



**KINGDOM OF SAUDI ARABIA**

**Capital Market Authority**

# **Rules for Foreign Investment in Securities**

**English Translation of the Official Arabic Text**

**Issued by the Board of the Capital Market Authority**

**Pursuant to its Resolution Number 2-26-2023**

**Dated 5/9/1444H corresponding to 27/3/2023G**

**Based on the Capital Market Law**

**Issued by Royal Decree No. M/30 dated 2/6/1424H**

**Amended by Resolution of the Board**

**of the Capital Market Authority Number 2-57-2025**

**Dated 28/11/1446H corresponding to 26/5/2025G**

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

**Important Notice:**

The current version of these Rules, as may be amended, can be found at the Authority website:

[www.cma.org.sa](http://www.cma.org.sa)



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## PART 1: PRELIMINARY PROVISIONS

### Article 1: Preliminary

- a) The purpose of these Rules is to state the provisions for foreign investment in listed securities, debt instruments and investment funds.
- b) These Rules shall have no prejudice to the provisions of the Law and its Implementing Regulations, including the Rules of Offering Securities and Continuing Obligations, Market Conduct Regulations, Capital Market Institutions Regulations, Merger and Acquisition Regulations, Investment Accounts Instructions, Listing Rules and other related laws.
- c) Foreign investors must, at all times, comply with the relevant provisions stipulated in the Law and its Implementing Regulations, Exchange Rules and its Regulations, and other related laws.
- d) Without prejudice to Paragraph (a) of Article (8) of these Rules, these Rules shall not apply to Citizens of the GCC.

### Article 2: Definitions

- a) Any reference to the “Law” in these Rules shall mean the Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424H.
- b) Without prejudice to Paragraph (c) of this Article, expressions and terms in these Rules have the meaning which they bear in the Law and the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority, unless the contrary intention appears.
- c) For the purpose of implementing these Rules, the following expressions and terms shall have the meaning they bear as follows unless the contrary intention appears:
  - **Market maker’s client:** a market maker’s client who conduct market making activities in accordance with the Exchange Rules.
  - **Authorisation Requirement:** authorisation requirement stated in Article (5) of the Securities Business Regulations.
  - **Foreign Portfolio Manager:** a foreign financial institution that has a legal personality which manages the assets of clients, which engages or intends to engage with the QFI for the purpose of investing on its behalf in listed securities.
  - **Qualified Foreign Investor (QFI):** A foreign investor that is qualified, in accordance with the provisions of Part (3) of these Rules, to invest in shares listed on the Main Market.
  - **Foreign Strategic Investor:** a foreign legal entity that aims to own a direct percentage in a listed company's shares for a period of not less than two years, for the purpose of contributing in promoting the financial or operational performance of that listed company.
  - **Citizens of GCC:** natural persons who hold the citizenship of one of the Cooperation Council for the Arab States of the Gulf countries, or legal persons that (i) capital of which is majority owned by citizens or governments of the Cooperation Council for the Arab States of the Gulf; and (ii) holding the citizenship of one of the Cooperation Council for the Arab States of the Gulf countries, in accordance with the definition set out in the resolution of the Supreme Council of the Cooperation Council for the Arab States of the Gulf in its 15th session approved by the Council of Ministers Resolution No. (16) dated 20/01/1418H.
  - **GCC:** The Cooperation Council for the Arab States of the Gulf.



### **Article 3: Waivers**

The Authority may waive a provision of these Rules in whole or in part as it applies to any person either on an application from such person or on the Authority's own initiative.

### **Article 4: Right to Appeal**

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

## PART 2: GENERAL PROVISIONS

### Article 5: General Provisions

Foreign natural and legal persons, whether residing or not, may invest in listed securities, debt instruments and investment funds, with due consideration to the provisions stipulated in these Rules.

