



Draft Amendments to the Securities Business Regulations and the Authorised Persons Regulations

A) Introduction

As part of the Capital Market Authority's ("CMA") strategic objectives to develop the capital market, and in line with the Saudi Vision 2030, and based on the Capital Market Law issued by Royal Decree No. (M/30) Dated 2/6/1424 H, the CMA Board issued its Resolution to publish the draft amendments to the Securities Business Regulations and Authorised Persons Regulations ("Draft Amendments") for public consultation for a period of (30) calendar days ending on 27/5/1441H corresponding to 22/1/2020G.

B) Objectives of the Draft Amendments and its main elements:

The Draft Amendments aim to develop the securities business activities, support the development of securities business carried on by the Authorised Persons, and enhance investors' protection in line with the international best practices and standards.

The main elements of the Draft Amendments are:

- a) Amending the term of "Authorised Persons" to be "Capital Market Institutions."
- b) Developing the scope of Arranging activity, and the types of authorisation for Dealing and Managing activities.
- c) Developing the requirements for authorisation to carry on securities business, commencement of business, registerable functions, conduct of business, system and controls, and client money and assets.
- d) Developing client classification and the requirements for Know Your Customer, client understanding of risk, and client suitability.

C) Receiving public views

The CMA, with full gratitude, would receive the opinions and comments of relevant and interested persons, through any of the following channels:

- Email (Laws.Regulations@cma.org.sa);
- Fax number (+966114906460); or
- Mail address (P.O. Box 87171 Riyadh 11642, CMA Deputy for Legal Affairs and Enforcement – Laws and Regulations Department).

All comments will be taken into full consideration for the purpose of finalising the Draft Amendments.



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D) Proposed amendments to the Securities Business Regulations compared with the current provisions:

Securities Business Regulations	
Current Provisions	Provisions after Proposed Amendments
<p>Article 2: Securities Activities A security activity shall mean any of the following activities: ... 2) arranging: a person introduces parties in relation to securities business, advises on corporate finance business or otherwise acts to bring about a deal in a security; ... 1 4) advising: a person advises a person on the merits of that person dealing in a security or exercising any right to deal conferred by a security; or 5) custody: a person safeguards assets belonging to another person which include a security, or arranges for another person to do so, and custody includes taking the necessary administrative measures.</p>	<p>Article 2: Securities Activities A security activity shall mean any of the following activities: ... 2) arranging: a person introduces parties in relation to offering of securities or arrangement of its underwriting, or advises on corporate finance business; ... 4) advising: a person advises a person on dealing in a security, exercising any right to deal conferred by a security, financial planning or wealth management; or 5) custody: a person safeguards assets belonging to another person which include a security, or arranges for another person to do so, and custody includes taking the necessary administrative measures, excluding administrative measures in relation to managing investments and operating funds.</p>
<p>Article 13: Exclusions from Dealing as Principal (a) Dealing by a person as principal in a security that is not a contractually based security is excluded unless: 1) the person holds himself out as engaging in the business of dealing in securities; or 2) the person regularly solicits members of the public to deal in securities. (b) In paragraph (a) of this Article, “members of the public” excludes authorised persons and exempt persons. (c) Dealing by a person in a contractually based security as principal is excluded if an authorised person or an exempt person deals or advises in relation to the transaction. (d) Dealing by a person as principal is excluded if the dealing is the acceptance of an instrument creating or acknowledging indebtedness in respect of any loan, credit, guarantee or other similar financial accommodation or assurance which he has made, granted or provided. (e) The issuance by a person of its own shares, debt instruments or warrants is excluded from dealing.</p>	<p>Article 13: Exclusions from Dealing as Principal (a) Dealing by a person as principal in a security that is not a contractually based security is excluded unless: 1) the person holds himself out as engaging in the business of dealing in securities; or 2) the person regularly solicits members of the public to deal in securities. (b) In paragraph (a) of this Article, “members of the public” excludes capital market institutions and exempt persons. (c) Dealing by a person in a contractually based security as principal is excluded if a capital market institution or an exempt person deals or advises in relation to the transaction. (d) Dealing by a person as principal is excluded if the dealing is the acceptance of an instrument creating or acknowledging indebtedness in respect of any loan, credit, guarantee or other similar financial accommodation or assurance which he has made, granted or provided. (e) The issuance by a person of its own shares, debt instruments or warrants is excluded from dealing. (f) Capital market institution’s investment of its money in securities is excluded from dealing as principal.</p>



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Current Provisions	Provisions after Proposed Amendments
<p>Article 20: Exclusions A securities advertisement is excluded from the prohibition in Article 17 of these Regulations if it:</p> <ol style="list-style-type: none"> 1) relates to securities activity that is excluded from securities business under these Regulations; 2) is made to <u>an authorised person</u> or exempt person by a person seeking to obtain information about, or to receive, securities business services; 3) is made by an exempt person and relates to that person's exempt activities; 4) is directed only at <u>authorised persons</u>, exempt persons <u>or institutions</u>; 5) is made by a member of a group to another member of the same group; 6) is made by a participant in a joint enterprise to another participant (or potential participant) for a purpose relating to the joint enterprise; 7) is made by a journalist acting in that capacity; 8) <u>is made by a person acting in the course of a business that involves placing or distributing marketing materials or communications</u>; 9) is required to be made under the law of the Kingdom, including the Implementing Regulations; or 10) is directed at persons who own, or are entitled to obtain, securities issued by the person making the advertisement, or creditors of that person. 	<p>Article 20: Exclusions A securities advertisement is excluded from the prohibition in Article 17 of these Regulations if it:</p> <ol style="list-style-type: none"> 1) relates to securities activity that is excluded from securities business under these Regulations; 2) is made to <u>a capital market institution</u> or exempt person by a person seeking to obtain information about, or to receive, securities business services; 3) is made by an exempt person and relates to that person's exempt activities; 4) is directed only at <u>capital market institutions</u> or exempt persons; 5) is made by a member of a group to another member of the same group; 6) is made by a participant in a joint enterprise to another participant (or potential participant) for a purpose relating to the joint enterprise; 7) is made by a journalist acting in that capacity; 8) is required to be made under the law of the Kingdom, including the Implementing Regulations; or 9) is directed at persons who own, or are entitled to obtain, securities issued by the person making the advertisement, or creditors of that person.



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E) Proposed amendments to the Authorised Persons Regulations compared with the current provisions:

Authorised Persons Regulations		
	Current Provisions	Provisions after Proposed Amendments
1	<p>Article 5: The principles</p> <p>a. The Principles provided for in this Part are a general statement of the fundamental obligations of <u>authorised persons</u>. They are intended to form a universal statement of the standards of conduct expected of <u>authorised persons</u> under these Regulations.</p> <p>b. <u>An authorised person</u> must comply with the following principles:</p> <p>...</p> <p>9) Paying due regard to <u>customers'</u> interests, by treating them fairly and paying due regard to their interests.</p> <p>10) No conflicts of interest, by managing conflicts of interest fairly, both between itself and its <u>customers</u> and between a <u>customer</u> and another client.</p> <p>11) <u>Customers'</u> suitability, by taking reasonable care to ensure the suitability of its advice and discretionary managing decisions for any <u>customer</u> to whom it provides those services.</p>	<p>Article 5: The principles</p> <p>a. The Principles provided for in this Part are a general statement of the fundamental obligations of <u>capital market institutions</u>. They are intended to form a universal statement of the standards of conduct expected of <u>capital market institutions</u> under these Regulations.</p> <p>b. <u>A capital market institution</u> must comply with the following principles:</p> <p>...</p> <p>9) Paying due regard to <u>clients'</u> interests, by treating them fairly and paying due regard to their interests.</p> <p>10) No conflicts of interest, by managing conflicts of interest fairly, both between itself and its <u>clients</u> and between a <u>client</u> and another client.</p> <p>11) <u>Clients'</u> suitability, by taking reasonable care to ensure the suitability of its advice and discretionary managing decisions for any <u>client</u> to whom it provides those services.</p>
2	<p>Article 6: Requirements for Authorisation</p> <p>...</p> <p>g. The paid up capital of the applicant must not be less than the following:</p> <p>1) dealing and custody: SR 50 million;</p> <p>2) managing: SR 20 million <u>for managing investment funds and client portfolios; and SR 5 million for managing private non-real-estate investment funds and sophisticated investor portfolios;</u></p> <p>3) arranging: <u>SR 2 million;</u> and</p> <p>4) advising: <u>SR 400,000.</u></p> <p>...</p>	<p>Article 6: Requirements for Authorisation</p> <p>...</p> <p>g. The paid up capital of the applicant must not be less than the following:</p> <p>1) dealing and custody: SR 50 million;</p> <p>2) managing: SR 20 million <u>for managing investments and operating funds; and a capital that covers the expected expenses for a year for managing investments;</u></p> <p>3) arranging and advising: <u>capital that covers the expected expenses for a year.</u></p> <p>...</p>



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	Current Provisions	Provisions after Proposed Amendments
3	<p>Article 7: Procedure and powers of the Authority in relation to an application</p> <p>...</p> <p>d. If the Authority resolves to authorise the applicant, it will inform the applicant of this in writing and of its permitted business profile including any limitations that the Authority may consider appropriate.</p> <p>e. If the Authority resolves to refuse the application, it will notify the applicant in writing.</p> <p>f. An applicant must not carry on, or hold itself out as carrying on, securities business prior to receiving the Authority's decision referred to at paragraph (d) of this Article.</p>	<p>Article 7: Procedure and powers of the Authority in relation to an application</p> <p>...</p> <p>d. If the Authority resolves to authorise the applicant, it will inform the applicant of this in writing and of its permitted business profile including any limitations that the Authority may consider appropriate. <u>The capital market institution must satisfy the requirements for commencement of business stipulated in annex (3-1) of these Regulations before commencing its business.</u></p> <p>e. If the Authority resolves to refuse the application, it will notify the applicant in writing.</p> <p>f. An applicant must not carry on, or hold itself out as carrying on, securities business prior to receiving the Authority's decision referred to at paragraph (d) of this Article.</p> <p><u>g. The duration of the authorisation granted in accordance with the provisions of the Capital Market Law and these Regulations shall be ten years, renewable at the initiative of the Authority. The authority shall initiate the renewal of the authorisation when the capital market institution meets the following conditions and criteria:</u></p> <ol style="list-style-type: none"> 1) <u>Satisfy the fit and proper requirements.</u> 2) <u>Satisfy the prudential requirements and minimum capital requirements.</u> 3) <u>Payment of the fees determined by the Authority on an annual basis.</u>
4	<p>Article 9: Fit and Proper</p> <p>a. As a condition for the maintenance of authorisation, an authorised person must continue to be fit and proper to carry out the securities business which it is authorised to carry out at all times.</p> <p>b. The skills, experience, competence and integrity of an authorised person's or applicant's employees, officers or agents is an important factor in assessing whether it is fit and proper. The skills, experience, competence and integrity of the employees, officers or agents will be assessed against the following criteria:</p>	<p>Article 9: Fit and Proper</p> <p>a. As a condition for the maintenance of authorisation, <u>a capital market institution</u> must continue to be fit and proper to carry out the securities business which it is authorised to carry out at all times.</p> <p>b. The skills, experience, competence and integrity of <u>a capital market institution's</u> or applicant's employees, officers or agents is an important factor in assessing whether it is fit and proper. The skills, experience, competence and integrity of the employees, officers or agents will be assessed against the following criteria:</p> <ol style="list-style-type: none"> 1) they must possess adequate qualifications and professional experience to carry out their



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	<p>1) they must possess adequate qualifications and professional experience to carry out their responsibilities, including appropriate technical knowledge and skills;</p> <p>2) they must have probity and soundness of judgement commensurate with their positions;</p> <p>3) they must fulfil their responsibilities with diligence and to protect clients' interests in accordance with the Implementing Regulations;</p> <p>4) they must not have committed an offence involving fraud or dishonesty</p> <p>5) they must not have contravened or broken any laws or regulations governing securities business or aimed at protecting investors; and</p>	<p>responsibilities, including appropriate technical knowledge and skills;</p> <p>2) they must have probity and soundness of judgement commensurate with their positions;</p> <p>3) they must fulfil their responsibilities with diligence and to protect clients' interests in accordance with the Implementing Regulations;</p> <p>4) they must not have committed an offence involving fraud or dishonesty; and</p> <p>5) they must not have contravened or broken any laws or regulations governing securities business or aimed at protecting investors.</p> <p><u>6) have proper financial solvency.</u></p> <p><u>c. The capital market institution must obtain the Authority's approval prior to any alternation of its capital</u></p>
5	<p>Article 10: Scope of business</p> <p>a. <u>An authorised person</u> must not carry on, or hold itself out as carrying on, securities business unless that business is within its permitted business profile.</p> <p>b. <u>An authorised person</u> must comply with the rules applicable to it and with any limitation, condition or other requirement that the Authority specifies.</p> <p><u>c. Client money must be held with a local bank.</u></p> <p><u>d. The value of assets under management by an authorised person shall not exceed SR (one) billion if his activity is limited to managing private non-real-estate investment funds or managing sophisticated investor portfolios, and he shall have a continuous control mechanism to ensure the value does not exceed the maximum limit stated in this paragraph. If the limit was exceeded, the authorised person must take the following steps:</u></p> <p><u>1) Notify the Authority at occurrence immediately; and</u></p> <p><u>2) submit a corrective plan to the Authority</u></p>	<p>Article 10: Scope of business</p> <p>a. <u>A capital market institution</u> must not carry on, or hold itself out as carrying on, securities business unless that business is within its permitted business profile.</p> <p>b. <u>A capital market institution</u> must comply with the rules applicable to it and with any limitation, condition or other requirement that the Authority specifies.</p> <p><u>c. A capital market institution may conduct activities associated with the securities business upon satisfying the following:</u></p> <p><u>1) Conducting such activities does not require obtaining an authorisation from other regulatory or supervisory bodies.</u></p> <p><u>2) Conducting such activities will not affect the ability of the capital market institution to comply with the principles set out in Article 5 of these Regulations.</u></p> <p><u>3) The capital market institution must fulfill the prudential requirements at all times.</u></p> <p><u>d. The Authority may impose any conditions or restrictions on the capital market institution in conducting activities associated with the securities business, request to provide any information about</u></p>



