



FinTech Lab

Frequently Ask Questions



Innovative FinTech companies are offering competing products and services in many of the key business lines of traditional intermediaries, including assets management and financing. In addition, most of the countries around the world demonstrate directly or indirectly their support for the innovated FinTech solutions. Thus, the Capital Market Regulators realized the importance of FinTech and took steps to accommodate entrepreneurs and innovations. This support came because of several advantages presented by FinTech innovations including the facilitation of investors and companies' access to financial markets by providing reduced cost of investment and financial tools along with improving the efficiency of the offered capital market activities.



What distinguishes the FinTech environment in the Kingdom of Saudi Arabia?

The financial technology system in the Kingdom of Saudi Arabia is characterized by a high attractiveness that allows companies to provide innovative services easily, due to the technical progress of the kingdom's infrastructure that allows the provision of automated services, in addition to the advancement of e-government transactions, which is the basis of the information infrastructure that supports financial technology companies to provide fast automated services. In addition, the Kingdom's workforce is also characterized by efficiency, which contributes to attracting talent to work in financial technology companies. The cooperation of legislative authorities also effectively supports the Financial Technology system which has an impact in attracting investments to this sector.

What is the FinTech Lab?

The lab is a legislative experimental environment that allows fintech products and services to test their innovative business models with specific criteria, time period, regulatory requirements, and under the supervision of the Capital Market Authority. The FinTech lab attracts local and international firms located in the kingdom that provide financial products and services related to securities activity with innovative business models and ready for testing in an experimental environment. The Capital Market Authority aims to diversify investment products and processes available in the financial market, through providing a regulatory framework that is conducive for the innovation of FinTech within the Kingdom of Saudi Arabia. The FinTech regulatory framework is designed to promote and develop FinTech where participants can deploy and test their innovative FinTech products, services, and business models related to securities activities within specified parameters and timeframes.



What is the Financial Technology Experimental Permit (FinTech ExPermit)?

The FinTech ExPermit enables applicants to participate in the FinTech Lab to deploy and experiment their innovative FinTech products related to capital market within specified parameters and timeframes.

The FinTech ExPermit provides a two year testing period to Experiment the Fintech product. Upon the completion of the testing, the applicant can choose to either: execute the exit strategy, or proceed to deploy the FinTech product on a wider scale based on a proposed strategy. To accomplish this both the authority and the applicant must be satisfied with the achievement of the intended test outcomes of the FinTech ExPermit. Moreover, the applicant must be able and willing to fully comply with the Capital Market Law and its Implementing Regulations.

If a FinTech product targets Professional Investors, is the applicant required to obtain a FinTech Expermit?

With reference to Sections (3&4) of the FinTech Expermit Instructions (Target Applicants and permit requirements), the provider of a financial technology product that falls under the scope of securities business must apply to the Authority to obtain a FinTech Expermit, regardless of the target customers.



“ What is the process for receiving FinTech Expermit applications? ”

With reference to subparagraph (d) of paragraph (1) of the Financial Technology Instructions, “The Authority receives applications for obtaining a permit to experiment with financial technology throughout the year. The assessment of applications will be conducted through batches announced via CMA's website, provided that all documents and data necessary are complete prior to commencement of the application's assessment”

To find out the process for submitting the application, you can refer to Section Five (Permit application process), and Appendix (A - The application process), of the Financial Technology ExPermit Instructions.

“ What is the process that determines the obligation to obtain a FinTech Expermit or to practice the activity directly by the Financial Market Institutions? ”

With reference to subparagraph (b) of paragraph (3) of the Financial Technology Expermit Instructions issued by the Authority, which included the general principles for targeted applicants to obtain a FinTech Expermit, stating the following: ‘A Market Institution does not need to apply for FinTech ExPermit to test its FinTech product which complies with all relevant regulatory requirements to a wider market, if it has authorization for the activity it wishes to carry on. Alternatively, if it does not have the relevant authorization for the activity, it will need to apply to the Authority to amend its License to obtain that authorization in accordance to the Capital Market Institutions Regulation”.



“ Does the applicant have to be a pre-established entity to offer the FinTech product? ”

During the submission of the application, the presence of a legal entity is not required, but after approval of the application, the applicant - Including foreign companies- must establish the legal entity in the Kingdom to start commencing the FinTech activity.

