



**KINGDOM OF SAUDI ARABIA**

**Capital Market Authority**

# **INVESTMENT FUNDS REGULATIONS**

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

**Pursuant to its Resolution Number 1 - 219 - 2006**

**Dated 3/12/1427H Corresponding to 24/12/2006G**

**Based on the Capital Market Law**

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**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 Regulations, as may be amended, can be found at the Authority's website: [www.cma.org.sa](http://www.cma.org.sa)**



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## PART 1

### GENERAL PROVISIONS

#### Article 1: Preliminary Provisions

- a. These Regulations aim to regulate the registration, offering and management of investment funds and associated activities in the Kingdom.
- b. These Regulations shall have no prejudice to the provisions of the Capital Market Law and its Implementing Regulations, including, the Market Conduct Regulations, the Capital Market Intuitions Regulations, the Securities Business Regulations and the Rules for Special Purposes Entities.

#### Article 2: 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 context indicates otherwise.

#### Article 3: Compliance with the Regulations

- a. A person who intends to offer units in an investment fund in the Kingdom, must comply with these Regulations, and the provisions of the Rules for Special Purposes Entities (where applicable).
- b. A fund manager, fund operator, custodian, distributor, market maker, adviser and any member of the fund board of an investment fund in the Kingdom must comply with these Regulations, and the provisions of the Rules for Special Purposes Entities (where applicable).

#### Article 4: Waivers

The Authority may waive a provision of these Regulations in whole or in part as it applies to a person either on an application from such person to whom the relevant provisions of this Article would otherwise apply or on the Authority’s own initiative.

#### Article 5: Fees

The Authority may impose a fee on the fund manager and the distributor as the Authority may prescribe.

#### Article 6: Right of Appeal

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



## PART 2

### FUNDs MANAGEMENT

#### Article 7: Scope and Application

This Part shall apply to both public funds and private funds.

#### Article 8: Eligibility Requirements

- a. The fund manager must be a capital market institution licensed to carry out the activity of managing investments and operating funds or the activity of managing investments.
- b. Where the fund manager was licensed to carry out managing investments activity, without the license to carry out operating funds activity, it must appoint a capital market institution licensed to carry out managing investments and operating funds activity to operate the investment funds under its management.
- c. A capital market institution appointed under Paragraph (b) of this Article may be a custodian of the relevant investment fund.
- d. A capital market institution appointed under Paragraph (b) of this Article shall be responsible for the fund's compliance with the provisions of the Capital Market Law and its Implementing Regulations.
- e. As an exception to the provisions of Paragraph (a) of this Article, the fund manager of the private real estate investment fund must be a capital market institution licensed to carry out the activity of managing investments and operating funds.

#### Article 9: Fund Management and Duties of the Fund Manager

- a. The fund manager must act for the benefit of unitholders in accordance with these Regulations, the Capital Market Institutions Regulations and the Fund's Terms and Conditions.
- b. The fund manager shall comply with all principles and duties required under the Capital Market Institutions Regulations including the fiduciary duty towards unitholders, which includes the duty to act in the best interests of the unitholders and duty to exercise all reasonable care and skill.
- c. With respect to the investment funds, fund manager's responsibilities shall include:
  - 1) Fund management.
  - 2) Offering of fund units.
  - 3) Ensuring the accuracy of the Fund's Terms and Conditions, and verify that the terms and conditions are complete, clear, accurate, and not misleading.
- d. In relation to investment funds, the fund operator shall be responsible for operating investment funds.



- e. The fund manager shall have the primary responsibility for compliance with these Regulations, whether it directly performs its responsibilities and duties or delegated them to an external party under these Regulations and the Capital Market Institutions Regulations. The fund manager shall be responsible toward unitholders for losses incurred by the investment fund, which are caused by, fraud, negligence, misconduct or wilful default of the fund manager.
- f. The fund manager must develop policies and procedures that detect risks effecting the fund's investments and ensure treatment of these risks as soon as possible. These policies and procedures must include conducting risks assessment, at least, once a year.
- g. Unless the Authority determines otherwise, the fund manager may not limit the eligibility of the investment in the fund to nationals of any state or group of states or in a particular fund. This clause does not prevent the fund manager from rejecting investment from any person or entity that is deemed unqualified for such investment by any other relevant law.
- h. All disclosures by the fund manager must be complete, clear, accurate and not misleading.
- i. The fund manager must comply with the provisions of Annex (10) of these Regulations when applying for an approval from or notifying the Authority requests.
- j. The fund manager must implement a compliance monitoring program for every fund under its management. The fund manager must provide the Authority with the results of the implementation of the program upon its request.
- k. The fund manager must cooperate with all persons concerned with the performance of tasks for the fund, including the custodian and the auditor, and the fund manager must provide them with whatever necessary to perform their duties and tasks in accordance with these Regulations.
- l. The fund manager must prepare an annual report that includes an assessment of the performance and quality of services provided by the parties involved in providing material services to the fund - including the custodian, developer and property manager (as applicable) - and the fund manager must submit the report referred to in this Paragraph to the fund's board of directors.
- m. The fund manager must prepare an annual report that includes all complaints and actions taken towards them. The fund manager must submit the report referred to in this Paragraph to the fund's board of directors.
- n. The fund manager must comply with the Instructions for Investment Funds Announcements.

#### **Article 10: Books and Records Keeping**

- a. The fund manager must maintain the books and records of all investment funds, which the fund manager manages. In addition, the fund operator must maintain the books and records related to the operation of all the funds it operates.



- b. The fund operator must maintain -at all times- records of all units issued and cancelled, and must maintain an up to date record of the balance of outstanding units for each fund under its operation.
- c. Without prejudice to Paragraph (b) of this Article, the fund manager and fund operator must maintain all books and records in accordance with these Regulations for a period of (10) years unless the Authority determines otherwise. The fund manager and fund operator must maintain copies of all books and records required pursuant to this Article for a longer period in the event such books and records relate to any litigation or claim (including any pending or threatened litigation) or any on-going investigations procedures, the fund manager and fund operator must maintain such books and records until the closure of that litigation, claim or on-going investigation procedures.

### **Article 11: Financial Statements**

- a. The financial statements for an investment fund must be prepared in Arabic, and in a semi-annual basis at least for public fund and private real estate fund,. Additional copies may be prepared in other languages, and in the event of any conflict between those copies, the Arabic text shall prevail.
- b. The interim financial statements for an investment fund must be prepared in accordance with the accounting standards approved by the Saudi Organization for Chartered and Professional Accountants, and must be examined in accordance with the auditing standards approved by the Saudi Organization for Chartered and Professional Accountants.
- c. The provisions of Paragraphs (a) and (b) of this Article shall not apply to a public fund whose establishment period is less than three months.
- d. The annual financial statements for an investment fund must be prepared in accordance with the accounting standards approved by the Saudi Organization for Chartered and Professional Accountants, and must be audited in accordance with the auditing standards approved by the Saudi Organisation for Chartered and Professional Accountants, and the auditor, through reviewing the annual financial statements and based on the information provided to it, must include in its report what may come to its attention of breaches to the provisions of the Investment Funds Regulations and the Fund's Terms and Conditions.
- e. Copies of all financial statements required by Paragraphs (a), (b) and (d) of this Article must be included in the fund reports prepared by the fund manager pursuant to Article (78 ) of these Regulations in the case of public funds and pursuant to Article (95 ) of these Regulations in the case of private funds.



## Article 12: Register of Unitholders

- a. The fund operator must establish a register of unitholders and must maintain it in the Kingdom.
- b. The Fund Operator may engage a capital market institution licensed to carry out the activity of managing investments and operating funds or an investment fund distribution platform, pursuant to a contract in writing to establish and maintain a register of unitholders referred to in Paragraph (a) of this Article.
- c. Notwithstanding the appointment of another entity referenced in Paragraph (b) of this Article, the fund operator shall remain responsible for the discharge of all its duties in relation to the register under these Regulations.
- d. The register shall be conclusive evidence as to the persons entitled to units entered on the register.
- e. The fund operator must maintain at least the following information in the register:
  - 1) The name, address and contact numbers of each unitholder;
  - 2) The national identification number, residence number (Iqama), passport number or commercial registration number of the unitholder when applicable, or any other identification as determined by the Authority;
  - 3) The nationality of the unitholder;
  - 4) The date on which the unitholder was registered in the register;
  - 5) Details of all transactions in relation to units conducted by each unitholder; and
  - 6) The current balance of the number of units (including fractions of a unit) held by each unitholder.
  - 7) Any restriction or right attached to units owned by the unitholder.
- f. The register of unitholders must be made available for inspection by the Authority at its request. A summary must be provided by the fund manager to any unitholder free of charge upon request, such summary must show all the information that is relevant to the requesting unitholder only.
- g. The fund operator must update the register of unitholders immediately to reflect changes to information referred to in Paragraph (e) of this Article.
- h. The traded funds shall be exempted from the provisions of this Article.



### Article 13: Conflicts of Interest

- a. Without prejudice to Paragraphs (b), (c), and (d) of this Article, the fund manager must treat any conflicts of interest in accordance with the provisions of the Capital Market Institutions Regulations.
- b. If the fund manager (or the fund sub-manager) does not carry out a prior (where possible) or immediate disclosure of the conflict of interest to the relevant fund board, and obtain the fund board's approval on that action, the fund manager or the fund sub-manager may not engage in any action that involves:
  - 1) A material conflict between the interests of the fund manager or fund sub-manager and the interests of any investment fund it manages; or
  - 2) A conflict between the interests of any investment fund it manages and another investment fund or another client account.
- c. The fund manager (and fund sub-manager), must ensure their affiliates do not engage in any action that involves any conflict of interest as described in Paragraph (b) of this Article.
- d. The fund manager of a public investment must disclose immediately, on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable), and on the public fund's annual reports that has been prepared by the fund manager in accordance to Article (78 ) of these Regulations.

### Article 14: Investment Policies and Practices

The investment decisions of the fund manager must conform to well and prudent investment practice in relation to the investment objectives of the fund as set out in the Terms and Conditions, including using its best efforts to ensure:

- 1) in the case of an open-ended fund, that the investment fund is sufficiently liquid in order to meet anticipated redemption requests;
- 2) that the investment fund does not unduly concentrate investments in a certain security or securities, in a country, geographic area, industry or sector, except to the extent any such concentration is disclosed in the Fund's Terms and Conditions; and
- 3) that the investments of the fund provide a prudent spread of risk whilst having due regard to the investment objectives, investment policies and Terms and Conditions of the relevant investment fund.

### Article 15: Fund's Subscriptions

- a. A fund manager and any of its affiliates may only subscribe, for their own accounts, in units in an investment fund which is managed by the fund manager if the intention of such subscription is disclosed in the Fund's Terms and Conditions, if the following requirements are satisfied:
  - 1) the terms of the fund manager's (or its affiliates') subscriptions, and the rights attached to the units which they hold must be no more favourable than those of other unitholders of the same class;



- 2) the fund manager and its affiliates shall not be entitled to vote on the units which they hold; and
  - 3) the public fund manager shall disclose at the end of each quarter details of its investments in the fund's units on the fund manager's website and the Exchange's website, or any other website available to the public according to the controls set out by the Authority (where applicable), as well as in the reports that the fund manager prepares in accordance with Article (78 ) of these Regulations.
- b. A unitholder whose subscription in a closed-ended fund was made in kind may reduce its ownership to a minimum of (50%) of the number of units issued for its in kind contribution after one year from the date of subscription in the fund or the date of operation of the fund, whichever is further, unless the relevant Fund's Terms and Conditions state a longer period.
  - c. Without prejudice to the restrictions stipulated in Article (49 ) of these Regulations, a closed-ended investment traded fund shall be excluded from the provisions of Paragraph (b) of this Article.

#### **Article 16: Special Commission Arrangements**

- a. Any special commission arrangement entered into by a fund manager is subject to the Capital Market Institutions Regulations and must be disclosed in the Fund's Terms and Conditions.
- b. Goods and services received by a fund manager under a special commission arrangement must be restricted to those that are related to the execution of transactions on behalf of an investment fund or comprise the provision of research for the benefit of relevant investment fund.
- c. The fund manager may not obtain direct sums of money under special commission or any other arrangements.

#### **Article 17: Delegation by the Fund Manager**

- a. A fund manager may, in respect to any investment fund, which the fund manager manages, delegate one or more third parties or affiliates as a fund sub-manager. The remuneration of any fund sub-manager must be paid by the fund manager out of its own resources.
- b. With exception for cases described in Paragraph (c) of this Article, Any fund sub-manager delegated pursuant to Paragraph (a) of this Article must be delegated pursuant to a contract in writing and must be a capital market institution licensed to carry out the activity of managing investments and operating funds or the activity of managing investments.
- c. A fund manager may delegate a fund sub-manager operating in a jurisdiction other than the Kingdom to manage foreign investments of the investment fund, however the sub- manager shall be established, authorised and supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority, and must be delegated pursuant to a contract in writing.
- d. The Authority shall have the discretion to assess whether the jurisdiction in which any fund sub-manager operates has regulatory standards and requirements at least equivalent to those of the Authority.



- e. The fund manager may delegate a third party or more, or any of its affiliate to work as distributor to units of an investment fund managed by the fund manager. The distributor's remuneration must be paid from the fund manager's own resources.
- f. The distributor that has been delegated in the Kingdom pursuant to Paragraph (e) of this Article, must be one of the following:
  - 1) a capital market institution licensed to carry out dealing activity.
  - 2) a capital market institution licensed to carry out advising activity.
  - 3) a local bank.
  - 4) Investment Fund Distribution Platform.
  - 5) Electronic Money Institution licensed by the Saudi Central Bank.
- g. The delegation referenced in Paragraph (e) of this Article must be made pursuant to a contract in writing, and where the distributor is a local bank or Electronic Money Institution licensed by the Saudi Central Bank, it must include the following controls at minimum:
  - 1) That the units of the publicly offered investment funds shall be distributed through the distributor's website or application only.
  - 2) The website or application of the delegated distributor provides the ability to fill and sign the required documents, including:
    - a) The fund manager's investment account opening agreement.
    - b) The "Know Your Client" form provided in the Capital Market Institutions Regulations.
    - c) The fund's subscription form, and the Fund's Terms and Conditions in which a client wishes to participate.
- h. Where the fund manager has delegated the distributor under Paragraph (e) of this Article, the fund manager is responsible for complying with the Capital Market Law and its Implementing Regulations, and the Anti-Money Laundering Law, and its Implementing Regulations. The fund manager may rely on the delegated distributor to take due diligence measures towards the client according to the relevant provisions contained in the Anti-Money Laundering Law and its Implementing Regulations.
- i. The fund manager may delegate a third party or more, to carry out the fund operations, including administrative services for the fund.
- j. With exception for cases described in Paragraph (k) of this Article, any third party delegated pursuant to Paragraph (i) of this Article must be a capital market institution licensed to carry out the activity of managing investments and operating funds, and must be delegated pursuant to a written contract.
- k. A fund manager may delegate a third party operating in a jurisdiction other than the Kingdom to carry out the fund operations in relation to investment fund's foreign investments. The



third party must be established, authorised and supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority, and must be delegated pursuant to a contract in writing.

1. The Authority shall have the discretion to assess whether the jurisdiction in which any third party, which delegated to carries out the operations of the fund outside the Kingdom, it has regulatory standards and requirements at least equivalent to those of the Authority.

#### **Article 18: Appointment of Advisors**

- a. The fund manager may, in respect to any investment fund which the fund manager manages, appoint a person to provide advice. The remuneration of any such person must be paid from the fund manager's own resources.
- b. With exception for cases described in Paragraph (c) of this Article, any person appointed by the fund manager as an adviser, must be a capital market institution licensed to carry out the advising activity, and must be appointed pursuant to a written contract.
- c. A fund manager may appoint a person in a jurisdiction other than the Kingdom to provide advice in relation to investment fund's foreign investments. The person that has been appointed pursuant to this Paragraph must be established, authorised and supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority, and must be delegated pursuant to a contract in writing.
- d. The Authority shall have the discretion to assess whether the jurisdiction in which any adviser operates has regulatory standards and requirements at least equivalent to those of the Authority.

#### **Article 19: Services, Commissions and Management Fees**

- a. Any fees, commissions or charges levied on the fund for its management must be on arm's length terms (and at least equivalent to the terms entered into by persons dealing independently) and in no event shall such charges exceed the limit specified in the Fund's Terms and Conditions.
- b. The Authority may impose a cap for any of the service fees and commissions charged by the Fund Manager.

#### **Article 20: Power of the Authority to Remove and Replace Fund Manager**

- a. The Authority shall have the power to remove a fund manager in relation to a particular investment fund and to take any action it deems appropriate to appoint a replacement fund manager for that investment fund or to take any other measures it deems necessary in the event of:
  - 1) the fund manager ceasing to carry out managing investments and operating funds activity or managing investments activity without notification to the Authority under the Capital Market Institutions Regulations;
  - 2) the cancellation, withdrawal or suspension by the Authority of the fund manager's authorisation(s) to carry out managing investments and operating funds activity or managing investments activity under the Capital Market



Institutions Regulations;

- 3) a request by the fund manager to the Authority to cancel its relevant authorisation to carry out managing investments and operating funds activity or managing investments activity;
  - 4) the Authority believing that the fund manager has failed, in a manner which the Authority considers material, to comply with the Capital Market Law or its Implementing Regulations;
  - 5) the death, incapacity or resignation of a portfolio manager who manages the assets of the investment fund, if no other registered person employed by the fund manager can manage the assets of the relevant investment fund or the assets of the funds managed by the portfolio manager;
  - 6) the issuance of a special fund resolution by unitholders of a close ended fund requesting the Authority of removal of the fund manager; or
  - 7) any other event determined by the Authority on reasonable grounds to be of sufficient material.
- b. Notice of any event described in Subparagraph (5) of Paragraph (a) of this Article must be provided by the fund manager to the Authority within (2) days from the date of its occurrence.
  - c. For removal of the fund manager in accordance with the cases stipulated in Subparagraphs (1), (2), (3), (4), (5) and (7) of Paragraph (a) of this Article, the Authority shall direct the fund manager to call for a unitholders meeting within (15) days, in order to appoint the custodian or any other party, through an ordinary fund resolution, to find and negotiate with a replacement fund manager and specify the time limit for finding and negotiation.
  - d. For removal of the fund manager in accordance with the case stipulated in Subparagraph (6) of Paragraph (a) of this Article, the fund manager must issue an ordinary fund resolution at the same meeting in which unitholders voted on the request to remove the fund manager, in order to appoint the custodian or any other party, to find and negotiate with a replacement fund manager and specify the time limit for finding and negotiation.
  - e. When any of the two cases stipulated in Paragraphs (c) and (d) of this Article occurs, the fund manager must notify the Authority of the results of the unitholders meeting within two days of its convening date.
  - f. The fund manager must cooperate and provide the custodian or the party assigned to find and negotiate any documents required by it for the purpose of appointing a replacement fund manager within (10) days from the date of the request, and both parties must maintain the confidentiality of the information.
  - g. The fund manager must, upon approval of the replacement fund manager to manage the fund and transfer of the fund management to it, send a written consent of the replacement fund manager to the Authority as soon as it is received.
  - h. If the Authority exercises any of its powers pursuant to Paragraph (a) of this Article, the relevant fund manager shall co-operate fully in order to help facilitate a smooth transfer of responsibilities to the replacement fund manager during the initial (60) days period after the appointment of the replacement fund manager. The fund manager shall where necessary



and applicable and at the discretion of the Authority, novate all of the contracts relating to the relevant investment fund to which it is a party to the replacement fund manager.

- i. The removed Fund Manager must not charge management fees or any other fees starting from the date of the Authority's decision to remove the Fund Manager.
- j. In case a replacement fund manager has not been appointed within the time limit for finding and negotiation with a replacement fund manager referred to in Paragraphs (c) and (d) of this Article, unitholders are entitled to request the liquidation of the fund through a special fund resolution.

### **Article 21: The Voluntary Withdrawal of the Fund Manager**

- a. If the Fund Manager wishes to voluntarily withdraw from managing the fund, the following requirements must be fulfilled:
  - 1) Obtaining the approval of the unitholders of the relevant fund to replace the Fund Manager and appoint a replacement Fund Manager through an ordinary fund resolution.
  - 2) Obtaining the approval of the replacement Fund Manager to manage the relevant fund.
  - 3) Obtaining the Authority's approval.
- b. The voluntarily withdrawing Fund Manager must transfer the responsibilities of managing the relevant fund to the replacement Fund Manager within (60) days from the issuance of the Authority's approval. The withdrawing Fund Manager shall, where necessary and applicable, transfer to the replacement Fund Manager all contracts related to the relevant investment fund.

### **Article 22: Investment Decisions**

If a fund manager is removed pursuant to Article (20) of these Regulations, it must cease to make any investment decisions in relation to the relevant fund as soon as the replacement fund manager is appointed or at any earlier time determined by the Authority.

### **Article 23: Termination and Liquidation of the Fund**

- a. The fund manager shall specify the termination provisions of a fund in the Terms and Conditions of the relevant fund.
- b. The fund manager must complete the process of selling the fund's assets and distribute the unitholders' dues among them prior to the end of the fund's term.
- c. The fund manager may extend the fund's term to complete the sale process of the fund's assets or any other event in accordance with the provisions of Articles (64 ) and (94 ) of these Regulations.
- d. For the purpose of terminating a fund, the fund manager must prepare a plan and procedures for the termination of the fund consistent with the unitholders interests and must obtain the fund board of directors' approval – where applicable – on such plan and procedures prior



- to carrying out any procedure in this regard.
- e. The open-ended fund manager must notify the Authority and the unitholders, in writing, of the details of the plan and procedures for the fund termination at least (21) days prior to the intended date for terminating the fund, without prejudice to the Fund's Terms and Conditions.
  - f. The fund manager must comply with the plan and procedures for fund's termination approved as per Paragraph (d) of this Article.
  - g. The fund manager must notify the Authority and unitholders, in writing, regarding the fund's termination within (10) days from the end of the fund term in accordance with the requirements in Paragraph (d) of Annex (10) of these Regulations.
  - h. In case the Fund's Terms and Conditions provide that the fund will be terminated upon the occurrence of specified events, the fund manager must terminate the fund immediately upon the occurrence of such event and notify the Authority and unitholders in writing within (5) days from the occurrence of a specified event triggering the termination of the fund.
  - i. In the event of expiry of the fund's term and the fund manager has not completed the sale of the fund's assets before the expiry of its term, the fund manager must liquidate the assets and distribute the unitholders' dues among them within a period not exceeding (12) months from the date of the expiry of the fund's term.
  - j. For the purpose of liquidating a fund, the fund manager must obtain the fund's board of directors' approval on the plan and procedures for the liquidation of the fund (where applicable) prior to carrying out any action in this regard.
  - k. The fund manager must comply with the plan and procedures for fund liquidation approved as per Paragraph (j) of this Article.
  - l. The fund manager must notify the Authority and the unitholders, in writing, of the end of the fund liquidation within (10) days from the end of the fund liquidation in accordance with the requirements in Paragraph (d) of Annex (10) of these Regulations.
  - m. The fund manager must treat all unitholders equally during the fund termination or liquidation process, and must take their interests into consideration in accordance with the provisions of the Capital Market Law and its Implementing Regulations.
  - n. The Fund Manager is not permitted to charge management fees from the commencement date of the fund's liquidation.
  - o. The fund manager must immediately upon the end of fund term or liquidation distribute the dues of the unitholders among them, without delay and in a manner that does not conflict with the interest of unitholders and the Fund's Terms and Conditions.
  - p. The public fund manager must disclose, on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable), regarding end of term of the fund or its liquidation period. Moreover, the private fund manager must notify the unitholders of such in the places and means specified in the Fund's Terms and Conditions.