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	<p><u>within a maximum period of one month from occurrence date, and refrain from receiving any additional funds or assets from clients from occurrence date until the situation is corrected.</u></p>	<p><u>such activities, or instruct the capital market institution to cease conducting them.</u></p>
6	<p>Article 12: Withdrawal from business and cancellation of authorisation</p> <p>a. <u>An authorised person</u> that proposes to cease to carry on securities business must notify the Authority in writing of the date on which it intends to cease to carry securities business and the reasons for the decision:</p> <ol style="list-style-type: none"> 1) at least 45 days in advance of that date; or 2) if such advance notice is not possible because cessation of business is caused by an external event of which the <u>authorised person</u> was not aware, immediately on making a decision to cease to carry on securities business. <p>b. Where an <u>authorised person</u> decides to cease providing securities business to clients, it must ensure that any such business that is outstanding is properly completed or is transferred to another <u>authorised person</u> and that it provides reasonable notice to its clients of the cessation of business.</p> <p>c. <u>An authorised person</u> may request the cancellation of its authorisation, and must in this case submit a written request to the Authority not less than three months prior to the proposed date of the cancellation.</p> <p>d. A request to cancel an authorisation must include sufficient information concerning the circumstances of the cancellation to enable the Authority to determine whether to accept the cancellation, to postpone the date of the cancellation, or to require other measures that it considers necessary for the protection of clients of the <u>authorised person</u>.</p> <p>e. The Authority may refuse a request to cancel an authorisation if it considers that the maintenance of the authorisation is necessary to investigate any matter affecting the <u>authorised person</u>, to protect the interests of the <u>authorised person's</u> clients, or</p>	<p>Article 12: Withdrawal from business and cancellation of authorisation</p> <p>a. <u>A capital market institution</u> that proposes to <u>temporary</u> cease to carry on securities business must notify the Authority in writing of the date on which it intends to <u>temporary</u> cease to carry securities business and the reasons for the decision:</p> <ol style="list-style-type: none"> 1) at least 45 days in advance of that date; or 2) if such advance notice is not possible because <u>temporary</u> cessation of business is caused by an external event of which the <u>capital market institution</u> was not aware, immediately on making a decision to <u>temporary</u> cease to carry on securities business. <p>b. <u>The notification referred to in paragraph (a) of this Article must contain the following:</u></p> <ol style="list-style-type: none"> 1) <u>The date on which the capital market institution intends to temporary cease to carry on securities business.</u> 2) <u>Reasons for the decision of temporary cessation.</u> 3) <u>The period of temporary cessation.</u> 4) <u>Potential impacts on clients, and the actions that the capital market institution intends to take to address them, including the actions that it intend to take in relation to clients' money and assets.</u> 5) <u>The status of registered persons during the temporary cessation.</u> <p>c. <u>The capital market institution may not cease to carry on securities business for a period exceeding 12 months.</u></p> <p>d. Where <u>a capital market institution</u> decides to cease providing securities business to clients, it must ensure that any such business that is outstanding is properly completed or is transferred to another <u>capital market institution</u> and that it provides reasonable notice to its clients of the cessation of business.</p>



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	<p>to impose a prohibition or requirements on such authorised person under the Capital Market Law or its Implementing Regulations.</p> <p>f. The Authority may suspend the authorised person's authorisation on its own initiative if the authorised person does not carry on any securities business for a period of 12 months, or 6 months following the date on which an authorised person has ceased to carry on securities business after notification to the Authority in accordance with paragraph (a) of this Article.</p> <p>g. An authorised person continues to be subject to the jurisdiction of the Authority in respect of any act or omission that occurred before the cancellation of its authorisation and for two years thereafter. If at any time during this period the Authority commences any enforcement investigation or proceedings, the authorised person shall continue to be subject to the jurisdiction of the Authority until the end of the enforcement investigation or proceedings.</p>	<p>e. <u>A capital market institution</u> may request the cancellation of its authorisation, and must in this case submit a written request to the Authority not less than three months prior to the proposed date of the cancellation. <u>The A capital market institution must notify its clients immediately upon submitting the request for authorisation cancellation and shall ensure the pending tasks are properly completed or transferred to another capital market institution. It shall also take the necessary measures to transfer the clients' money and assets and protect their rights.</u></p> <p>f. A request to cancel an authorisation must include sufficient information concerning the circumstances of the cancellation to enable the Authority to determine whether to accept the cancellation, to postpone the date of the cancellation, or to require other measures that it considers necessary for the protection of clients of the <u>capital market institution</u>.</p> <p>g. The Authority may refuse a request to cancel an authorisation if it considers that the maintenance of the authorisation is necessary to investigate any matter affecting the <u>capital market institution</u>, to protect the interests of the <u>capital market institution's</u> clients, or to impose a prohibition or requirements on such <u>capital market institution</u> under the Capital Market Law or its Implementing Regulations.</p> <p>h. The Authority may suspend the <u>capital market institution's</u> authorisation on its own initiative if the <u>capital market institution</u> does not carry on any securities business for a period of 12 months, or 6 months following the date on which <u>a capital market institution</u> has ceased to carry on securities business after notification to the Authority in accordance with paragraph (a) of this Article.</p> <p>i. <u>A capital market institution</u> continues to be subject to the jurisdiction of the Authority in respect of any act or omission that occurred before the cancellation of its authorisation and for two years thereafter. If at any time during this period the Authority commences any enforcement investigation or proceedings, the <u>capital market institution</u> shall continue to be subject to the jurisdiction of the Authority until the end of the enforcement investigation or proceedings.</p>
7	<p>Article 14: Close links</p> <p>a. An authorised person must notify the</p>	<p>Article 14: Close links</p> <p>a. <u>A capital market institution</u> must notify the</p>



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Authorised Persons Regulations		
	Current Provisions	Provisions after Proposed Amendments
	<p>Authority, in such form as the Authority may prescribe, that a person is intending to establish close links with the <u>authorised person</u>:</p> <p>1) at least 30 days in advance of the proposed effective date; or</p> <p>2) if such advance notice is not possible, immediately on the <u>authorised person</u> becoming aware of any change in close links.</p> <p>The notice must include such information as the Authority requires to satisfy itself of the identity of the person with whom the <u>authorised person</u> proposes to establish close links, its integrity, regulatory status, business record and financial soundness.</p> <p>b. <u>An authorised person must not establish close links with another person unless the Authority has approved the close links in writing.</u></p> <p>c. <u>Before approving any close links, the Authority must be satisfied that such links will not impair</u> the effective supervision of the <u>authorised person</u> or its operations and compliance with the Capital Market Law and the Implementing Regulations.</p> <p>d. <u>In considering any application to establish close links, the Authority has all of the powers set out in Article 7 of these Regulations.</u></p>	<p>Authority, in such form as the Authority may prescribe, that a person is intending to establish close links with the it at least 30 days in advance of the proposed effective date or, if such advance notice is not possible, immediately on the <u>capital market institution</u> becoming aware of any change in close links. The notice must include such information as the Authority requires to satisfy itself of the identity of the person with whom the <u>capital market institution</u> proposes to establish close links, its integrity, regulatory status, business record and financial soundness.</p> <p>b. <u>The Authority may impose any conditions or restrictions it considers appropriate to ensure that the capital market institution establishing close links with any person will not impair</u> the effective supervision of the <u>capital market institution</u> or its operations and compliance with the Capital Market Law and the Implementing Regulations.</p>
8	<p>Article 16: Record-keeping</p> <p>...</p> <p>d. Records made by <u>an authorised person</u> may be recorded in any form, but must be capable of reproduction in hard printed form.</p> <p>...</p>	<p>Article 16: Record-keeping</p> <p>...</p> <p>d. Records made by <u>a capital market institution</u> may be recorded in any form, but must be <u>kept in an organized manner and</u> capable of reproduction in hard printed form.</p> <p>...</p>
9	<p style="text-align: center;">ANNEX 3-1</p> <p style="text-align: center;">INFORMATION AND DOCUMENTS REQUIRED FOR AUTHORISATION</p> <p>These authorisation requirements set out below apply to all types of securities business and the application of each requirement will differ</p>	<p style="text-align: center;">ANNEX 3-1</p> <p style="text-align: center;">INFORMATION AND DOCUMENTS REQUIRED FOR AUTHORISATION <u>AND COMMENCEMENT OF BUSINESS</u></p> <p>These authorisation <u>and commencement of business</u> requirements set out below apply to all types of securities business and the application of each</p>



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<p>depending on the nature, scope and complexity of the activities. Applicants whom the type of their activities will be limited to <u>managing private non-real estate investment funds, managing sophisticated investor portfolios</u>, arranging and advising will be excluded from submitting the information and documents stated <u>in the sub-paragraphs (1), (3), (4) and (5) of paragraph (8) and the paragraphs (9), (10), (11), (12), (13), (16) and (17) of this Annex, provided that the applicant undertakes to obtain the documents and information contained in sub-paragraphs (1), (3), (4) and (5) of paragraph (8) and paragraphs (10), (13), (16) And (17) of this Annex before commencing his activity.</u></p> <p>1. Controllers – An applicant must submit a list of all controllers of the applicant, and provide details of the identity, ownership (if applicable), integrity, regulatory status, business record and financial position of each proposed controller.</p> <p>2. Close Links – An applicant must submit a list of all persons that have, or are proposed to have, close links with the applicant, and provide details of the identity, ownership (if applicable), integrity, regulatory status, business record and financial position of each such person.</p> <p>3. Governing Body Resolution – An applicant must submit to the Authority a resolution of its governing body in the form prescribed by the Authority approving the application and its contents, and certifying the accuracy and completeness of the accompanying information and documents.</p> <p>4. Business Profile – An applicant must submit a proposed business profile including full details of all securities and all services for which the applicant proposes to provide for each securities activity that it is applying to carry on. A schedule must be attached in the following form:</p>	<p>requirement will differ depending on the nature, scope and complexity of the activities. Applicants whom the type of their activities will be limited to <u>managing investments</u>, arranging and advising will be excluded from submitting the information and documents stated <u>in the paragraphs (8) and (11) of the information and documents required for authorisation set out in this Annex, and the information and documents stated in sub-paragraphs (1), (3), (4), and (5) of paragraph (1) and paragraphs (2), (3) and (4) of the information and documents required for the commencement of business set out in this Annex.</u></p> <p><u>First: Information and Documents Required for Authorisation</u></p> <p>1. Controllers – An applicant must submit a list of all controllers of the applicant, and provide details of the identity, ownership (if applicable), integrity, regulatory status, business record and financial position of each proposed controller.</p> <p>2. Close Links – An applicant must submit a list of all persons that have, or are proposed to have, close links with the applicant, and provide details of the identity, ownership (if applicable), integrity, regulatory status, business record and financial position of each such person.</p> <p>3. Governing Body Resolution – An applicant must submit to the Authority a resolution of its governing body in the form prescribed by the Authority approving the application and its contents, and certifying the accuracy and completeness of the accompanying information and documents.</p> <p>4. Business Profile – An applicant must submit a proposed business profile including full details of all securities and all services for which the applicant proposes to provide for each securities activity that it is applying to carry on. A schedule must be attached in the following form:</p>



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Current Provisions					Provisions after Proposed Amendments					
Securities Business	Types of Activity	Details of Securities	Details of Services	Categories of clients	Securities Business	Types of Activity	Details of Securities	Details of Services	Categories of clients	
Dealing	Dealer (as principal or agent) Underwriter				Dealing	Dealing				
Custody	Securities custody services				Custody	Securities custody services				
Managing	Manage investment funds Manage client portfolios Manage private non-real-estate investment funds Manage sophisticated investor portfolios				Managing	Managing investments and operating funds Managing investments				
Arranging	Financial advisor / corporate finance advisor				Arranging	Financial advisor / corporate finance advisor				
Advising	Investment Advisor				Advising	Investment Advisor				
<p>5. Business Plan – An applicant must submit a business plan, setting out:</p> <p>1) a detailed description of the securities business activities that the applicant proposes to undertake during, at least, the first 12 months after authorisation, including:</p> <ul style="list-style-type: none"> the products and services that it intends to 					<p>5. Business Plan – An applicant must submit a business plan, setting out:</p> <p>1) a detailed description of the securities business activities that the applicant proposes to undertake during, at least, the first 12 months after authorisation, including:</p> <ul style="list-style-type: none"> the products and services that it intends to 					