### Article 6: Investment Restrictions

- a) Investments of non-residing foreign investors in shares listed on the Main Market shall be limited to the following categories:
  - 1) QFI.
  - 2) Foreign Strategic Investor.
  - 3) Ultimate beneficiary in swap agreement with a capital market institution.
  - 4) Foreign natural or legal person, which is a client of a capital market institution authorised by the Authority to conduct managing activity, provided that the capital market institution has been appointed on conditions that enable it to make all investment decisions on the client behalf without obtaining prior approval from the client.
  - 5) 5) Foreign natural person residing in one of the GCC.
  - 6) 6) Foreign natural person who has previously resided in the Kingdom or in one of the GCC, and opened an investment account in the Kingdom while residing in the Kingdom or in one of the GCC.
- b) Investments of foreign investors shall be subject to the following restrictions:
  - 1) A non-residing foreign investor (except the foreign strategic investor), may not own (10%) or more of the shares of any issuer whose shares are listed or convertible debt instrument of the issuer.
  - 2) The maximum proportion of the shares of any issuer whose shares are listed or convertible debt instrument of the issuer that may be owned by all foreign investors (in all categories, whether residents or non-residents, except the foreign strategic investors) in aggregate is (49%).
  - 3) The restrictions set forth in the articles of association of the listed companies.
  - 4) Any regulatory restrictions, or any instructions issued by the competent authorities to which listed companies are subject to.
- c) The Exchange shall publish on its website, as determined by the Authority in this regard, the following information:
  - 1) A statistic reflecting the ownership percentages specified in Subparagraph (2) of Paragraph (b) of this Article.
  - 2) A statistic reflecting the ownership percentage of the Foreign Strategic Investors in listed companies.
  - 3) The restrictions specified in Subparagraphs (3) and (4) of Paragraph (b) of this Article, according to the information received by the Exchange from listed companies in this regard.
- d) A foreign person who invests directly in debt instruments may not convert them into shares listed on the main market; Unless that person is one of the categories of investors who are allowed to invest directly in such shares, or becomes an ultimate beneficiary in a swap agreement in accordance with the provisions of Part (4) of these Rules.
- e) The Foreign Strategic Investor, may not sell any of the shares it owned in accordance with these Rules within a period of two years after the date of ownership of such shares. The Capital



Market Institution shall not enable any procedure that may violate the provisions of this Paragraph.

- f) The provisions of this Article shall not apply to the investments of all foreign investors (in all categories, whether residents or non-residents) in a foreign issuer's shares listed on the Main Market.



## PART 3: QUALIFIED FOREIGN INVESTOR INVESTMENT IN SHARES LISTED ON THE MAIN MARKET

### Article 7: Qualification Conditions

- a) A foreign investor is required to be a QFI to invest in shares listed on the main market, provided that the following qualification conditions must be satisfied:
  - 1) shall have a legal personality.
  - 2) shall have assets under its own or its group ownership, management or custody of SAR (1,875,000,000) one billion eight hundred and seventy-five million Saudi Riyals (or an equivalent amount) or more, at the time of submitting an application to open an investment account. And the Authority may reduce the minimum of these assets.
- b) The condition in Subparagraph (2) of Paragraph (a) of this Article shall not apply to the following categories:
  - 1) Pension funds in which their main objective is to collect fees or periodic contributions from participants or for their interest, for the purpose of compensating them according to a specific mechanism.
  - 2) Endowment funds in which their main objective is to making grants to organizations, institutions, or individuals for scientific, educational, and cultural purposes, including university endowments fund.
  - 3) A market maker's client, provided that the Capital Market Institution verifies that the investment account is for market making purposes.
  - 4) Government entities, central banks, and investment funds fully owned (directly or indirectly) by a government entity, including sovereign funds and funds which take the form of pension and endowments funds; and
  - 5) International organizations of which the Kingdom is a member and their affiliated institutions.