- q. The fund manager must provide the unitholders with the fund termination report, in accordance with the requirements of Annex (14) of these Regulations within a period not exceeding (70) days from the date of completion of its termination or liquidation, including the final audited financial statements of the fund for the period subsequent to the last annual audited financial statements.
- r. The Authority may remove the fund manager from the liquidation process in the event of a special fund resolution issued by the unitholders, provided that a replacement liquidator is appointed on the same meeting in which unitholders voted on removing the fund manager.
- s. If the fund manager was removed from the liquidation process, it should fully cooperate to transfer liquidation responsibilities to the appointed liquidator. It must also transfer to the appointed liquidator all the documents of the relevant investment fund, that will enable it to complete the liquidation within (20) days from the issuance of the Authority's resolution to remove the fund manager and appoint a replacement liquidator.
- t. The fund manager must notify the unitholders, in writing, in the event where the Authority issues a resolution of the removal of the fund manager and the appointment of a replacement liquidator under Paragraph (r) of this Article.
- u. In all cases, the fund manager must notify the Authority and the unitholders, in writing, immediately and without any delay of any material events or developments during the liquidation period of the fund.
- v. The traded funds shall be exempted from the requirement to send the written notice to all unitholders mentioned in Paragraphs (e), (g), (h) (l), (t), and (u) of this Article, provided that the announcement for such is made on the fund manager's website and the Exchange's website.



## PART 3

### CUSTODY

#### **Article 24: Scope and Application**

This Part shall apply to public funds and private funds.

#### **Article 25: Appointment of the Custodian**

- a. The fund manager must appoint one or more custodians in the Kingdom to take custody of the assets of the investment funds which the fund manager manages. The custodian must be appointed pursuant to a written contract.
- b. The custodian appointed pursuant to Paragraph (a) of this Article must not be a fund manager or a fund sub-manager to the relevant fund, or an affiliate of the fund manager or to the fund sub-manager.
- c. The custodian appointed pursuant to Paragraph (a) of this Article must be a capital market institution licensed to carry out custody activity.
- d. As an exception to the provisions of Paragraph (b) of this Article, the custodian of a feeder fund for public and private investment funds may become a fund manager for the relevant fund, a sub-manager of the relevant fund or an affiliate to the fund manager or the fund sub-manager, when fulfilling the following criteria:
  - 1) Investing the feeder fund's assets in another investment fund, whether that investment is in or outside the Kingdom.
  - 2) The custodian of the feeder fund shall not impose any additional fees on the fund.
  - 3) The investment fund in which the feeder fund invests in shall be a closed ended fund.

#### **Article 26: Ownership and Custody of the Assets of the Investment Fund**

- a. The assets of an investment fund shall be owned collectively by the unitholders in that fund. A fund manager, fund sub-manager, fund operator, custodian, sub-custodian, advisor or distributor may not have any interest in or claims against such assets, other than, when the fund manager, fund sub-manager, fund operator, custodian, sub-custodian, advisor or distributor is a unitholder (within the limits of its ownership), or for claims permitted under these Regulations and disclosed in the Fund's Terms and Conditions.
- b. With the exception of units owned by the fund manager, fund sub-manager, fund operator, custodian, sub-custodian, advisor, or distributor, and within the limits of what is owned by the debtor, creditors of such fund manager, fund sub-manager, fund operator, custodian, sub-custodian, advisor, or distributor may not have any claim or entitlement to money or assets of the investment fund.



## Article 27: Segregation of Assets

- a. The custodian must, in relation to each investment fund to which it acts as custodian, open a separate account in a local bank under its name with the account designated as being for the benefit of the relevant investment fund.
- b. The custodian must segregate each investment fund's assets from its own assets and from the assets of its other clients, and must separately identify, by registration in the name of the custodian for the benefit of the relevant investment fund the securities and other assets of such investment fund. The custodian must register the real estate assets of the fund and the ownerships in unlisted companies that are not deposited at the Depository Center in the name of a company fully owned by the custodian. The custodian must maintain all necessary records to support the performance of its contractual responsibilities.
- c. As an exception to the provisions of Paragraph (a) of this Article, in the case of an investment fund that takes the form of a special purposes entity, the custodian must open a separate account with a local bank in the name of such special purposes entity.
- d. As an exception to the provisions of Paragraph (b) of this Article, in the case of an investment fund that takes the form of a special purposes entity, the custodian must segregate the assets of each investment fund from its own assets and the assets of its other clients. Such assets must be specified independently by registering the securities and other assets in the name of the special purposes entity. It shall also maintain all necessary records and other documents that support the performance of its contractual obligations.
- e. The custodian must deposit all cash belonging to the investment fund into the relevant bank account referred to in Paragraph (a) or Paragraph (c) of this Article, whichever applies, and must deduct from the relevant bank account payments for investments and expenses incurred in the management and operation of the investment fund in accordance with these Regulations, the updated Fund's Terms and Conditions that it received from the fund manager, and the contract by which the custodian was appointed by the fund manager.
- f. Real estate assets of a fund may be pledged to an entity licensed to provide loans that extended a loan to the fund.

## Article 28: Delegation by the Custodian

- a. A custodian, in respect of any investment fund in relation to which the custodian acts, may delegate one or more third parties or affiliates as a fund sub-custodian. The remuneration of the fund sub-custodian shall be paid by the custodian out of its own resources.
- b. With exception for cases described in Paragraph (c) of this Article, any fund sub-custodian delegated pursuant to Paragraph (a) of this Article must be delegated pursuant to a contract in writing and must be a capital market institution licensed to carry out the custody activity.
- c. A fund sub-custodian operating in a jurisdiction other than the Kingdom may be delegated to take custody of the fund's assets in relation to the fund's foreign investments, and must be delegated pursuant to a contract in writing and shall be established, authorised and supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority.



- d. The Authority shall have the discretion to assess whether the jurisdiction in which any fund sub-custodian, who operates outside the Kingdom, has regulatory standards and requirements at least equivalent to those of the Authority.
- e. The fund sub-custodian delegated pursuant to the provisions of this Article, must not be the fund manager, the fund sub-manager, or any of their affiliates.

#### **Article 29: Responsibilities of the Custodian**

- a. Notwithstanding the delegation by a custodian to one or more third parties under the provisions of these Regulations or the Capital Market Institutions Regulations, the custodian shall remain fully responsible for compliance with its responsibilities in accordance to the provisions of these Regulations. The custodian shall be held responsible to the fund manager and unitholders for any losses caused to the investment fund due to the custodian fraud, negligence, misconduct or wilful default.
- b. The custodian shall be responsible for taking custody and protecting the fund's assets on behalf of unitholders, and taking all necessary administrative measures in relation to the custody of the fund's assets.

#### **Article 30: Power of the Authority to Remove and Replace Custodian**

- a. The Authority shall have the power to remove the custodian which was appointed by the fund manager of an investment fund and take any other measures it deems necessary, as appropriate, in the event of:
  - 1) The custodian ceasing to carry out custody activity without notification to the Authority under the Capital Market Institutions Regulations;
  - 2) The cancellation or suspension by the Authority of the custodian's relevant authorisation to carry out custody activity;
  - 3) A request by the custodian to the Authority to cancel its authorisation to carry out custody activity;
  - 4) The Authority believing that the custodian has failed, in a manner which the Authority considers material, to comply with the Capital Market Law or its Implementing Regulations; or
  - 5) Any other event determined by the Authority – based on reasonable grounds– to be of sufficient significance.
- b. If the Authority exercises its power pursuant to Paragraph (a) of this Article, the relevant fund manager must appoint a replacement custodian to that investment fund in accordance with the Authority's instructions, the fund manager as well as the isolated custodian shall co-operate fully in order to facilitate a smooth transfer of responsibilities to the replacement custodian during the first (60) days of the appointing the replacement custodian. The custodian must transfer, where the Authority decides its necessary and applicable, all the contracts related to the relevant investment fund to the replacement custodian.



### **Article 31: Removal of Custodian by the Fund Manager**

- a. The custodian appointed by the fund manager of an investment fund may be subject to removal by written notice by the fund manager of that investment fund upon the fund manager forming the reasonable opinion that the removal is for the interest of the unitholders, the fund manager shall notify the Authority and the unitholders in writing immediately.
- b. upon removing the custodian, the fund manager must appoint a replacement custodian within (30) days of the custodian's receipt of the written notification issued in accordance with Paragraph (a) of this Article. The removed custodian must co-operate fully with the fund manager in order to facilitate a smooth transfer of responsibilities to the replacement custodian, and must transfer, where necessary and applicable, all contracts related to the relevant investment fund to the replacement custodian.
- c. The fund manager must immediately disclose on its website the appointment of a replacement custodian. The fund manager of a public fund shall also disclose on any other website available to the public according to the controls set out by the Authority regarding the appointment of a replacement custodian for the public fund.
- d. The traded funds shall be exempted from the requirement to notify unitholders in writing stipulated in Paragraph (a) of this Article. Provided the announcement of such shall be on the fund manager's website and the Exchange's website.



## PART 4

### PUBLIC FUNDS

#### Article 32: Application to the Authority for the Offer of Units in a Public Fund

- a. Any person seeking to offer units in a public fund must submit an application to the Authority which contains the information specified in Annex (2) of these Regulations. The Applicant must be a capital market institution licensed to carry out the activity of managing investments and operating funds or the activity of managing investments.
- b. The applicant must notify the Authority immediately of any change in the documentation and information provided to the Authority.
- c. The applicant must pay the fees set by the Authority.

#### Article 33: Procedures and Power of the Authority toward the Application

- a. The Authority, after receiving all the required information and documents referred to in Paragraph (a) of Article (32 ) of these Regulations, shall notify the applicant of the completion of its application and shall review the application within (30) days from the date of the notification, and it shall take any of the following decisions:
  - 1) a decision to approve the application, and the Authority will provide the applicant with a notice;
  - 2) a decision to approve the application subject to such conditions and limitations as it considers appropriate by the Authority, and the Authority will provide the applicant with a notice; or
  - 3) a decision to reject the application, and the Authority will provide the applicant with a notice with a statement of reasons.
- b. If the Authority deems that offering the proposed fund units may not be in the interest of the investors, or may result in a breach of the Capital Market Law, its Implementing Regulations or the Exchange Rules, then it may take any of the following actions:
  - 1) carry out any enquiries which it considers appropriate;
  - 2) require the applicant or its representative, to appear before the Authority to answer questions and explain any matters that the Authority considers relevant to the application;
  - 3) require the applicant to provide additional information or confirm in such manner as the Authority may specify, that the information provided is accurate; and
  - 4) defer making a decision for such period as may be reasonably necessary to carry out further study or examination.
- c. If having taken actions pursuant to Paragraph (b) of this Article, the Authority determines that the offer to be made pursuant to the application may not be in the interest of the investors or may result in a breach of the Capital Market Law, its Implementing Regulations



or the Exchange Rules, the Authority may issue a notification to the applicant stating that the application has been rejected.

- d. An applicant may not offer or hold itself out as offering units in a public fund unless it has received the Authority's decision in a written notice referred to in Subparagraphs (1) or (2) of Paragraph (a) of this Article.
- e. An applicant must commence the offer and issuance of units in a public fund within (12) months from the date of the Authority's decision referred to in Subparagraph (1) or (2) of Paragraph (a) of this Article. If the applicant did not commence the offer and issuance of units during such period, the Authority's approval shall be deemed to be cancelled.

#### **Article 34: Contractual format of a Public Fund**

- a. A public fund shall be established by the signing of the Terms and Conditions of the relevant Fund between the first potential unitholders and the fund manager. The Terms and Conditions shall contain the information required by Annex (1) of these Regulations and the relevant provisions of these Regulations.
- b. The contractual relationship between the potential unitholders and the fund manager is established by signing the Terms and Conditions of the relevant fund.

#### **Article 35: Units**

- a. The potential unitholder shall be the owner of the units to which it has subscribed for as soon as executing the subscription request in the next dealing day deadline for submission of subscription and redemption request.
- b. The unitholder shall be entitled to exercise all rights in relation to the units (including, but not limited to, the right to vote at meetings of unitholders);
- c. Other than losing his\her investment in the fund or part of it, the unitholder shall not be liable for the debts and obligations of the relevant public fund.
- d. A public fund may issue more than one class of units, all unitholders from the same class shall have the same rights as each other and shall be treated equally by the fund manager. No class of unitholders shall have a deferent investment strategies and objectives from the investment strategies and objectives of another class in the same investment fund.
- e. A class of a unitholders may not benefit from the rights that prejudice the rights of unitholders of another class.

#### **Article 36: Permitted Fees, Commissions And Expenses**

- a. The only payments which may be made by the fund manager from the assets of the public fund managed by the fund manager are those in respect of:
  - 1) the costs of dealing in the assets of that public fund, including brokerage fees;
  - 2) costs associated with borrowings related to that public fund;
  - 3) management fees, including any performance or incentive element if applicable;



- 4) the fees of the custodian;
  - 5) the fees and expenses of the auditor;
  - 6) the fees of the Shariah committee (including Shariah oversight), if any;
  - 7) The expenses for publishing the quarter statement, interim financial statements, and annual reports (including annual financial statements).
  - 8) fees and expenses of the fund board directors; and
  - 9) any other charges or expenses associated with the operation and administration of that public fund (including, but not limited to, the cost of holding unitholder meetings).
- b. The fund manager must pay all costs of the offer of units of any public fund and the promotion for it out of its own resources, such costs shall include the preparation of the Fund's Terms and Conditions and other documents required to be submitted to the Authority under these Regulations, beside copying and publication of such.
  - c. The fund manager shall, in its annual report to unitholders, disclose the ratio of the aggregate fees for the year in question to the average net asset value of the public fund.

#### **Article 37: Public Fund Distributions**

- a. The fund manager is obliged to distribute dividends to unitholders, unless stated otherwise in the Fund's Terms and Conditions.
- b. The fund operator shall be responsible for the process of dividends distribution to unitholders.
- c. If dividends are distributed to unitholders, the distribution must be in accordance to the public Fund's Terms and Conditions, and must be announced immediately on the fund manager's website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable), and it must be reported in the public funds reports prepared by the fund manager and pursuant to Article (78 ) of these Regulations.
- d. The fund manager may not claw back any dividends made to the unitholders.

#### **Article 38: Fund's Subscription in Securities**

- a. With regards to the provisions of Article (43 ) of these Regulations and the investment limitations on specialized public funds stipulated in these Regulations, a public fund may subscribe in securities according to the following conditions:
  - 1) The securities are being offered in a public offer within the Kingdom or outside the Kingdom. If the public offer was made in a jurisdiction outside the Kingdom, the offer must be subject to regulatory standards and requirements at least equivalent to those applied on public offering in the Kingdom. The Authority shall have the discretion to assess whether the regulatory standards and requirements applied on the offer is at least equivalent to those applied by the Authority.



- 2) With the exception of Initial Public Offering that are made in accordance with the Instructions of Book Building Process and Allocation Method in Initial Public Offering, the securities may be subscribed by the public fund at a price which is no more than the offering price;
- b. With regards to the provisions of Article (43 ) of these Regulations, and the investment limitations on specialized public funds stipulated in these Regulations, a public fund may subscribe in debt instruments issued by an issuer in the Kingdom by way of private placement.

### **Article 39: Public Fund Board**

- a. A public fund shall be supervised by a fund board appointed by the public fund manager since its establishment. The approval of the Authority shall be obtained (10) days prior to any appointment of the fund's board, or any subsequent change in such composition.
- b. The number of directors in a fund board must not be less than three (3) directors. The number of independent fund directors of a fund board must not be less than two, or one third of the total number of directors, whichever is greater.
- c. If the quorum set forth in Paragraph (b) of this Article is not fulfilled with regard to independent members, the fund manager shall appoint independent members, which fulfill the qualification requirements mentioned in Paragraph (i) of this Article.
- d. The fund manager has no right to remove any independent board member, and the removal shall only be made by the unitholders in accordance with the provisions of Article (77 ) of these Regulations.
- e. The fund manager must remove any member of the board of directors of the fund if a special fund resolution is issued by the fund's unitholders requesting the fund manager to remove that member.
- f. When more than one public fund is managed by the same fund manager, those public funds may be supervised by a single fund board unless the number of public funds is estimated by the fund manager to be too high to be supervised effectively by a single fund board. The fund board and the fund manager must review annually the number of public funds supervised by that board and assess whether the number is such that effective supervision is compromised and a different board should be appointed for one or more of those public funds. The Authority reserves the right to require a fund manager to appoint another fund board if the Authority considers that the number of public funds the fund board supervises is too high.
- g. The fund board shall conduct an annual assessment for each independent member to ensure that there are no relationships or circumstances that affect or may affect his/her independency.
- h. A fund board director may not vote on any resolution taken by the fund's board of directors to be taken on any matter in which such fund board director has any direct or indirect particular interest and shall disclose any such interest to the fund board.
- i. Any person appointed by the fund manager as a member of the fund board shall fulfill the following eligibility requirements:



- 1) the person must not be bankrupt or subject to any bankruptcy or insolvency proceedings;
  - 2) the person must not have committed an offense involving fraud or acted in breach of integrity and honesty; and
  - 3) the person must possess the necessary experience and expertise.
- j. If a member of the fund board ceases to meet the eligibility requirements set out in Paragraph (i) of this Article, the fund manager must:
- 1) notify the Authority immediately; and
  - 2) replace a member of the fund board with another person who fulfils the eligibility requirements within (45) days from the date of his knowledge of such, in case the requirements set out in Paragraph (b) of this Article are not met.
- k. If any board director resigned or ceased to provide services, the fund manager must:
- 1) notify the Authority within (10) days.
  - 2) replace the member of the fund's board of director with another person within (45) days from the day the fund manager becomes aware of such resignation or cessation of services, in case the requirements set out in Paragraph (b) of this Article are not met.
- l. The fund manager must disclose immediately, on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable), any changes in the membership of the fund's board of directors.
- m. The fund manager must provide all necessary information about the public fund to all members of the fund's board in order to enable them to carry out their duties efficiently, the fund manager shall also provide any other information or documentation requested by the fund's board to enable it to perform its duties.

#### **Article 40: Responsibilities of the Members of the Fund Board**

The responsibilities of the members of the fund board shall include the following:

- 1) approving material contracts, decisions and reports involving the public fund, including, but not limited to, contracts for the provision of fund management services, contracts for the provision of custody services but excluding contracts entered into pursuant to investment decisions regarding underlying investments made or to be made by the fund;
- 2) approve a written policy in regards to the voting rights related to the public fund assets.
- 3) overseeing and, where appropriate, approving or ratifying any conflicts of interest the fund manager has identified;
- 4) meeting at least twice annually with the fund manager's compliance committee or its



- compliance officer to review the fund manager's compliance with all applicable rules, laws and regulations, including (without limitation) the requirements of these Regulations;
- 5) Approving all changes stipulated in Articles (64) and (65) of these Regulations before the fund manager obtains the approval or notification of the unitholders and the Authority (as applicable);
  - 6) confirming the completeness and accuracy (complete, clear, accurate, and not misleading), and compliance with these Regulations, of the Terms and Conditions and of any other document, contractual or otherwise, that includes disclosures relating to the public fund and/or the fund manager and its conduct of the public fund;
  - 7) ensuring that the fund manager carries out its obligations in the best interests of the unitholders, in accordance with these Regulations, the Fund's Terms and Conditions;
  - 8) Reviewing the report that includes assessment of the performance and quality of services provided by the parties involved in providing significant services to the fund referred to in Paragraph (l) of Article (9) of these Regulations, in order to ensure that the fund manager fulfils his responsibilities in the interest of unitholders in accordance with the Fund's Terms and Conditions and the provisions stipulated in these Regulations.
  - 9) Assessing the mechanism of the fund manager's handling of the risks related to the fund's assets in accordance with the fund manager's policies and procedures that detect the fund's risks and how to treat such risks.
  - 10) have a fiduciary duty to unitholders, including a duty to act in good faith, a duty to act in the best interests of the unitholders and a duty to exercise all reasonable care and skill; and
  - 11) taking minutes of meetings that provide all deliberations and facts of the meetings and the decisions taken by the fund's board of director.
  - 12) Review the report containing all complaints and the measures taken regarding them referred to in Paragraph (m) of Article (9) of these Regulations, in order to ensure that the fund manager carries out his responsibilities in a way that serves the interest of unitholders in accordance with the Fund's Terms and Conditions and what contained in this Regulation.

#### **Article 41: Investments Areas**

- a. The assets and money of a public fund must be invested in investments in accordance with these Regulations, other applicable laws and regulations, and the Fund's Terms and Conditions.
- b. The fund manager must invest the assets and money of a public fund, in the following types of investments only:
  - 1) securities;
  - 2) money market transactions concluded with a party subject to Saudi Central Bank



- supervision or equivalent regulator to the Saudi Central Bank in a jurisdiction outside the Kingdom;
- 3) Bank deposits with a local bank or institution regulated by an equivalent regulator to the Saudi Central Bank in a jurisdiction outside the Kingdom;
  - 4) real estate assets, without prejudice to the provisions of Paragraph (h) of this Article; and
  - 5) commodities.
- c. The fund manager may not invest the money and assets of a public fund in securities issued by the fund manager or its affiliates unless this is permitted by the Terms and Conditions of the relevant public fund.
  - d. The subscription monies received from a unitholder may not be placed on deposit which is not invested with an affiliate of the fund manager other than on Terms and Conditions equivalent to at least the terms entered into by persons dealing at arm's length.
  - e. With regards to the provision of Paragraph (b) of this Article, the public fund manager may not lend the fund's assets or money to any person, except in these two cases:
    1. The lending of securities by a closed-ended public fund.
    2. The lending of securities by an open-ended public fund in a maximum of (30%) of the fund's net assets value.
  - f. The fund manager may not invest the public fund's money and assets in any type of assets that would result in the fund assuming, guaranteeing, endorsing or otherwise become directly or contingently liable for any obligation or indebtedness of any person.
  - g. The public fund's money and assets may not be used to acquire any asset that involves the assumption of any liability which is unlimited.
  - h. Money and assets of a non-real estate closed-ended investment traded fund may not be invested in real estates.

#### **Article 42: The Fund's Benchmark**

The Fund Manager must select a benchmark that represents an appropriate standard for measuring the fund's performance. The benchmark must reflect the fund's strategies and investment objectives, and must be issued by an entity independent from the Fund Manager.

#### **Article 43: Investment Limitations**

- a. Unless a public fund is established and approved by the Authority as a specialized public fund or a specific waiver has been obtained from the Authority, the following investment limitations shall apply.
- b. Investments of the public fund's money and assets must be in another investment fund in accordance with the following conditions:



1. The investment of the public fund's money and assets shall be limited to investment in the funds registered with the Authority or investment funds outside the Kingdom subject to an equivalent regulatory oversight in a jurisdiction recognised by the Authority as having equivalent regulation. The Authority shall have the discretion to assess whether the jurisdiction has regulatory standards and requirements at least equivalent to those of the Authority.
  2. The investment of the public fund's money and assets in private funds or illiquid assets, in accordance with Paragraph (j) of this Article, shall not exceed (10%) of the public fund's net assets value.
  3. The investment of the money and assets of the public fund shall not exceed (25%) of its net asset value in the units of another investment fund, or in the units of different investment funds issued by the same capital market institution.
- c. Not more than (10%) of the issued securities of any single issuer may be held for the benefit of the public fund.
- d. With regards to the provisions of Subparagraph (3) of Paragraph (b) of this Article, not more than (10%) of the public fund's net asset value may be invested in a class of securities issued by any single issuer, and in all cases not more than (20%) of fund's net assets value may be invested in all classes of securities issued by any single issuer.
- e. The following investment shall be exempted from the provisions of Paragraph (d) of this Article:
- 1) Investment in debt instruments issued by the Government of the Kingdom in the currency of the fund, and if its currency is other than the currency of the fund, investment in such may not comprise more than (35%) of the net asset value of the public fund.
  - 2) Investment in debt instruments issued by sovereign issuer other the government of the Kingdom, which may comprise not more than (35%) of the net asset value of the public fund;
  - 3) Investment of more than (10%) of the public fund net asset value in one class of listed debt instruments issued by a single issuer, which may comprise not more than (20%) of the net asset value of the fund
  - 4) Investment of more than (10%) of the public fund's net asset value in shares issued by any single issuer listed on the Exchange or any other regulated exchange. Provided that the issue's percentage of market value does not exceed the total market value of all listed shares on the relevant exchange. This is for a public fund that aims to invest in shares listed on the Exchange or any other regulated exchange, provided that investment in such does not exceed (20%) of the fund's net assets value.
  - 5) Investment of more than (10%) of the public fund's net asset value in shares listed in the Exchange or any other regulated exchange by any single issuer affiliated with a field or sector in which the fund's general objective is to invest in it. Provided that the market value of the issue percentage shall not exceed the total market value of that particular field or sector, for the public fund whose Terms and Conditions state



that its investment objective is specified in a field or sector of listed shares, provided that the investment in it shall not exceed (20%) of the fund's net asset value.