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<p>provide to clients;</p> <ul style="list-style-type: none"> • the classes and types of securities that it intends to provide services in; and • all exchanges and markets that it intends to trade in; <p>2) a description of the nature of the proposed clients of the applicant;</p> <p>3) a list of any exchanges, clearing houses or depositaries of which the applicant is or intends to become a member.</p> <p>6. Financial Statements – An applicant must submit financial statements <u>prepared and accredited by the applicant’s auditors in accordance with the standards issued by SOCPA and presented in the format prescribed by the Authority, and must:</u></p> <ol style="list-style-type: none"> 1) show the applicant’s <u>current and projected financial position, including its capital, financial resources, revenues and expenses as at the date of the financial statements, the proposed commencement of business, and the financial position 12 months after the date of commencement of business;</u> 2) provide supporting evidence of the capitalisation and resources of the applicant and the presumptions on which the statements have been provided. <p>7. Registered Persons – An applicant must submit a list of each person who is to be a registered person and an application form for registration for each such person in the format prescribed by the Authority, including details of their qualifications and experience.</p> <p><u>8. Systems and Controls – An applicant must, in accordance with Part 6 of these Regulations, submit the following systems and controls documentation:</u></p> <ol style="list-style-type: none"> <u>1) risk management policies and systems;</u> <u>2) anti-money laundering and anti-terrorism financing procedures;</u> 	<p>provide to clients;</p> <ul style="list-style-type: none"> • the classes and types of securities that it intends to provide services in; and • all exchanges and markets that it intends to trade in; <p>2) a description of the nature of the proposed clients of the applicant;</p> <p>3) a list of any exchanges, clearing houses or depositaries of which the applicant is or intends to become a member.</p> <p>6. Financial Statements – An applicant must submit financial statements accredited by the applicant’s auditors in accordance with the standards issued by SOCPA and presented in the format prescribed by the Authority, and must:</p> <ol style="list-style-type: none"> 1) show the applicant’s financial position, including its capital, financial resources, revenues and expenses as at the date of the financial statements; 2) provide supporting evidence of the capitalisation and resources of the applicant and the presumptions on which the statements have been provided. <u>Also, the applicant must submit projected financial statements that state the expected financial position after 12 months after the proposed date of commencement.</u> <p>7. Registered Persons – An applicant must submit a list of each person who is to be a registered person and an application form for registration for each such person in the format prescribed by the Authority, including details of their qualifications and experience.</p> <p>8. Terms of Business – An applicant must submit a copy of proposed terms of business (in accordance with Part 5 of these Regulations), and of the proposed forms.</p> <p>9. Incorporation Documents – If the applicant is a</p>



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<p><u>3) compliance manual;</u> <u>4) compliance monitoring programme; and</u> <u>5) code of conduct.</u></p> <p><u>9. Operations Manual – An applicant must submit an operational procedures manual detailing the procedures and systems to be employed in relation to all material business and administrative operations, including the following:</u></p> <p><u>1) opening and processing of client accounts;</u> <u>2) processing and recording of orders, and the execution, settlement and confirmation of trades;</u> <u>3) the provision of prudent and suitable advice and services to clients;</u> <u>4) handling and custody of client money and client assets;</u> <u>5) reporting to clients; and</u> <u>6) complying with all record-keeping requirements.</u></p> <p>10. Terms of Business – An applicant must submit a copy of proposed terms of business (in accordance with Part 5 of these Regulations), and of the proposed forms.</p> <p><u>11. Fees – An applicant must submit a list of proposed fees, commissions, charges and other expenses payable by clients.</u></p> <p><u>12. Contracts – An applicant must submit agreements, arrangements and understandings with third parties to provide any material services or operations, including:</u></p> <p><u>1) Execution, clearing and settlement of trades;</u> <u>2) Custody of client money or client assets;</u> <u>3) Arrangements to offer products or services provided by, sponsored by, or associated with a third party;</u> <u>4) Arrangements to introduce clients;</u> <u>5) Information technology, databases and computer systems;</u> <u>6) Record-keeping;</u> <u>7) Compliance services;</u> <u>8) Audit services.</u></p> <p><u>13. Insurance – An applicant must submit details of professional indemnity insurance policies in</u></p>	<p>company, it must submit a copy of its articles of association or by-laws.</p> <p>10. Structure – If an applicant is a company, it must submit an ownership structure chart showing the group of which the applicant forms part, including each controller and each person with whom the applicant has close links.</p> <p>11. Organisation Chart – An applicant must submit an organisation chart identifying the applicant’s governing body, the CEO and senior management, the compliance officer and MLRO. The chart must outline the reporting lines of each department within the business in accordance with Part 6 of these Regulations.</p> <p><u>12. The applicant must submit any other requirements defined in the application form for authorisation determined by the Authority.</u></p> <p><u>Second: Information and Documents Required for the Commencement of Carrying out the Business</u></p> <p><u>1. Systems and Controls – The capital market institution must notify the Authority in writing of the availability of the following systems and controls documentation, in accordance with Part 6 of these Regulations:</u></p> <p><u>1) risk management policies and systems;</u> <u>2) anti-money laundering and anti-terrorism financing procedures;</u> <u>3) compliance manual;</u> <u>4) compliance monitoring programme; and</u> <u>5) code of conduct.</u></p> <p><u>2. Operations Manual – The capital market institution must notify the Authority in writing of the availability of an operational procedures manual detailing the procedures and systems to be employed in relation to all material business and administrative operations, including the following:</u></p> <p><u>1) opening and processing of client accounts;</u> <u>2) processing and recording of orders, and the execution, settlement and confirmation of trades;</u> <u>3) the provision of prudent and suitable advice and services to clients;</u> <u>4) handling and custody of client money and client</u></p>



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<p><u>accordance with the requirements prescribed by the Authority.</u></p> <p>14. Incorporation Documents – If the applicant is a company, it must submit a copy of its articles of association or by-laws.</p> <p>15. Structure – If an applicant is a company, it must submit an ownership structure chart showing the group of which the applicant forms part, including each controller and each person with whom the applicant has close links.</p> <p>16. Organisation Chart – An applicant must submit an organisation chart identifying the applicant’s governing body, the CEO and senior management, the compliance officer and MLRO. The chart must outline the reporting lines of each department within the business in accordance with Part 6 of these Regulations.</p> <p>17. Business Continuity – An applicant must submit a copy of the applicant’s business continuity plan.</p>	<p><u>assets;</u> <u>5) reporting to clients; and</u> <u>6) complying with all record-keeping requirements.</u></p> <p>3. Contracts – <u>The capital market institution must submit to the Authority the agreements, arrangements and understandings with third parties to provide any material services or operations, including:</u></p> <p><u>1) Execution, clearing and settlement of trades;</u> <u>2) Custody of client money or client assets;</u> <u>3) Arrangements to offer products or services provided by, sponsored by, or associated with a third party;</u> <u>4) Arrangements to introduce clients;</u> <u>5) Information technology, databases and computer systems;</u> <u>6) Record-keeping;</u> <u>7) Compliance services;</u> <u>8) Audit services.</u></p> <p>4. Business Continuity – <u>The capital market institution must submit to the Authority a copy of the capital market institution’s business continuity plan.</u></p> <p>5. Insurance – <u>The capital market institution must submit to the Authority details of professional indemnity insurance policies in accordance with the requirements prescribed in paragraph (b) of Article 31 of these Regulations.</u></p> <p>6. Final Incorporation Documents - <u>The capital market institution must submit copies of the final incorporation documents, including the articles of association, by-laws, the Commercial Registration, and the license issued by the General Investment Authority (where applicable).</u></p> <p>7. Technical systems – <u>The capital market institution must notify the Authority in writing of the availability of appropriate technical systems.</u></p> <p>8. Work facilities - <u>The capital market institution must notify the Authority in writing of the availability of appropriate work facilities, including offices and support services.</u></p> <p>9. Registered Persons - <u>The capital market institution must notify the Authority in writing of meeting the minimum registration requirements for registered persons.</u></p>



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	<p>10. Website - The capital market institution must have a website in Arabic language - at a minimum - to disclose any information specified by the authority.</p> <p>11. The capital market institution must comply with any other conditions or requirements determined by the authority.</p>
<p>ANNEX 3-2 NOTIFICATION REQUIREMENTS</p> <p>...</p> <p>III. An authorised person must notify the Authority in writing immediately on the occurrence of:</p> <p>...</p> <p><u>10. the resignation or dismissal of any of the following persons:</u></p> <p style="margin-left: 20px;">1) <u>CEO or Managing Director;</u> 2) <u>finance officer;</u> 3) <u>director or partner;</u> 4) <u>senior officer or manager;</u> 5) <u>compliance officer;</u> 6) <u>MLRO.</u></p> <p>...</p> <p>V. An authorised person must give the Authority prior written notice, or where the event has occurred, written notice as soon as it becomes aware, of:</p> <p>1. a proposed reorganisation or business expansion or other change that could have a material impact on the authorised person's business, risk profile or resources, including, but not limited to, the following:</p> <ul style="list-style-type: none"> • setting up a new business within an authorised person's group, or establishing a new branch; • commencing the provision of cross border services into a new territory; • commencing the provision of a new type of product or service; • sale or transfer of any material assets or parts of its business; or 	<p>ANNEX 3-2 NOTIFICATION REQUIREMENTS</p> <p>...</p> <p>III. A capital market institution must notify the Authority in writing immediately on the occurrence of:</p> <p>...</p> <p>10. Any procedural error at the capital market institution that may affect its clients' interests.</p> <p>...</p> <p>V. A capital market institution must give the Authority prior written notice, or where the event has occurred, written notice as soon as it becomes aware, of:</p> <p>1. a proposed reorganisation or business expansion or other change that could have a material impact on the capital market institution's business, risk profile or resources, including, but not limited to, the following:</p> <ul style="list-style-type: none"> • setting up a new business within a capital market institution's group, or establishing a new branch; • commencing the provision of cross border services into a new territory; • commencing the provision of a new type of product or service; • sale or transfer of any material assets or parts of its business; or • ceasing to undertake a securities business activity,
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<ul style="list-style-type: none"> • ceasing to undertake a securities business activity, or significantly reducing the scope of any activity; <p><u>2. entering into, or significantly changing, a material outsourcing arrangement of a function of an authorised person of sufficient importance that failure of the function would jeopardise the authorised person's ability to comply with these Regulations;</u></p> <p>3. any significant failure in the <u>authorised person's</u> systems or controls, including those reported to the <u>authorised person</u> by the <u>authorised person's</u> auditor; or</p> <p>4. any event related to the <u>authorised person</u> that results in a material change in its capital adequacy, including:</p> <ul style="list-style-type: none"> • any action that would result in a material change in the <u>authorised person's</u> financial resources or financial resources requirements under these Regulations; • the payment of a special or unusual dividend or the repayment of share capital or a subordinated loan; • for <u>authorised persons</u> which are subject to the rules on consolidated financial supervision, any proposal under which a member of the <u>authorised person's</u> group may be considering an action such as the actions mentioned above; or • any significant losses, whether recognised or unrecognised. 	<p>or significantly reducing the scope of any activity;</p> <p>2. any significant failure in the <u>capital market institution's</u> systems or controls, including those reported to the <u>capital market institution</u> by the <u>capital market institution's</u> auditor; or</p> <p>3. any event related to the <u>capital market institution</u> that results in a material change in its capital adequacy, including:</p> <ul style="list-style-type: none"> • any action that would result in a material change in the <u>capital market institution's</u> financial resources or financial resources requirements under these Regulations; • the payment of a special or unusual dividend or the repayment of share capital or a subordinated loan; • for <u>capital market institutions</u> which are subject to the rules on consolidated financial supervision, any proposal under which a member of the <u>capital market institution's</u> group may be considering an action such as the actions mentioned above; or • any significant losses, whether recognised or unrecognised. <p><u>VI. The capital market institution must notify the Authority in writing within two days of the date of submitting the resignation or dismissal of any of the following persons:</u></p> <ol style="list-style-type: none"> 1) CEO or Managing Director; 2) finance officer; 3) director or partner; 4) senior officer or manager; 5) compliance officer; 6) MLRO. <p><u>In the event of dismissal, the full details of the reasons for the dismissal must be provided.</u></p> <p><u>VII. The capital market institution must notify the Authority in writing at least 30 days before entering into, or significantly changing, a material outsourcing arrangement of a function of a capital market institution of sufficient importance that failure of the function would jeopardise the capital market institution's ability to comply with these Regulations.</u></p>



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11	<p>Article 19: Registrable functions</p> <p>a. The Authority shall prescribe the registrable functions.</p> <p>b. The following functions are considered functions that must be performed by registered persons:</p> <ol style="list-style-type: none"> 1) CEO or Managing Director; 2) finance manager; 3) a director or partner; 4) senior officers or managers; 5) compliance officer; 6) MLRO; 7) client functions, including sales representatives, investment advisors, portfolio managers and corporate finance professionals as defined by the Authority. 	<p>Article 19: Registrable functions</p> <p>a. The Authority shall prescribe the registrable functions.</p> <p>b. The following functions are considered functions that must be performed by registered persons:</p> <ol style="list-style-type: none"> 1) CEO or Managing Director; 2) finance manager; 3) a director or partner; 4) senior officers or <u>managers of departments directly related to securities business</u>; 5) compliance officer; 6) MLRO; 7) <u>employees providing clients with securities business services</u>, including sales representatives, investment advisors, portfolio managers, <u>fund managers</u>, corporate finance professionals <u>and brokerage officers</u> as defined by the Authority.
12	<p>Article 20: Performance of registrable functions</p> <p>...</p> <p>e. Except as provided in paragraph (a) of this Article, and without prejudice to the provisions of Article (59) of this regulations, an authorised person whose activity is limited to managing private non-real estate investment funds or managing sophisticated investor portfolios, arranging or advising may delegate the function of finance officer, compliance officer or MLRO to an external party, if the following conditions are met:</p> <p>...</p> <p>f. Paragraph (b) of this Article does not apply where an authorised person activities are limited to managing private non-real-estate investment funds, managing sophisticated investor portfolios, arranging and advising, provided that he has two persons registered at all times one of which performs the functions of the Chief Executive Officer, and without prejudice to the provisions of paragraph (c) of this Article if one of their positions became vacant.</p>	<p>Article 20: Performance of registrable functions</p> <p>...</p> <p>e. Except as provided in paragraph (a) of this Article, and without prejudice to the provisions of Article (59) of this regulations, <u>a capital market institution</u> whose activity is limited to <u>managing investments</u>, arranging or advising may delegate the function of finance officer, compliance officer or MLRO to an external party, if the following conditions are met:</p> <p>...</p> <p><u>f. As an exception from the provisions of Paragraph (b) of this Article, the capital market institution must have –at minimum- two persons registered at all times one of which performs the functions of the Chief Executive Officer in the event that its activity is limited to managing investments or arranging, and one person registered at all times performs the functions of the Chief Executive Officer in the event that its activity is limited to advising, without prejudice to the provisions of Paragraph (c) of this Article, in the event that any of these jobs becomes vacant, and provided that third parties are assigned to perform the rest of the registrable functions under paragraph (b) of this Article.</u></p> <p><u>g. The number of persons registered to perform the function of fund manager or investment portfolio manager in the capital market institution authorised to</u></p>



