



Securities Business Regulations

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Part I

General Provisions

General Provisions

Article I: Definitions

- (a) Any reference to the “Capital Market Law” in these Regulations shall mean the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
- (b) Expressions and terms in these Regulations have the meaning which they bear in the Capital Market Law and in the Glossary of defined terms used in the Regulations and Rules of the Capital Market Authority, unless the contrary intention appears.

Part 2

The Securities Business



The Securities Business

Chapter One: Carrying on Securities Business

Article 2: Securities Activities

A security activity shall mean any of the following activities:

- 1) dealing: a person deals in a security as principal or as agent, and dealing includes to sell, buy, manage the subscription or underwrite securities;
- 2) arranging: a person introduces parties in relation to securities business, advises on corporate finance business or otherwise acts to bring about a deal in a security;
- 3) managing: a person manages a security belonging to another person in circumstances involving the exercise of discretion;
- 4) advising: a person advises a person on the merits of that person dealing in a security or exercising any right to deal conferred by a security; or
- 5) custody: a person safeguards assets belonging to another person which include a security, or arranges for another person to do so, and custody includes taking the necessary administrative measures.

Article 3: Securities Business Defined

Securities business shall mean engaging in any of the securities activities specified in Article 2 of these Regulations by any person acting by way of business unless any of the exclusions specified in Chapter 2 of this Part apply.

Article 4: Carrying on Securities Business in the Kingdom

A person carries on securities business in the Kingdom if:

- (a) he engages in securities activity from a permanent place of business in the Kingdom;
- (b) he is presumed to carry on a securities activity from a permanent place of business in the Kingdom in any of the following situations:
 - 1) he engages in the relevant activity, or in securities business generally, in the Kingdom; or
 - 2) he engages in the relevant activity with or for a person in the Kingdom.

Article 5: Authorisation

A person must not carry on securities business in the Kingdom unless he is:

- 1) an authorised person authorised by the Authority; or
- 2) an exempt person as specified in Annex I to these Regulations.

Article 6: Contravention

Contravention of Article 5 of these Regulations is an offence in accordance with Article 60 of the Capital Market Law.

Chapter Two: Exclusions from Authorisation

Article 7: Scope

Securities activities that are excluded by this Chapter do not require authorisation by the Authority.

Article 8: Activities within Groups and Joint Enterprises

- (a) A transaction between two persons who act as principal is excluded from dealing if the two persons:
 - 1) are members of the same group; or
 - 2) are, or propose to be, participants in a joint enterprise (provided that the transaction is for the purpose of the joint enterprise).
- (b) Each of arranging, managing, advising and custody by a person are excluded where:
 - 1) the person is a member of a group and the services in question are provided for a member of the same group; or
 - 2) the person is, or proposes to become, a participator in a joint enterprise and the services in question are provided for a participant in the joint enterprise (provided that the services are provided for the purpose of the joint enterprise).

Article 9: Activities Carried on in the Course of a non-Securities Business

- (a) A securities activity is excluded if it:
 - 1) is carried on in the course of carrying on any profession or business which does not otherwise consist of carrying on securities business in the Kingdom;

- 2) may reasonably be regarded as a necessary part of other services provided in the course of that profession or business; and
 - 3) is not remunerated separately from the other services.
- (b) Arranging or advising carried on by a law firm or accountancy firm registered in the Kingdom is presumed to fall within paragraph (a) of this Article if:
- 1) the arranging or advising is provided in the ordinary course of the business of the firm; and
 - 2) the firm does not hold itself out as carrying on, and does not carry on, securities business.

Article 10: Sale of Goods and Supply of Services

- (a) A securities activity between a supplier and a customer is excluded if it is carried on for the purposes of, and is reasonably necessary for or ancillary to, the sale or supply of goods or services.
- (b) For the purpose of the application of paragraph (a) of this Article:
- 1) supplier: means a person whose main business is to sell goods or supply services and not to carry on securities business; and
 - 2) customer: means a person, other than an individual, to whom a supplier sells goods or supplies services, or agrees to do so.

Article 11: Executors

A securities activity carried on by an executor of a will is excluded if:

- 1) it is undertaken in his capacity as an executor;
- 2) the executor does not hold himself out as carrying on, and does not carry on, securities business; and
- 3) the executor is not remunerated for the activity separately from the other services.

Article 12: Activities in Connection with the Sale of a Company

Entering into a transaction is excluded from dealing if the purpose of the transaction is to acquire or dispose of 50 percent or more of the voting shares in a company whose shares are not listed on the Exchange.