- f. With regards to the provisions of Paragraph (c) of Article (41) of these Regulations, and except for the investment in investment funds, not more than (25%) of the public fund's net asset value may be invested in deferent parties belonging to the same group, including all investments in securities issued by them, money market transactions with them and bank deposits to them.
- g. Not more than (20%) of the net asset value of the units of another investment fund may be held for the benefit of a public fund.
- h. The borrowing of the public fund may not exceed (15%) of its net asset value.
- i. Not more than (15%) of the public fund's net asset value may be invested in derivatives.
- j. Not more than (10%) of the public fund's net asset value may be invested in illiquid assets.
- k. The portfolio of a public fund may not include any security where a call is to be made for any sum unpaid on that security unless it is feasible to pay the entire amount of cash or securities that can be converted into cash from the portfolio of the fund within (5) days.

#### **Article 44: Notification Relating to Substantial Holdings in Shares or Convertible Debt Instruments**

- a. The fund manager must notify the Exchange when the fund becomes owner or has an interest of (5%) or more of any class of voting shares or convertible debt instrument of the issuer, during a maximum period not exceeding the end of the third trading day following the executing of the transaction or the occurrence of the event which results such ownership or interest. The person notification to the Authority shall also include a list of persons, in which those persons, have an interest in the shares or convertible debt instruments which they own or control.
- b. The fund manager referred to in Paragraph (a) of this Article must notify the Exchange in the event of any change to the list of persons referred to in Paragraph (a) of this Article including any event which requires the inclusion of a person to that list or the exclusion of any person who has been previously included in that list, during a period not exceeding the third trading day following the occurrence of the event that led to the relevant event.
- c. For the purpose of this Article, when calculating the total number of shares or convertible debt instruments in which the fund is interested, the fund shall be deemed to be interested in any shares or convertible debt instrument owned or controlled by any of the following:
  - 1) a company controlled by that fund.
  - 2) any person or fund acting in concert with the public fund referred to in Paragraph (a) of this Article to acquire interest in or exercise voting rights in the shares or convertible debt instrument of an issuer listed on the Exchange.
- d. The notice referred to in Paragraph (a) of this Article must include, at a minimum, the following information:



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

#### **Article 45: Principal Transactions**

- a. A fund manager, or any of its affiliates, or any fund sub-manager, or any of its affiliates may not act as principal for their own account or accounts when dealing for public funds managed by them, other than money market funds provided that the exposure of the money market fund to the fund manager, or any of its affiliates, and any fund sub-manager, or any of its affiliates, does not exceed (25%) of the value of all its assets.
- b. A fund manager or fund sub-manager may not cause a public fund (other than a money market fund in accordance with Paragraph (a) of this Article) to deal as principal with any other investment fund managed with the same fund manager or fund sub-manager, or with any unitholder the value of whose investment in the public fund exceeds (5%) of the net asset value of that public fund.

#### **Article 46: Real Estate Investment Fund**

- a. Public real estate investment funds shall be subject to the Real Estate Investment Funds Regulations not these Regulations, unless stated otherwise in the Real Estate Investment Funds Regulation.
- b. Real estate investment funds, whose units are offered for private placement, shall be subject to the relevant provisions of these Regulations, and shall not be subject to the Real Estate Investment Funds Regulations.

#### **Article 47: Index Fund**

- a. An index fund may only invest in constituent securities of a specified index.
- b. A specified index for the purposes of this Article is an index which:
  - 1) is published in a manner and place which enables it to be accessed by the public;
  - 2) represents an adequate and appropriate benchmark for the market to which it refers, clearly defined, has a sufficiently diversified composition, and has sufficiently liquid composition;
  - 3) is solely comprised of securities traded on the Exchange or any other exchange which is subject to regulatory standards and requirements at least equivalent to those of the Exchange.
- c. If the index fund does not, at any time during its lifetime, fulfil the requirements in Paragraph (b) of this Article, the fund manager must notify the Authority in writing within (5) days of such requirements not being met and take the necessary measures to ensure compliance with the provisions of this Article



#### Article 48: Exchange Traded Fund

- a. The unitholder of an exchange traded fund shall be deemed to have read and accepted the Fund's Terms and Conditions upon purchasing any unit of an exchange traded fund from the Exchange.
- b. Units of an exchange traded fund must be deposited with the Depository Center.
- c. The exchange traded fund may invest in its own measurement indicator, provided that the securities weights in the fund's portfolio are matching the weights of those securities in its own measurement to the extent that does not conflict with the Fund's Terms and Conditions.
- d. Units in an exchange traded fund may be issued and cancelled for in kind or cash transactions, provided that they are in a pre-determined block size in accordance with the Fund's Terms and Conditions.
- e. The custodian of an exchange traded fund must ensure that any units issued or cancelled in the exchange traded fund (and the value of such units) match with fund assets received or paid for those units (and their value), and to rectify any mis-match between exchange traded fund units and its underlying assets.
- f. The fund manager of an exchange traded fund must appoint one or more capital market institution which are licensed to carry out dealing activity and as a market maker for the exchange traded fund.
- g. The market maker must, at all times, comply with the market making requirements agreed upon with the fund manager and disclosed in the Fund's Terms and Conditions.
- h. The total indicative net asset value and indicative net asset value per unit for an exchange traded fund must be regularly calculated by the fund manager during a trading day and must be disclosed on the Exchange on a real-time basis or at any other frequency acceptable to the Authority.
- i. The fund manager must calculate the total net asset value and net asset value per unit and disclose this information on the Exchange at the end of each trading day.
- j. The exchange traded fund's component securities and their respective weightings must be disclosed by the fund manager on the Exchange.
- k. All documents and information of an exchange traded fund and changes thereof shall be deemed to have been made available to unitholders once they have been published on the Exchange.
- l. Unitholders shall be deemed to have accepted and signed the Terms and Conditions of the exchange traded fund, upon purchase of units in an exchange trade fund.
- m. An exchange traded fund must comply with any conditions or additional continuing obligations as the Authority may specify.
- n. The exchange traded fund manager may submit a request for a temporary suspension of trading in accordance with the provisions of the Listing Rules.



- o. An index fund may request to be listed on the Parallel Market after the issuance of a special fund resolution by the unitholders, approving of such.
- p. In the event of offering the exchange traded fund units in the Parallel Market, the offering of those units shall be limited under the provisions of this Part to the categories of Qualified Investors on the Parallel Market.
- q. As an exception from the provisions of Paragraph (h) of Article (43) of these Regulations, the borrowing of the exchange traded fund in the Parallel Market may not exceed (75%) of the fund's net assets value.
- r. As an exception from the provisions of Paragraph (i) of Article (43) of these Regulations, the investments in derivatives of the exchange traded fund in the Parallel Market may not exceed (25%) of the fund's net assets value.
- s. The fund manager seeking to register and offer the exchange traded fund units must submit a request to the Authority that includes the information required under these Regulations, and simultaneously submit an application to the Exchange for listing those units in accordance with the provisions of the Listing Rules.
- t. The provisions of these Regulations shall apply to the exchange traded fund to the extent that they apply to nature of the exchange traded fund.

#### **Article 49: Closed-Ended Investment Traded Fund**

- a. The offer, operations and management of a closed-ended investment traded fund in the kingdom must be in accordance with the provisions of this Part and these Regulations, to the extent that does not conflict with the nature of the fund.
- b. The unitholder of a Closed-Ended Investment Traded Fund shall be deemed to have read and accepted the Fund's Terms and Conditions upon purchasing any unit of a Closed-Ended Investment Traded Fund from the Exchange.
- c. The units of the closed-ended investment traded funds must be deposited with the Securities Depository Center.
- d. The fund's total assets value may increase by accepting cash contributions or in-kind contributions, or both, through the following mechanism:
  - 1. the fund manager must obtain the Authority's approval to offer additional units of the fund by accepting cash or in-kind contributions, or both.
  - 2. after obtaining the Authority's approval referred to in Subparagraph (1) of Paragraph (d) of this Article, the fund manager must obtain the approval of the unitholders – by an ordinary fund resolution – to offer additional units of the fund by accepting cash contributions or in-kind contributions, or both.
  - 3. if the fund total assets value is to increase by accepting cash contributions, or cash and in-kind contributions, the new units offering period shall be a minimum of (5) days within a period not later than (6) months from the date of the Authority's approval.
  - 4. In the event that the value of the units to be offered has been collected, the offered units must be first allocated to the unitholders registered on the day of the unitholders' meeting, then allocate the remaining units (if any) to the remaining subscribers, within a period not exceeding (15) days after the end of the offering period, which is set out in the Fund's Terms and Conditions. The ownership of the in-kind contributions that is to be acquired must be transferred for the interest of the



fund, and the new units shall be listed on the Exchange within a period not exceeding (60) days from the end of the offering period. It is not permissible to dispose of the units allocated to subscribers by in-kind contributions through the process of increasing the fund's total assets value in accordance with Paragraph (d) of this Article within the first year of their trading commencement.

5. where the fund's total assets value increase is made through accepting in-kind contributions, the additional units shall be allocated to the subscribers by in-kind contributions immediately after obtaining the unitholders' approval referred to in Subparagraph (2) of Paragraph (d) of this Article, provided that the ownership of the in-kind contribution to be acquired is transferred for the interest of the fund, and the new units are listed on the Exchange within a period not exceeding (60) days after the end of the offering period. It is not permissible to dispose the units allocated to subscribers by in-kind contributions through the process of increasing the fund's total assets value in accordance with Paragraph (d) of this Article within the first year of their trading commencement.
  6. With regards to Subparagraph (3) of Paragraph (d) of this Article, and where the minimum amount required to be raised and which is set out in the Fund's Terms and Conditions was not fulfilled, the fund manager must cancel the offer and return the subscribers' money with no deduction within a period not exceeding (5) days of the end of the offering period.
- e. In-kind contributions, referred to in Paragraph (d) of this Article, must be valued by two accredited valuers independent from the fund manager after ensuring that such accredited valuers have obtained all the required licenses and authorisations from the related government entities to practice their profession.
  - f. The unitholder shall be entitled to exercise all rights in relation to the units including, but not limited to, the right to vote at the meetings of unitholders.
  - g. In the event of breaching any of the restrictions forth in these Regulations or in the Fund's Terms and Conditions due to a change of circumstances that is beyond the control of the fund manager or the sub-manager and the breach has not been rectified within (5) days from the date of the occurrence of such breach, the fund manager shall immediately notify the Authority of such event in writing, indicating the action taken and the period of time required to rectify such violation. The Authority may at its absolute discretion vary the time limit for rectifying such breach.
  - h. The Fund's Terms and Conditions shall allocate a percentage of the total offer amount for institutional investors.
  - i. No person or group of persons having their names listed in the Fund's Terms and Conditions that they, upon establishment, indicating their ownership of (5%) or more of the fund units (through in-kind contributions), may dispose any of the units in which they subscribed, during the first year of trading commencement of the relevant fund's units.
  - j. To achieve the independence of a member of the fund's board of directors, the following must be complied:
    1. an independent director of a closed-ended investment traded fund shall be able to perform his/her duties, express his/her opinions and vote on decisions objectively with no bias in order to help the board make correct decisions that contribute to achieving the interests of the fund.
    2. the board of a closed-ended investment traded fund shall conduct an annual assessment of the member's independence and ensure that there are no relationships or circumstances that affect or may affect his/her independence.



3. with regards to the definition of "Independent Fund Director" in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority, cases that negate the independence requirement for an independent director in the board of a closed-ended investment traded Fund, include but are not limited to, the following:
  - a. if he/she holds (5%) or more of the fund's units or the units of another fund under the management of the same fund manager; or is a first degree relative of someone who owns such percentage.
  - b. if he/she is a representative of a legal person that holds (5%) or more of the fund's units or the units of another fund under the management of the same fund manager;
  - c. if he/she is a representative of a legal person that holds (5%) or more of the shares of the fund manager, an affiliate of the fund manager, the custodian or an affiliate of the custodian;
  - d. if he/she is a first degree relative of any member of the board of the fund or any other fund under the management of the same fund manager;
  - e. if he/she is a first degree relative of any employees of any related party of the fund.
  - f. if he/she is an employee or used to be an employee during the preceding two years, of the fund manager or any party related to the fund, or if he/she, during the preceding two years, held a controlling interest in any of these parties.
  - g. if he/she receives financial consideration from the fund in addition to the remuneration for his/her membership of the board.
- k. In the event of offering the closed-ended investment traded fund units in the Parallel Market, the offering of those units shall be limited under the provisions of this Part to the categories of Qualified Investors on the Parallel Market.
- l. A closed-ended investment fund may request to be listed on the Parallel Market after the issuance of a fund special resolution consented by the unitholders.
- m. A closed-ended investment traded fund may invest its money and assets in private funds provided that it does not exceed (25%) of the fund net asset value. Further, a closed-ended investment traded feeder fund or fund of funds may not invest in private funds.
- n. As an exception from the provisions of Paragraph (h) of Article (43) of these Regulations, the borrowing of a closed-ended investment traded fund in the Main Market may not exceed (30%) of the fund's net assets value.
- o. As an exception from the provisions of Paragraph (h) of Article (43) of these Regulations, the loans of a closed-ended investment traded fund in the Parallel Market may not exceed



(100%) of the fund's net assets value.

- p. As an exception from the provisions of Paragraph (j) of Article (43) of these Regulations, a closed-ended investment traded fund may invest more than (10%) of its net asset value in illiquid assets, provided that investment in a single illiquid asset may not exceed (25%) of the fund's net assets value

#### **Article 50: Conditions for Offering Closed-Ended Investment Traded Fund**

The following must be must be satisfied when submitting an application for the offer of closed-ended investment traded fund units:

- a. The fund type: the investment traded fund shall be a closed-ended fund.
- b. The minimum requirement for establishment: the fund's total assets value, at the establishment, must be (300) million Saudi Riyals at least to offer its units in the Main Market, and not less than (100) million to offer its units in the Parallel Market.
- c. The nominal value per unit: the nominal value per unit must be (10) Saudi Riyals.
- d. Subscription consideration: public unitholders may only subscribe by way of cash contributions.
- e. Subscription limit: the minimum subscription must not exceed (1000) units per unitholder.

#### **Article 51: Net Assets of Closed-ended Investment Traded Fund Units**

With regards to the provisions of Articles (73) and (74) of these Regulations, the fund manager must publish the net assets value of each unit during a period consistent with the nature of the fund's assets, provided that such period does not exceed (6) months at most.

#### **Article 52: Offer Requirements for Closed-Ended Investment Traded Fund**

- a. A fund manager seeking to offer a closed-ended investment traded fund units on the Exchange must submit an application to the Authority that includes the information required under these Regulations, and simultaneously submit an application to the Exchange for listing those units in accordance with the provisions of the Listing Rules.
- b. In addition to the requirements set forth in Article (63) of these Regulations, the Fund's Terms and Conditions must include all necessary information to enable the potential unitholders to make an informed judgement based on sufficient information regarding the investment offered to them, in addition to the following information:
  - 1) Key dates and initial subscription procedures: this section must include the following information:
    - a. timetable showing the expected dates of the initial offering.



- b. description of the initial subscription procedures.
  - c. the mechanism of the fund manager to allocate units among subscribers.
- 2) The mechanism of increasing the fund's total assets value, through accepting cash or in-kind contributions, or both.
- 3) A letter by the fund manager's legal advisor, who is licensed to practice the profession in the Kingdom, regarding the legal due diligence report in the form set out in Annex (12) of these Regulations.
- 4) A letter by the fund manager regarding the due diligence report in the form set out in Annex (13) of these Regulations.
- c. When submitting an application for offering, the fund manager must provide the Authority with any contracts related to the fund or the fund's assets management.
- d. When submitting an application for offering, the fund manager must provide the Authority with the name of one receiving agents, at least.
- e. The fund manager may not offer units publicly without making prior arrangements for listing those units on the Exchange in accordance with the Listing Rules.
- f. The approval of the application for offering will only be given by the Authority if:
  - 1. the Authority has received a notification from the Exchange regarding the Exchange's conditional approval of the corresponding application for listing pursuant to the Listing Rules;
  - 2. the conditional approval mentioned under Subparagraph (1) of Paragraph (f) of this Article has not been withdrawn by the Exchange; and
  - 3. the Authority is satisfied that the information contained in the Terms and Conditions is complete and fulfills the requirements of the Capital Market Law and its Implementing Regulations.

### **Article 53: Closed-Ended Investment Traded Fund Buy-Back and Sale of its Units**

- a. For the purposes of implementing these Regulations, the process of a closed-ended investment traded fund buying-back and selling its units is excluded in accordance with the provisions of these Regulations from the actions and practices mentioned in Paragraph (a) of Article (49) of the Capital Market Law.
- b. The closed-ended investment traded fund may buy-back its units unless the fund's terms and conditions stipulate otherwise, in accordance with the following controls:
  - 1. The buy-back of the fund's units is for the purpose of keeping them as treasury units or in order to cancel them.
  - 2. The percentage of treasury units for the fund shall not exceed (10%), at any time, of the



- units issued by the fund.
3. Issuance of a special fund resolution by the unitholders approving the buy-back process, specifying the maximum number of units subject to the buy-back and its purposes, the sources of financing the buy-back process, and authorising the fund manager to complete the buy-back within a period not exceeding twelve months from the date of the issuance of the referenced special fund resolution. Moreover, unitholders may, at any time, issue a special fund resolution to change the purposes of the buy-back.
  4. Unless the purpose of buying-back the units of the fund is to cancel them, the units buy-backs must be made not exceeding (10%) of the quantity approved at the meeting of the unitholders for buy-back within one trading day, unless the approved quantity, or the remainder of the approved quantity that is not bought-back yet, is less than (10%) of the trading volume of the fund's units the day before the buy-back.
  5. The buy-back price shall not exceed (5%) of the market closing price on the day preceding the day on which the buy-back is executed.
  6. The buy-back does not result in a decrease in the ownership of public unitholders to less than the liquidity requirements stipulated in the Listing Rules (where applicable) for the units issued by the Fund.
  7. The buy-back shall be made through the Exchange and not through a special transaction.
  8. The treasury units bought-back by the fund shall have any no voting rights at the unitholders meeting and shall not have any right in fund distributions.
- c. The closed ended investment traded fund may not buy-back its units for use as treasury units except for the following purposes:
1. If the fund's board of directors or whoever they may delegate believes that the price of the units in the Exchange is less than their fair value.
  2. Swaps operations in return for purchase of an asset.
  3. Any other purpose approved by the Authority.
- d. A closed-ended investment traded fund manager regarding buy-back of the fund's units must comply with the following:
1. Disclose on its website and the Exchange's website, the decision of the Fund's Board of Directors to approve the Fund's buy-back of its units, at least half an hour before the start of the trading period for the next day.
  2. Call for a meeting of unitholders in accordance with the provisions of Paragraph (d) of Article (77) of these Regulations.
- e. In the event of a special fund resolution issued by the unitholders approving the buy-back process, the closed ended investment traded fund manager must disclose this on its website and the Exchange's website, at least half an hour before the start of the trading period for the next day.



- f. The closed ended investment traded fund manager must immediately notify the Exchange, according to the method determined by the Exchange, of the fund's buy-back of its units and the purpose of the buy-back, in order for the Exchange to publish that information in its periodic report on the funds buy-back of their units.
- g. The closed ended investment traded fund manager must include the annual report of the fund details of the treasury units held by the fund, and the details of disposal of these units.
- h. The closed ended investment traded fund may sell its treasury units if the Fund's Terms and Conditions stipulate that this is permissible, according to the following controls:
  1. Executing the sale of treasury units shall not exceed (10%) of the total amount of treasury units to be sold within one trading day, unless the approved quantity, or the remainder of the quantity to be sold is less than (10%) of the trading volume of the fund's units the day before the buy-back.
  2. The sale of the treasury units shall be through the Exchange and not through a special transaction. As an exception to this, the sale of these units is not required to be through the Exchange if the purpose of the treasury units is to be used as a compensation in the swaps in exchange for buying an asset in accordance with the Fund's Terms and Conditions.

#### **Article 54: Disclosure Requirements of Closed-Ended Investment Traded Fund**

##### **a. Disclosure of material developments**

- 1) The fund manager must disclose to the Authority and the unitholders without delay any material developments in its sphere of activity which are not public knowledge and which may affect the fund's assets and liabilities, its financial position or the general course of its business, and which may:
  - a. which leads to movements in the price of the fund's listed units; or
  - b. significantly affect the fund's ability to meet its commitments in respect to the debt instruments.
- 2) In determining whether a development falls within the scope of Paragraph (a) of this Article, the fund manager must assess whether a prudent investor would be likely to consider information about the development in making his/her investment decision.

##### **b. Disclosure of specific events**

The fund manager must disclose without any delay to the Authority and the unitholders any of the following developments (whether a material development as per Paragraph (a) of this Article or not):

1. any transaction to buy, sell, mortgage or lease an asset at a price equal to or greater than (10%) of the fund's net assets value according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later;



2. any losses equal to or greater than (10%) of the fund's net assets according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later;
3. any dispute, including any litigation, arbitration or mediation where the value involved is equal to or greater than (5%) of the fund's net assets according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later;
4. the increase or decrease in the fund's net assets equal to or greater than (10%) according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later;
5. the increase or decrease of the fund's gross profit equal to or greater than (10%) according to the latest audited annual financial statements;
6. any transaction between the fund and a related party or any arrangement through which the fund and a related party invest in any project or asset or provide financing thereof if such transaction or arrangement is equal to or greater than (1%) of the fund's gross revenues according to the latest audited annual financial statements;
7. any interruption in the principal activities of the fund equal to or greater than (5%) of the fund's gross revenues according to the latest audited annual financial statements;
8. the issuance of any judgement, decision, order or declaration by a court or judicial body, whether at first instance or on appeal, which may adversely affect the Fund's utilisation of any portion of its assets which is equal to or exceeds (5%) of the fund's net assets according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later; or
9. any proposed change to the fund's total assets value.

**c. Disclosure relating to substantial unitholder dealings:**

1. Any person must notify the Exchange if such person becomes the owner of, or is interested in, (5%) or more of the fund's units, within a maximum period not exceeding the end of the third trading day following the execution of the transaction or the occurrence of the event which results such ownership or interest; the notification shall also include a list of persons who have an interest in the units that they own or control.
2. The person referred to in Subparagraph (1) of Paragraph (c) of this Article must notify the Exchange in the event of any change to the list of persons referred to in Subparagraph (1) of Paragraph (c) of this Article, including any event which requires the inclusion of a person to that list or the exclusion of any person who has been previously included in



- that list. Such notification must be made during a period not exceeding the end of the third trading day following the occurrence of the event that led to the relevant change.
3. For the purposes of this Paragraph, in calculating the total number of the fund's units in which a person is interested, that person shall be deemed to be interested in any units owned or controlled by any of the following persons:
    - a. a relative of that person;
    - b. a company controlled by that person; or
    - c. any other persons with which that person has agreed to act in concert to acquire an interest in the fund units.
  4. the notification referred to in Subparagraph (1) of Paragraph (c) of this Article must contain at least the following information:
    - a. the names of the persons who own the units or who have the right to dispose of the subject units;
    - b. details of the ownership process; and
    - c. details of any loans or financial support for the ownership process that the person has received from any other persons.
  - d. Where, in the opinion of the fund manager, disclosure of any matter required under the provisions of this Part would be unduly detrimental to the fund and the omission is not likely to mislead unitholders with regard to facts and circumstances, knowledge of which is essential for the assessment of the fund units in question, the fund manager may apply to postpone the relevant requirement or waive it. The fund manager must in that case provide the Authority on a strictly confidential basis with a statement of the request together with the reasons why the fund manager believes that the information shall not be disclosed at that time. The Authority may approve the application for postponing or waiving the relevant requirement or reject it. If the Authority approves the application, the Authority may at any time require the fund manager to disclose any information on the waiver or postponement of the disclosure.
  - e. All information and material developments set forth in this Article shall be deemed confidential until they are disclosed. Before disclosing such information, the fund manager is prohibited from communicating such information to parties not bound by a confidentiality obligation and an obligation to protect such information. A fund manager must also take all necessary steps to prevent the leakage of any information or material developments before disclosing it as per these Regulations.