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		<u>carry out investment management business or management and operation of funds business must not be less than two persons at all times.</u>
13	Article 22: Procedure and powers of the Authority ...	Article 22: Procedure and powers of the Authority ... g) <u>The capital market institution must obtain the Authority's prior approval before changing the job title of the registered person.</u>
14	Article 29: Confidentiality <u>An authorised person</u> must keep information obtained from clients confidential, except where: 1) its disclosure is <u>required by</u> the Capital Market Law or its Implementing Regulations or the applicable laws of the Kingdom; 2) the client has consented to its disclosure; 3) its disclosure is reasonably necessary to perform a particular service for the client; or 4) the information is no longer confidential.	Article 29: Confidentiality <u>A capital market institution</u> must keep information obtained from clients confidential, <u>and may not disclose them</u> ; except where: 1) its disclosure is <u>based on the Authority's request under</u> the Capital Market Law or its Implementing Regulations or the applicable laws of the Kingdom, <u>Or at the request of the General Administration of Financial Investigation in accordance with the provisions of the Anti-Money Laundering Law and the Law for combating terrorism and terrorist financing and their implementing regulations</u> ; 2) the client has <u>explicitly</u> consented to its disclosure; 3) its disclosure is reasonably necessary to perform a particular service for the client; or 4) the information is no longer confidential.
15	Article 30: Chinese Walls Arrangements ... b. <u>An authorised person</u> that provides <u>corporate finance</u> services and also provides other types of dealing, advising or managing services must establish <u>Chinese wall arrangements</u>	Article 30: Chinese Walls Arrangements ... b. <u>A capital market institution</u> that provides <u>arranging</u> services and also provides other types of dealing, advising or managing services must establish <u>proper Chinese wall arrangements</u>
16	Article 31: Exclusions of liability Any condition providing for the exclusion or restriction of the liability of an <u>authorised person</u> , whether under terms of business or otherwise, shall be void if the exclusion or restriction contravenes the <u>authorised person's</u> obligations under the Capital Market Law or the Implementing Regulations.	Article 31: The liability of the capital market institution a) Any condition providing for the exclusion or restriction of the liability of <u>a capital market institution</u> , whether under terms of business or otherwise, shall be void if the exclusion or restriction contravenes the <u>capital market institution's</u> obligations under the Capital Market Law or the Implementing Regulations.



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		b) The capital market institution must have adequate indemnity insurance for the risks of professional failures.
17	<p>Article 33: Prepared securities advertisements</p> <p>a. A prepared securities advertisement means any securities advertisement that is prepared in advance and is communicated in writing, electronically or otherwise to one or more persons.</p> <p>b. Before communicating a prepared securities advertisement, or approving one to be communicated by another person, an authorised person must ensure that:</p> <p>1) the advertisement complies with the requirements of this Part after it is approved by a designated officer of the authorised person; and</p> <p>2) the advertisement is clear, fair and not misleading.</p> <p>c. A prepared securities advertisement must comply with the content requirements set out in Annex 5.1.</p> <p>d. If the prepared securities advertisement relates to specific securities then it must contain sufficient information to enable a person to make an informed assessment of the securities or securities activity to which it relates.</p> <p>e. If an authorised person becomes aware that a prepared securities advertisement does not comply with the requirements of this Part, it must withdraw the advertisement as soon as possible.</p> <p>f. An authorised person must maintain a complete record of each prepared securities advertisement that it has approved and confirmed compliance for.</p>	<p>Article 33: Prepared securities advertisements</p> <p>a. A prepared securities advertisement means any securities advertisement that is prepared in advance and is communicated in writing, electronically or otherwise to one or more persons.</p> <p>b. Before communicating a prepared securities advertisement, or approving one to be communicated by another person, a capital market institution must ensure that:</p> <p>1) the advertisement complies with the requirements of this Part after it is approved by a designated officer of the capital market institution; and</p> <p>2) the advertisement is clear, fair and not misleading.</p> <p>3) Take the necessary arrangements to ensure that the advertisement includes the disclosure of the person advertising in clear, fair and not misleading manners that he has received or will receive benefits in exchange for sending that advertisement.</p> <p>c. A prepared securities advertisement must comply with the content requirements set out in Annex 5.1.</p> <p>d. If the prepared securities advertisement relates to specific securities then it must contain sufficient information to enable a person to make an informed assessment of the securities or securities activity to which it relates.</p> <p>e. If a capital market institution becomes aware that a prepared securities advertisement does not comply with the requirements of this Part, or upon receiving an instruction from the Authority in this regards, it must withdraw the advertisement as soon as possible.</p> <p>f. A capital market institution must maintain a complete record of each prepared securities advertisement that it has approved and confirmed compliance for.</p>
18	<p>Article 34: Direct Communications</p> <p>a. Direct communications means any securities advertisement that is not a prepared securities advertisement, including a meeting with a</p>	<p>Article 34: Direct Communications</p> <p>a. Direct communications means any securities advertisement that is not a prepared securities advertisement, including a meeting with a client or</p>



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	<p><u>customer</u> or potential <u>customer</u>, a telephone call, a presentation or any direct interaction with one or more persons.</p> <p>b. Before making any direct communication <u>an authorised person</u> must ensure that:</p> <p>1) the recipient has consented to receiving the securities advertisement; or</p> <p>2) the recipient has an existing <u>customer</u> relationship with the <u>authorised person</u> and contemplates pursuant to such relationship that such securities advertisements will be made.</p> <p>c. An <u>authorised person</u> must ensure that an individual who makes a direct communication on the <u>authorised person's</u> behalf, including any registered person or other employee:</p> <p>1) does so in a way which is clear, fair and not misleading;</p> <p>2) does not make any false or misleading statements;</p> <p>3) makes clear the purpose of the securities advertisement at the initial point of communication, and identifies himself and the <u>authorised person</u> who he represents; and</p> <p>4) does not communicate with a person outside of business hours, unless the person has previously agreed to such a communication.</p> <p>d. An <u>authorised person</u> must have a Code of Conduct that require individuals seeking to obtain business on behalf of the <u>authorised person</u> to avoid using any undue pressure or making any misleading or deceptive statements, and to make clear their purpose and identity to <u>customers</u> or potential <u>customers</u>.</p>	<p>potential <u>client</u>, a telephone call, a presentation or any direct interaction with one or more persons.</p> <p>b. Before making any direct communication <u>a capital market institution</u> must ensure that:</p> <p>1) the recipient has consented to receiving the securities advertisement; or</p> <p>2) the recipient has an existing <u>client</u> relationship with the <u>capital market institution</u> and contemplates pursuant to such relationship that such securities advertisements will be made.</p> <p>c. An <u>capital market institution</u> must ensure that an individual who makes a direct communication on the <u>capital market institution's</u> behalf, including any registered person or other employee:</p> <p>1) does so in a way which is clear, fair and not misleading;</p> <p>2) does not make any false or misleading statements;</p> <p>3) makes clear the purpose of the securities advertisement at the initial point of communication, and identifies himself and the <u>capital market institution</u> who he represents; and</p> <p>4) does not communicate with a person outside of business hours, unless the person has previously agreed to such a communication.</p> <p>d. <u>A capital market institution</u> must have a Code of Conduct that require individuals seeking to obtain business on behalf of the <u>capital market institution</u> to avoid using any undue pressure or making any misleading or deceptive statements, and to make clear their purpose and identity to <u>clients</u> or potential <u>clients</u>.</p>
19	<p>Article 35: Non-retail investment funds and derivatives</p> <p><u>An authorised person</u> must not communicate a securities advertisement to a <u>customer</u> relating to a non-retail investment fund or to derivatives securities unless it has determined that the securities are suitable for the <u>customer</u>.</p>	<p>Article 35: Non-retail investment funds and derivatives</p> <p><u>A capital market institution</u> must not communicate a securities advertisement to a <u>client</u> relating to a non-retail investment fund or to derivatives securities unless it has determined that the securities are suitable for the <u>client</u>.</p>



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20	<p>Article 36: Client classification</p> <p>a. Before conducting securities business with or for any client, an <u>authorised person</u> must classify the client as one of the following:</p> <p><u>1) a customer;</u></p> <p><u>2) an execution-only customer;</u></p> <p><u>3) a counterparty.</u></p> <p>b. An <u>authorised person</u> must not classify a client in more than one of the categories set out in paragraph (a) of this Article.</p> <p><u>c. An authorised person's dealing with its client classified as an execution-only customer must be restricted to dealing as his agent in accordance with the instructions that it receives from him, and the authorised person must not advise such client.</u></p> <p>d. <u>An authorised person</u> must make a record of the classification established for each client under this Article, including sufficient information to support that classification.</p>	<p>Article 36: Client classification</p> <p>a. Before conducting securities business with or for any client, <u>a capital market institution</u> must classify the client as one of the following:</p> <p><u>1) a retail client;</u></p> <p><u>2) a qualified client;</u></p> <p><u>3) an institutional client.</u></p> <p>b. <u>A capital market institution</u> must not classify a client in more than one of the categories set out in paragraph (a) of this Article.</p> <p>c. <u>A capital market institution</u> must make a record of the classification established for each client under this Article, including sufficient information to support that classification.</p>
21	<p>Article 38: Terms of business with clients</p> <p>...</p> <p>d. <u>An authorised person</u> must ensure that its terms of business with its <u>customers</u> conform to the terms of business requirements set out in Annex 5.2.</p> <p>...</p>	<p>Article 38: Terms of business with clients</p> <p>...</p> <p>d. <u>A capital market institution</u> must ensure that its terms of business with its <u>clients</u> conform to the terms of business requirements set out in Annex 5.2.</p> <p>...</p>
22	<p>Article 39: Know your <u>customer</u></p> <p>a. Before an <u>authorised person deals, advises, or manages for a customer</u>, it must obtain information from the <u>customer</u> concerning the <u>customer's</u> financial situation, investment experience and investment objectives relevant to the services to be provided. Such information must be obtained as a precondition to providing such services.</p> <p>b. The information required under paragraph (a) of this Article must at a minimum include the information required by Annex 5.3.</p>	<p>Article 39: Know your <u>client</u></p> <p>a. Before <u>a capital market institution carry out any securities business with or for a client</u> it must obtain information from the <u>client</u> concerning the <u>client's</u> financial situation, investment experience and investment objectives relevant to the services to be provided. Such information must be obtained as a precondition to providing such services.</p> <p>b. The information required under paragraph (a) of this Article must at a minimum include the information required by Annex 5.3.</p>



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	<p>c. The authorised person must request an update of such information from each customer at least once every three years.</p> <p>d. If the customer refuses to provide the information required under this Article, the authorised person may not deal, advise or manage for him.</p> <p>e. An authorised person must retain a record of all information obtained from the customer pursuant to this Article.</p>	<p>c. The capital market institution must request an update of such information required <u>under these Regulations</u> from each client upon any change to them or at least once every three years. <u>The capital market institution must maintain procedures and policies to achieve this.</u></p> <p>d. If the client refuses to provide the information required under this Article, the capital market institution may not <u>carry out any securities business with or for the client.</u></p> <p>e. <u>A capital market institution</u> must retain a record of all information obtained from the client pursuant to this Article.</p>
23	<p>Article 40: Fiduciary duties</p> <p>An authorised person owes the statutory fiduciary duties set out in Annex 5.4 to its customers.</p>	<p>Article 40: Fiduciary duties</p> <p><u>A capital market institution</u> owes the statutory fiduciary duties set out in Annex 5.4 to its clients.</p>
24	<p>Article 41: Conflicts of interest</p> <p>a. An authorised person must ensure that it safeguards at all times the interests of its customer, and that no conflict of interest between its interest and the interest of its customer affects the transactions or the services that the authorised person carries out for its customer.</p> <p>b. Where an authorised person who acts for a customer has an actual or a potential conflict of interest in relation to a transaction it shall disclose that conflict of interest to the customer in writing.</p> <p>c. An authorised person is not required to disclose a conflict of interest if this information would constitute provision of inside information. In that instance an authorised person shall take reasonable steps to ensure fair treatment for the customer.</p> <p>d. If there is a conflict between an interest of an authorised person and an interest of the customer in any transaction, the authorised person must pay to the customer the value of any loss incurred by the customer as a result of the conflict unless:</p>	<p>Article 41: Conflicts of interest</p> <p>a. <u>A capital market institution</u> must ensure that it safeguards at all times the interests of its client, and that no conflict of interest between its interest and the interest of its client affects the transactions or the services that the <u>capital market institution</u> carries out for its client.</p> <p>b. Where <u>a capital market institution</u> who acts for a client or <u>provide advice to a client</u> has an actual or a potential conflict of interest in relation to a transaction it shall disclose that conflict of interest to the client in writing, <u>and obtain a written acknowledgment from the client that the client understands and is fully aware of the actual or a potential conflict of interest.</u></p> <p>c. <u>A capital market institution</u> is not required to disclose a conflict of interest if this information would constitute provision of inside information. In that instance <u>a capital market institution</u> shall take reasonable steps to ensure fair treatment for the client.</p> <p>d. If there is a conflict between an interest of <u>a capital market institution</u> and an interest of the client in any transaction, the <u>capital market institution</u> must pay to the client the value of any loss incurred by the client as a result of the conflict unless:</p>



