe in detail the proposed test program for the FinTech product, including the:

a) Test objectives and outcomes:

b) Test parameters to measure the success of the test objectives / outcomes:

c) Control boundaries / limits for the test, including but not limited to:

- Clientele type and number
- Transaction size and total exposure limits

d) Client communications plan and risk disclosures for the live-tests

e) Any other safeguards (if applicable) that the Applicant proposed to put in place prior to commencing the testing of the FinTech product

f) Key milestones and timelines to achieve the milestones

4.8. Describe the proposed control program for the tests, including:

a) Significant risks arising from the FinTech product

b) Measures to mitigate the risks and impact to customers and the arising from any test failures

c) Measures for prevention of money laundering and countering the financing of terrorism (if applicable)

4.9. Describe the proposed reporting schedule to the CMA on the status and progress of development and testing of the FinTech product:

4.10. Describe the exit strategy for clients upon completion or discontinuation of the testing or revocation by the CMA:

4.11. Describe the business strategy / plan to deploy the FinTech product in the broader market after successfully exiting from the testing:

4.12. Attach any other relevant information such as process flow diagrams, promotional presentations, etc. on the FinTech product:

5. Applicant's Declaration and Undertaking

- 5.1. The Applicant hereby represents and undertakes that he and all of his employees will follow all laws, rules, and regulations relating to carrying on Fintech business in the Kingdom of Saudi Arabia.
- 5.2. The Applicant represents that the information and statements contained herein, including exhibits attached hereto, and other information filed herewith, all of which constitute part of this Application, are complete, clear, accurate and not misleading.
- 5.3. The Applicant further represents that to the extent any information previously submitted is not amended, such information is currently accurate and complete up to the date that this application is executed.
- 5.4. The Applicant also undertakes if any information or statement in this application changes before this application is approved, he will notify the CMA in writing immediately of the changes.
- 5.5. The Applicant declares that to the best of his knowledge and belief, having made due enquiry, the individuals are fit and proper to perform the functions to which this application relates.
- 5.6. The Applicant confirms that he have the authority to make this notification, to declare as specified above and sign this form for, or on behalf of , the Applicant.

Signature	
Date of the Application	
Name of the Applicant	
Name of the authorized representative of the Applicant	