- f. The fund manager must determine the need to publish a disclosure to the public in response to rumors related to any material developments, and the Authority may require such publication to be made by the fund manager as it sees appropriate .
- g. The fund manager must comply with the provisions of the Investment Funds Announcements Instructions.
- h. The fund manager must publish all information required to be disclosed under this Article on its website and the Exchange's website, and such information must be complete, clear, accurate and not misleading.

#### **Article 55: Specialized Public Funds**

Specialized public funds which are regulated by the provisions of these regulations shall include:

- 1) money market funds;
- 2) feeder funds;
- 3) fund of funds; and
- 4) capital protected funds.
- 5) endowment funds.

Applications to offer other types of specialised public funds may be made to the Authority, to consider each application individually.

#### **Article 56: Money Market Fund**

- a. A money market fund manager must invest the fund's assets and money only in the following types of investments:
  - 1) Money market transactions concluded with a party regulated by the Saudi Central Bank or an equivalent regulator to the Saudi Central Bank in a jurisdiction outside the Kingdom.
  - 2) Debt instruments.
  - 3) Derivatives.
  - 4) Bank deposits with institutions regulated by the Saudi Central Bank or equivalent regulator to the Saudi Central Bank in a jurisdiction outside the Kingdom.
  - 5) Units of public money market funds with a similar strategy.
  - 6) Units of public debt instruments funds with fixed income.
- b. A money market fund may not invest in derivatives contracts except for the purposes of hedging, and the value of such investment must not exceed (5%) of the fund's net assets value and the issuer entity of these contracts should be subject to prudential rules issued by



an equivalent regulator to the Authority.

- c. The value of a money market fund investments in securitisation must not exceed (10%) of the fund's net assets value.
- d. The value of a money market fund investments in debt instruments issued by a single issuer must not exceed (10%) of the fund's net asset value, and in all cases, the total money market fund investments with or in a single counterparty may not exceed (25%) of the fund's net asset value.
- e. With regards to Paragraph (a) of this Article, the investments of a money market fund with or in parties belonging to the same group, may not exceed (25%) of the fund's net assets. This includes all investments in money market transactions concluded with different parties belonging to the same group, securities issued by different parties belonging to the same group, and bank deposits with different parties belonging to the same group.
- f. Units of investment funds are excluded from the provisions of Paragraph (e) of this Article, provided that the total money market fund investments in units of another investment fund, or in different investment fund units issued by the same capital market institution, shall not exceed (25%) of the net asset value of the fund.
- g. Debt instruments issued by the Kingdom's government are excluded from the provisions of Paragraphs (c), (d) and (e) of this Article.
- h. Money market fund must have a foreseen average of the date of Weighted Average Life (WAL) not exceeding (180) calendar days.
- i. A money market fund manager must ensure, at all times, that it has liquidity equalling to at least (10%) of the fund's net assets value or that it has investments that have a maturity, or a remaining maturity, period not more than (7) days.
- j. A money market fund manager must carry out a Stress Testing at least twice a year to detect risks related to the fund and ensure treatment of these risks as soon as possible.

#### **Article 57: Feeder Fund**

- a. A public fund which is a feeder fund may not invest in another feeder fund, or in a private investment fund.
- b. A public fund which is a feeder fund may not invest in more than one investment fund.

#### **Article 58: Fund of Funds**

- a. A fund of funds may retain up to (5%) of its total assets as cash and cash equivalents.
- b. A fund of funds shall invest in a minimum of (3) investment funds. The minimum investments in each such investment funds shall be (5%) of the fund of funds' net asset value, this percentage does not apply to the fund's investments in additional investment funds.
- c. Not more than (50%) of a fund of funds' net asset value may be invested in a single investment fund.



- d. A fund of funds may invest its money and assets in private funds, provided that does not exceed (10%) of the fund net assets value.

#### **Article 59: Capital Protected Fund**

- a. The name of capital protected fund must be included the phrase "capital protected" in all the fund's relevant documents.
- b. Investments of the capital protected fund must be consistent with the investment objectives of the fund for the protection of the capital invested by the unitholders.
- c. The value of the capital protected fund investments in debt instruments issued by a single issuer must not exceed (10%) of the fund's net asset value, and in all cases, the total capital protected fund investments with or in a single counterparty may not exceed (25%) of the fund's net asset value.
- d. Without prejudice to Paragraph (b) of Article (41) of these Regulation, the investments of a capital protected fund with or in parties belonging to the same group, may not exceed (25%) of the fund's net assets. These investments shall include money market transactions concluded with different parties belonging to the same group, debt instruments issued by different parties belonging to the same group, and bank deposits with different parties belonging to the same group.

#### **Article 60: Endowment Fund**

- a. The endowment fund manager must comply with the requirements set by the General Authority of Awqaf without prejudice to the requirements contained in the Capital Market Law and its Implementing Regulations.
- b. The endowment fund shall be exempted from the provisions of redemption requests mentioned in Article (67) of these Regulations.
- c. An endowment fund may invest its money and assets in private funds, provided that does not exceed (25%) of the fund net assets value.

#### **Article 61: Breach of Investment Limitations**

- a. If any of the investment limitations referred to in these Regulations or in the Fund's Terms and Conditions are breached due to an act of the fund manager or the fund sub-manager, the fund manager shall notify the Authority in writing immediately and shall take, within five (5) days from the date of the occurrence of such breach, the necessary steps to rectify the breach, and the Authority may change this period at its discretion.
- b. If any of the investment limitations referred to in these Regulations or in the Fund's Terms and Conditions are breached due to a change of circumstance that is beyond the control of the fund manager or the fund sub-manager, and the breach has not been rectified within (5) days from the date of the occurrence of such breach, the fund manager shall notify the compliance officer and/or compliance committee of such event immediately, indicating the rectification plan and ensure the rectification of the matter as soon as possible.
- c. The fund manager must report all breaches of the investment limitations referred to in Paragraph (a) of this Article to the compliance officer and/or compliance committee and to the fund board upon occurrence.



- d. The compliance officer and/or compliance committee must maintain a permanent record of all breaches of the investment limitations referred to in Paragraphs (a) and (b) of this Article, and document the action taken and period of time required to rectify any such breach.
- e. The fund manager must include in the annual report all breaches of the investment limitations referred to in Paragraph (a) of this Article, and disclose cases of non-compliance with the rectification plan referred to in Paragraph (b) of this Article.

#### **Article 62: Exercise of Rights in Respect of Public Fund Assets**

- a. The fund manager must exercise or not exercise any rights associated with any assets of any public fund a fund manager must act in accordance with the best interests of the unitholders of the relevant public fund.
- b. With respect to voting rights (if any) associated with any assets of any public fund which the manager manages, the fund manager must:
  - 1) develop a written policy regarding such voting rights which shall be approved by the fund board; and
  - 2) exercise or not exercise voting rights in accordance with the written policy approved by the fund board and maintain full records documenting the exercise of voting rights (including the reasons for exercising or not exercising voting rights in a particular way).
- c. The fund manager must disclose on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable) its policies regarding voting rights, in relation to each fund the fund manager manages.

#### **Article 63: Requirement to Produce Terms and Conditions**

- a. A public fund manager must provide to unitholders and potential unitholders and the custodian the Terms and Conditions in Arabic and free of charge.
- b. A public Fund's Terms and Conditions must contain the basis upon which potential unitholders are to enter into contractual relations with the fund manager regarding the investment being offered to them and must include the information specified in Annex (1) of these Regulations.
- c. The Terms and Conditions shall be deemed as satisfying the terms of business requirements of the Capital Market Institutions Regulations.
- d. Before accepting an initial subscription to a public fund, the fund manager must ensure that the unitholder has received and signed a copy of the Terms and Conditions.
- e. Identical Terms and Conditions must apply to all unitholders of the same class in a public fund.
- f. The fund manager must file an updated version of the Fund's Terms and Conditions with the Authority within (10) days of any change being made to the Terms and Conditions, and to the custodian as soon as them being updated.



- g. The fund manager must publish, on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable) of the Fund's Terms and Conditions, as well as announce of any updates or of any updated version of the Fund's Terms and Conditions in its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable) within (10) days of any update.

#### **Article 64: Approval of the Authority and Consent of Unitholders to Fundamental Changes**

- a. A fund manager must obtain the consent of the unitholders in the relevant fund to the proposed fundamental change by way of an ordinary fund resolution.
- b. As an exception to Paragraph (a) of this Article, the fund manager must obtain the approval of the unitholders in the concerned fund for the proposed fundamental change mentioned in Subparagraph (9) of Paragraph (d) of this Article through a special fund resolution.
- c. A fund manager, having obtained the approval of the unitholders specified in Paragraphs (a) and (b) of this Article, must obtain the consent of the Authority in the relevant fund to the proposed fundamental change.
- d. For the purposes of these Regulations, "fundamental change" means:
- 1) a change which significantly changes the purposes, nature or class of the public fund;
  - 2) a change which may have a material adverse effect on the unitholders or their rights in relation to the closed-ended public fund;
  - 3) a change which alters the risk profile of the public fund; or
  - 4) the voluntary withdrawal of a fund manager from its position as the fund manager.
  - 5) would reasonably be expected to cause the unitholders to reconsider their participation in the closed-ended public fund;
  - 6) results in any increased payments out of the assets of the closed-ended public fund to a fund manager or any member of the fund board or an affiliate of either;
  - 7) introduces any new type of payment out of the assets of the closed-ended public fund;
  - 8) materially increases other types of payment out of the assets of the closed-ended public fund.
  - 9) change in the eligibility date or the termination of the closed-ended public fund.
  - 10) increase the total value of the closed-ended public fund's assets by accepting cash or in-kind contributions, or both.
  - 11) any other instances determined by the Authority from time to time and reported



to the fund manager.

- e. The fund manager must obtain the fund board approval before carrying out any fundamental change.
- f. The fund manager must notify the unitholders and disclose details of fundamental changes on its website and any other website available to the public according to the controls set out by the Authority (10) days before of the date in which the change becomes effective.
- g. Details of all fundamental changes must be included in the next fund report prepared by the fund manager pursuant to Article (78) of these Regulations.
- h. The unitholders of an open-ended public fund have the right to redeem their units before any fundamental changes are effective; without incurring any redemption fees (if any).
- i. The traded funds shall be exempted from the requirement to notify unitholders in writing, stipulated in Paragraph (f) of this Article. Provided that the announcement of such shall be made on the fund manager's website and the Exchange's website.

#### **Article 65: Notification to the Authority and Unitholders of non-Fundamental Changes**

- a. The fund manager must notify the Authority and unitholders, and disclose on its website and any other website available to the public according to the controls set out by the Authority regarding any non-fundamental changes in the public fund that it manages (10) days before the change becomes effective, and unitholders of an open-ended public fund have the right to redeem their units before any non-fundamental change takes effect without imposing any redemption fees (if any).
- b. The fund manager must obtain the fund board approval before carrying out any non-fundamental change.
- c. For the purposes of these Regulations, "non-fundamental change" means a change, excluding Article (64) provisions of these Regulations.
- d. Details of all non-fundamental changes must be included in the next fund report prepared by the fund manager pursuant to Article (78) of these Regulations.
- e. The traded funds shall be exempted from the requirement to send the notice to all unitholders mentioned in Paragraph (a) of this Article, provided that the announcement of such shall be made on the fund manager's website and the Exchange's website.

#### **Article 66: Initial Offer Period**

- a. Details of any initial offer (including the duration of the initial offer period and the initial price of the units) must be provided in the Fund's Term and Conditions.
- b. During the initial offer period, units may only be offered by the fund manager at the initial price.
- c. The duration of any initial offer period must not exceed (60) days. During such period and until the elapse of the initial offer no investment of subscription monies raised to be made except investing them in money market funds, deposits, or money market transactions



concluded with a party subject to the Saudi Central Bank supervision or equivalent regulator to the Saudi Central Bank in a jurisdiction outside the Kingdom, without prejudice to Paragraph (d) of Article (41) of these Regulations.

- d. The fund manager must specify a minimum amount that must be raised through investors subscriptions during the initial offer period, without prejudices to Paragraph (d) of Article (41) of these Regulations, no investment of subscription monies raised may be made until this minimum sum has been achieved, except for its investment in money market funds, or in bank deposits and money market transactions concluded with a party subject to the Saudi Central Bank supervision or equivalent regulator to the Saudi Central Bank in a jurisdiction outside the Kingdom. The fund manager must disclose the required minimum amount that must be raised in the Fund's Terms and Conditions.
- e. In case the minimum amount referred to in Paragraph (d) of this Article is not raised during the initial offer period, the fund manager must return to the unitholders their full subscriptions monies together with any returns generated from investing the subscriptions monies as per the Paragraphs (c) and (d) of this Article without any deduction.
- f. At the end of the offer period, the fund manager must provide the Authority within (10) days the offer results, and disclose them on its website, in accordance with the requirements of Annex (10) of these Regulations.

#### **Article 67: Subscription and Redemption**

- a. Units in a public fund may only be subscribed for or redeemed on a dealing day. A public fund, which is not a closed-ended fund, shall have not less than two dealing days during each week. A public fund which is a closed-ended investment fund shall have such dealing days as the fund manager specifies in the Fund's Terms and Conditions.
- b. The deadlines for submission of requests for subscriptions and redemptions for a public fund must be specified in the public Fund's Terms and Conditions.
- c. The fund operator must process requests for subscriptions or redemption at the price calculated at the next valuation point following the deadline for submission of requests for subscription or redemption.
- d. A fund operator must be obliged to meet subscription or redemption requests, subject to any provisions to the contrary in the public Fund's Terms and Conditions or in these Regulations.
- e. The fund operator must pay the unitholder proceeds of redemption no later than the close of business on the fifth day at the latest of the following the valuation point at which the price for the redemption was determined.

#### **Article 68: Deferring Redemptions**

- a. A fund manager may defer fulfilling a request for redemptions from an open-ended public fund until the next dealing day if the total of all unitholders' redemption requests to be fulfilled on any dealing day amounts to a total of (10%) or more of the net asset value of the fund.
- b. Each fund manager must adopt fair and equitable procedures by which those redemption



requests which are to be deferred are selected and disclose those procedures in the Fund's Terms and Conditions.

#### **Article 69: Suspension of Subscription or Redemption of Units**

- a. The fund manager must suspend the subscription and redemption of units if the Authority orders any such suspension.
- b. The fund manager may not suspend the subscription and redemption of units, unless in the following circumstances:
  - 1) if the fund manager reasonably believes that any such suspension is in the best interests of the unitholders in the public fund; or
  - 2) if there has been a suspension of dealing on the principal market in which the securities or other assets held by the public fund are dealt, either in general or in relation to assets of the public fund which the fund manager reasonably believes to be material to the net asset value of the public fund.
- c. For any suspension imposed by the fund manager pursuant to Paragraph (b) of this Article, the fund manager must:
  - 1) ensure that any suspension continues only for as long as it is necessary and justified having regard to the best interests of the unitholders;
  - 2) review the suspension on a regular basis and shall consult with the fund's board of directors, the custodian and the fund operator on a regular basis regarding that;
  - 3) notify both the Authority and the unitholders immediately of any suspension, and give the reasons for the suspension, and shall similarly notify both the Authority and the unitholders as soon as the suspension ends and disclose it on its website and any other website available to the public according to the controls set out by the Authority;
- d. the Authority shall have the power to lift such suspension if the Authority believes that to do so is in the best interests of unitholders.

#### **Article 70: Transaction Fees**

The only transaction charges which may be charged in relation to a public fund are subscription charges, redemption charges and transfer of ownership charges. Any of these charges must be disclosed in full in the Terms and Conditions of the relevant Fund.

#### **Article 71: Borrowing to Meet Redemption Requests**

- a. A fund manager shall use its best efforts to retain sufficient liquidity to meet redemption requests.
- b. A fund manager may borrow to meet redemption requests where the money available in the account designated as being for the benefit of the relevant public fund is insufficient to meet redemption requests in a manner that serves the interest of unitholders and does not conflict with the Fund's Terms and Conditions.



- c. Borrowing to meet redemption requests pursuant to this Article shall not be subject to the percentage set out in Paragraph (h) of Article (43) of these Regulations.

## **Article 72: Securities Advertisements and Promotional Materials**

- a. A securities advertisement which is communicated to unitholders or potential unitholders in relation to a public fund must satisfy the requirements of this Article and the applicable provisions of the Capital Market Institutions Regulations and the Securities Business Regulations.
- b. Any securities advertisement relating to a public fund must include information about how to obtain a copy of the Fund's Terms and Conditions and fund reports to unitholders, and a reference to the disclosure in the Fund's Terms and Conditions of the risks of investing in the fund.
- c. If a securities advertisement includes performance information for a fund or any representations about the performance of a fund or its manager, the securities advertisement must comply with the following requirements:
- 1) total return information must be shown net of all actual historical expenses of the fund and the securities advertisement may include the total return of a fund that is gross of fees and expenses if the return is presented in addition to, and with no greater prominence than, returns of the fund that are net of actual expenses;
  - 2) total return information for a fund must be presented in comparison to the total return for the same period of an appropriate index or other benchmark disclosed in the Fund's Terms and Conditions. If the index or other benchmark does not include all elements of total return, the presentation must disclose what elements of return are not included in the index or other benchmark and how that omission affects the comparison of the fund's total return to the index other benchmark; and
  - 3) the securities advertisement must disclose that the value of an investment in a public fund is variable and may increase or decrease.
- d. If any total return is shown for a fund, the securities advertisement must show total returns for periods of one, (3), (5) and (10) years (or since inception if the life of the fund is shorter than these periods, but no performance shall be provided for a period of less than one year).
- e. Total returns shown for a fund in accordance with Paragraph (d) of this Article must be current through the end of the most recent calendar quarter (using the same calendar as for the preparation of the fund's financial statements).
- f. If there is any respect in which the fund performance information may be misleading to potential unitholders, the securities advertisement must include relevant explanatory disclosure of the circumstances relating to the performance information.
- g. A securities advertisement must include the risk warnings required under the Capital Market Institutions Regulations, as applicable.
- h. A securities advertisement may include a list of all of a fund's portfolio holdings or a list of selected holdings. If a securities advertisement includes only a list of selected holdings,



the holdings listed must be selected in an objective, balanced manner, and the securities advertisement must disclose the basis for selecting the holdings listed.

- i. A securities advertisement may not include:
  - 1) a projection or prediction of the total return or investment performance of the public fund or of unitholders of a public fund (except that a securities advertisement for a public fund with a guarantee or other principal protection feature may disclose any guaranteed minimum return); or
  - 2) any form of testimonial, that is, statements about the experience of actual or fictitious unitholders of that fund or other funds with the same manager.
- j. The fund manager must provide to the Authority copies of any securities advertisement communicated to unitholders or potential unitholders no later than (5) days following the first communication of such securities advertisement.

### **Article 73: Valuation**

- a. The fund operator shall be responsible for valuing the assets of the public fund. In so doing, the fund operator shall conduct a full and fair valuation.
- b. The assets of a public fund must be valued by the fund operator each dealing day at such time as specified in the Terms and Conditions of such public fund, and for the duration not exceeding one day from the deadline for submission of requests for subscription or redemption.
- c. The fund manager must, in the Fund's Terms and Conditions, document the basis of the valuation of units and, where appropriate, any valuation methodology, and must ensure that the valuation methodology and procedures are applied in a fair and consistent manner.
- d. The fund manager must develop, maintain and state in the Fund's Terms and Conditions a clear policy covering valuation, valuation points, pricing and dealing in units. The fund manager must adopt a consistent approach to the valuation of units for the purposes of meeting the subscription and redemption requests and transfer of ownership.
- e. The fund operator must comply with the provisions of Annex (5) of these Regulations in relation to valuation of the public funds.

### **Article 74: Pricing of Units**

- a. The fund operator shall be responsible for calculating the price of the units in a public fund that it operates. The price of units for subscriptions and redemptions on any dealing day shall be calculated by reference to the net asset value per unit of the public fund at the valuation point on the relevant dealing day.
- b. The fund operator must state the Unit prices to at least four decimal places.
- c. The fund manager must publish the net asset value per unit on the business day following the dealing day on its website and any other website available to the public according to the controls set out by the Authority;



### Article 75: Incorrect Valuation or Pricing

- a. The fund operator must record each instance where an asset of the public fund is valued incorrectly or the price of a unit is calculated incorrectly.
- b. The fund operator must compensate all harmed unitholders (including former unitholders) as soon as reasonably practicable for all valuation or pricing errors
- c. The fund manager must immediately report to the Authority any valuation or pricing error of (0.5%) or more of the price of a unit and disclose it immediately on its website and any other website available to the public according to the controls set out by the Authority and in the public fund's reports prepared in accordance to articles (78 ) of these Regulations
- d. The fund manager, in its reports to the Authority pursuant to Article (79 ) of these Regulations, must provide a summary of all valuation and pricing errors.

### Article 76: Audit Requirements

- a. The fund manager must appoint an auditor prior to the establishment of a public fund. The auditor of the public fund must be registered with the Authority in accordance with the Rules for Registering Auditors of Entities Subject to the Authority's Supervision and must be independent from the fund manager according to the independence standard stated in the Law of the Profession of Accounting and Auditing and its Implementing Regulations.
- b. Where (9) months have lapsed since the establishment of a public fund before the end of such public fund's fiscal year, an audit must be conducted by the end of the first fiscal year.
- c. Where (9) months or less have lapsed since the establishment of a public fund before the end of such public fund's fiscal year, an audit may be conducted at the end of the second fiscal year of the public fund.
- d. The appointment or the substitution of any auditor must be approved by the fund board.
- e. The fund board must reject the appointment of an auditor, or instruct the fund manager to replace an auditor which has already been appointed in relation to the public fund, if:
  - 1) there are any outstanding and material allegations of professional misconduct in relation to audit functions by the auditor;
  - 2) the auditor of the public fund ceases to be an independent auditor;
  - 3) the auditor of the public fund is no longer registered with the Authority;
  - 4) the fund board determines that the auditor does not have sufficient qualifications and experience to perform a satisfactory auditing functions; or
  - 5) the Authority, in its absolute discretion, instructs the public fund manager to replace the auditor appointed in relation to the public fund.
- f. The audit fees of the auditor shall be determined by the fund manager with the approval of the fund board.