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<p>1) the <u>authorised person</u> has disclosed the conflict of interest to the <u>customer</u> in accordance with paragraph (b) of this Article; and</p> <p>2) the <u>customer</u> has agreed in writing that the <u>authorised person</u> can proceed notwithstanding the conflict.</p> <p>e. <u>An authorised person</u> must in all cases comply with Article 14 of the Market Conduct Regulations in any dealing as principal with a <u>customer</u>.</p>	<p>1) the <u>capital market institution</u> has disclosed the conflict of interest to the <u>client</u> in accordance with paragraph (b) of this Article; and</p> <p>2) the <u>client</u> has agreed in writing that the <u>capital market institution</u> can proceed notwithstanding the conflict.</p> <p>e. <u>A capital market institution</u> must in all cases comply with Article 14 of the Market Conduct Regulations in any dealing as principal with a <u>client</u>.</p> <p>f. <u>A capital market institution authorised to carry out advising business may present itself as an independent investment advisor unless in the event of an actual or a potential conflict of between its interests and the interests of the person to whom advice is given.</u></p> <p>g. <u>The capital market institution must establish a special record for each type of securities business to document all actual or a potential conflicts of interest and the measures taken in their regard.</u></p>
<p>Article 42: Understanding risk</p> <p>a. <u>An authorised person</u> must not deal, advise or manage for a <u>customer</u>, or take collateral for its own account from a <u>customer</u>, unless it has taken reasonable steps to <u>enable</u> the <u>customer</u> to understand the nature of the risks involved in the type of transaction in which the <u>customer</u> would be engaging.</p> <p>b. <u>An authorised person</u> must not deal, advise, or manage for a <u>customer</u>:</p> <p>1) in derivatives securities, contingent liability securities or non-retail investment funds, unless it has informed the <u>customer</u> of the nature and extent of the risks involved in such securities; or</p> <p>2) in illiquid or speculative securities, unless it has informed the <u>customer</u> of the nature and extent of the risks involved in such securities, including any difficulties in determining their value.</p>	<p>Article 42: Understanding risk</p> <p>a. <u>A capital market institution</u> must not deal, advise, <u>offer a security not publicly offered, distribute investment funds units</u>, or manage for a <u>client</u>, or take collateral for its own account from a <u>client</u>, unless it has taken reasonable steps to <u>ensure that the client has understood</u> the nature of the risks involved in the type of transaction in which the <u>client</u> would be engaging. <u>Upon ensuring that the client has understood the nature of the risks involved, the capital market institution must have regard to:</u></p> <p>1) <u>The educational and knowledge level of the client, and its field of expertise.</u></p> <p>2) <u>The client's experience in the capital markets, its duration, and the number and nature of securities transactions executed by the client.</u></p> <p>3) <u>The client's investment objectives.</u></p> <p>b. <u>A capital market institution</u> must not deal, advise, <u>offer a security not publicly offered, distribute investment funds units</u>, or manage for a <u>client, in any of the following</u>:</p> <p>1) in derivatives securities, contingent liability securities or non-retail investment funds, unless it has</p>

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	<p>informed the <u>client</u> of the nature and extent of the risks involved in such securities; or</p> <p>2) in illiquid or speculative securities, unless it has informed the <u>client</u> of the nature and extent of the risks involved in such securities, including any difficulties in determining their value.</p> <p><u>c. If the capital market institution is unable to ensure that the client has understood the nature of the risks involved in the type of transaction in which the client would be engaging as per the requirements of paragraph (a) of this Article, the capital market institution must not deal, advise, distribute investment funds units, or manage for that client, unless that client insists on their execution. In this case, the capital market institution must ensure its commitment to apply the provisions of Article 43 of these regulations to that insisting client.</u></p> <p><u>d. This Article does not apply to the capital market institution's practice of any securities business with or for an institutional client.</u></p>
<p>Article 43: Suitability</p> <p>a. <u>An authorised person</u> must not deal, advise or manage for a <u>customer</u> or take collateral for its own account from a <u>customer</u>, unless the advice or transaction is suitable for that <u>customer</u> having regard to the facts disclosed by that <u>customer</u> and other relevant facts about that <u>customer</u> of which the <u>authorised person</u> is, or reasonably should be, aware.</p> <p>b. In reviewing the suitability of advice or a transaction for a <u>customer</u>, an <u>authorised person</u> must have regard to:</p> <ol style="list-style-type: none"> 1) the <u>customer's</u> knowledge and understanding of the relevant securities and markets, and of the risks involved; 2) the <u>customer's</u> financial standing, including an assessment of his net worth or of the value of his portfolio based on the information disclosed by that <u>customer</u>; 3) the length of time the <u>customer</u> has been active in the relevant markets, the frequency of business and the extent to which he relies on the advice of the <u>authorised person</u>; 	<p>Article 43: Suitability</p> <p>a. <u>A capital market institution</u> must not deal, advise or manage for a <u>client</u> or take collateral for its own account from a <u>client</u>, unless the advice or transaction is suitable for that <u>client</u> having regard to the facts disclosed by that <u>client</u> and other relevant facts about that <u>client</u> of which the <u>capital market institution</u> is, or reasonably should be, aware.</p> <p>b. In reviewing the suitability of advice or a transaction for a <u>client</u>, <u>a capital market institution</u> must have regard to:</p> <ol style="list-style-type: none"> 1) <u>The educational and knowledge level of the client, and its field of expertise.</u> 2) the <u>client's</u> knowledge and understanding of the relevant securities and markets, and of the risks involved, <u>and its ability to withstand them</u>; 3) the <u>client's</u> financial standing, including an assessment of his net worth or of the value of his portfolio based on the information disclosed by that <u>client</u>, <u>the type of assets possessed by the client, how long the client maintained them, and what the proposed transaction represent in all the assets of the client</u>;
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<p>4) the size and nature of transactions that have been undertaken for the <u>customer</u> in the relevant markets; and</p> <p>5) the <u>customer's</u> investment objectives.</p> <p>c. Notwithstanding paragraph (a) of this Article, if an <u>authorised person</u> has advised a <u>customer</u> that a transaction is not <u>suitable</u> for him and the <u>customer decides</u> to proceed with the transaction, an <u>authorised person</u> may accept an order to buy or sell the security from the <u>customer</u>, provided that a record of the advice provided to the <u>customer</u> is retained.</p> <p><u>d. This Article does not apply to dealing for an execution-only customer.</u></p>	<p>4) the length of time the <u>client</u> has been active in the relevant markets, the frequency of business and the extent to which he relies on the advice of the <u>capital market institution</u>;</p> <p>5) the size and nature of transactions that have been undertaken for the <u>client</u> in the relevant markets; and</p> <p>6) the <u>client's</u> investment objectives.</p> <p><u>7) The period during which the clients wants to keep its investments.</u></p> <p><u>c) The capital market institution before advising the client or completing the transaction must submit to the client a report on the suitability of that advice or transaction, provided that the report includes, at a minimum, the following:</u></p> <ol style="list-style-type: none"> <u>1) The client's investment objectives and its ability to withstand risks.</u> <u>2) Disadvantages and risks of potential advice or transaction.</u> <u>3) Justifications for concluding that the potential advice or transaction is appropriate for the client or not appropriate in light of the facts disclosed by that client.</u> <p><u>d. As an exception from the provisions of paragraph (b) of this Article, the capital market institution who acts as manager of the client's account must prepare a suitability report for that client at the beginning of the contractual relationship, upon updating its terms and upon renewing it.</u></p> <p>e. Notwithstanding paragraph (a) of this Article, if an <u>capital market institution</u> has advised a <u>client</u> that a transaction is not <u>suitable for it as per the suitability report</u>, and the <u>client insisted</u> to proceed with the transaction <u>after viewing the suitability report</u>, the <u>capital market institution</u> may accept an order to buy or sell the security from the <u>client</u>, <u>after informing the client that the executing the transaction is not consistent with suitability report and obtain an acknowledgement from the client of understanding that</u>, provided that a record of the <u>suitability report and the client's acknowledgment</u> is retained.</p> <p><u>f. The client's acknowledgment referred to in Paragraph (e) of this Article must be prepared in a clear, fair and non-misleading manner, and the client's acknowledgment shall include the following:</u></p>



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	<p>1) <u>The client has reviewed the suitability report for the transaction it is insisting on executing.</u></p> <p>2) <u>The client is aware of all the details of the transaction it is insisting on executing, and understand its risks.</u></p> <p>3) <u>The client understands that execution of the transaction is inconsistent with the suitability report.</u></p> <p>g. <u>The client's notification referred to in paragraph (e) of this Article must be reviewed and certified by a registered person independent of the person who prepared that report.</u></p> <p>h. <u>It is prohibited for the capital market institution to use pressure methods or give any misleading or deceptive statements to the client that may lead to providing the client with false, inaccurate, or incomplete information for the purposes of studying the suitability of the advice or transaction for the client.</u></p> <p>i. <u>A capital market institution may rely on the information provided by the client for the purposes of studying the suitability of the advice or transaction for the client, unless it knows or must reasonably know that that information provided is false, inaccurate or incomplete.</u></p> <p>j. <u>This Article does not apply in the following cases:</u></p> <p>1) <u>When the capital market institution deals with a client as agent with the instructions it receives from the client without providing advice to the client, and the transactions will be executed in the main market or its equivalent in the main capital markets outside the Kingdom.</u></p> <p>2) <u>When the capital market institution deals with an institutional client as principal only in accordance with the instructions it receives from the client without providing advice to the client or managing for it, except for the counterparty.</u></p> <p>3) <u>When the capital market institution deals with an institutional client as a counterparty.</u></p> <p>k. <u>The capital market institution after obtaining the approval of the Authority may rely on contemporary technologies to study the suitability of the advice or transaction for the client, provided that the capital market institution maintains procedures and policies</u></p>



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27	<p>Article 44: Customer borrowing</p> <p>a. An authorised person shall not, in relation to securities business, knowingly lend money or extend credit to a customer and must not arrange for any other person to do so, unless:</p> <ol style="list-style-type: none"> 1) the authorised person has made and recorded an assessment of the customer's financial standing, based on information disclosed by that customer, and is satisfied that the amount and the arrangements for the loan or credit are suitable for the customer; and 2) The customer has given his prior written consent to the lending or credit facility, specifying the maximum amount of the loan or credit together with details of the amount and of any charges to be levied. <p>b. Paragraph (a) of this Article does not apply where an authorised person:</p> <ol style="list-style-type: none"> 1) settles a transaction in the event of a default or late payment by the customer; or 2) pays an amount to cover a margin call made for a customer for a period no longer than five days. 	<p><u>to verify the correctness and accuracy of the study results and that they meet the requirements of this article.</u></p> <p>Article 44: Client borrowing</p> <p>a. A capital market institution shall not, in relation to securities business, knowingly lend money or extend credit to a client and must not arrange for any other person to do so, unless:</p> <ol style="list-style-type: none"> 1) the capital market institution has made and recorded an assessment of the client's financial standing, based on information disclosed by that client, and is satisfied that the amount and the arrangements for the loan or credit are suitable for the client; and 2) The client has given his prior written consent to the lending or credit facility, specifying the maximum amount of the loan or credit together with details of the amount and of any charges to be levied. <p>b. Paragraph (a) of this Article does not apply where a capital market institution:</p> <ol style="list-style-type: none"> 1) settles a transaction in the event of a default or late payment by the client; or 2) pays an amount to cover a margin call made for a client for a period no longer than five days. 3) <u>Effects margined transactions.</u>
28	<p>Article 45: Margin Requirements</p> <p>c. An authorised person who effects a margin transaction with or for a client must:</p> <ol style="list-style-type: none"> 1) require the client to provide a minimum margin of 25 per cent of the value of the transaction prior to effecting the transaction; 2) take reasonable steps to satisfy itself that the client is aware of the risks of margin transactions; and 3) monitor the margin provided by the client daily, and ensure that the margin is maintained at a minimum level of 25 per cent of the current value of each 	<p>Article 45: Margin Requirements</p> <p>c. A capital market institution who effects a margin transaction with or for a client must <u>perform the following</u>:</p> <ol style="list-style-type: none"> 1) require the client to provide a minimum margin of <u>no less than the percentage determined by the Authority</u> prior to effecting the transaction; 2) take reasonable steps to satisfy itself that the client is aware of the risks of margin transactions; and 3) monitor the margin provided by the client daily, and ensure that the margin is maintained at a minimum level of <u>the percentage determined by</u>



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	Current Provisions	Provisions after Proposed Amendments
	<p>applicable security position.</p> <p>d. The Authority may prescribe a higher rate of margin to be provided for transactions in any security or category of securities, and the authorised person must require a client to provide any such prescribed rate of margin.</p> <p>e. The Authority may prohibit margined transactions in relation to any security or category of securities.</p> <p>f. Margin payable by a client in respect of a margin transaction on a regulated exchange or market must be of an amount or value at least equal to the margin requirements of the relevant exchange, market or clearing house.</p> <p>g. Margin must be in the form of cash, fully-paid security positions or <u>other acceptable collateral</u>.</p>	<p><u>the Authority</u> of the current value of each applicable security position.</p> <p>d. The Authority may prescribe a higher rate of margin to be provided for transactions in any security or category of securities, and the <u>capital market institution</u> must require a client to provide any such prescribed rate of margin.</p> <p>e. The Authority may prohibit margined transactions in relation to any security or category of securities.</p> <p>f. Margin payable by a client in respect of a margin transaction on a regulated exchange or market must be of an amount or value at least equal to the margin requirements of the relevant exchange, market or clearing house.</p> <p>g. Margin must be in the form of cash, fully-paid security positions or <u>other collateral accepted by the capital market institution</u>.</p> <p>h. <u>The capital market institution must periodically determine the securities on which margin transaction can be effected with the client in accordance with specific standards and controls approved by its board of directors.</u></p>
29	<p>Article 50: Employees' personal dealings</p> <p>a. An employee of an <u>authorised person</u> must not knowingly:</p> <ol style="list-style-type: none"> 1) be a party to any transaction in a security where a client of the <u>authorised person</u> is a party; or 2) Establish a <u>trading</u> account at another <u>authorised person, except where the employee's authorised person does not offer the same service.</u> <p>b. An employee of an <u>authorised person</u> must disclose to the compliance officer all transactions in securities transacted <u>at an authorised person other than his/her own.</u></p> <p>c. The compliance officer must establish procedures to monitor employees' personal dealings in securities to ensure compliance with the Capital Market Law and the Implementing Regulations.</p> <p>d. An <u>authorised person</u> must implement personal account dealing procedures consistent with the provisions of Annex 5.7.</p>	<p>Article 50: Employees' personal dealings</p> <p>a. An employee of <u>a capital market institution</u> must not knowingly:</p> <ol style="list-style-type: none"> 1) be a party to any transaction in a security where a client of the <u>capital market institution</u> is a party; or 2) establish <u>an investment</u> account at another <u>capital market institution, unless he obtained the prior consent of the capital market institution that he works for.</u> <p>b. An employee of <u>a capital market institution</u> must disclose to the compliance officer all transactions in securities <u>that he executes for his account or any other account for which he is authorised within 7 days from the date of execution.</u></p> <p>c. The compliance officer must establish procedures to monitor employees' personal dealings in securities to ensure compliance with the Capital Market Law and the Implementing Regulations.</p> <p>d. <u>A capital market institution</u> must implement personal account dealing procedures consistent with the provisions of Annex 5.7.</p>