“ How advanced does the technology have to be in order to obtain FinTech Expermit? ”

With reference to subparagraph (4) of paragraph (c) of section (4) of the Financial Technology ExPermit instructions, the product must be at a sufficiently advanced stage of development to mount a Fin-Tech experiment. For example, but not limited to the possibility of presenting a trial of the financial technology product.

“ Is a Financial Institution required to establish a separate legal entity to offer a FinTech product? ”

A Financial Market Institution does not need to establish a separate legal entity to apply for a FinTech Expermit.



“ Is there a certain number of permitted companies that the authority determines to participate in the Fintech lab? ”

The FinTech Lab does not target a specific number of permitted companies firms, and takes into consideration the number of applicants and the Fin-Tech business models that can be supported.

“ Is the applicant required to submit a presentation in addition to the application form? ”

The FinTech Expermit application is evaluated based on the completion of all the required data in the application form, and the applicant has the option to submit any supporting documents.

“ What are the FinTech Product Criteria? ”

The proposed FinTech product or service should meet the following criteria in order to enter the FinTech Experimental Lab:

- 1- It must involve securities activity.
- 2- It promotes FinTech innovation.
- 3- It is at a sufficiently advanced stage of development to mount a live test FinTech.
- 4- It promotes significant growth, efficiency or competition in the capital market.

For more details, you can refer to [The Financial Technology Experimental Permit Instructions](#).



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What's after the experiment?

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Upon the Expiration of the FinTech ExPermit, the applicant can choose to either:

1. execute the exit strategy; or
2. proceed to deploy the FinTech product on a wider scale, if the FinTech company proves its ability to do so, provided that the financial technology company is able and willing to fully comply with CMA Laws and Regulations.

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Does the FinTech Lab receive applications related to an Equity Crowdfunding business model?

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Based on the FinTech Experiment of the Equity Crowdfunding business model in previous years, we inform you that currently the FinTech Lab does not receive applications related to equity crowdfunding business model, and you can apply directly to obtain a license to practice it as a Financial Institution through





Are there any examples of Business Models that are currently experimented within the FinTech Lab?

CMA's FinTech Lab attracts various business models that contribute to building economic entities that enhance the depth and diversity of the financial sector.

The FinTech Lab looks forward to experiment with more innovative FinTech business models that contribute to providing new channels of financing and investment in the financial market. The following are examples of FinTech business models that are currently being Experimented at the FinTech Lab:

Equity Crowd Funding

Equity crowdfunding platform allows investors to participate in funding small and medium size enterprises in exchange for shares in such enterprises. The service is provided through an electronic platform owned and monitored by the permitted company.

Robo-Advisory

It is a platform which allows clients to get advice on securities or investment scheme through direct access to an automated online platform (or application).

Additionally, the platform is able to offer automated online discretionary investment management, where the clients can automatically make investments through the platform or the application by giving the management of the company the responsibility to invest on the client's behalf, within parameters and mandates agreed with the client, on an ongoing basis. The service is provided through an electronic online platform (or application) owned and monitored by the management of the company.



Offering and Investment in Debt Instruments

It is a platform for offering and investment in debt instruments which enables SMEs to obtain the required funding by arranging the offering of Sukuk to finance projects, and offering them to the collective investors registered in the platform.

The use of Distributed Ledger Technology (DLT) to arrange the offering of securities and custody services

It is a platform that uses Distributed Ledger Technology (DLT) to arrange the offering of securities (Sukuk as a preliminary stage) to investors, in coordination with the Issuer and the Authorized Person (AP) assigned by the Issuer as an Offering Advisor.

Social Trading:

Social Trading platform allows a group of clients (followers' clients) to access the investment portfolios of other clients (followed clients) and the executed transaction in their portfolios, in order to seek guidance from their investment strategies.

Investment and Real Estate Funds Distribution Platform:

Distribution of investment units issued by investment and Real Estate Investment funds established in the Kingdom and offered publicly or privately in accordance with the relevant regulations issued by the CMA, in which the offering is conducted to a group of investors (platform clients) through a platform established for this purpose ("platform"). The units obtained through the platforms should be registered under the investor's name (end beneficiary) with the fund manager, ensuring that these investors who invested through the platform exercise their rights as owners of units in accordance with the relevant executive regulations.

The use of Artificial Intelligence in advisory:

A platform that provides investment advisory services using artificial intelligence tools, where the algorithms provide recommendations regarding (the sale or purchase of securities to the platform's clients according to data obtained from different resources and per client consent through one or more Capital Market institution licensed by the CMA.



Thank you