## Article 77: Meetings of Unitholders

- a. The fund manager may call for a meeting of unitholders on its own initiative, provided that the subject of the invitation does not conflict with the duties and responsibilities of the fund manager in accordance with the provisions of these Regulations.
- b. The fund manager must call for a meeting of unitholders within (10) days of receiving a written request from the custodian.
- c. The fund manager must call for a meeting of unitholders within (10) days of receiving a written request from the unitholder or unitholders own collectively or individually at least (25%) in value of the units in the fund, and the fund manager must state it in the Fund's Terms and Conditions.
- d. The fund manager shall call for a meeting of unitholders by announcing it on its website and any other website available to the public according to the controls set out by the Authority, and by sending a notice in writing to all unitholders and the custodian giving not less than (10) days' prior notice of the meeting and not more than (21) days' notice before the meeting. The announcement and notice must specify the date, place, time and agenda of the meeting and the resolutions proposed. The fund manager must at the same time as sending a notice to unitholders convening any meeting of unitholders also send a copy of any such notice to the Authority.
- e. Unitholders must be provided access, through the Fund Manager 's website and any other publicly accessible website in accordance with the controls set out by the Authority, to the necessary information and documents related to the agenda items when the call to the unitholders' meeting is published, to enable them to make an informed decision.
- f. When preparing the unitholders meeting's agenda, the fund manager must take into consideration the matters that unitholders wish to list; unitholders holding no less than (10%) of the value of the public fund units are entitled to add one or more items to the unitholders meeting's agenda, provided that the proposed items does not overlap with the duties and responsibilities of the fund manager in accordance with the provisions of these Regulations.
- g. The fund manager may amend the unitholders meeting's agenda during the announcement period referred to in Paragraph (d) of this Article, provided that it is announced on the fund manager's website and on any other website available to the public according to the controls set out by the Authority and by sending a written notice to all the unitholders and the custodian at least (10) days prior to the meeting and not more than (21) days' notice before the meeting.
- h. If the unitholders approve to any of the proposed decisions at the unitholders meeting, which necessitated amending the Fund's Terms and Conditions, the fund manager must amend such Terms and Conditions in accordance with the approved decision.
- i. The quorum required to conduct a meeting of the unitholders shall be a such number of unitholders own collectively at least (25%) in value of the units in the public fund, unless the Terms and Conditions of the fund specified a greater percentage.
- j. If the quorum requirements set out in Paragraph (i) of this Article are not met, the fund



manager must call for a second meeting by announcing it on its website and any other website available to the public according to the controls set out by the Authority and shall send a notice in writing to all unitholders and the custodian giving not less than (5) days' notice of the second meeting (excluding the day on which the notice is sent and the day of the meeting). The second meeting is considered valid regardless of the percentage of units represented in the meeting.

- k. Every unitholder may be entitled to appoint a proxy to represent such unitholder at a meeting of the unitholders.
- l. Every unitholder may be entitled to exercise one vote at the meeting of the unitholders for each unit which the unitholder holds as at the time of the meeting.
- m. The unitholders meetings and its deliberations and voting on decisions may be conducted through modern technology in accordance with requirements set by the Authority.
- n. The traded funds shall be exempted from the requirement to notify unitholders in writing, stipulated in Paragraphs (d), (g) and (j) of this Article. Provided that the announcement of such shall be made on the fund manager's website and the Exchange's website.

#### **Article 78: Reporting to Unitholders**

- a. The fund manager must prepare the annual reports that include (audited annual financial statement) and quarter statement in accordance with the requirements of Annex (3) and Annex (4) of these Regulations and must be provided by the fund manager to unitholders on request and without charge.
- b. Annual reports must be made available to the public no later than (3) months from the end of the period to which the report relates in such locations and by such means as specified in the Terms and Conditions as well as on the fund manager's website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable).
- c. The interim financial statements must be prepared and made available to the public within a period not exceeding (30) days from the end of the period to which the statements relate in such locations and by such means as specified in the Terms and Conditions, as well as in the fund manager website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable).
- d. The fund manager must publish the quarter statement in accordance with the requirements of Annex (4) within a period not exceeding (10) days from the end of such quarter, in such locations and by such means as specified in the Fund's Terms and Conditions as well as on the fund manager's website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable).
- e. A feeder fund or fund of funds must make its fund reports available within (21) days after the release of the fund reports of the fund(s) in which it invests.
- f. The fund manager must make available for inspection by unitholders the current net asset value of the public funds to which it is fund manager free of charge, and all historical net asset value figures at the registered offices of the fund manager.

- g. The traded funds shall be exempted from the provisions of Paragraph (f) of this Article.

**Article 79: Reporting to the Authority**

- a. After making the annual fund reports available to the public pursuant to Article (78) of these Regulations (including the annual audited financial statements) of the public fund, the fund manager must submit such reports to the Authority no later than (5) days following the day of which the reports request was made.
- b. After making the quarter statement and interim financial statements available to the public pursuant to Article (78) of these Regulations. The fund manager must submit such reports to the Authority no later than (5) days from the Authority request.



## PART 5

### PRIVATE FUNDS

#### Article 80: Submitting a Notice to the Authority for the Offer of Units in a Private Fund

- a. A notification to the Authority to offer units in a private fund must be submitted by a capital market Institution licensed to carry out the activity of managing investments and operating funds or the activity of investments management (where applicable). Any such notice must be in the form specified in Annex (6) of these Regulations. Requirements of a private placement referred to in Paragraph (a) of Article (83) of these Regulations must be met.
- b. Units in a private fund may only be offered in the Kingdom by way of private placement in accordance with Article (82) of these Regulations.

#### Article 81: Capital Call in Instalments

- a. The fund manager may call the capital in instalments, provided that this is included in the Fund's Terms and Conditions at the time of offering, with a statement of the minimum for fund operation, and that the fund manager notify the Authority of the results within (10) days of the completion of all capital calls. Moreover, capital call in instalments shall be available to all unitholders in closed-ended private funds.
- b. The fund manager who wishes to call the capital in instalments must specify in the Fund's Terms and Conditions the minimum period for notifying unitholders and a policy to deal with such capital call, and in case of non-compliance with that policy, the fund manager must clarify in the Fund's Terms and Conditions the followed procedures in these cases.

#### Article 82: Private Placement of a Private Fund and Eligibility of Investors

- a. An offer of units in a private fund is a private placement where the offerees are investors under the categories of institutional and qualified clients and if the maximum amount payable per offeree (from investors of the retail clients' category) is not more than (200) thousand Saudi Riyals or an equivalent amount
- b. Upon offering units of a private fund, the cash subscriptions in the fund from retail clients must not exceed (50%) of the total cash subscriptions in the fund.
- c. The Authority may, in circumstances other than those described in Paragraph (a) of this Article and upon application of a capital market institution seeking to make an offer of units in a private fund, determine that such an offer shall be treated as a private placement subject to compliance with such limitation as the Authority may impose.
- d. If the units are offered in a private real estate fund, the fund must be a closed-ended investment fund.

#### Article 83: Private Placement Requirements

- a. A capital market institution may not offer units in a private fund unless the following fulfilled:



- 1) notifies the Authority in writing in accordance with the format set out in Annex (6) of these Regulations at least (15) days prior to the proposed date of an offer;
  - 2) submits to the Authority a declaration in accordance with the terms set out in Annex (7) of these Regulations;
  - 3) submits to the Authority copies of the Fund's Terms and Conditions in accordance with the requirements of Annex (11) of these Regulations and any offering documents to be used in advertising the offer; and
  - 4) provide details of the organizational structure of the Fund Manager, including a description of the investment decision-making process of fund manager or sub-fund manager, and the name and function of any registered person in that decision-making process to the Authority.
  - 5) provide a compliance monitoring program for the relevant investment fund.
  - 6) pays such registration fees as the Authority may prescribe.
  - 7) any other information that the Authority requires.
- b. If having received a private placement notification and the relevant information and documents provided under Paragraph (a) of this Article the Authority considers that the proposed offer of units may not be commensurate with the fund manager's ability or may result in a breach of the Capital Market Law or its Implementing Regulations, then it may take the following actions:
- 1) carry out any enquiries which it considered appropriate including requiring the concerned person or its representative to appear before the Authority to answer the questions of the Authority and to explain any matters that the Authority considers relevant to the private placement offering; or
  - 2) require the concerned person or others to provide additional information or to confirm, in such manner as the Authority may specify, that the information provided is accurate.
- c. Where the Authority determines that the private placement may not be commensurate with the fund manager's ability or may result in a breach of the Capital Market Law or its Implementing Regulations, the Authority may issue a "notification" to the capital market institution stating that the private offer is not to be made or publish a "Notice" prohibiting the offer.
- d. Where the Authority has not taken any actions stated in Paragraph (c) of this Article, the Authority shall, at the request of the capital market institution, issue a notice stating it has no objection to offering units in the private fund.
- e. The capital market institution must provide the Authority within (10) days of the end of the offer period of the private fund with the results of the offer, in the form set out in Annex (10) of these Regulations.
- f. Where the offer is not completed by the proposed offer end date (if any) specified in the



private placement notification provided to the Authority in accordance with Subparagraph (1) of Paragraph (a) of this Article and of the Fund's Terms and Conditions, the capital market institution must provide the Authority within (10) days with a notification in writing signed by the capital market institution confirming that the offer has failed to complete. The capital market institution must return to the unitholders their full subscriptions monies together with any returns generated from investing the subscriptions monies without any deduction.

- g. If the fund manager cancels the fund's offering after the offering is completed and before its operation by collecting the minimum limit specified in the fund's terms and conditions by the proposed offer's expiry date (if any), stated in the private offer notification submitted to the Authority in accordance with subparagraph (1) of Paragraph (a) of this Article, the capital market institution must provide the Authority with a written notification, signed by the institution, within (10) days confirming the cancellation of the fund's offering after the offering is completed and before its operation. Additionally, subscription monies and any returns generated from their investment must be refunded to the unitholders without any deductions.
- h. The fund manager must notify the Authority within (10) days from the date of the fund's operation.
- i. The subscriber has the right to refund the subscription monies and any returns generated from their investment without any deductions if any of the following events occur before the fund is activated:
  - 1) The offering period of the private fund is extended beyond the extension period specified in the fund's terms and conditions.
  - 2) The fund's capital or minimum operating is modified.
  - 3) Making any changes stipulated in Article (94) of these Regulations to the fund's Terms and Conditions.

#### **Article 84: Contractual Format of a Private Fund**

- a. A private fund shall be established by the signing of the Terms and Conditions of the relevant fund between the first potential unitholders and the fund manager.
- b. The contractual relationship between a potential unitholder and the fund manager shall be established by signing the fund's Terms and Conditions.
- c. The fund manager must include in the Fund's Terms and Conditions the related requirements in these Regulations, and the private investment fund manager must, in addition to that, include the Terms and Conditions to the requirements and the information contained in Annex (11) of these Regulations.
- d. The Terms and Conditions referred to in Paragraph (b) of this Article shall be considered as satisfying the terms of business requirements in the Capital Market Institutions Regulations.



### Article 85: Units

- a. The subscribed units shall be owned by the potential unitholder when the subscription request is executed on the dealing day following the deadline for submission of requests for subscription and redemption.
- b. The unitholder shall be entitled to exercise all rights in relation to the units (including, but not limited to, the right to vote at meetings of unitholders).
- c. Other than losing his\her investment in the fund or part of it, the unitholder shall not be liable for the debts and obligations of the relevant private fund.
- d. The private fund may issue more than one class of units, and all unitholders from the same class must have equal rights and be treated equally by the fund manager. No class of unitholders shall have a different investment strategies and goals that differ from the investment strategies and goals of another class of the same investment fund.
- e. The owners of a class of units shall not have the rights that will prejudice the rights of the owners of another class of units.

### Article 86: Private Real Estate Fund Board

- a. A private real estate fund shall be supervised by a fund board appointed by the fund manager.
- b. The fund manager must remove a board member of the real estate private fund if a special fund resolution is issued to request the removal of that member.
- c. The number of directors in a private real estate fund board must not be less than three (3) directors. The number of independent fund directors of a fund board shall not be less than two, or one third of the total number of directors, whichever is greater.
- d. A fund board director may not be entitled to vote on any resolution to be taken by the fund board of on any matter in which such fund board director has any direct or indirect particular interest and shall disclose any such interest to the fund board.
- e. Any person appointed by the fund manager as a member of the fund board must fulfil the following eligibility requirements:
  - 1) the person must not be bankrupt or subject to any bankruptcy or insolvency proceedings;
  - 2) the person must not have committed an offense involving fraud or acted in breach of integrity and honesty;
  - 3) the person must possess the necessary experience and expertise.
- f. If a member of the fund board ceases to meet the eligibility requirements set out in Paragraph (e) of this Article, the fund manager must replace a member of the fund board with another person who fulfils the eligibility requirements set out in Paragraph (e) of this Article.
- g. The fund manager must provide all necessary information about the private real estate fund



to all members of the fund's board in order to enable them to carry out their duties efficiently, the fund manager must also provide any other information or documentation required by the fund's board to enable it to perform its functions.

### **Article 87: Responsibilities of the Members of the Private Real Estate Fund's Board**

The responsibilities of the members of the private real estate fund board shall include the following:

- 1) approving material contracts, decisions and reports involving the private real estate fund, including, but not limited to, contracts for the provision of real estate development, custody contract, and marketing contract, valuation contract, and the contract with an engineering office;
- 2) approving of the appointment of the auditor of the fund nominated by the fund manager.
- 3) making a decision regarding any transaction involving a conflict of interest disclosed by the fund manager.
- 4) meeting at least twice annually with the fund manager's compliance officer or the fund's Money Laundering and Terrorism Financing Reporting Officer (MLRO) to review the fund manager's compliance with all applicable rules, laws and regulations;
- 5) approving the Terms and Conditions of a private real estate fund and any changes thereto;
- 6) ensuring that the fund manager carries out its obligations in the best interests of the unitholders, in accordance with the provision of these Regulations, the Terms and Conditions of a private real estate fund;
- 7) ensuring that the fund manager is disclosing material information to the Unitholders and other stakeholders;
- 8) have a fiduciary duty to unitholders, including a duty to act in good faith, a duty to act in the best interests of the unitholders and a duty to exercise all reasonable care and skill; and
- 9) taking minutes of meetings that provide all deliberations and facts of the meetings and the decisions taken by the fund board of director.
- 10) reviewing the report that includes assessment of the performance and quality of services provided by the parties involved in providing significant services to the fund referred to in Paragraph (1) of Article (9) of these Regulations, in order to ensure that the fund manager fulfils his responsibilities in the interest of unitholders in accordance with the Fund's Terms and Conditions and the provisions stipulated in these Regulations.
- 11) assessing the mechanism of the fund manager's handling of the risks related to the fund's assets in accordance with the fund manager's policies and procedures that detect the fund's risks and how to treat such risks.



- 12) Review the report containing all complaints and the measures taken regarding them referred to in Paragraph (m) of Article (9) of these Regulations, in order to ensure that the fund manager carries out his responsibilities in a way that serves the interest of unitholders in accordance with the Fund's Terms and Conditions and in accordance in this Regulation.

#### **Article 88: General Rules and Restrictions**

- a. The investments of a private fund may consist of assets of any types and descriptions; however, the fund manager must clearly state the permitted investments together with the investment objective, investment policies and any investment restrictions or limitations in the Fund's Terms and Conditions and in the offering documents of the relevant private fund.
- b. The fund manager must comply at all times with the Fund's Terms and Conditions, the offering documents, investment objective, investment policies and any investment restrictions or limitations of the relevant private fund.
- c. The fund manager must disclose all payments out of assets of the fund in the Terms and Conditions.
- d. The fund manager must disclose all expenses of offering the units of a private investment fund if it's incurred by the fund in the Fund's Terms and Conditions.

#### **Article 89: Private Fund Documentations**

- a. The capital market institution shall submit to the Authority any documentation which it distributes in relation to the offer of a private fund. Such documentation must include the disclaimer that stated in such format set out in Annex (9) of these Regulations.
- b. The manager of a private fund shall comply with notifying the Authority and the unitholders upon any change to the fund documentations, provided that the mechanism of such is determined in the Fund's Terms and Conditions.

#### **Article 90: Securities Advertisements and Promotional Materials**

A capital market institution may not advertise or communicate securities advertisements and promotional materials in respect of a private fund unless the following conditions are fulfilled:

- 1) the securities advertisement is sent solely to persons to whom a private placement of a private fund may be made in accordance with Article (82) of these Regulations; and
- 2) the securities advertisement complies with the applicable provisions of the Capital Market Institutions Regulations and the Securities Business Regulations.

#### **Article 91: Financial Statement Auditing Requirements**

- a. The fund manager must appoint an auditor upon the establishment of a private fund. An audit must be conducted at the end of the first full calendar year after the establishment of a private fund, but may be conducted earlier.
- b. The auditor must be registered with the Authority in accordance with the Rules for Registering Auditors of Entities Subject to the Authority's Supervision and shall be an



independent auditor according to criterion of the independence defined in the Law of the Profession of Accounting and Auditing and its implementing regulations.

### **Article 92: valuation**

- a. The fund operator shall be responsible for valuing the fund's assets, as well as pricing and dealing in the units of the private fund in accordance with a clear policy.
- b. The fund manager must disclose the policy referred to in Paragraph (a) of this Article in the Fund's Terms and Conditions and annual reports of the fund, and must establish a similar method for pricing the units for the purpose of issuing, transferring and redeeming.
- c. The fund manager must notify the unitholders of any amendments to the valuation, pricing and dealing policy in the private fund units within a period not exceeding (5) days.
- d. A fund manager of a private real estate fund must, before purchasing or selling any real estate assets, obtain valuation from at least two accredited valuers.
- e. The real estate fund manager must ensure that any accredited valuer appointed pursuant to Paragraph (d) of this Article meets the following conditions:
  - 1) the accredited valuer must be independent from all related parties
  - 2) the accredited valuer must obtain the Saudi Authority for Accredited Valuers fellowship.
- f. At the time of the purchasing or selling of the real estate asset, the accredited valuers' valuation report issued pursuant to Paragraph (d) of this Article must not be more than three (3) months old.
- g. In the case of a one investment goals of the fund includes Initial development or structural development, the fund manager of a private real estate fund must appoint one or more developers -provided that the duties and responsibilities of each developer are clearly specified in the fund's terms and conditions-, and an engineering office that is independent of any of the relevant parties, after ensuring that they have obtained the necessary approvals and licenses to carry out their business and activities from the relevant governmental bodies, and the engineering office shall – at least- oversee the implementation of the Fund's business plan, and the approval of disbursements to the developer and contractor.
- h. For the purposes of this Article, the term related party shall mean any of the followings:
  - 1) the fund manager.
  - 2) the custodian.
  - 3) the developer.



- 4) accredited valuer, where applicable.
  - 5) the auditor.
  - 6) board members, or any of the executives or employees of any of the parties above.
  - 7) any unitholder whose ownership exceeds (5%) of the net assets of the private real estate investment fund.
  - 8) any person under or in control of any of the previously mentioned persons.
- i. For the purposes of this article, it is intended that meanings of the initial development and construction development set forth in the Real Estate Investment Funds Regulations.

### **Article 93: Meetings of Unitholders**

- a. The fund manager shall develop a policy regarding meetings of unitholders. The fund manager shall include the details of such policy in the Terms and Conditions of the private fund.
- b. The fund manager must call for a unitholders meeting upon receiving a written request from the unitholder or of unitholders own collectively or individually at least (25%) in value of the units in the fund, or from the custodian.
- c. When calling for a unitholders meeting, the fund manager must state the items of the agenda and the quorum of the meeting and the required percentage to approve to these items, provided that the policy of such is determined in the Fund's Terms and Conditions.
- d. The fund manager may call for a unitholders meeting on its own initiative, provided that the subject of the invitation does not conflict with the responsibilities and duties of the fund manager in accordance with the provisions of these Regulations.
- e. The fund manager shall call for a meeting of unitholders by sending a written notice to all unitholders and the custodian by giving not less than (10) days' prior notice of the meeting and not more than (21) days' notice before the meeting. The notice must specify the date, place, time and agenda of the meeting and the resolution proposed. The fund manager must at the same time as sending a notice to unitholders convening any meeting of unitholders also send a copy of any such notice to the Authority.
- f. The Fund Manager shall provide unitholders with access to all required information and documents related to agenda items, to enable unitholders to make informed decision.
- g. The fund manager must immediately notify the Authority of all resolutions issued in the unitholders' meetings.
- h. When preparing the unitholders meeting's agenda, the fund manager of a private fund must take into consideration the matters that unitholders wish to list; unitholders holding no less than (10%) of the value of the private fund units are entitled to add one or more items to the unitholders meeting's agenda, provided that the proposed items does not overlap with the duties and responsibilities of the fund manager in accordance with the provisions of



these Regulations.

- i. The fund manager may amend the agenda of the unitholders meeting during the notification period referred to in Paragraph (e) of this Article, provided that a written notice is sent to all the unitholders and the custodian by giving not less than (10) days' prior notice of the meeting and not more than (21) days' notice before the meeting.
- j. If the unitholders approve to any of the proposed decisions at the unitholders meeting, which necessitated amending the Fund's Terms and Conditions, the fund manager must amend such Terms and Conditions in accordance with the approved decision.
- k. The fund manager must call for a unitholders meeting upon the Authority's request within a period not exceeding (10) days.

#### **Article 94: Consent of Unitholders to Changes**

- a. A fund manager must obtain the consent of unitholders in the relevant fund by way of an ordinary fund resolution on the following changes:
  - 1) a change which significantly changes the purposes, nature or class of the private fund;
  - 2) the change that has an impact on the risk level of the private fund;
  - 3) the change that results in a material increase of the aggregate payments made out of the assets of the closed-ended private fund;
  - 4) the change that will make a negative or material effect on the rights of unitholders in relation to the closed-ended private fund;
  - 5) the change of the due date or maturity date of private fund.
  - 6) Any other cases determined by the Authority from time to time and reported to the fund manager.
- b. As an exception to Paragraph (a) of this Article, the fund manager must obtain the approval of the unitholders in the concerned fund for the proposed change mentioned in Subparagraph (5) of Paragraph (a) of this Article through a special fund resolution.
- c. Details of changes referred to in this Article must be listed in the private fund's reports made by the fund manager pursuant to Article (95) of these Regulations.
- d. The fund manager must notify the Authority and the unitholders of the details of the changes referred to in Paragraph (a) of this Article, (10) days prior to the effective date of the change.
- e. In case of an open-ended fund, unitholders may redeem their units before the date the changes referred to in Paragraph (a) of this Article are effective, without imposing redemption fees (if any).

#### **Article 95: Reporting to Unitholders**

- a. Annual reports (including the annual audited financial statements) of the private fund must



be prepared in accordance with the requirements set out Annex (3) of these Regulations and must be provided by the fund manager to unitholders on request and without charge. Annual reports should be made available to unitholders no later than (90) days from the end of the period to which it relates by such means as specified in the Fund's Terms and Conditions.

- b. Interim reports for a private real estate funds must be prepared every (6) months in accordance with the requirements of Annex (3) of these Regulations, and make available to unitholders within (35) days from the end of the reporting period, in the places and the means specified in the Fund's Terms and Conditions, and the fund manager must provide Unitholders interim reports of the Fund upon request at no charge.

#### **Article 96: Reporting to the Authority**

- a. After making the annual reports available to unitholder pursuant to Article (95 ) of these Regulations (including the annual audited financial statements), the fund manager must submit such reports to the Authority no later than (5) days following the day of which the reports request was made.
- b. The fund manager must submit to the Authority any information regarding the subscription or redemption of units in a private fund and no later than (10) days following the day of which the information request was made.

#### **Article 97: Notification Relating to the Substantial Holdings in Shares or Convertible Debt Instruments**

- a. The fund manager must notify the Exchange when the fund becomes owner or has an interest of (5%) or more of any class of voting shares or convertible debt instrument of the issuer, during a period not exceeding the end of the third trading day following the executing of the transaction or the occurrence of the event which result in such ownership or interest. The person notification to the Authority shall also include a list of persons, in which those persons, have an interest in the shares or convertible debt instruments which they own or control.
- b. The fund manager referred to in Paragraph (a) of this Article must notify the Exchange in the event of any change to the list of persons referred to in Paragraph (a) of this Article including any event which requires the inclusion of a person to that list or the exclusion of any person who has been previously included in that list. Such notification must be made during a period not exceeding the end of the third trading day following the occurrence of the relevant event.
- c. For the purpose of this Article, when calculating the total number of shares or convertible debt instruments in which the fund is interested, the fund will be deemed to be interested in any shares or convertible debt instrument owned or controlled by any of the following:
  - 1) A company controlled by that fund.
  - 2) Any person or fund acting in concert with the private fund referred to in Paragraph (a) of this Article to acquire interest in or exercise voting rights in the shares or convertible debt instrument of an issuer listed on the Exchange.
- d. The notice referred to in Paragraph (a) of this Article must at least include the following

information:

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

#### **Article 98: Restriction on Secondary Market Activity**

- a. Subsequent transfers of units in a private fund offered in accordance to the provisions of Article (83) of these Regulations may only be made to any of the followings:
  - 1) to existing unitholders,
  - 2) to investors under the categories of institutional and qualified clients,
  - 3) where the maximum amount payable for such units is not more than (200) thousand Saudi Riyals, or an equivalent amount.
- b. In the case of closed-ended private funds, transfer of ownership of the fund's units must not, in all cases, result in exceeding the ownership of subscribers in exchange for cash from retail clients up to (50%) of the total value of the fund's units.



