



Introductory Document Offshore Securities Business License Project

The Information in this document has not yet been approved by the Board of Commissioners of Capital Market Authority, and is subject to amendments. Accordingly, the Capital market Law and its implementing regulations must be relied upon.

Introduction

As per the role of the Saudi Capital Market Authority “CMA” in developing and regulating the Saudi capital market and its participants and diversifying the investor base, the CMA works continuously as part of the Financial Sector Development Program on strategic initiatives that impacts on the development of the financial sector and increasing its efficiency.

The CMA is working through its strategic initiative on introducing a new license for offshore securities business in support of the mentioned efforts. This initiative aims to attract international and local financial institutions, to support the Kingdom’s position as a global financial center.



Saudi 2030 Vision

Vision 2030 aims to create a thriving economy that serves as the foundation for a vibrant society and an ambitious nation, **through providing a growing competitive environment to become a leading global economy.**



Financial Sector Development Program

The Program plays a crucial role in **developing the financial sector to become a diversified efficient sector**, and promote savings, financing and investing, and increase the efficiency of the sector to be able to overcome any challenges.



Regional Headquarters “RHQ”

A joint initiative of the Ministry of Investment and the Royal Commission for Riyadh City **aiming to position the Kingdom as a leading global center for Multinational Companies.**



Capital Market Authority

The strategic plan for CMA 2024 – 2026 contains in its fourth strategic goal from pillar one, **the strategic initiative to introduce a new license for offshore securities business that will support the Kingdom’s position as a global financial center.**



Business Model for the “Offshore Securities Business License”

The Offshore Securities Business License

The Offshore Securities Business License is a license granted by CMA to conduct securities business in accordance to specific features mentioned in the section of “The main features of the license” in this document. The license is subject to the Kingdom's laws and regulations including the Capital Market Law and its Implementing Regulations according to the regulatory framework specified for the license in light of its practice of securities business.

The License Objectives



Developing the financial sector by attracting international financial institutions.



Align with the RHQ program in regards to financial institutions providing securities business.



Attract expertise and transfer knowledge in the securities business sector.



Support the Kingdom's position as a global center for providing securities business services.

The main features of the license

Head Office in the Kingdom

The head office for the offshore license is the regional headquarter that is authorized by the Ministry of Investment.

Type of Clients

The name "Offshore Securities Business License" is derived from the primary client category that the licensed capital market institution serves in conducting securities business, as the primary clients are foreign clients outside the Kingdom.

Additionally, the Offshore Securities Business License allows its holders to engage with a specific category of local clients, permitting them to deal with the following local client categories:

- The Government of the Kingdom, and any government entity
- Any entity that has a public legal personality in accordance with statutory provisions
- The Capital Market Institutions, the local banks, and the authorized insurance companies in the Kingdom.



Securities Business

- Conduct securities business activities outside the Kingdom in issued or listed securities outside the Kingdom.
- Manage investment funds and portfolios that invests in securities issued or listed in the Kingdom.
- The CMA seeks to enable the holders of the Offshore Securities Business License to establish private investment funds in the Kingdom with structures of higher flexibility.