Article 13: Exclusions from Dealing as Principal

- (a) Dealing by a person as principal in a security that is not a contractually based security is excluded unless:
 - 1) the person holds himself out as engaging in the business of dealing in securities; or
 - 2) the person regularly solicits members of the public to deal in securities.
- (b) In paragraph (a) of this Article, “members of the public” excludes authorised persons and exempt persons.
- (c) Dealing by a person in a contractually based security as principal is excluded if an authorised person or an exempt person deals or advises in relation to the transaction.
- (d) Dealing by a person as principal is excluded if the dealing is the acceptance of an instrument creating or acknowledging indebtedness in respect of any loan, credit, guarantee or other similar financial accommodation or assurance which he has made, granted or provided.
- (e) The issuance by a person of its own shares, debt instruments or warrants is excluded from dealing.

Article 14: Exclusions from Arranging

The following activities are excluded from arranging:

- 1) Arranging by a person of a transaction to which it is a party.
- 2) Arrangements under which a person accepts or is to accept (as principal or agent) an instrument creating or acknowledging indebtedness in respect of any loan, credit, guarantee or other similar financial accommodation or assurance which he has made, granted or provided.
- 3) Arranging by a person of the issuance of its own shares, debt instruments or warrants.
- 4) Arranging introductions of persons to an authorised person or exempt person for the provision of custody services.

Article 15: Exclusion from Advising

Advising is excluded if the following two conditions are fulfilled:

- 1) the advice is either:
 - in writing and contained in a newspaper, journal, magazine, or other periodical publication, or given by way of a service comprising regularly updated news or information; or
 - contained in a broadcast or transmission of a television or radio programme; and
- 2) its principal purpose is neither to advise nor to induce persons to deal.

Part 3

Securities Advertisements



Securities Advertisements

Article 16: Preliminary

- (a) A securities advertisement means any form of verbal, electronic, broadcast or written communication made in the course of business for the purpose of inviting or inducing a person to engage in securities activity.
- (b) References to making or communicating a securities advertisement in this Part include causing a securities advertisement to be made or communicated but do not include acting as a mere conduit for information with no editorial control over its content.

Article 17: Securities Advertisements

A person must not make or communicate any securities advertisement to a person in the Kingdom unless:

- 1) the person making the advertisement is an authorised person; or
- 2) the contents of the securities advertisement have been approved for the purpose of this Part by an authorised person.

Article 18: Contravention

Contravention of Article 17 of these Regulations is an offence under Article 60 of the Capital Market Law.

Article 19: Advertising in the Kingdom

- (a) Subject to paragraph (b) of this Article, a securities advertisement is made or communicated to a person in the Kingdom if it is available to persons in the Kingdom, including advertisements made via the internet.
- (b) A securities advertisement is not made or communicated to a person in the Kingdom if it is directed only at persons outside the Kingdom.
- (c) It is a question of fact based on the circumstances, including those relating to the communication of the securities advertisement and its contents, whether a securities advertisement is directed only at persons outside the Kingdom.

Article 20: Exclusions

A securities advertisement is excluded from the prohibition in Article 17 of these Regulations if it:

- 1) relates to securities activity that is excluded from securities business under these Regulations;
- 2) is made to an authorised person or exempt person by a person seeking to obtain information about, or to receive, securities business services;
- 3) is made by an exempt person and relates to that person's exempt activities;
- 4) is directed only at authorised persons, exempt persons or institutions;
- 5) is made by a member of a group to another member of the same group;
- 6) is made by a participant in a joint enterprise to another participant (or potential participant) for a purpose relating to the joint enterprise;
- 7) is made by a journalist acting in that capacity;
- 8) is made by a person acting in the course of a business that involves placing or distributing marketing materials or communications;
- 9) is required to be made under the law of the Kingdom, including the Implementing Regulations; or
- 10) is directed at persons who own, or are entitled to obtain, securities issued by the person making the advertisement, or creditors of that person.

Part 4

Publication and Entry
into Force

Publication and Entry into Force

Article 21: Publication and Entry into Force

These Regulations shall become effective upon their publication.

Annexes



Annex I

Exempt Persons

- (a) The following persons are exempt in relation to securities business activities undertaken by them:
 - 1) the Government of the Kingdom;
 - 2) SAMA;
 - 3) the Exchange and any other stock exchange approved by the Authority;
 - 4) the Depositary Centre; and
 - 5) a supranational authority recognised by the Authority.
- (b) An insolvency practitioner is exempt in relation to his activities undertaken in his capacity as such.
- (c) An insurance company is exempt in relation to its insurance activities regulated by SAMA.
- (d) The Authority may exempt other persons.

Issued by the Board of the Capital Market Authority

Pursuant to its Resolution Number 2-83-2005 Dated 21/05/1426H Corresponding to 28/06/2005G

Based on the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H

English Translation of the Official Arabic Text

Arabic is the official language of the Capital Market Authority

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