## PART 6

### FOREIGN FUNDS

#### Article 99: Offer of Securities Issued By a Foreign Fund in the Kingdom

- a. Securities issued by a foreign fund may not be offered in the Kingdom except in accordance with this Part.
- b. No person may offer securities issued by a foreign fund in the Kingdom unless the offer is being made through a distributor and the offering of securities shall be a private placement in accordance with the requirements set out in Article (101) of these Regulations.
- c. The distributor referred to in Paragraph (b) of this Article, must be one of the following:
  - 1) A capital market institution licensed to carry out dealing activity.
  - 2) A capital market institution licensed to carry out the activity of managing investments and operating funds.
  - 3) A capital market institution licensed to carry out the activity of managing investments, provided that such foreign fund intended to be distributed and whose securities are to be offered in the Kingdom is established by such institution, or by an institution affiliated with it subject to an equivalent regulatory oversight in a jurisdiction recognised by the Authority as having equivalent regulation, and foreign investors own no less than (50%) of the total value of the fund's units.
- d. The capital market institution referred to in Subparagraph (3) of Paragraph (c) of this Article is excluded from the provisions of Subparagraph (4) of Paragraph (a) of Article (101) of these Regulations, and the provisions of Paragraphs (4) and (5) of Article (105) of these Regulations.
- e. A foreign offered fund manager must be authorised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority. The Authority shall have the discretion to assess whether the jurisdiction has regulatory standards and requirements at least equivalent to those of the Authority.

#### Article 100: Private Placement of a Foreign Fund and Eligibility of Investors

- a. An offer of securities issued by a foreign fund is a private placement where the offerees are investors under the categories of institutional and qualified clients, and if the maximum amount payable per offeree (from investors of the retail clients' category) is not more than (200) thousand Saudi Riyals, or an equivalent amount.
- b. Upon offering securities issued by a foreign fund, the cash subscriptions in the fund from retail clients in the Kingdom must not exceed (50%) of the total cash subscriptions in the fund.
- c. The Authority may, in circumstances other than those described in Paragraph (a) of this Article and upon a request from a distributor seeking to make an offer of securities issued



by a foreign fund, determine that such an offer shall be treated as a private placement subject to compliance with such limitation as the Authority may impose.

### **Article 101: Private Placement Requirements of a Foreign Fund**

- a. No securities issued by a foreign fund may be offered unless the distributor meets the following requirements:
  - 1) notify the Authority in writing in accordance with the format set out in Annex (6) of these Regulations at least (15) days prior to the proposed date of the offer;
  - 2) submit to the Authority a declaration in accordance with the terms set out in Annex (8) of these Regulations;
  - 3) submit to the Authority copies of any offering documents to be used in advertising the offer; and
  - 4) conduct a due diligence check of the foreign fund and its manager before the distribution of securities issued by such fund, and provide the Authority with it upon request within (5) days from the date of request.
  - 5) pay such registration fees as the Authority may prescribe.
  - 6) submit any another information that the Authority requires.
- b. If having received a private placement notification and the information and documents provided under paragraph (a) of this Article and the Authority considers that the proposed offer of securities may not be commensurate with the distributor's ability or may result in a breach of the Capital Market Law or its Implementing Regulations, then it may take any of following actions:
  - 1) carry out any enquiries which it considered appropriate including requiring the concerned person or its representative to appear before the Authority to answer the questions of the Authority and to explain any matters that the Authority considers relevant to the private placement offering; or
  - 2) require the concerned person or others to provide additional information or to confirm that the information provided is accurate, in such manner as the Authority may specify.
- c. Where the Authority determines that the private placement may not be commensurate with the distributor's ability or may result in a breach of the Capital Market Law or its Implementing Regulations, the Authority may issue a “notification” to the distributor stating that the private offer is not permissible or publish a “notice” prohibiting the offer.
- d. Where the Authority has not taken any actions stated in Paragraph (c) of this Article, the Authority shall, on the request of the distributor, issue a notice stating it has no objection to the offering of securities in the foreign fund.
- e. The distributor must provide the Authority within (10) days of the end of the initial offer period of the foreign fund (if any) a statement of the results of the offer.



- f. Where the offer is not completed by the proposed offer end date (if any) specified in the private placement notification provided to the Authority in accordance with Subparagraph (1) of Paragraph (a) of this Article, the Fund's Terms and Conditions, and relevant offering documents, the distributor must provide the Authority within (10) days with a notification in writing signed by the distributor confirming that the offer has failed to complete, the distributor must return to the securities holders their full subscriptions monies together with any returns generated from investing the subscriptions monies without any deduction to securities holders.

#### **Article 102: Information to Securities Holders and Offer Documentations**

- a. The distributor of securities issued by a foreign fund must make available to securities holders in the Kingdom the same documentation which is made available by the foreign fund manager to securities holders of the same class in other jurisdictions.
- b. The distributor of securities issued by a foreign fund must ensure that securities holders are provided with sufficient information on the private placement to enable them to make an informed investment decision and that such information is complete, clear, accurate, and not misleading.
- c. The private placement offering documents to be used in advertising the offer of securities issued by the foreign fund must contain a prominent statement in the form set out in Annex (9) of these Regulations.

#### **Article 103: Securities Advertisements and Promotional Materials**

Distributors may not advertise or communicate securities advertisements and promotional materials in respect of a foreign fund unless the following conditions are fulfilled:

- 1) the securities advertisement is sent solely to persons to whom a private placement of a foreign fund may lawfully be made in accordance with this Part;
- 2) the securities advertisement is to satisfy the relevant requirements of the Securities Business Regulations and the Capital Market Institutions Regulations.

#### **Article 104: Power of the Authority to Suspend a Distributor**

The Authority shall have the power to suspend a distributor in relation to a particular foreign fund or to take any other measures it deems necessary in the event of:

- 1) the distributor ceasing to carry out activities of dealing or the activity of managing investments and operating funds or the activity of managing investments without notification to the Authority under the Capital Market Institutions Regulations;
- 2) the cancellation or suspension by the Authority of the distributor's relevant authorisation(s);
- 3) a request by the distributor to the Authority to cancel its relevant authorisation;
- 4) the Authority considering it necessary for the protection of securities holders or maintenance of an orderly market;
- 5) the Authority believing that the distributor has failed, in a manner which the Authority



considers material, to comply with the Capital Market Law and its Implementing Regulations; or

- 6) any other event determined by the Authority on reasonable grounds to be of sufficient significance.

#### **Article 105: Distributor Responsibilities**

The distributor of securities issued by a foreign fund must comply with the followings:

- 1) Sending all reports and documentation issued by the foreign fund manager to the securities holders in the Kingdom. And ensuring that all securities holders within the Kingdom in a foreign fund shall be directly entitled to the rights prescribed in the fund documentation.
- 2) Notifying all securities holders in writing of all fundamental changes related to the foreign fund.
- 3) Conveying all requests and letters of securities holders within the Kingdom to the foreign fund manager.
- 4) Notifying the securities holder in the kingdom (90) days prior to the termination of the relationship with the foreign open-ended fund manager.
- 5) Taking all appropriate actions to ensure continuity of relationship with the manager of the closed-ended foreign fund until the end of the fund's term.
- 6) Notifying the Authority and the securities holders, in writing, of the fund's termination within (10) days from the end of the fund term in accordance with the requirements in Paragraph (d) of Annex (10) of these Regulations

#### **Article 106: Reporting to the Authority**

- a. The distributor of securities issued by a foreign fund must report to the Authority all fundamental changes in relation to a foreign fund, and any other information the Authority requires.
- b. The distributor of securities issued by a foreign fund must submit to the Authority any information regarding the subscription or redemption of securities issued by a foreign fund and no later than (10) days following the day of which the information request was made.

#### **Article 107: Restriction on Secondary Market Activity**

- a. Subsequent transfers of securities issued by a foreign fund offered in accordance to the provisions of Article (101) of these Regulations to any person in the Kingdom may only be made:
  - 1) to existing securities holders,
  - 2) to investors under the categories of institutional and qualified clients,
  - 3) where the maximum amount payable for such securities is not more than (200) thousand Saudi Riyals, or an equivalent amount.
- b. In the case of closed-ended foreign funds, transfer of ownership of the securities issued by

the fund must not, in all cases, result in exceeding the ownership of subscribers in the kingdom, in exchange for cash from retail clients, up to (50%) of the total value of the fund's securities.



## PART 7

### Merge of the investment funds

#### Article 108: Application to the Authority for the Merging of Investment Funds

- a. After obtaining the approval of the unitholders of all the related funds offered in accordance with Articles (33) or Article (82) of these Regulations by way of fund special resolutions, the fund manager may apply to the Authority for approval to merge a number of investments fund it manages.
- b. The merger shall be through combining one fund or more into an existing fund.
- c. The funds that are planned to be merged must have the same type and have the same class, and share similar investment objectives and policies.
- d. The unitholders must be notified about the merger details, which must be disclosed on the fund manager's website (21) days before executing the merger. as well as announcing of such on any other website available to the public according to the controls set out by the Authority for public funds.
- e. The merger details must be incorporated in the fund's report prepared by the fund manager pursuant to Article (78) or Article (95) of these Regulations, according to the offering type.
- f. The unitholders of an open-ended fund have the right to redeem their units before the merger closure, without imposing any redemption fees if any.
- g. The fund manager shall pay the merger costs from its own recourses.

#### Article 109: Additional Information to be Provided to the Unitholders

The fund manager must provide all the unitholders with complete information about the proposed merger that will enable them to reach a proper decision as per followings:

- 1) It is written in a way that is clear, accurate, and not misleading.
- 2) It contains, in a detailed way, all the expected consequences of the proposed merger.
- 3) It contains a detailed comparison of the charges of all services, commissions and management fees that are imposed on the relevant funds.



## PART 8

### INVESTMENT FUNDS THAT TAKE THE FORM OF A SPECIAL PURPOSES ENTITY

#### Article 110: General Provisions

- a. Investment funds that take the form of a special purposes entity shall be subject to all the provisions of these Regulations and the Rules for Special Purposes Entities, unless these Regulations states otherwise.
- b. To establish an investment fund that takes the form of a special purposes entity, the fund manager must satisfy the requirements to establish a special purposes entity in accordance with the provisions contained in the Rules for Special Purposes Entities, and the provisions contained in these regulations, as applicable.
- c. The Manager of Investment Funds that take the form of a special purpose entity must have the by-laws certified by the relevant authority before offering fund units.
- d. For the purposes of this Part, any reference to the “investment fund” in these Regulation or the Capital Market Law and its Implementing Regulations, applies to the investment fund that takes the form of a special purposes entity.

#### Article 111: Custodian

The custodian of the investment fund that takes the form of a special purposes entity shall be subject to the provisions contained in Part (3) of these Regulations, in manners consistent with the nature of this entity.

#### Article 112: Board of an Investment Fund that Takes the Form of a Special Purposes Entity

The board of directors of the investment fund that takes the form of special purposes entity is the board of directors of a special purposes entity, and shall be subject to all the provisions related to the fund’s board of directors stipulated in these Regulations (where applicable).

## **PART 9**

### **PUBLICATION AND ENTRY INTO FORCE**

#### **Article 113: Publication and Entry into Force**

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



## ANNEX 1

### REQUIREMENTS OF THE FUND'S TERMS AND CONDITIONS

The Fund Manager shall present the Terms and Conditions in Arabic language and in a way that is comprehensible and easy for unitholders or potential unitholders to understand. The Terms and Conditions must comprise at least the following, in the sequence of the items set out in this Annex:

#### Content of the Cover Page

- a) **Name of the investment fund, its class and type.**
- b) **Name of the fund manager**
- c) **Acknowledgements and explanatory statement:**
  - 1) The cover page must contain an explanatory statement and an acknowledgment of responsibility according to the following form:

“The Fund’s Terms and Conditions has been reviewed and approved by the Fund’s Board of Directors. The Fund Manager and the members of the Fund’s Board of Directors collectively and individually bear full responsibility for the accuracy of the information presented herein. Having made all reasonable inquiries, the fund board directors and the fund manager confirm the validity and completeness of the information in the Terms and Conditions, and further confirm that the information and data maintained in the Terms and Conditions are not misleading”.

- 2) The cover page must contain a statement of disclaimer according to the following form:

“The Capital Market Authority has approved the offering of units in the investment fund. The Capital Market Authority does not, however, take any responsibility for the contents of the Fund’s Terms and Conditions, nor does it make any representation as to its accuracy or completeness. The Capital Market Authority does not make any recommendation as to the soundness or otherwise of investing in the investment fund, and the approval of offering the fund does not mean that the Authority recommends to invest in the fund, and the Authority emphasizes that the decision to invest in the fund is up to the investor or his representative.”

- 3) For a Shariah-compliant investment fund, the following statement must be additionally stated:

“[Name of fund] has been certified as being Shariah compliant by the Shariah Committee appointed for the investment fund.”

- 4) Must add the following statement: (If the investment fund is taking the form of a special purposes entity):



“[Name of fund] has been approved as an investment fund that takes the form of a special purposes entity in accordance with the Investment Funds Regulations and the Rules for Special Purposes Entities”.

- 5) A statement that the Fund's Terms and Conditions and all other documentation comply with the Investment Funds Regulations and contain are complete, clear, accurate, and not misleading information on the investment fund and shall be updated and amended.
- 6) A statement that the Fund's Terms and Conditions shall be read in conjunction with the other documentation.
- 7) A statement that, unitholders shall be deemed to have accepted and signed the Fund's Terms and Conditions, upon subscribing in any listed unit of the fund (where applicable).
- 8) A statement that the performance of the fund can be viewed within the fund's reports.
- 9) A warning statement as follows:

“Investors are advised to read and understand the Fund's Terms and Conditions. if in doubt, please consult a professional adviser.”

**d) Fund summary, containing at least the following:**

	Item
1.	Name of the investment fund
2.	Class/type of the fund
3.	Name of the fund manager
4.	Purpose of the fund
5.	Risks level
6.	Minimum amount for subscription and redemption
7.	Days of dealing/valuation
8.	Days of announcement
9.	Date for paying redemption amount
10.	Unit price at initial offer (nominal value)
11.	Currency of the fund



12.	Period of the investment fund and its maturity date (where applicable)
13.	Date of Operating the fund
14.	Date of issuing the Terms and Conditions, and latest update of it (if any)
15.	Early redemption fees (if any)
16.	Benchmark
17.	Name of the fund operator
18.	Name of the custodian
19.	Name of the auditor
20.	Fund management fees
21.	Subscription and redemption fees
22.	Custodian fees
23.	Dealing expenses
24.	Other fees and expenses
25.	Performance fees (if any)

1) **Investment Fund:**

- a. Name of the investment fund, its type and class.
- b. Date of issuing the Terms and Conditions of the investment fund, and the last update, (if any).
- c. Date of the Authority's approval on the offering of the fund's units.
- d. The duration of the investment fund and maturity date (where applicable).

2) **Governing Laws:**

- a. A statement that the investment fund and the fund manager are subject to the Capital Market Law and its Implementing Regulations as well as other relevant laws and regulations applicable in the Kingdom of Saudi Arabia.

3) **Investment Policies and Practices**

- a. The Investment objectives of the investment fund.



- b. Type or types of securities in which the investment fund will invest in primarily.
- c. Any concentrated policy of investment in specific securities, or in an industry or group of sectors, or in a specific country or geographic region, provided that it includes the minimum and maximum for such securities.
- d. A table showing the percentage of investment in each investment field, with its minimum and highest limits.
- e. Statement on the credit rating of the fund's investments (where applicable).
- f. Statement on the cap for unclassified investments, and any other restrictions related to the credit rating (where applicable).
- g. The markets in which the investment fund intends to invest in.
- h. Disclose if the fund manager intends to invest in the investment fund.
- i. Specific techniques and instruments that the fund manager can use to make investment decisions for the investment fund.
- j. Types of securities that cannot be included in the fund's investments.
- k. Any other restriction on the type(s) of securities or other assets the fund can invest in.
- l. The limit that investments of the Fund's assets can be in a unit of an investment fund or units of investment funds managed by that manager or by managers of other funds.
- m. The investment fund lending and borrowing powers, and fund manager policy on the exercise of the lending and borrowing powers, and a statement of fund manager policy with respect to pledging assets of the fund.
- n. Disclosure of the maximum limit to deal with any counterparty.
- o. Statement on the fund manager policy for the management of investment fund risks.
- p. The benchmark, reasons for choosing such benchmark, and its suitability for fund's investment strategies and objectives, as well as information about the provider of the benchmark and the bases and the methodology used to calculate the benchmark (total return or price return).
- q. Where derivatives are used, there must be a prominent statement that states the purpose of using such instruments (e.g. efficient portfolio management, meeting investment objectives or merely for hedging purposes from the price volatility).
- r. Any waivers approved by the Capital Market Authority for any investment limits and restrictions;

#### 4) **The Main Risks of Investing in the Fund:**

- a. Where an investment fund is likely to have a high volatility due to the composition



of its investment portfolio, there must be a prominent statement to that effect.

- b. A statement that the performance history of the investment fund or the benchmark is considered irrelevant in terms of future performance of the fund.
- c. A prominent statement that there is no guarantee for unitholders that the investment fund's absolute performance or its performance relative to the index will repeat or match past performance.
- d. A prominent statement that investment in the investment fund is not a deposit with any bank.
- e. A prominent statement that warns investors from the risk of loss of money when investing in the investment fund; and
- f. Must contain a list of potential risks associated with investing in an investment fund, risk exposure to the investment fund and any conditions likely to affect the net asset value of the Fund's assets and revenues.

#### 5) **Mechanism for Assessing Risks**

Must contain an acknowledgment statement by the fund manager to the fact that an internal mechanism for assessment of the risks related to the fund is in place.

#### 6) **Targeted Class for Investing in the Fund**

A statement for the targeted class for investing in the fund (specify the most suitable type of investors to invest in the relevant fund).

#### 7) **Investments Restrictions/Limitations**

A statement that the fund manager, in managing investments fund, shall comply with any restrictions imposed by the Investment Funds Regulations, the Fund's Terms and Conditions.

#### 8) **Currency**

State the base currency of the fund and describe any procedures for converting subscriptions received in other currencies.

#### 9) **Fees, Charges and Expenses**

- a. Statement of details on all payments from the assets of the investment fund, and the method for calculating them.
- b. A table showing all fees and expenses, how the fees, charges and expenses are calculated and when it is paid by the investment fund.
- c. Hypothetical table that shows the percentage of the fund expenses against the net assets value for the fund and the unitholder throughout the lifespan of the fund. Such fund shall include percentage of recurring non-recurring expenses.



- d. Statement of details on charges imposed for subscription, redemption and ownership transfer, paid by unit holders, and the method for calculating it.
- e. Information on rebates and special commissions and explanation of the fund manager's policy on rebates and special commissions.
- f. Information regarding tax and/or zakat (if any).
- g. Statement of any special commission concluded by the fund manager (if any).
- h. Hypothetical example that illustrates all fees, charges and expenses, paid from the fund's assets or unitholders based on the currency of the fund.

10) **Valuation and Pricing**

- a. A statement of the valuation method of each asset held by the fund.
- b. A statement Frequency of valuation and number of valuation points.
- c. A statement of actions to be taken in case of mis-valuation or mis-pricing.
- d. A statement of the method for calculating the unit price for the purpose of executing subscription or redemption requests.
- e. The publication time and place of the unit price, and its frequency.

11) **Dealings**

- a. A statement on details of the initial offer (e.g. start date, period, initial price).
- b. A statement clarifies the date set and the deadlines for submission of requests for subscriptions and redemptions, in any dealing day, and the responsibilities of the fund manager in relation to subscription and redemption requests.
- c. A statement of the procedures for subscriptions and redemptions, including where to submit applications and the period between request for redemption and payment of redemption proceeds, or transfer the ownership (if applicable)
- d. A statement showing any restrictions on dealing in units of the fund.
- e. A statement showing the circumstances in which dealing in units may be deferred or suspended, and the procedures followed in those cases.
- f. A statement of the procedures by which those redemption requests which are to be deferred are selected.
- g. A statement of the provisions governing the transfer the ownership of units to other investors.
- h. A description of any minimum number or value of units that a unitholder must subscribe or transfer or redeem; and



- i. A statement on details of any minimum of the amount which the fund manager intends to raise, and the actions to be taken in case of not reaching that minimum.

12) **Distribution Policy**

- a. A statement relating to the policy of distribution of income and gains, including details of the unclaimed distributions.
- b. Approximate maturity and distribution date, if applicable.
- c. A statement on how distribution will be paid.

13) **Reporting to Unitholders**

- a. Relevant information regarding annual reports, including the quarterly statement and the interim, annual and financial statements.
- b. Information on the locations and means of making available fund reports prepared by the fund manager.
- c. Information on the means of providing the annual financial statement to unitholders.
- d. Must contain a declaration stating the availability of the first audited financial statement at the end of the fiscal year of the fund and stating the end date of that year.
- e. Must contain a declaration stating that the fund's audited annual financial statement are available free of charge upon request.

14) **Unitholders Register**

- a. Statement regarding the maintenance of an up-to-date register of unitholders in the Kingdom.
- b. Statement of details on the unitholders register (e.g. the location of the register where it can be obtained by unitholders.).

15) **Meeting of Unitholders**

- a. A statement of the circumstances in which a meeting of unitholders is called.
- b. A statement of the procedures for calling a meeting of unitholders.
- c. A statement showing the manner in which unitholders' cast their votes and their voting rights at meetings.

16) **Unitholders' Rights**

- a. List of unitholders' rights.
- b. The fund manager's policy regarding the voting rights associated with any assets of the public fund which it manages.



17) **Unitholders' Liability**

A statement providing that other than losing his\her investment in the fund or part of it, the unitholder shall not be liable for the debts and obligations of the fund.

18) **Units Characteristics**

Provide a description of the various classes of units, if the fund has more than one class, including the class name and details.

19) **Changes to the Fund's Terms and Conditions**

- a. A statement of the provisions governing changes to the Fund's Terms and Conditions including any approvals and/or notifications required by the Investment Funds Regulations.
- b. A description of the procedures to be employed on notifying changes to the Fund's Terms and Conditions.

20) **Termination and liquidation of the Investment Fund**

- a. A statement of any events of which will result in the termination of the investment fund and procedures for termination of the investment fund under the Investment Funds Regulations.
- b. Must include a statement of the followed procedures for the liquidation of the Fund.
- c. In case of end of term of the investment fund, the fund manager may not take any fees deducted from the fund's assets.

21) **Fund Manager**

- a. Name, duties and responsibilities of the fund manager.
- b. Authority authorisation number and date.
- c. Registered address and business head office address of the fund manager.
- d. The fund manager's website and any website, related to the fund manager, contain information on the investment fund, if any.
- e. A statement of the paid up capital to the fund manager.
- f. A summary of financial information of the fund manager, highlighting, substantial shareholders, revenues and profits in the preceding financial year.
- g. A statement of the primary roles, responsibilities and duties of the fund manager in relation to the investment fund.
- h. Any other business activities or interests of the fund manager that are of significance or could potentially conflict with those of the investment fund
- i. Right of the fund manager to appoint a fund sub-manager.



j. Provisions governing the removal/replacement of fund manager.

22) **Fund Operator**

a. Name of the fund operator.

b. Authority authorisation number and date.

c. Registered address and business address of fund operator.

d. A statement of the primary roles for the fund operator, functions in relation to the investment fund.

e. Statement that the operator may appoint a sub-operator.

f. Statement of the functions to which the operator has delegated a third party in relation to the investment fund.