### Article 8: Capital Market Institutions and Foreign Portfolio Managers Engaged with the QFI

- a) A QFI may engage with foreign capital market institutions, foreign portfolio managers, foreign custodians, or foreign advisors; for the purpose of investing in listed securities.
- b) The QFI is exempted from the authorisation requirement to carry on dealing activity, when dealing in his capacity as principal in the listed securities.
- c) The QFI and the Foreign Portfolio Manager are exempted from the authorisation requirement to carry on management activity, when managing listed securities belonging to a QFI.
- d) Foreign custodians are exempted from the authorisation requirement to carry on custody activity, when safeguarding listed securities belonging to a QFI.
- e) Foreign advisors are exempted from the authorisation requirement to carry on advising activity, when providing an advice to a QFI.



## PART 4: NON-RESIDENT FOREIGNER INVESTMENT IN LISTED SECURITIES THROUGH SWAP AGREEMENTS

### Article 9: Terms and Requirements for Entering into Swap Agreements

Capital Market Institutions are permitted to enter into swap agreements with Foreign Counterparties only for the benefit of non-resident foreign investors for the purpose of transferring the economic benefits of securities listed on the Exchange to these investors in their capacities as Ultimate Beneficiaries through swap transactions executed under the swap agreements, in accordance with the following conditions and requirements:

- 1) The money and assets of the Ultimate Beneficiary shall be deemed client money and client assets as stated in the Capital Market Institutions Regulations, including the provisions therein which provide that client money and client assets must be segregated from the Capital Market Institution's own money and assets, and the creditors of a Capital Market Institution do not have any claim or entitlement on the segregated money or assets of the clients.
- 2) The Capital Market Institution may not enter into any swap agreement or execute any swap transaction in which the Ultimate Beneficiary is any of the following parties:
  - a. A QFI who has an investment account in accordance with the Investment Accounts Instructions.
  - b. Citizens of GCC.
  - c. Foreign investors residing in the Kingdom.
  - d. A foreign person other than the ones mentioned in Subparagraphs (a), (b) and (c) of Paragraph (2) of this Article, that owns securities of a company listed on the Exchange, in relation to executing swap transactions that involve shares or convertible debt instruments of that same listed company.
- 3) All orders to execute swap transactions must be submitted to the Capital Market Institution by the Foreign Counterparty only or by a third party who is authorised by the Foreign Counterparty.
- 4) Any swap agreement a capital market institution enters into must include a clear clause that grants it all the voting rights attached to the shares subject of the swap transaction executed under the swap agreement, without any voting rights given to the Foreign Counterparty or the Ultimate Beneficiary.
- 5) The Capital Market Institution that enters into a swap agreement is prohibited from exercising any of the voting rights attached to the shares subject of the swap transactions executed under the swap agreement.
- 6) The Capital Market Institution that intends to enter into a swap agreement must be authorised by the Authority to conduct dealing activity.
- 7) The Capital Market Institution must ensure full compliance with the requirements stipulated in the Anti-Money Laundering Law and its Implementing Regulations, and any other related laws.
- 8) All swap transactions must be fully covered during the whole period of the swap agreement through buying the underlying securities.
- 9) The Capital Market Institution must maintain systems and controls which are adequate enough to ensure the implementation of conditions and requirements of the swap agreement and ensure their validity.
- 10) The Capital Market Institution must purchase and sell the securities underlying the swap transactions through an investment portfolio under its name at the Depository Center. Such investment portfolio shall include an indication that it is for the purpose of executing swap transactions under the swap agreement, and an indication of the name, nationality and identity of the Ultimate Beneficiary.



## Article 10: Other Provisions

- a) The Authority may, at its sole discretion, order any of the Capital Market Institutions to stop from entering into any swap agreements, or to impose any type of limitations, restrictions or requirements in relation to swap agreements entered into by the Capital Market Institution, the Foreign Counterparty or the Ultimate Beneficiary.
- b) with an exception to Subparagraph (a) of Paragraph (2) of Article (9) of these Rules, the Capital Market Institution may continue to execute swap transactions for a foreign investor who is accepted as a QFI for a period not exceeding (12) months from the date of opening an account with the Depository Center As a QFI.

## **PART 5: ENTRY INTO FORCE**

### **Article 11: Entry into Force**

These Rules shall become effective in accordance to its approval resolution.