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Authorised Persons Regulations													
	Current Provisions	Provisions after Proposed Amendments											
30	<p><u>Article 51: Recording telephone calls</u></p> <p>...</p> <p>c. An authorised person must retain the records of telephone communications in relation to securities business for a period of three years following the date of the telephone communication. In the event a telephone communication is relevant to a dispute with a client or a regulatory enquiry, the record must be retained until the dispute is fully resolved or the enquiry completed</p>	<p><u>Article 51: Recording telephone calls</u></p> <p>...</p> <p>c. A capital market institution must retain the records of telephone communications in relation to securities business for a period of ten years following the date of the telephone communication. In the event a telephone communication is relevant to a dispute with a client or a regulatory enquiry, the record must be retained until the dispute is fully resolved or the enquiry completed.</p>											
31	<p style="text-align: center;">ANNEX 1-5</p> <p style="text-align: center;">CONTENTS REQUIREMENTS FOR SECURITIES ADVERTISEMENTS</p> <p>...</p> <p>II. CONTENTS REQUIRED FOR PREPARED SECURITIES ADVERTISEMENTS PROMOTING A SPECIFIC SECURITY OR SECURITIES OR A SPECIFIC SECURITIES SERVICE</p> <table border="1" style="width: 100%; margin-top: 10px;"> <tr> <td style="width: 80%; text-align: center;">...</td> <td style="width: 20%; text-align: center;">...</td> </tr> </table>	<p style="text-align: center;">ANNEX 1-5</p> <p style="text-align: center;">CONTENTS REQUIREMENTS FOR SECURITIES ADVERTISEMENTS</p> <p>...</p> <p>II. CONTENTS REQUIRED FOR PREPARED SECURITIES ADVERTISEMENTS PROMOTING A SPECIFIC SECURITY OR SECURITIES OR A SPECIFIC SECURITIES SERVICE</p> <table border="1" style="width: 100%; margin-top: 10px;"> <tr> <td style="width: 5%; text-align: center;">...</td> <td style="width: 90%;"></td> <td style="width: 5%; text-align: center;">...</td> </tr> <tr> <td style="text-align: center;"><u>1</u></td> <td style="text-align: center;"><u>Advertiser Benefits</u></td> <td></td> </tr> <tr> <td style="text-align: center;"><u>2</u></td> <td style="text-align: center;"> <p><u>If the contents of the advertisement are approved by the capital market institution to be transmitted by another person, the capital market institution must include the advertisement with a statement declaring clearly, fairly and not misleadingly that the advertiser has received or will receive benefits in return for sending that advertisement.</u></p> </td> <td></td> </tr> </table>	<u>1</u>	<u>Advertiser Benefits</u>		<u>2</u>	<p><u>If the contents of the advertisement are approved by the capital market institution to be transmitted by another person, the capital market institution must include the advertisement with a statement declaring clearly, fairly and not misleadingly that the advertiser has received or will receive benefits in return for sending that advertisement.</u></p>	
...	...												
...		...											
<u>1</u>	<u>Advertiser Benefits</u>												
<u>2</u>	<p><u>If the contents of the advertisement are approved by the capital market institution to be transmitted by another person, the capital market institution must include the advertisement with a statement declaring clearly, fairly and not misleadingly that the advertiser has received or will receive benefits in return for sending that advertisement.</u></p>												
32	<p style="text-align: center;">ANNEX 5-2</p> <p style="text-align: center;">TERMS OF BUSINESS REQUIREMENTS</p> <p>An authorised person's terms of business to be entered into with or for a customer should, where relevant, provide for the following:</p>	<p style="text-align: center;">ANNEX 5-2</p> <p style="text-align: center;">TERMS OF BUSINESS REQUIREMENTS</p> <p>A capital market institution's terms of business to be entered into with or for a retail client should, where relevant, provide for the following:</p>											



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Authorised Persons Regulations		
Current Provisions		Provisions after Proposed Amendments
...		...
3)	Investment objectives	The customer's Investment objective.
4)	Restrictions	Any restrictions on: <ul style="list-style-type: none"> the types of securities in which the customer wishes to invest; and The markets on which the customer wishes transactions to be executed.
...		...
6)	Payments for services	Details of any payment for services payable by the customer to the authorised person , including the following: <ol style="list-style-type: none"> structure and methods of the payments; how it is to be paid and collected; how frequently it is to be paid, and any other payment that is receivable by the authorised person (or by any of its affiliates) in connection with any transaction executed by the authorised person, with or for the customer, in addition to or in lieu of any fees.
...		...
8)	Accounting	The arrangements for accounting to the customer for any transaction executed on his behalf.
9)	Cancellation rights	A description of any cancellation right to which the customer may be entitled.
10)	Acting as a principal	That the authorised person may act as principal in a transaction with the customer , if applicable.
...		...
12)	Security lending	Whether the authorised person may undertake security lending activity with or for the customer .
...		...
3)	Investment objectives	The retail client's Investment objective.
4)	Restrictions	Any restrictions on: <ul style="list-style-type: none"> the types of securities in which the retail client wishes to invest; and the markets on which the retail client wishes transactions to be executed.
--		...
6)	Payments for services	Details of any payment for services payable by the retail client to the capital market institution , including the following: <ol style="list-style-type: none"> structure and methods of the payments; how it is to be paid and collected; how frequently it is to be paid, and any other payment that is receivable by the capital market institution (or by any of its affiliates) in connection with any transaction executed by the capital market institution, with or for the retail client, in addition to or in lieu of any fees.
--		...
8)	Accounting	The arrangements for accounting to the retail client for any transaction executed on his behalf.
9)	Cancellation rights	A description of any cancellation right to which the retail client may be entitled.
10)	Acting as a principal	That the capital market institution may act as principal in a transaction with the retail client , if applicable.
--	--	...
12)	Security lending	Whether capital market institution may undertake security lending activity with or for the retail client .
--		...
15)	Right to realise	A description of any right of the capital market institution



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Authorised Persons Regulations		
Current Provisions		Provisions after Proposed Amendments
...
15)	Right to realise <u>customer's</u> assets	A description of any right of the <u>authorised person</u> to realise the assets of the <u>customer</u> (including any collaterals) or to close out or liquidate positions on a default.
16)	Contingent liability securities	A statement of the basis on which the <u>customer</u> will incur any contingent liability, including margin requirements, and the maximum limits placed on such funding.
17)	Authority to borrow	Details of any authority to borrow or raise money on the <u>customer's</u> behalf, or enter into transactions which will involve the <u>customer</u> having to borrow or raise money and the maximum borrowing limit must be clarified.
...
19)	Custody	Arrangements for: 1. registration of client assets if these will not be registered in the <u>customer's</u> name;
20)	Pooling	An <u>authorised person</u> must notify a <u>customer</u> where it intends to pool his client asset with that of one or more other clients and explain the meaning of pooling and warn the <u>customer</u> that: 1. <u>customer</u> assets or entitlements may not be separately identifiable by certificates, other physical documents of title or electronic record; and 2. <u>Customers</u> may participate pro rata in any irreconcilable shortfall resulting from the default of a
...
16)	Contingent liability securities	A statement of the basis on which the <u>retail client</u> will incur any contingent liability, including margin requirements, and the maximum limits placed on such funding.
17)	Authority to borrow	Details of any authority to borrow or raise money on the <u>retail client's</u> behalf, or enter into transactions which will involve the <u>retail client</u> having to borrow or raise money and the maximum borrowing limit must be clarified.
--		...
19)	Custody	Arrangements for: 1. registration of <u>retail client</u> assets if these will not be registered in the <u>retail client's</u> name;
20)	Pooling	A <u>capital market institution</u> must notify a <u>retail client</u> where it intends to pool his client asset with that of one or more other clients and explain the meaning of pooling and warn the <u>client</u> that: 1. <u>Client</u> assets or entitlements may not be separately identifiable by certificates, other physical documents of title or electronic record; and 2. <u>Retail clients</u> may participate pro rata in any irreconcilable shortfall resulting from the default of a custodian.
--		...
22)	Client money	A <u>capital market institution</u> must notify a <u>client</u> in writing of the arrangements for holding <u>retail client</u> money.



Draft Amendments to the Securities Business Regulations and the Authorised Persons Regulations

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Draft Amendments to the Securities Business Regulations and the Authorised Persons Regulations

Authorised Persons Regulations	
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EMPLOYER INFORMATION	
Employer's Name:	
Employer's Address:	
Employer's Phone Number:	
Position\ Title	
How Long Employed:	
BANK INFORMATION	
Bank's Name:	
Branch:	
Main Account Number:	
GENERAL INFORMATION	
<u>Is the customer is a director or officer of a publicly listed company? Yes\No</u>	
Any other financial information on the customer's financial situation?	
	<p>Approximate net worth (excluding residence) (in SAR)?</p> <ul style="list-style-type: none"> • <u>60,000 or less</u> <input type="checkbox"/> • <u>600,000 -1,500,00</u> <input type="checkbox"/> • <u>1,500,000 -5,000,000</u> <input type="checkbox"/> • <u>5,000,000 – 10,000,000</u> <input type="checkbox"/> • <u>10,000,000 – 50,000,000</u> <input type="checkbox"/> • <u>Over 50,000,000</u> <input type="checkbox"/>
	EMPLOYER INFORMATION
	Employer's Name:
	Employer's Address:
	Employer's Phone Number:
	Position\ Title
	How Long Employed:
	BANK INFORMATION
	Bank's Name:
	Branch:
	Main Account Number:
	CLIENT'S PROFESSIONAL EXPERIENCES IN THE FINANCIAL SECTOR
	<u>Have you worked in the financial sector during the past five years? Yes\No</u> (This includes, for example: working for capital market institutions, banks, finance companies, insurance companies)
	<u>Do you have any other practical experience related to the financial sector? Yes No</u>
	<input type="text"/>
	GENERAL INFORMATION
	<u>Is the client a board member, audit committee, or a senior executive in a listed company? Yes No</u>
	<u>Is the client a related party to a board member, audit committee, or a senior executive in a listed company? Yes No</u>
	<u>Is the client entrusted with a prominent public function in the Kingdom, a foreign country, senior management positions, or a position in an international organization? Yes No</u>



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	<p><u>Is the client a family member or close associate to a person entrusted with a prominent public function in the Kingdom, a foreign country, senior management positions, or a position in an international organization? Yes No</u></p> <p><u>Is the client the beneficial owner of the account or business relationship? Yes No</u> <u>The identity of the beneficial owner of the account or business relationship (if the answer to above question is yes)</u></p> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <p>Any other financial information on the <u>client's</u> financial situation?</p>
FILL THE FOLLOWING IF: <u>CUSTOMER</u> IS A SOLE PROPRIETORSHIP OR A COMPANY	FILL THE FOLLOWING IF: <u>CLIENT IS A LEGAL PERSON</u>
GENERAL INFORMATION	GENERAL INFORMATION
Name:	Name:
Commercial Registration No:	Commercial Registration No:
Registered Address:	Registered Address:
Date of incorporation or start of business:	<u>Main business:</u>
Business Phone:	Date of incorporation or start of business:
Business Fax:	<u>Country of a practiced business:</u>
Number of employees:	<u>Names of natural persons who own or control 25% or more of the shares:</u>
Paid-up capital:	<u>The names of all directors and senior executives:</u>
Annual Turnover:	Business Phone:
COMPANY CONTACT	Business Fax:
Name of Contact:	Number of employees:
Address for Correspondence:	Paid-up capital:
Business Phone:	Annual Turnover:
Business Fax:	COMPANY CONTACT
Mobile Number:	Name of Contact:
BANK INFORMATION	Address for Correspondence:
Bank's Name:	Business Phone:
Branch:	Business Fax:
Main Account Number	Mobile Number:
OTHER INFORMATION	Email address:
Any other financial information on the <u>customer's</u> financial situation?	