23) **Custodian**

a. Name of the custodian.

b. Authority authorisation number and date.

c. Registered address and business address of custodian.

d. A statement of the primary roles, functions in relation to the investment fund.

e. Right of custodian to appoint a sub-custodian.

f. Functions that have been delegated to a third party by the custodian in relation to the investment fund.

g. Provisions governing the removal/replacement of custodian.

24) **Fund Board**

a. Names of Fund Board members, indicating the membership type.

b. A brief about the fund board members' qualifications.

c. A description of the roles and responsibilities of the Fund Board.

d. Details on the remuneration of fund board members.

e. A statement of any conflict or potential conflict of interest between the interests of a fund board member and the interests of the fund.

f. A statement showing all the funds boards that the relevant board member is participating in.



- 25) **Shariah Supervisory Committee (if any)**
- a. Names and qualifications of the Shariah Supervisory Committee members.
  - b. A description of the roles and responsibilities of Shariah Supervisory Committee.
  - c. Details on the remuneration of Shariah Supervisory Committee members.
  - d. Details of the standards used to determine the Shariah-compliant assets to be used for investment, and the periodic review of such assets, and the procedures in the event of non-compliance with the Shariah standards.
- 26) **Investment Advisor (if any)**
- a. Name of investment advisor.
  - b. Registered address and business address of investment advisor.
  - c. A description of primary role and responsibility of investment advisor in relation to the investment fund.
- 27) **Distributor (if applicable)**
- a. The name of the distributor.
  - b. The registered address and business address of the distributor.
  - c. The distributor's website (as applicable).
  - d. The license issued by the Authority for the distributor (if any).
  - e. A description of primary roles and responsibilities of the distributor in relation to the investment fund.
- 28) **Auditor**
- a. Name of the auditor of the investment fund.
  - b. The registered address and business address of the auditor.
  - c. A description of the primary role and responsibility of the auditor.
  - d. Provisions governing the replacement of the investment fund's auditor.
- 29) **Fund's assets**
- a. A declaration that the assets of the investment fund is held by the custodian on behalf of the investment fund.
  - b. A statement clarifying that the custodian must segregate the assets of each investment



fund from its assets and from the assets of its other clients.

- c. A statement that the assets of an investment fund are owned collectively by the unitholders. A fund manager, fund sub manager, fund operator, custodian, sub custodian, distributor or investment advisor may not have any interest in or claims against such assets, other than when the fund manager, fund sub manager, fund operator, custodian, sub custodian, distributor or investment advisor is a unitholder, and for claims permitted under the Investment Funds Regulations and disclosed by way of statement in these Terms and Conditions.

### 30) **Complaints procedures**

It must contain a statement that includes the procedures for remediating complaints that will be presented upon request without charge, including the means that can be used to submit the complaint and where to submit complaints.

### 31) **Other Information**

- a. Must contain a statement that the policies and procedures to be followed in addressing conflicts of interests, and any potential and/or actual conflicts of interests will be made available upon request.
- b. A statement that the "Committee For The Resolution of Securities Disputes" has the jurisdiction to adjudicate disputes arising from investing in the investment funds.
- c. A list of documents available for unitholders, which includes, the Fund's Terms and Conditions, each contract mentioned in the Terms and Conditions, and the financial statements of the fund manager.
- d. Any other information known to, or that ought reasonably to be known to, the fund manager or the fund board and that unitholders, potential unitholders and their professional advisors might reasonably require or expect to be included in the Fund's Terms and Conditions upon which an investment decision is to be made.
- e. Any waivers from limitations in the Investment Funds Regulations approved by the Capital Market Authority, except those stipulated in investment policies and practices.

### 32) **Additional Information Requirements for Certain Types of Funds**

- a. In the case of a money market fund:
  - 1) a statement that the subscription in a unit in such a fund is not the same as placing cash on deposit with a local bank.
  - 2) that the fund manager has no obligation to redeem units at the subscription price, and that the value of units and the income from them can go down as well as up.
  - 3) a statement of the methodology that will be adopted by the fund manager for the classification of the fund's investments or counterparties, which will deal with the Fund.



- 4) If the fund will deal with any issuer of money market transactions outside the Kingdom, the fund manager acknowledges that the issuer is subject and regulated by a regulator equivalent to the Saudi Central Bank.
  - 5) If the fund will invest in derivative contracts for the purpose of hedging, the fund manager acknowledges that the issuer is subject to the Prudential Rules issued by the Authority or issued by an equivalent regulator.
- b. In the case of a feeder fund:
- 1) The criteria used by the fund manager in selecting those target investment funds.
  - 2) The feeder fund manager must disclose full details of the applicable fees and charges at all levels of the fund structure, including the aggregate of the underlying fees of the investment fund in which the feeder fund invests and the fees charged by the fund manager of the feeder fund.
- c. In the case of a capital protected fund, a statement must be included in the Fund's terms and conditions specifying the requirements for protecting the invested capital.
- d. In the case of an exchange traded fund:
- 1) A statement that, upon subscription in units in an exchange traded fund, unitholders are deemed to have acknowledged and accepted the Fund's Terms and Conditions of such exchange traded fund;
  - 2) A disclosure of the valuation points of the indicative net asset value and net asset value per unit; and
  - 3) A disclosure of market maker information and the details of the agreed market-making requirements (which include, for example, a price range that the market maker is committed to enter the purchase order and the sell order within it and the minimum values of purchase and sell orders).
  - 4) A statement that there is no guarantee that the fund and the performance of the index are accurate or identical.
  - 5) An indication of the circumstances that may lead to errors in tracking the indicator performance, and the strategies used to reduce such errors.
  - 6) A brief description of the indicator methodology / rules with mentioning the means by which unitholders can obtain the most recent information, news and components of the index.
  - 7) A statement of any circumstance or circumstances that may affect the accuracy and completeness of the indicator's calculation.
  - 8) A description of the fund manager's plan in case the index account is suspended by the service provider
  - 9) A statement of the margin of deviation factor for the index.
- e. In case of index fund:
- 1) A statement that there is no guarantee that the fund and the performance of the index are accurate or identical.



- 2) An indication of the circumstances that may lead to errors in tracking the indicator performance, and the strategies used to reduce such errors.
  - 3) A brief description of the indicator methodology / rules with mentioning the means by which unitholders can obtain the most recent information, news and components of the index.
  - 4) A statement of any circumstance or circumstances that may affect the accuracy and completeness of the indicator's calculation.
  - 5) A description of the fund manager's plan in case the index account is suspended by the service provider
  - 6) A statement of the Margin of deviation factor for the index.
- f. In case of a fund of funds, a disclosure that the underlying funds are subject to other fees.
- g. The criteria for determining the investment field must be stated in case the investment field in the fund is specified.
- h. In the case of an investment fund that takes the form of a special purposes entity, must include the special purposes entity by-laws form.

### 33) Unitholder Declaration

A declaration from the unitholder that he\she have read the Fund's Terms and Conditions, as well as agreeing to consent to units characteristics in which he/she has subscribed.



## ANNEX 2

### CONTENTS OF THE APPLICATION FOR OFFERING OF A PUBLIC FUND'S UNITS

This Annex highlights the documents that are required to be included in an application file, in the manner specified by the Authority, for submission to the Capital Market Authority.

The application file must include the following:

- a. Form (1) of this annex after it is being filed.
- b. Submission Checklist of the provided documents.
- c. Draft of the Fund's Terms and Conditions (with the Fund's Terms and Conditions revised checklist according to Annex (1)).
- d. A copy of the identification card of the board member.
- e. Subscription and Redemption Forms (where applicable).
- f. A detailed investment decision-making process, highlighting the names of any registered persons involved.
- g. A detailed description of risk management policies and procedures for the relevant fund.
- h. A declaration by the fund manager of the setting an administrative body that will be adopted regarding the operational aspects related to the investment funds, including Compliance Monitoring Program for the relevant investment fund.
- i. A declaration by the fund manager that all candidates of the fund's board meet the qualification and requirements contained in these Regulation, and that the definition of independent fund director in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority applies on that fund's independent directors.
- j. Any other supporting documents.
- k. Fees.
- l. Electronic copies of all documents required under the above paragraphs.
- m. Approvals required from relevant government bodies (where applicable).
- n. Any contracts entered into by the fund manager for the benefit of the fund, including, but not limited to, contracts related to independent members of the fund's board, auditor, custodian, and the administrative manager.

Application form is available for public at the official Capital Market Authority website: [www.cma.org.sa](http://www.cma.org.sa)



## FORM – 1 THE APPLICATION FOR OFFERING A PUBLIC FUND

### ***Instructions to fill up the form:***

This form can be filled out electronically.

Where there are supporting documents required under this form, please include them.

Please tick (√) in the relevant boxes, where appropriate.

If a question is not applicable, please state “N/A” in the space provided.

If the space provided is insufficient for your requirements, please continue on a separate sheet of paper. Please indicate which question your additional information relates to.

Please fill up one application form for each fund.

A copy of this form and any supporting documents submitted to the Capital Market Authority shall be kept.



# 1

## THE INVESTMENT FUND

Information about the Investment Fund to be offered

### 1. Name of Fund

### 2. Fund Class and Type

### 3. Investment Objectives

### 4. Investment Policies and practices

### 5. The start date of the proposed initial public offering period

### 6. The end date of the proposed initial public offering period

### 7. Duration of Investment Fund (if any)

### 8. Reasons of offering the investment fund's units.



**9. The fund's marketing strategy (3-5 years plan)**

--

**10. Names of the proposed fund board members.**

--

**11. For a Feeder Fund, please fill up the following:**

<b>a</b>	<b>Name of Target Fund</b>	
<b>b</b>	<b>Name of Fund Manager</b>	
<b>c</b>	<b>Name of Custodian</b>	
<b>d</b>	<b>Date of Inception</b>	
<b>e</b>	<b>Place of Fund Inception</b>	
<b>f</b>	<b>Name of Regulatory Authority</b>	
<b>g</b>	<b>Target Fund's Investment Objectives</b>	
<b>h</b>	<b>Target Fund's Investment Policies and practices</b>	
<b>i</b>	<b>Special / Distinctive Features of Target Fund (if any)</b>	

**Note**

Please submit Due Diligence Report on the targeted fund and its' Fund Manager.



# 2

## THE FUND MANAGER

Information on the capital market institution managing the investment fund

**1. Name of the capital market institution (the fund manager)**

**2. The Authorisation Number granted by the Capital Market Authority**

**3. Organizational Structure (Whole Company and Asset Management Division)**

*Please use a separate sheet of paper if space is insufficient.*

**4. Name(s) of the Registered Portfolio Manager Responsible for the Fund**

**5. Name(s) of Compliance Officer and/or Compliance Committee**



**6. Will a fund sub-manager be appointed?**

Yes

No

*If yes, please submit a copy of the service contract.*

**7. If yes, name of fund sub-manager(s)**

**8. Name of Portfolio Manager Responsible for the Fund at the Fund Sub-Manager**

**9. The authorisation number granted by the Capital Market Authority of the fund sub-manager (if applicable)**

**10. If the fund sub-manager is a foreign entity, please provide the following information**

**a) Place of Incorporation**

**b) Regulatory Authority**

**c) Address and contact details of fund sub-manager**

<b>Address</b>	
<b>Phone No</b>	
<b>Email</b>	

**d) Is the fund sub-manager supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority?**

*If there are more than one fund sub-manager, please give the information required under paragraphs 6 – 10 above for each fund sub-manager.*



**11. Will there be any other functions of the fund manager that are delegated to service providers?**

Yes

No

*If yes, please submit copies of the service contracts.*

**12. If yes, please list the functions that are delegated and give details of the service provider(s).**

*Please use a separate sheet of paper if space is insufficient.*



# 3

## THE CUSTODIAN

Information on the capital market institution that carries out the custody activity

### 1. Name of the capital market institution (the custodian)

### 2. The Authorisation Number granted by the Capital Market Authority

### 3. Relationship with Fund Manager

Related Party

Independent

*Please submit a copy of the service contract / service level agreement.*

### 4. Organizational Structure (Custody Division)

*Please use a separate sheet of paper if space is insufficient.*



**5. Will a sub-custodian be appointed?**

Yes

No

*If yes, please submit a copy of the service contract.*

**6. If yes, name of the sub-custodian**

**7. the authorisation number granted by the Capital Market Authority of the sub-custodian (if applicable)**

**8. If the sub-custodian is foreign, please provide the following information –**

**a) Place of Incorporation**

**b) Regulatory Authority**

**c) Address and contact details of sub-custodian**

<b>Address</b>	
<b>Phone No</b>	
<b>Email</b>	

**d) Is the sub-custodian supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority?**

*If there are more than one sub-custodian, please give the information required under para 5 – 8 above for each sub-custodian.*



**9. Will there be any other functions of the custodian that are delegated to service providers?**

Yes

No

*If yes, please submit copies of the service contracts.*

**10. If yes, please list the functions that are delegated and give details of the service provider and the arrangements.**

*Please use a separate sheet of paper if space is insufficient.*



# 4

## DECLARATION

Declaration by, the Fund Manager and Custodian

### On behalf of the capital market institution (Fund Manager)

I declare, to the best of my knowledge and belief and (after taken reasonable care to ensure that such) information given in this application form is complete, correct, accurate and not misleading at the time of this application. In addition, the proposed investment fund and the contents of the Fund's Terms and Conditions do not conflict with the Capital Market Law and Investment Funds Regulations.

**Name**

**Position**

**Signature**

**Date**

**Name of person responsible for the application with the fund manager**

**Position**

**Phone number**

**Email**

**On behalf of the capital market institution (the Custodian)**

I declare that the [*name of the capital market institution*] acts as a Custodian for the proposed investment fund. I acknowledge and confirm that I will fulfil the responsibilities entrusted to me according to the Investment Funds Regulations, the Fund's Terms and Conditions and the Capital Market Law and its implementing Regulations.

**Name**

**Position**

**Signature**

**Date**

---

**Name of person responsible for the application with the Custodian**

**Position**

**Phone number**

**Email**



# 5

## Offeror/Distributor

Information regarding the capital market institution that offer/distribute investment fund units/securities

**Name and address of the capital market institution or person delegated to offer/distribute investment fund units\ securities**

**Authority's authorisation number (where applicable)**



## ANNEX 3

### CONTENTS OF FUND'S REPORTS

A fund report is used to provide regular and relevant information that would enable unitholders to value the performance of the investment fund.

Annual Reports must contain all the information required in this Annex.

Interim Reports of the private real estate fund must contain at least the information required under Paragraphs (C), (F) and (G) of this Annex.

#### **Content of Fund Annual Reports**

##### **a. Investment Fund Information**

- 1) Name of investment fund.
- 2) Investment objectives, policies and polices.
- 3) Distribution of income and gain policy.
- 4) A statement that the fund's Reports are available upon request free of charge.
- 5) Description of the fund's benchmark reasons for choosing such benchmark, and its suitability for fund's investment strategies and objectives, as well as the service provider's website (if any).

##### **b. Fund Performance**

- 1) A comparative table covering the last (3) financial years (or since inception), highlighting:
  - a) the fund net assets value at the end of each financial year.
  - b) the fund net assets value per unit at the end of each financial year.
  - c) highest and lowest net asset value per unit for each financial year.
  - d) the number of units in issue at the end of each financial year.
  - e) income distribution per unit (where applicable).
  - f) expense ratio.
  - g) percentage of borrowed assets from the total asset value, the period of their exposure



period and due date (if any).

- h) results of comparing the performance of the benchmark of the fund with performance of the fund.
- 2) A performance record that covers the following:
    - a) the total return for 1 year, 3 years and 5 years (and since inception (where applicable)).
    - b) the Annual total return for each of the last 10 financial years (or since inception).
    - c) a table showing actual fees and fund expenses paid by the investment fund during the year. The Total Expense Ratio should also be clearly disclosed. If there are any circumstances in which a fund manager may elect to waive or rebate any fees, this must also be disclosed.
    - d) The bases for calculating the performance data and any assumption made must be consistently applied.
  - 3) If there were material changes that occurred during the period and that affected the performance of the fund, these changes must be clearly disclosed.
  - 4) Disclosure of the exercise of annual voting rights and it must include the issuer's name and the date of the General Assembly and the subject of the vote and the decision to vote (agree / disagree / abstain from voting).
  - 5) The fund's board annual report including, but not limited to, the following:
    - a) Names of Fund Board members, and indicating membership type.
    - b) A brief about of the fund board members' qualifications.
    - c) Description of the roles and responsibilities of the Fund Board.
    - d) Details on the remuneration of fund board members.
    - e) A statement of any conflict or potential conflict of interest between the interests of a fund board member and the interests of the fund.
    - f) A statement showing all the funds boards that the relevant board member is participating in.
    - g) topics discussed and issued resolutions, as well as the fund performance and fund achievement of its objectives.

### **c. Fund Manager**

- 1) Name and address of the fund manager.



- 2) Names and addresses of sub-manager and/or investment adviser (if any).
- 3) A review of the investment activities during the period.
- 4) A report of investment fund's performance during the period.
- 5) Details of any material changes to the Fund's Terms and Conditions (for a public fund) or fund documents (for private fund) made during the period.
- 6) Any other information that would enable unitholders to make an informed judgment about the fund's activities during the period.
- 7) Where an investment fund invests substantially in other investment funds, a statement must disclose on the proportion of the management fees charged to the fund itself and to funds in which the funds invests.
- 8) A statement on any special commission received by the fund manager during the period, clearly identifying what they are and the manner in which they were utilized (if any).
- 9) Any other data and other information required by these Regulations to be included in this report.
- 10) Period for the management of the person registered as fund manager.
- 11) A disclosure of the expense ratio of each underlying fund at end of year and the weighted average expense ratio of all underlying funds that invested in (where applicable).

#### **d. Custodian**

- 1) Name and address of custodian.
- 2) A brief description of its duties and responsibilities.

#### **e. Fund Operator**

- 1) Name and address of fund operator.
- 2) A brief description of its duties and responsibilities.

#### **o. Auditor**

Name and address of auditor.

#### **f. Financial Statements**

Financial statements for the annual accounting period (or the interim period covered in the report) of the investment fund must be prepared in accordance with the accounting standards approved by the Saudi Organisation for Chartered and Professional Accountants.



## ANNEX 4

### CONTENTS OF THE QUARTER STATEMENTS

The quarter statement must include the following information as a minimum:

- a. The objective of the fund.
- b. Fund information as follows:
  - 1) Fund start date.
  - 2) Unit price upon offering.
  - 3) Size of the fund.
  - 4) Type of fund.
  - 5) Currency of the Fund.
  - 6) Level of risk.
  - 7) Benchmark.
  - 8) Number of distributions (if any)
  - 9) Percentage of fees for the management of the invested funds (if any).
  - 10) The investment advisor and fund sub-manager (if any).
  - 11) The number of days of the weighted average (if any).
- c. Definitions (optional)<sup>1</sup>
  - 1) Standard deviation.
  - 2) Sharp indicator.
  - 3) Tracking Error.
  - 4) Beta.
  - 5) Alpha.
  - 6) Information Index.
- d. The Fund Manager's comment (optional).
- e. Contact information as follows:
  - 1) Phone number.
  - 2) Website.
  - 3) Email.
- f. Price information as at the end of the relevant quarter (month / year):

1) Unit Price (as at the end of the relevant quarter)	Currency of the Fund
2) Change in unit price (compared to the previous quarter)	%
3) Dual unit price for money market funds, and debt instruments funds with fixed income (if any)	Currency of the Fund
4) Total units of the fund	Number of units

<sup>1</sup> If the definitions are available on another webpage, the link to the definitions page shall suffice.



5) Total net assets	Currency of the Fund
6) P/E ratio (if any)	

g. Fund information as at the end of the relevant quarter (month / year):

Item	Value*	%*
1) Total Expense Ratio (TER)	(If any)	From the average of the net asset of the fund
2) Borrowing percentage (if any)	(If any)	From the total asset value of the fund
3) Dealing expenses	From the average of the net asset of the fund	From the average of the net asset of the fund
4) Investment of the fund manager (if any)	From the net asset of the fund	From the net asset of the fund
5) Distributed profits	SAR 00.00	(if any)

h. Details of the fund's ownership investments:

1) Full Ownership	%
2) Usufruct right	%

i. Disclaimer

j. A graph indicating the top 10 investments of the fund.

k. A statement on the fund's dividends distributed to the unitholders, if any; as follows:

- 1) Total dividends distributed in the relevant quarter.
- 2) Number of existing units for which distributions have been made during the relevant quarter.
- 3) The value of the dividends distributed during the relevant quarter for each unit.
- 4) The percentage of distribution from the fund's net asset value;
- 5) Eligibility for cash dividends distributed during the relevant quarter.

l. The credit rating of the debt instruments for the top 10 investments of the fund, as per the following:

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❖ Details are for the purpose of clarifying the calculation method, it is not required to be included if made available in the fund manager's website



- 1) A statement of the credit rating of the debt instrument.
- 2) A statement of the credit rating of the issuer of the debt instrument.
- 3) A statement of the name of the credit rating agency issuing the credit rating.
- 4) A statement of the date of the credit rating.

If the debt instruments invested in are not rated by an authorized credit rating agency, such information must be disclosed.

m. A graph indicating the fund's asset distribution (sector/geographic)

n. Revenue:

Item	3 months (end of current quarter)	Year to date	One year	3 years	5 years
1) Fund performance					
2) Benchmark performance					
3) Performance difference					

o. Performance and risks:

Performance and risks standards	3 months (end of current quarter)	Year to date	One year	3 years	5 years
1) Standard deviation					
2) Sharp indicator					
3) Tracking Error					
4) Beta					
5) Alpha					
6) Information Index					

p. A description of formulas utilized for assessing performance and risk measures:

- 1) Standard deviation.
- 2) Sharp indicator.
- 3) Tracking Error
- 4) Beta
- 5) Alpha

q. A graph indicating the performance of the fund since its beginning.



## ANNEX 5

### VALUATION METHODOLOGIES FOR PUBLIC FUNDS

#### Assets to be included in the Valuation:

- a) All the investment fund assets must be part of the valuation.
- b) The assets of the investment fund are deemed to include all assets of every kind and nature, including but not limited to:
  - 1) cash or deposits including interest owing thereon;
  - 2) dividends and distributions payable in stocks, cash or other property received by the investment fund;
  - 3) all investments and other assets owned; and
  - 4) any interest accrued on any assets or investments.
- c) The liabilities of the investment fund are deemed to include all liabilities of every kind and nature, including but not limited to:
  - 1) all loans, and accounts payable; and
  - 2) all accrued or payable expenses and fees chargeable to the investment fund.

#### Method of Valuation:

- a) The investment fund is to be valued on each valuation day. The valuation is to be the currency based and will be determined in respect of all the assets of which the portfolio comprises minus the liabilities attributable to the investment fund at that time.
- b) The method of valuing the individual asset will depend on the type of the asset and the fund manager may rely upon any trustable system for the determination of values, prices or exchange rates.
- c) The following principles shall be followed to value the fund's assets:
  - 1) if the assets are securities which are listed or traded on any regulated securities exchange or automated quotation system, the closing price may be used of such market or system;
  - 2) where the securities are suspended, it should be valued at the suspended price, unless there is conclusive evidence to indicate that the value of such securities have gone below the suspended price;
  - 3) non-listed Bond and Sukuk, book value plus accrued interest or profit must be used;



- 4) listed Bond and Sukuk, or traded on any organized securities market or through automatic pricing system, and market conditions does not allow the valuation of the bond, or sukuk, as stated in Subparagraph (1) referred to above, the fund manager may evaluate such bonds and sukuk in such manner as it deems appropriate provided that this is disclosed in the terms and conditions of the fund.
  - 5) Investment Funds, last published Net Asset Value per unit;
  - 6) Deposit, nominal value and accrued interest/profit; and
  - 7) Any other investment, fair value, as determined in good faith by the fund manager based on methods, which disclosed in the Fund's Terms and Conditions and have been verified by the auditor of the fund.
- d) 
$$\text{Net Assets Value per Unit} = \frac{(\text{Total Assets} - \text{Liabilities} - \text{Accrued Expenses})}{\text{Outstanding unit at the valuation time}}$$

## ANNEX 6

### PRIVATE PLACEMENT NOTIFICATION TO THE AUTHORITY – PRIVATE FUNDS AND FOREIGN FUNDS

**Instructions to fill up the form:**

Please tick (√) in the relevant boxes, where appropriate.