Double-Hatting

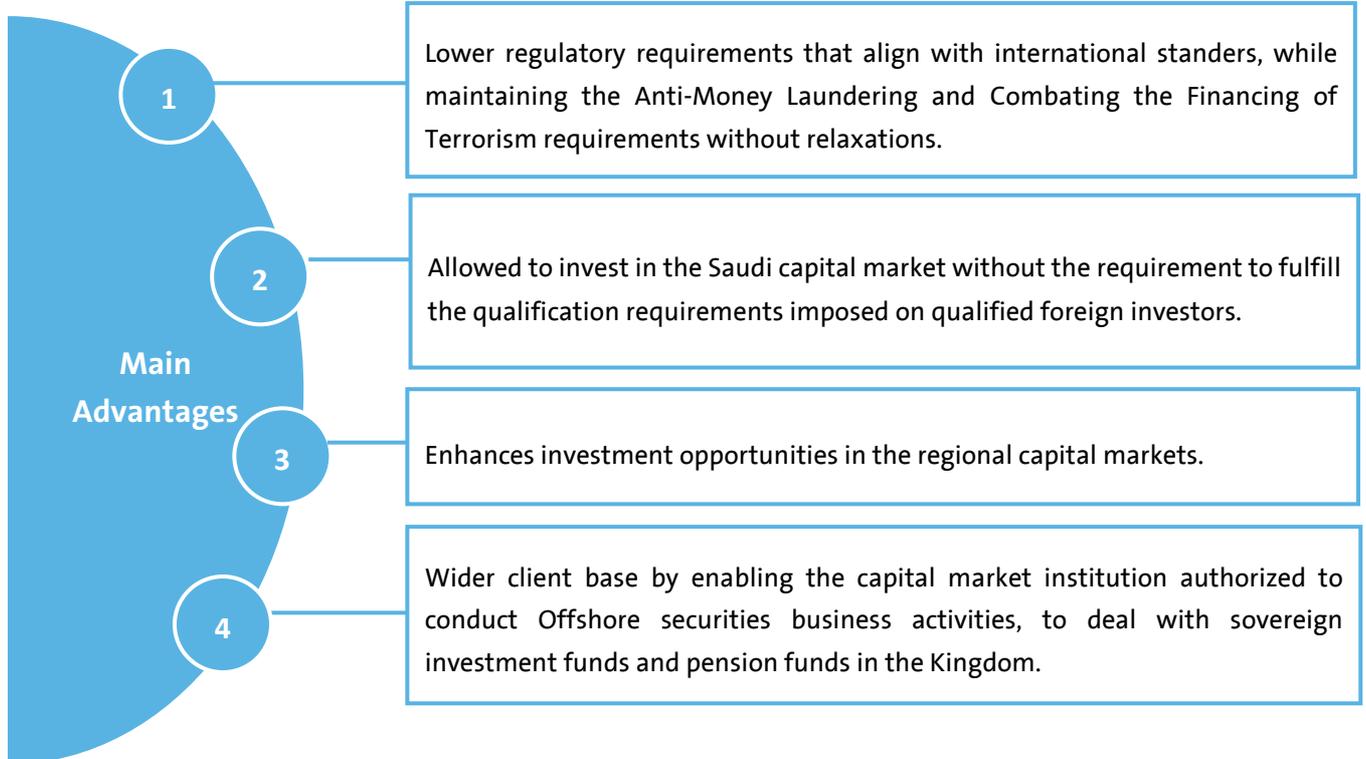
- The capital market institution authorized to conduct Offshore securities business activities may benefit from the concept of double-hatting if it is affiliated with a capital market institution licensed by the authority, while adhering to the performance of registrable functions requirements in the regularity framework of the Offshore Securities Business License.
- Regarding the registration application requirements, the capital market institution authorized to conduct offshore securities business activities will not be required to register the employee if the employee is already registered with the affiliated capital market institution licensed by CMA, provided that the registered person perform a similar function.

Dispute Resolution and Communication Language

- A capital market institution licensed to conduct offshore securities business can, in an agreement with its clients, choose the law and language of arbitration in case of any disputes regarding securities business; for example, the Saudi Center for Commercial Arbitration offers a wide range of options that enables dispute parties to choose the appropriate arbitration mechanism.
- In the event that the disputing parties do not agree to refer the matter to arbitration, they may resort to the Committee for Resolution of Securities Disputes, concerning securities disputes falling within the scope of the Capital Market Law.
- In addition, the language of communication between the capital market institution licensed to conduct offshore securities business and its client, can be determined according to the terms and conditions agreed upon between the capital market institution and its client.



The main advantages for the offshore securities business licensees



The Licensing Requirements for the Offshore Securities Business License

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| 1 | Type of Legal Form | Any legal form established in the Kingdom. |
| 2 | Head office | The regional headquarter licensed by the Ministry of Investment. |
| 3 | Capital Requirements | A capital that covers the expected expenses for a year. |
| 4 | Fit and Proper | <ol style="list-style-type: none"> 1. It is fit and proper to carry out securities business of the kind and scale for which it seeks authorization; 2. It has adequate expertise and resources for the kind of securities business that it proposes to carry out; 3. It has managerial expertise, financial systems, risk management policies and systems, technological resources, and operational procedures and systems that are sufficient to fulfil its business and regulatory obligations and to conduct the kind of securities business it proposes to carry put; and 4. its board of director's members, officers, employees and agents who will be involved in the applicant's securities business have the necessary qualifications, skills, experience and integrity to carry out the kind of securities business that it proposes to carry out. |
| 5 | Information and Documents Required | <ol style="list-style-type: none"> 1. Controllers; 2. Closed Links (The identity of the subject person, and to demonstrate to CMA that those close links will not prevent the effective supervision by CMA of the applicant); 3. Governing Body Resolution; 4. Business Profile; 5. Business Plan; 6. Financial Statements; 7. Registered Persons (The persons required to be registered are the CEO or Managing member of the board of directors, CFO, senior executives and the departments managers, compliance officer, and MLRO); 8. Incorporation Documents 9. Ownership Structure; and 10. Organization Chart |
| 6 | Commencement of Business | A notification to CMA about the commencement of the authorized business within a period of (12) months from the authorization date. |



Thank you