Draft Amendments to the Securities Business Regulations and the Authorised Persons Regulations

Authorised Persons Regulations	
Current Provisions	Provisions after Proposed Amendments
	BANK INFORMATION
	<i>Bank's Name:</i> <input type="text"/>
	<i>Branch:</i> <input type="text"/>
	<i>Main Account Number</i> <input type="text"/>
	OTHER INFORMATION
	<i>Any other financial information on the <u>client's</u> financial situation?</i>
	INVESTMENT INFORMATION
INVESTMENT INFORMATION	<i>Breakdown of Current Investment Portfolio_</i>
<i>Breakdown of Current Investment Portfolio_</i>	<ul style="list-style-type: none"> • shares <input type="text"/> • Debt instruments <input type="text"/> • Foreign exchange <input type="text"/> • Deposits <input type="text"/> • Trade finance <input type="text"/> • Investment funds <input type="text"/> • Commodities <input type="text"/> • Contracts for difference and options <input type="text"/> • Real-estate_ <input type="text"/>
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Total: <input type="text"/>	<ul style="list-style-type: none"> ❖ This form shall be indicative for capital market institutions .
<i>Investment knowledge and experience:</i>	<i>Investment knowledge and experience:</i>
<ul style="list-style-type: none"> • Limited <input type="checkbox"/> • Good <input type="checkbox"/> • Extensive <input type="checkbox"/> 	<ul style="list-style-type: none"> • Limited <input type="checkbox"/> • Good <input type="checkbox"/> • Extensive <input type="checkbox"/>
	<ul style="list-style-type: none"> • Number of years of investment in securities <input type="text"/> • Products previously invested in <input type="text"/> • Professional certificates (if the client is a natural person) <input type="text"/> • Percentage of loans in invested funds <input type="text"/> • Margin transactions over the past five years <input type="text"/> • Securities transactions outside the Kingdom over the past five years <input type="text"/> • If securities transactions were executed outside the Kingdom over the past five years, in which countries were these



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		<p>transactions executed?</p> <p><input type="text"/></p>																																					
<p>INVESTMENT PROFILE</p> <p><i>Customer's</i> appetite for risk</p> <p>High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/></p>		<p>INVESTMENT PROFILE</p> <p><i>Client's</i> appetite for risk</p> <p>High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/></p>																																					
<p><i>General investment objectives?</i></p> <ul style="list-style-type: none"> • protection of capital <input type="checkbox"/> • income <input type="checkbox"/> • balanced <input type="checkbox"/> • growth of capital <input type="checkbox"/> 		<p><i>General investment objectives?</i></p> <ul style="list-style-type: none"> • protection of capital <input type="checkbox"/> • income <input type="checkbox"/> • balanced <input type="checkbox"/> • growth of capital <input type="checkbox"/> • Create savings for retirement <input type="checkbox"/> • Project financing <input type="checkbox"/> • Purchase an asset <input type="checkbox"/> <p><i>(for example: real estate, or car)</i></p>																																					
<p>What are the <i>customer's</i> preferred investment assets [tick as many as required]:</p> <ul style="list-style-type: none"> • Denominated in Saudi Riyals? <input type="checkbox"/> • Denominated in other foreign currencies? <input type="checkbox"/> • State the foreign currencies:..... 		<p>What are the <i>client's</i> preferred investment assets [tick as many as required]:</p> <ul style="list-style-type: none"> • Denominated in Saudi Riyals? <input type="checkbox"/> • Denominated in other foreign currencies? <input type="checkbox"/> • State the foreign currencies: 																																					
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Draft Amendments to the Securities Business Regulations and the Authorised Persons Regulations

Authorised Persons Regulations								
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	Trade finance	%			Commodities	%		%
	Commodities	%		%	Options			%
	Options			%	<p>Ensure that the sum of all Percentages above equal 100%</p> <p>❖ This Form Shall Be Indicative For Capital Market Institutions .</p>			
	<p>ANNEX 5.4 FIDUCIARY DUTIES</p> <p>1. Loyalty</p> <p>An authorised person must act in all cases in good faith and in the interests of the customer.</p> <p>2. Conflict of interest</p> <p>An authorised person must comply with principle 10 provided for at paragraph (b) of Article 5 and with the provisions of Article 41 of these Regulations.</p> <p>3. No secret profits</p> <p>An authorised person must not use the customer's property, information or opportunities for its own or anyone else's benefit unless the authorised person makes full disclosure of such usage to the customer and obtains his consent.</p> <p>4. Care, skill and diligence</p> <p>An authorised person owes the customer a duty to exercise the care, skill and diligence which would be exercised in the same circumstance by a person having both:</p> <p>a. the knowledge and experience that may reasonably be expected of a person in the same position as the authorised person; and</p> <p>b. the knowledge and experience which the authorised person has.</p>				<p>ANNEX 5.4 FIDUCIARY DUTIES</p> <p>1. Loyalty</p> <p>A capital market institution must act in all cases in good faith and in the interests of the client.</p> <p>2. Conflict of interest</p> <p>A capital market institution must comply with principle 10 provided for at paragraph (b) of Article 5 and with the provisions of Article 41 of these Regulations.</p> <p>3. No secret profits</p> <p>A capital market institution must not use the client's property, information or opportunities for its own or anyone else's benefit unless the capital market institution makes full disclosure of such usage to the client and obtains his consent.</p> <p>4. Care, skill and diligence</p> <p>A capital market institution owes the client a duty to exercise the care, skill and diligence which would be exercised in the same circumstance by a person having both:</p> <p>a. the knowledge and experience that may reasonably be expected of a person in the same position as the capital market institution; and</p> <p>b. the knowledge and experience which the A capital market institution has.</p>			
34								
35	<p>Article 53: Division of responsibilities</p> <p>b. An authorised person must take appropriate measures to maintain a clear and appropriate division of the principal responsibilities</p>				<p>Article 53: Division of responsibilities</p> <p>a. A capital market institution must take appropriate measures to maintain a clear and appropriate division of the principal responsibilities among</p>			



Draft Amendments to the Securities Business Regulations and the Authorised Persons Regulations

Authorised Persons Regulations		
	Current Provisions	Provisions after Proposed Amendments
	<p><u>among its directors or partners and senior management (if any)</u> so that:</p> <ol style="list-style-type: none"> 1. it is clear who is responsible for each function; and 2. The business and affairs of the <u>authorised person</u> are adequately monitored and overseen by the directors or partners, relevant senior managers and governing body of the <u>authorised person</u>. <p>c. The <u>CEO</u> is responsible for arranging the division of responsibilities under paragraph (a) of this Article, and overseeing the establishment and implementation of the <u>authorised person</u>'s systems and controls.</p>	<p><u>its governing body and senior executives</u> so that:</p> <ol style="list-style-type: none"> 1. it is clear who is responsible for each function; and 2. the business and affairs of the <u>capital market institution</u> are adequately monitored and overseen by the directors or partners, relevant senior managers and governing body of the <u>capital market institution</u>. <p>b. The <u>governing body</u> is responsible for arranging the division of responsibilities under paragraph (a) of this Article, and overseeing the establishment and implementation of the <u>capital market institution</u>'s systems and controls.</p>
36	<p>Article 55: General Provisions ...</p> <p>b. An <u>authorised person</u> must establish systems and controls to cover at a minimum:</p> <ol style="list-style-type: none"> 1) the division of responsibilities and reporting lines in accordance with Article 53 of these Regulations; 2) risk management policies and systems; 3) anti-money laundering and terrorism financing procedures; 4) a compliance manual; 5) a compliance monitoring programme; 6) a code of conduct; 7) an operational procedures manual; and 8) continuity of business manuals and plans. <p>.....</p>	<p>Article 55: General Provisions ...</p> <p>b. <u>A capital market institution</u> must establish systems and controls to cover at a minimum:</p> <ol style="list-style-type: none"> 1) the division of responsibilities and reporting lines in accordance with Article 53 of these Regulations; 2) risk management policies and systems; 3) anti-money laundering and terrorism financing procedures; 4) a compliance manual; 5) a compliance monitoring programme; 6) a code of conduct; 7) an operational procedures manual; and 8) continuity of business manuals and plans. <p>c. <u>A capital market institution authorised to carry out dealing business must establish clients conduct trading surveillance policies, provided that the policies are sufficient for the capital market institution to ensure compliance of its clients with the Capital Market law and its Implementing Regulations.</u></p> <p>.....</p>
37	<p>Article 56: Review By the governing body</p> <p>a. <u>An authorised person</u>'s governing body must carry out a regular review of the division of responsibilities and its systems and controls, including the documents referred to in Article 55(c) of these Regulations, at least <u>annually</u>.</p> <p>.....</p>	<p>Article 56: Review by the governing body</p> <p>a. <u>A capital market institution</u>'s governing body must carry out a regular review of the division of responsibilities and its systems and controls, including the documents referred to in Article 55(c) of these Regulations, at least <u>once every three years</u>.</p> <p>.....</p>
38	<p>Article 57: Compliance</p> <p>a. An <u>authorised person</u> must appoint a senior officer as compliance officer.</p>	<p>Article 57: Compliance</p> <p>a. <u>A capital market institution</u> must appoint a senior officer as compliance officer.</p>



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Authorised Persons Regulations		
	Current Provisions	Provisions after Proposed Amendments
	<p>b. The governing body of the <u>authorised person</u> is responsible for supervising the following:</p> <ol style="list-style-type: none"> 1) ensuring that appropriate policies and procedures are in place to enable the <u>authorised person</u> to comply with the Capital Market Law, the Implementing Regulations and all other applicable regulatory requirements; 2) ensuring that the compliance officer and his department are appropriately resourced and have access to all of the <u>authorised person</u>'s records; 3) the establishment, implementation, enforcement and maintenance of the compliance manual and the compliance monitoring programme; 4) the establishment of and ensuring compliance with the code of conduct; 5) the preparation of reports and notifications to be filed with the Authority; and 6) The procedures for <u>reporting</u> to the governing body <u>on compliance matters</u>. <p>c. The Authority may review the appropriateness of an <u>capital market institution</u>'s compliance arrangements at any time.</p>	<p>b. The governing body of the <u>capital market institution</u> is responsible for supervising the following:</p> <ol style="list-style-type: none"> 1) ensuring that appropriate policies and procedures are in place to enable the <u>capital market institution</u> to comply with the Capital Market Law, the Implementing Regulations and all other applicable regulatory requirements; 2) ensuring that the compliance officer and his department are appropriately resourced and have access to all of the <u>capital market institution</u>'s records; 3) the establishment, implementation, enforcement and maintenance of the compliance manual and the compliance monitoring programme; 4) the establishment of and ensuring compliance with the code of conduct; 5) the preparation of reports and notifications to be filed with the Authority; and 6) The procedures for <u>the periodic reporting</u> to the governing body <u>by the compliance officer regarding the capital market institution compliance with the Capital Market Law and its Implementing Regulations and all other relevant regulatory requirements</u>. <p>c. The Authority may review the appropriateness of a <u>capital market institution</u>'s compliance arrangements at any time.</p> <p>d. <u>The compliance officer shall comply to periodically submit reports to the governing body regarding the capital market institution compliance with the Capital Market Law and its Implementing Regulations and all other relevant regulatory requirements.</u></p>
39	<p>Article 58: Compliance committee</p> <ol style="list-style-type: none"> a. Depending on the nature, scale and complexity of its business, an <u>authorised person</u> may establish a compliance committee to monitor its securities business and its compliance program. b. The Authority may require an <u>authorised person</u> to appoint a compliance committee if it considers one to be necessary based on the nature, scale and complexity of the business. c. When a compliance committee is established, its members should include, but 	<p>Article 58: Risk Committee and Compliance committee</p> <ol style="list-style-type: none"> a. Depending on the nature, scale and complexity of its business, <u>a capital market institution</u> may establish a compliance committee, <u>risk committee or both</u> to monitor its securities business and its compliance program. b. The Authority may require <u>a capital market institution</u> to appoint a compliance committee, <u>risk committee or both</u>, if it considers one to be necessary based on the nature, scale and complexity of the business.



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	<p>are not limited to, the CEO, the compliance officer, the MLRO and a senior officer from internal audit (if any).</p> <p>d. The compliance committee must meet at least quarterly. Meetings must be minuted and the minutes must be retained for ten years.</p>	<p>c. When a compliance committee is established, its members should include, but are not limited to, the CEO, the compliance officer, the MLRO and a senior officer from internal audit (if any) and connected to the governing body of the capital market institution.</p> <p>d. The risk committee and compliance committee meetings must be minuted, and the minutes must be retained for ten years.</p>
40	<p>Article 59: Outsourcing</p> <p>a. An authorised person may delegate specific compliance or other functions to an external party, provided that appropriate safeguards are put in place, including:</p> <ol style="list-style-type: none"> 1) an assessment of whether the delegate is suitable to carry out the delegated function or task, taking into account the degree of responsibility involved; 2) clear documentation of the extent and limits of any delegation; 3) suitable arrangements to supervise the delegation, and to monitor the discharge of the delegate's functions or tasks; and 4) appropriate remedial action if any concern arises about the performance of the delegate's functions or tasks. <p>b. An authorised person must exercise due diligence in the selection of an external party to perform specific functions.</p> <p>c. The outsourcing of any function by the authorised person will not derogate from the authorised person's, compliance officer's or the compliance committee's regulatory obligations</p>	<p>Article 59: Outsourcing</p> <p>a. A capital market institution may delegate specific compliance or other functions to an external party, provided that appropriate safeguards are put in place, including:</p> <ol style="list-style-type: none"> 1) an assessment of whether the delegate is suitable to carry out the delegated function or task, taking into account the degree of responsibility involved; 2) clear documentation of the extent and limits of any delegation, and information confidentiality standards; 3) suitable arrangements to supervise the delegation, and to monitor the discharge of the delegate's functions or tasks; and ensuring its continuity, including granting the capital market institution the right to inspect the delegate, and obligating it to provide any information requested by the capital market institution within a period not exceeding ten days from the date of the request. 4) appropriate remedial action if any concern arises about the performance of the delegate's functions or tasks. <p>b. A capital market institution must exercise due diligence in the selection of an external party to perform specific functions.</p> <p>c. The outsourcing of any function by the capital market institution will not derogate from the capital market institution's, compliance officer's or the compliance committee's regulatory obligations.</p> <p>d. The delegate for performing any of the securities business must be a capital market institution authorised to carry out the delegated securities business.</p>
41	<p>Article 60: Audit Committee</p> <p>a. Depending on the nature, scale and complexity of its business, an authorised</p>	<p>Article 60: Audit committee</p> <p>a. Depending on the nature, scale and complexity of its business, a capital market institution may</p>