If a question is not applicable, please state “N/A” in the space provided.

If the space provided is insufficient for your requirements, please continue on a separate sheet of paper. Please indicate which question your additional information relates to.

Please fill up one notification form for each fund.

You must keep a copy of your completed form and any supporting documents submitted to the Capital Market Authority for future reference.



# 1

## THE INVESTMENT FUND

Information about the Investment Fund to be offered

Private Fund

Foreign Fund

### 1. Name of Fund

### 2. Fund Type and Class

### 3. (For foreign fund) Please provide the following information -

#### a) Type of fund offering in place of establishment

#### b) Place of Establishment

#### c) Name of Regulatory Authority

#### d) Date of Registration

### 4. Brief Description of the fund (Objectives and practices)



**5. The start date of the proposed initial public offering period**

**6. The end date of the proposed initial public offering period**

**7. Please specify which category of private placement specified in Articles (٨٢) or (١٠٠) of Investment Funds Regulations**

**8. Number and type of securities /units to be offered (where applicable).**

**9. The price to be paid for the offered securities/units (in SAR) (where applicable).**

**10. The minimum amount (if any) to be paid by each offeree.**

**11. The duration of the investment fund and maturity, if applicable.**

**12. Required approvals from relevant government entities (where applicable)**



# 2

## THE OFFEROR

Information on the capital market institution offering/distribute units/securities in the investment fund

- 1. Name and address of the capital market institution offering/distribute units/securities of the private or foreign fund in the Kingdom**

- 2. The Authorisation Number granted by the Capital Market Authority.**

- 3. (For foreign fund) Please provide the following additional information about the foreign fund manager.**

- a) Foreign Fund Manager and Place of Incorporation**

- b) Name of Regulatory Authority**

- c) Date of License / Authorisation / Registration**

- d) Address and contact details of the foreign fund manager**

<b>Address</b>	
<b>Contact Person</b>	
<b>Phone Number</b>	
<b>Email</b>	

- e) Is the manager of the foreign fund authorised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority?**



4. **Where the fund, fund manager or any of the directors, senior executives, controlling shareholders, or founding shareholders of the fund manager have been convicted by a judicial authority of any violation involving fraud or dishonesty or a violation under the Capital Market Law, its Implementing Regulations, or any legislation relating to companies or money laundering of which, details of such violation including details of the convicted party, the name of the judicial authority by which such party was convicted, the date of conviction and full particulars of the violation and the penalty imposed.**



# 3

## THE CUSTODIAN

Information on the capital market institution that carries out the custody activity

1. *(For private fund)* Name of the capital market institution (the custodian)

2. *(For private fund)* the Authorisation Number granted by the Capital Market Authority.

3. *(For foreign fund)* Please provide the following additional information about the foreign custodian.

a) Name of the Foreign Custodian and Place of Incorporation

b) Name of Regulatory Authority

c) Date of License / Authorisation / Registration

d) Address and contact details of the foreign custodian

Address	
Contact Person	
Phone Number	
Email	

e) Is the custodian of the foreign fund authorised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority?

## ANNEX 7

### FUND'S DECLARATION TO THE AUTHORITY – PRIVATE FUND

*[To be provided on the letterhead of the manager of the private fund]*

To: The Capital Market Authority

We, being \_\_\_\_\_ (insert name of the manager of the private fund), hereby jointly and severally declare that to the best of our knowledge and belief (having taken reasonable care to ensure that such is the case) the information contained in the private placement notification and offering documents for (the private fund name) to be used in advertising the offer is in accordance with the facts and contains no omission likely to affect the import of such information and is fair, clear and not misleading.

We further declare that all the relevant conditions for making a private placement have been satisfied and have submitted or will submit all the information and documentation required to be provided to the Authority under the Investment Funds Regulations.

We hereby authorise the Authority to request or exchange any relevant information with any authorities, agencies or bodies having responsibility for the supervision of financial services or any other relevant authorities.

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## ANNEX 8

### FUND'S DECLARATION TO THE AUTHORITY – FOREIGN FUND

*[To be provided on the letterhead of the distributor]*

To: The Capital Market Authority

We, \_\_\_\_\_ (insert name of the distributor) (Hereinafter referred to as "the distributor") hereby confirm that we have been appointed by \_\_\_\_\_ (insert name of offeror) (the offeror) to offer securities of the offeror.

We further declare that all the relevant conditions for making a private placement of (Name of the foreign fund) have been satisfied and have submitted or will submit all the information and documentation required to be provided to the Authority under the Investment Funds Regulations.

We hereby authorise the Authority to request or exchange any relevant information with any authorities, agencies or bodies having responsibility for the supervision of financial services or any other relevant authorities.

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## ANNEX 9

### STATEMENT TO BE INCLUDED IN THE PRIVATE PLACEMENT OFFERING DOCUMENTS

The private placement offering documents must include the following statement:

“This document may not be distributed in the Kingdom except to such persons as are permitted under the Investment Funds Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities to be offered. If you do not understand the contents of this document, you should consult an authorised financial adviser.”



## ANNEX 10

### APPROVAL AND NOTIFICATION REQUESTS PROVIDED TO THE AUTHORITY

Approvals Requests and notifications must be submitted in the manner specified by the Authority, according to the following:

**a. Approvals and notifications that require changes in the Fund's documents:**

- 1) Fund's name.
- 2) The subject of the notice.
- 3) Detail the current version and the proposed amendment and detailed justifications for such change.
- 4) If the change requires the consent of parties other than the fund manager, their consent must be taken before sending the request or the notice, with the necessity to refer to that in the request sent to the Authority.
- 5) Declaration of the fund manager that the proposed change does not conflict with the Investment Funds Regulations and other implementing regulations and any applicable Law in the Kingdom.
- 6) Any other documents in support of the request.

**b. Approval and notifications that do not require changes in the Fund's documents:**

- 1) Fund's name.
- 2) The subject of the notice.
- 3) If the change requires the consent of parties other than the fund manager, their consent must be taken before sending the request, with referring to that in the request sent to the Authority.

**c. Notifications relating to the end of the offering period:**

- 1) Fund's name.
- 2) the subject of the notice.
- 3) the date of the end of the offering period.
- 4) the amount collected (in SAR).
- 5) In the case of private funds, a list of the names of all investors and the amount paid from each investor and their categories, according to the Article (82) of these Regulations.
- 6) In the case of private funds, the investment opportunities that were acquired for the benefit of the fund, and any information related to them.

7) Date of fund operation

**d. Notification on the termination or liquidation of the Fund:**

- 1) Fund's name.
- 2) the date of the distribution of investment amounts to unitholders.
- 3) the return on investment as a percentage (where applicable).



## ANNEX 11

### REQUIREMENTS OF THE PRIVATE FUND'S TERMS AND CONDITIONS

Fund manager must present the Fund's Terms and Conditions in Arabic and in a manner easy to comprehend and understand by the unitholders and potential unitholders, the Terms and Conditions must include the following information according to the sequence shown in this annex:

#### **Content of Cover Page:**

- a. Name of the fund, its type and class.
- b. Name of the fund manager.
- c. Name of the fund operator.
- d. Name of the custodian.
- e. Name of the developer (if any).
- f. Name of the distributor (if any).
- g. Must include the following statement:

“This document may not be distributed in the Kingdom except to such persons as are permitted under the Investment Funds Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities subject of the offer. If you do not understand the contents of this document, you should consult an authorised financial adviser.”

- h. If the investment fund is in compliance with the Shariah standards approved by the Shariah Supervisory Committee appointed for the investment fund, the following statement must be additionally stated:



“[Name of fund] has been certified as being Shariah compliant by the Shariah Supervisory Committee appointed for the investment fund.”

- i. Must add the following statement: (If the investment fund is taking the form of a special purposes entity):

“[Name of fund] has been approved as an investment fund that takes the form of a special purposes entity in accordance with the Investment Funds Regulations and the Rules for Special Purposes Entities”.

- j. A statement that the Fund's Terms and Conditions shall be read in conjunction with the other documentation of the investment fund.

- k. Issue date of the Fund's Terms and Conditions and last updated (if any).

- l. The date of the notification to the Authority for the offering of units of an investment fund.

**Inside the cover page:**

- 1) Name and Type of the fund.**
- 2) Address of the head office of the Fund Manager and the website for obtaining any information about the fund or its manager.**
- 3) Fund duration, with extension duration (if any).**
- 4) Fund objectives.**
- 5) A description of the Fund's objectives and its investment objectives, and clarification of the funds policy on the distribution of dividends to Unitholders.**
- 6) A summary of the Fund's strategies to achieve its objective, which includes at least the Following:**
  - a. A description of type (or types) of the assets and investments such Fund will invest in (where applicable).
  - b. Any policy that may result in concentrating investment in a certain type of assets or specific geographical region.
  - c. Information on the deed of ownership of the property (properties) subject in the projects (where applicable).
  - d. A clear course of business plan approved by the developer (where applicable).
  - e. Lending and borrowing powers for the Fund and the Fund Manager policy in the exercise of these powers, and the statement of borrowing cap.
  - f. Methods and ways to invest the liquidity available in the fund.



- g. Policy for disposal of the fund's assets.

**7) Risks of Investing in the Fund.**

- a. Setting out a description of the main risks related to investing in the Fund, which could affect the Fund investments or any other circumstances that could affect the Fund net assets and the return on investment.
- b. A statement that, investment in the Fund does not guarantee profits and does not protect from losses.

**8) Subscription**

- a. Providing sufficient information on the subscription which includes subscription and termination dates.
- b. Clarifying whether, the fund take or accept an in-kind subscriptions.
- c. Shall include a commitment from the fund manager to comply with Law of Real Estate Ownership and Investment by Non-Saudis (as applicable).
- d. A detailed statement of the fund's target capital, the nominal value per unit, any minimum amount that the fund manager intends to collect, and the action taken in the absence of reaching that minimum limit in the fund.
- e. Policy for raising the fund's capital (if any).
- f. The currency of the fund.
- g. Policy for Capital Call in Instalments, and the actions to be taken in cases of default, (where applicable).
- h. A statement to clarify the targeted group that are fitted to invest in the fund (qualified investors to invest in the fund).

**9) Trading of the Fund's units**

- a. Specifying the days of accepting requests for subscription and redemption of the units of a fund.
- b. Description of the provisions governing the transference of units to other investors.
- c. Must contain a statement that the register of unitholders shall be conclusive evidence as to the persons entitled to units entered
- d. A statement that the fund manager will make a reasonable effort to facilitate the trading of units, and the transfer of its ownership.

**10) Termination and Liquidation of the Investment Fund**

- a. Statement of any events of which will result in the termination of the investment fund.



- b. In case of end of term of the investment fund, the fund manager may not take any fees out of the fund's assets (where applicable).
- c. A statement about recovering in-kind investments or not, with a pledged by the fund manager to comply with the Law of Real Estate Ownership and Investment by Non-Saudis (as applicable).

#### **11) Fees, Charges and Expenses**

It must include a disclosure of all fees and charges will be incurred by the Fund's assets in detail to clarify the amounts of the fees and expenses and their percentage of the total assets of the Fund with the stating of ceiling limit for all the expenses and charges.

It should contain a table showing all fees and commissions and management fees, whether paid by the Unitholders or from the Fund's assets, and shall include:

- a. charges imposed for subscription and redemption.
- b. Any fees payable to the fund manager from the fund's assets for its management, and be presented from the fund's net assets.
- c. custody services fees, or any other service provided by the custodian.
- d. Fees paid to the auditor.
- e. Any commission resulting from loans made to the Fund.
- f. Any fees related to the registration of units, and any other administrative service.
- g. Fees paid to the developer and the engineering office (if any)
- h. Clarification of all types of deduction or payments paid out of the investment fund assets and any other amount paid by the unitholders.

All cases or circumstances in which the fund manager has the right to resolve or deduct any of the dues mentioned above must be mentioned.

#### **12) The fund's assets**

- a. A statement of registration mechanism of the fund's assets.
- b. A detailed statement of each:
  - 1) How to value each asset owned by Fund.
  - 2) Method of calculating the unit price.
  - 3) The number of valuation and its timing.
  - 4) Procedures to be taken in case valuations or pricing were wrong or incorrect.



- c. A statement that the assets of an investment fund are owned collectively by the unitholders. A fund manager, fund sub manager, fund operator, custodian, sub custodian, investment advisor or distributor shall not have any interest in or claims against such assets, other than when the fund manager, fund sub manager, fund operator, custodian, sub custodian, investment advisor or distributor is a unitholder (within the limits of its ownership), and for claims permitted under the Investment Funds Regulations and disclosed by way of statement in these Terms and Conditions.

### **13) Fund Board (where applicable)**

1. Names of fund board members and a statement of their qualifications, and to clearly indicate independent fund directors of a fund board.
  2. Details on the expected total compensation to be paid to the fund board members during the term of the fund.
  3. A description of the nature of the services provided by the members of the fund's board.
  4. A statement of any other investment fund managed by any member of the Fund's Board.
- a. Any person appointed by the fund manager as a member of the fund board must fulfill the following eligibility requirements:
    - 1) the person must not be bankrupt or subject to any bankruptcy or insolvency proceedings;
    - 2) the person must not have committed an offense involving fraud or acted in breach of integrity and honesty;
    - 3) the person must possess the necessary experience and expertise.
  - b. Declaration by the fund manager that the definition of “an independent fund director” in the glossary of Defined Terms Used in the Regulations And Rules of The Capital Market Authority applies to the independent fund board members.

### **14) Fund Manager**

- a. Name of the fund manager and its address.
- b. A statement that the fund manager is a capital market institution licensed under the Capital Market Institutions Regulations, in addition to its authorisation number granted by the Authority.
- c. Functions, duties and responsibilities of the fund manager.
- d. Provisions governing the removal/replacement of fund manager.



- e. Any other business activities or interests of the fund manager that are of significance that could potentially conflict with those of the investment fund.
- f. A description of any material conflict of interests could potentially effect the performance and implementation of the duties of the fund manager towards the investment fund.
- g. Functions that have been delegated to a third party by the fund manager in relation to the investment fund.
- h. Disclose if the fund manager intends to invest in the investment fund and the amount of such investment.

**15) Fund operator**

- a. Name of the fund operator and the Authorisation number granted by the Authority to the fund operator.
- b. Functions, duties and responsibilities of the fund operator.
- c. The functions delegated to the fund operator by a third party in relation to the investment fund.

**16) Custodian**

- a. Name and address of the custodian and the Authorisation number granted by the Authority.
- b. Functions, duties and responsibilities of the custodian.
- c. The functions delegated to the custodian by a third party in relation to the investment fund.
- d. Provisions governing the removal/replacement of custodian.

**17) Developer (if any):**

- a. the developer name, and address.
- b. A statement of the developer's functions, duties, and responsibilities.
- c. Disclosure of whether the developer intends to invest in the units of the Fund and the value of these investments.

**18) Engineering office (if any):**

- a. Engineering office name, and address.
- b. A statement of the engineering office functions, duties and responsibilities.



**19) Auditor:**

- a. The name of the auditor of the Fund, and its address.
- b. A statement of the auditor tasks and duties and responsibilities.

**20) Fund Financial Reports**

A statement that indicates that the fund financial reports are available to unitholders upon request and free of charge, with an explanation of how to obtain them. Also, the end date of the fund's financial year must be specified.

**21) Conflict of Interest**

A statement stating that the policies and procedures to be followed to address conflicts of interest and any potential and / or actual conflicts of interest will be provided upon request free of charge.

**22) Reporting to Unitholders**

- a. Description of the periodic reports that will be provided to unitholders and the fund's financial statements, and how to submit these reports and statements to them.
- b. A statement that the fund manager will include the periodic reports that will be provided to unit holders the following items:
  - 1) Full disclosure of all fund expenses that explains each item of expenditure separately and the beneficiary of those. Detailed report from the engineering office (if any) about the percentage of completion and any changes to the course of the project progress, and it must be provided to the unitholders upon request at no charge.
  - 2) Fees of acquisition, sale or lease related to the real estate(s) under investment by the fund (where applicable).
  - 3) The functioning of the business plan along with an engineering office summary report of the percentage completed, and any changes to the business plan (where applicable)
  - 4) Any wrong valuation of any of the assets of the Fund or the pricing of units.

**23) Meeting of Unitholders**



- a. Statement of the circumstances in which a meeting of unitholders is called.
- b. Statement of the processes and procedures for calling a meeting of unitholders with mentioning the minimum attendance limit.
- c. A statement explaining how unitholders vote and their voting rights in unitholders' meetings.

**24) A list of unitholders rights.**

A list that contains the rights of unitholders.

**25) Unitholders' Liability**

A statement providing that other than losing his\her investment in the fund or part of it, the unitholder shall not be liable for the debts and obligations of the fund.

**26) Other Information**

Include any other important information that is known (or supposed to be known) to the fund manager or the fund board at the time of issuing the Fund's Terms and Conditions.

**27) Additional Information Requirements for Certain Types of Funds**

In the case of an investment fund that takes the form of a special purposes entity, must include the special purposes entity by-laws form.

**28) Shariah Supervisory Committee**

- a. Names and qualifications of the Shariah Supervisory Committee members;
- b. Description of the roles and responsibilities of Shariah Supervisory Committee.
- c. Details on the remuneration of Shariah Supervisory Committee's members.

**29) Unit Characteristics**

Provide a description of the various classes of units, if the fund has more than one category, including name of all class, and its details.

**30) Changes to the Fund's Terms and Conditions**

- a. A statement of the provisions regulating changing the Fund's Terms and Conditions and the approvals and notifications specified under the Investment

Funds Regulations.

- b. A statement of the procedures that will be followed to notify of any changes in the Fund's Terms and Conditions.

**31) Governing Laws:**

A statement that the investment fund and the fund manager are subject to the Capital Market Law and its Implementing Regulations as well as other relevant laws and regulations applicable in the Kingdom of Saudi Arabia.



## ANNEX 12

### LEGAL ADVISOR LETTER FORM

*[To be provided on the legal advisor's letterhead]*

To: The Capital Market Authority

We, acting as legal advisor to (-----) [name of the fund manager] "Fund Manager" in respect of the fund manager's request to offer Closed-Ended Investment Traded Funds units and list them on the Exchange (details of the Closed-Ended Investment Traded Fund),

We refer to the Terms and Conditions prepared in relation to the fund (details of the offer), and more specifically, in connection with the application submitted to the Capital Market Authority (the Authority) for the offer of Closed-Ended Investment Traded Fund units and listing them on the Exchange, and in accordance with the requirements of the Capital Market Law, and the Investment Funds Regulations, we particularly advised the fund manager of the requirements that must be included in the legal sections of the Terms and Conditions, and regarding the fulfilment of the assets to all regulatory requirements and the soundness of the acquired assets. In this respect, we have carried out such further review and enquiries as we consider appropriate in the circumstances, and we conducted an official study of the legal due diligence in this respect.

In this advisory capacity, we confirm that we are not aware of any material matter which constitutes a violation by the fund manager of its compliance with the requirements of the Capital Market Law or any conditions required under the Investment Funds Regulations in relation to the offering and listing of the Closed-Ended Investment Traded Fund units, including the requirements of the content of the Terms and Conditions as is at the date of this letter.



## ANNEX 13

### FUND MANAGER LETTER FORM

*[To be provided on the Fund Manager's letterhead]*

To: The Capital Market Authority

In our capacity acting as the fund manager of (name of the fund) in respect of offering a Closed-Ended Investment Traded Fund under the name (name of the fund), and registering and listing its units on the Saudi Stock Exchange (Tadawul), we (name of the fund manager) confirm, to the best of our knowledge, and through conducting due diligence and making enquiries of the fund, that the fund has satisfied all conditions required for registration, offer and listing of its units and has satisfied all other matters required by the Capital Market Authority (the Authority) as of the date of this letter. (name of the fund manager) further confirms that it has, to the best of its knowledge and within its capacity as fund manager, provided to the Authority all information or clarifications in such form and within such time limit as the Authority requires for the purpose of verifying whether (name of the fund manager) and the fund have complied with the Capital Market Law, and the Investment Funds Regulations.

In particular, (name of the fund manager) further confirms that:

- It has provided all the relevant services required in the Investment Funds Regulations, with due care and skill.
- It has taken reasonable steps to ensure that the members of the directors of the fund understand the nature and extent of their responsibilities under the Capital Market Law and its Implementing Regulations.
- It has come to a reasonable opinion, based on due enquiries and professional experience, that:
  - The fund has satisfied all relevant requirements in the Investment Funds Regulations (including provisions regarding the Terms and Conditions).
  - All nominated members of the fund's board of directors satisfy the eligibility requirements set out in the Authority's Rules and Regulations, and that the independent members of the board satisfy the definition of the “independent fund directors” as provided in Glossary of Defined Terms Used in The

Regulations and Rules of the Capital Market Authority and the Investment Funds Regulations.

- Assets are free of any regulatory violations that prevent or may result in the non-utilization or operation of buildings, and that the assets are technically intact and free of any major engineering faults or defects that may prevent or may result in the non-utilisation or operation of buildings, or that may in turn cause costly repairs and major changes. In addition to that the main activities of the assets are sound and able to fulfil their obligations to the fund.
- All matters known to (name of the fund manager) which must be taken into account by the Authority when considering the application for registration and listing have been disclosed to the Authority.



## ANNEX14

### FUND TERMINATION REPORT

The fund termination report is used to provide relevant information regarding the process of the investment fund's termination or liquidation.

The fund termination and liquidation report must contain all the information required under this Annex.

Content of the fund reports:

- a) Investment fund information:
  1. Name of the investment fund.
  2. Investments objectives and policies and practices
  3. A statement that the fund's Reports are available upon request free of charge.
  4. Number of the fund's units at establishment.
- b) Fund performance (including liquidation period):
  1. Net assets value of the fund at the end of each financial year.
  2. Net assets value of the fund upon liquidation.
  3. Net assets value of the fund per unit at the end of each financial year.
  4. Net assets value of the fund per unit upon liquidation.
  5. Highest and lowest net assets value per unit for each financial year.
  6. The number of units in issue at the end of each financial year.
  7. Income distribution per unit (gross and net).
  8. The total return for 1 year, 3 years and 5 years (or since inception).
  9. The annual total return for each year of the last 10 financial years (or since inception).
  10. Expenses percentage for each year.
  11. a table showing the fees, commissions and expenses incurred by the investment fund during the year including the liquidation period. The Total Expense Ratio must be clearly disclosed. If there are any circumstances in which a fund manager may elect to waive or rebate any fees, this must also be disclosed.
- c) Fund's Termination or liquidation process information:
  1. Name and address of the fund manager.
  2. Name and address of the fund sub-manager and/or investment advisor (if any).
  3. Reasons for termination or liquidation of the fund.
  4. Name of liquidator (if any).
  5. Date of commencing the termination or liquidation.
  6. Number of fund units.
  7. Description of the termination or liquidation process and its latest updates.
  8. Any material events occurring during the termination or liquidation period.
- d) Fund operator:
  1. Name and address of the fund operator.
  2. Brief description of its duties and responsibilities.

- e) The custodian:
  - 1. Name and address of the custodian.
  - 2. Brief description of its duties and responsibilities.
- f) Fund Board members
  - 1. Names of Fund Board members, and indicating membership type.
  - 2. A brief description of the fund board members' qualifications.
  - 3. Description of the roles and responsibilities of the Fund Board.
  - 4. Details on the remuneration of fund board members.
  - 5. A statement of any conflict or potential conflict of interest between the interests of a fund board member and the interests of the fund.
  - 6. A statement showing all the fund boards that the relevant board member is participating in.
- g) Name and address of the auditor.
- h) Financial statements:

The final audited financial statements of the investment fund for the period following the last annual audited financial statements must be prepared in accordance with the accounting standards approved by the Saudi Organization for Chartered and Professional Accountants.