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	<p><u>person</u> may appoint an audit committee.</p> <p>b. The Authority may require an <u>authorised person</u> to appoint an audit committee if it considers one to be necessary based on the nature, scale and complexity of the business.</p> <p>c. The audit committee must meet at least <u>quarterly</u>.</p> <p>d. Meetings of the audit committee must be minuted and the minutes retained for ten years.</p>	<p>appoint an audit committee.</p> <p>b. The Authority may require <u>a capital market institution</u> to appoint an audit committee if it considers one to be necessary based on the nature, scale and complexity of the business.</p> <p>c. The audit committee must meet at least <u>twice a year, and when necessary</u>.</p> <p>d. Meetings of the audit committee must be minuted and the minutes retained for ten years.</p>
42	<p>Article 62: Audit and Inspections</p> <p>a. <u>An authorised person</u>'s internal <u>and external auditors</u> must review books, accounts and other records related to securities business at least <u>annually</u>.</p>	<p>Article 62: Audit and inspections</p> <p>a. <u>A capital market institution</u>'s internal auditor must review books, accounts and other records related to securities business at least <u>once every three years, and when necessary</u>.</p>
43	<p>Article 69: Purpose and Scope</p> <p>....</p>	<p>Article 69: Purpose and Scope</p> <p>c. <u>Clients' money or assets kept in accordance with the provisions of this part must be through a capital market institution authorised to conduct custody business</u>.</p>
44	<p>Article 70: Effect of Segregation</p> <p>a. Client money and client assets which are segregated are deemed to be held for the <u>authorised person</u>'s clients and are not deemed to be assets of the <u>authorised person</u>.</p> <p>b. Creditors of an <u>authorised person</u> do not have any claim or entitlement to segregated money or assets.</p>	<p>Article 70: Effect of Segregation</p> <p>a. Client money and client assets, which are segregated <u>from the capital market institution's money and assets</u>, are deemed to be held for the <u>capital market institution</u>'s clients and are not deemed to be <u>money or</u> assets of the <u>capital market institution</u>.</p> <p>b. Creditors of <u>a capital market institution</u> do not have any claim or entitlement to segregated money or assets.</p>
45	<p>Article 77: Commission</p> <p>No <u>commission</u> is payable to a client in respect of client money held in a client account.</p>	<p>Article 77: Returns</p> <p>a. No <u>returns</u> are payable to a client in respect of client money held in a client account.</p> <p>b. <u>Without prejudice to the provisions of this Part, the capital market institution may deposit clients' money in an account with a local or foreign bank that provides returns and obtain those returns or part of them, provided that the client's prior written consent is obtained, and Client Money Rules are fulfilled</u>.</p>
46	<p>Article 88: Clients Agreements</p> <p>a. Before an <u>authorised person</u> provides custody services to a <u>customer</u>, it must</p>	<p>Article 88: Clients agreements</p> <p>a. Before <u>a capital market institution</u> provides custody services to a <u>client</u>, it must agree in</p>



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	<p>agree in writing with that <u>customer</u> appropriate terms of business which must cover the matters set out in paragraph (b) of this Article. Before an <u>authorised person</u> provides custody services to a counterparty, it must send a written notice to the counterparty which must cover the matters set out in paragraph (b) of this Article.</p>	<p>writing with that <u>client</u> appropriate terms of business which must cover the matters set out in paragraph (b) of this Article. Before a <u>capital market institution</u> provides custody services to a counterparty, it must send a written notice to the counterparty which must cover the matters set out in paragraph (b) of this Article.</p>
47	<p>Article 93: Collateral subject to the Client Money Rules or the Client Asset Rules</p> <p>c. Where an <u>authorised person</u> passes collateral of a <u>customer</u> which is client money or client assets to a counterparty in the Kingdom, it must:</p> <ol style="list-style-type: none"> 1) take reasonable steps to ensure that the counterparty treats the collateral as client money or client assets; or 2) have obtained the consent of the <u>customer</u> in the terms of business not to treat the money or assets as client money or client assets. 	<p>Article 93: Collateral subject to the Client Money Rules or the Client Asset Rules</p> <p>c. Where a <u>capital market institution</u> passes collateral of a <u>client</u> which is client money or client assets to a counterparty in the Kingdom, it must:</p> <ol style="list-style-type: none"> 1) take reasonable steps to ensure that the counterparty treats the collateral as client money or client assets; or 2) have obtained the consent of the <u>client</u> in the terms of business not to treat the money or assets as client money or client assets.
48	<p>Article 94: Other collateral</p> <p>b. An <u>authorised person</u> must not receive or hold other collateral under this Article in the case of collateral of a <u>customer</u> before it has:</p> <ol style="list-style-type: none"> 1) determined in accordance with Article 43 of these Regulations that the taking of collateral is suitable for the <u>customer</u>; 2) taken reasonable steps to ensure that the <u>customer</u> understands the nature of the risks involved in his providing other collateral to the <u>authorised person</u>; 3) disclosed to the <u>customer</u> in the terms of business that his collateral will not be subject to the protections under the Client Asset Rules and as a consequence, his collateral will not be separated from the assets of the <u>authorised person</u> and will be used by the <u>authorised person</u> in the course of the <u>authorised person</u>'s business, and he will therefore rank as a general creditor of the <u>authorised person</u>; and 4) ensured that it maintains adequate records to enable it to meet any prospective obligations including the return of equivalent assets to the <u>customer</u>. 	<p>Article 94: Other collateral</p> <p>b. A <u>capital market institution</u> must not receive or hold other collateral under this Article in the case of collateral of a <u>client</u> before it has:</p> <ol style="list-style-type: none"> 1) determined in accordance with Article 43 of these Regulations that the taking of collateral is suitable for the <u>client</u>; 2) taken reasonable steps to ensure that the <u>client</u> understands the nature of the risks involved in his providing other collateral to the <u>capital market institution</u>; 3) disclosed to the <u>client</u> in the terms of business that his collateral will not be subject to the protections under the Client Asset Rules and as a consequence, his collateral will not be separated from the assets of the <u>capital market institution</u> and will be used by the <u>capital market institution</u> in the course of the <u>capital market institution</u>'s business, and he will therefore rank as a general creditor of the <u>capital market institution</u>; and 4) ensured that it maintains adequate records to enable it to meet any prospective obligations including the return of equivalent assets to the <u>client</u>.



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F) Proposed amendments to the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority compared with the current provisions:

The Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority		
S	Current Text	Text after Proposed Amendments
1	Custody: safeguarding assets belonging to another person which include securities, or arranging for another person to do so, and custody includes taking the necessary administrative measures.	Custody: safeguarding assets belonging to another person which include securities, or arranging for another person to do so, and custody includes taking the necessary administrative measures, <u>excluding administrative measures for managing investments and operating funds.</u>
2	Arranging: introducing parties in relation to <u>securities business</u> , advising on corporate finance business <u>or acting in any way to bring about a deal in a security.</u>	Arranging: introducing parties in relation to <u>offering of securities or arrangement of its underwriting</u> , or advising on corporate finance business.
3	Advising: advising a person on the merits of dealing in a security or exercising any right to deal conferred by a security.	Advising: advising a person on dealing in a security, exercising any right to deal conferred by a security, <u>financial planning or wealth management.</u>
4	-	Adding the term “Managing Investments and Operating Funds” as follows: <u>“Managing Investments and Operating Funds: making investment decisions for investment funds and client portfolios in circumstances involving the exercise of discretion, and operating investment funds.”</u>
5	-	Adding the term “Managing Investments” as follows: <u>“Managing Investments: taking investment decisions for non-real-estate investment funds and client portfolios in circumstances involving the exercise of discretion.”</u>
6	-	Adding the term “Operating Funds” as follows: <u>“Operating Funds: Taking all administrative measures in relation to investment funds, including the calculation of its net assets value and the management of subscription and redemption for its units.”</u>
7	-	Adding the term “Independent Investment Advisor” as follows: <u>Independent Investment Advisor: the capital market institution authorised to carry out advising business that holds itself out as independent investment advisor in accordance with paragraph (f) of Article 41 of the capital market institution Regulations.”</u>
8	-	Adding the term “Brokerage Professional” as follows: <u>“Brokerage Professional: an employee of a capital market institution who performs the activity of dealing on behalf of a capital market institution.”</u>
9	Fund Manager: a person that is responsible for the management of the assets of an investment fund and the operations of the investment fund,	Fund Manager: a person that is responsible for the management of the assets of an investment fund and the operations of the investment fund, and offering of



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The Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority		
S	Current Text	Text after Proposed Amendments
	and offering of units of the investment fund.	units of the investment fund; <u>and for the purposes of Article 19 of the Capital Market Institutions Regulations, it means an employee of a capital market institution who performs the activity of managing investment funds on behalf of the capital market institution.</u> ”
10	Governing Body: the body of individuals which makes a person’s strategic decisions. The governing body of a joint stock company is its board of directors.	Governing Body: the body of individuals which makes a person’s strategic decisions, and the board of directors of a joint-stock company <u>or the board of managers of a limited liability company</u> is considered its governing body.
11	-	<p>Adding the term “Qualified Client” as follows: “Qualified Client: means any of the following:- A) <u>A natural person who meets at least one of the following criteria:</u></p> <ol style="list-style-type: none"> 1) <u>has carried out at least 10 transactions per quarter over the last 12 months of a minimum total amount of 40 million Saudi Riyals on securities markets;</u> 2) <u>his net assets is not less than 5 million Saudi Riyals;</u> 3) <u>Works or has worked for at least three year in the financial sector in a professional position which requires knowledge of securities investment;</u> 4) <u>holds professional certificate that is related to securities business and accredited by an internationally recognised entity; or</u> 5) <u>holds the General Securities Qualification Certificate that is recognised by the Authority, and has an annual income that is not less than 600,000 Saudi Riyals in the two most recent years.</u> 6) <u>Clients of a capital market institution authorised by the Authority to conduct managing activities, provided that the following is fulfilled:</u> <ol style="list-style-type: none"> a. <u>the offer shall be made to the capital market institution, and that all related communications be made by him</u> b. <u>The capital market institution has been appointed as an investment manager on terms which enable it to make decisions</u>



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The Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority		
S	Current Text	Text after Proposed Amendments
		<p><u>concerning the acceptance of private placement and investment in the securities on the client’s behalf without obtaining prior approval from the client.</u></p> <p>7) <u>Persons registered with the capital market institution if the offering is by the capital market institution himself.</u></p> <p>B) <u>any legal person fulfilling at least one of the following criteria:</u></p> <p>1) <u>any legal person acting for its own account; In the event that one of the following conditions is fulfilled:</u></p> <p>a. <u>any company which owns, or which is a member of a group which owns, net assets of not less than 10 million Saudi Riyals and not more than 50 million Saudi Riyals;.</u></p> <p>b. <u>any unincorporated body, partnership or other organisation which has net assets of not less than 10 million Saudi Riyals; and not more than 50 million Saudi Riyals.</u></p> <p>c. <u>any person (“A”) whilst acting in the capacity of director, officer or employee of a person (“B”) falling within subparagraphs (1) or (2) where A is responsible for B undertaking any securities activity.</u></p> <p>2) <u>Clients of a person authorised by the Authority to conduct managing activities. Provided that the following is fulfilled:</u></p> <p>a. <u>the offer shall be made to the capital market institution, and that all related communications be made by him</u></p> <p>b. <u>The capital market institution has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of private placement and investment in the securities on the client’s behalf without obtaining prior approval from the client.”</u></p>



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The Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority		
S	Current Text	Text after Proposed Amendments
12		<p>Add the term "Institutional Client", according to the following text: <u>"Institutional Clients: means any of the following:</u></p> <ol style="list-style-type: none"> a. <u>The Government of the Kingdom or any supranational authority recognised by the Authority.</u> b. <u>Government-owned companies, either directly or through a portfolio managed by a capital market institutions authorised to carry out managing business.</u> c. <u>any legal persons acting for their own account; and fulfilling any of the following conditions:-</u> <ol style="list-style-type: none"> 1) <u>any company which owns, or which is a member of a group which owns, net assets of more than 50 million Saudi Riyals;</u> 2) <u>any unincorporated body, partnership or other organisation which has net assets of more than 50 million Saudi riyals.</u> 3) <u>any person ("A") whilst acting in the capacity of director, officer or employee of a person ("B") falling within sub-paragraphs (1) or (2) where A is responsible for B undertaking any securities activity.</u> d. <u>Investment fund.</u> e. <u>counterparty in accordance with the Capital Market Institution Regulations."</u>
13		<p>Add the term "Retail Client", according to the following text: <u>"Retail Client: Any client who is not a qualified client or an institutional client."</u></p>
14	<p>Counterparty: in the <u>Authorised Persons Regulations</u>, means a client who is an <u>authorised person</u>, an exempt person, <u>an institution</u> or a non-Saudi financial services firm; and other than in the <u>Authorised Persons Regulations</u>, counterparty means a counterparty to a transaction.</p>	<p>Counterparty: in the <u>Capital Market Institutions Regulations</u>, means a client who is a <u>capital market institution</u>, an exempt person, <u>a local bank, an insurance company, a qualified foreign investor</u>, or a non-Saudi financial services firm; and other than in the <u>Capital Market Institutions Regulations</u>, counterparty means a counterparty to a transaction."</p>
15	-	<p>Add the term "Suitability Report," according to the following text: <u>"Suitability Report: The report prepared in accordance with the requirements of paragraph (c) of Article 43 of Capital Market Institutions."</u></p>



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The Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority		
S	Current Text	Text after Proposed Amendments
16	Deleting the term “ Customer ”	-
17	Deleting the term “ Execution-only Customer ”	-
18	Deleting the term “ Assets Under Management ”	-