

KINGDOM OF SAUDI ARABIA

Capital Market Authority

INVESTMENT FUNDS REGULATIONS

English Translation of the Official Arabic Text

Issued by the Board of the Capital Market Authority

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Arabic is the official language of the Capital Market Authority

Important Notice: The current version of these Regulations, as may be amended, can be found at

the Authority website: www.cma.org.sa

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PART 1: GENERAL PROVISIONS

Article 1: Preliminary

- a. The purpose of these Regulations is to regulate the establishment, registration, offering and management of investment funds and associated activities in the Kingdom.
- b. These Regulations shall be read in conjunction with and in addition to the Capital Market Law and its Implementing Regulations, including, the Market Conduct Regulations, the Authorised Persons Regulations and the Securities Business Regulations.

Article 2: Definitions

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

Article 3: Compliance with the Regulations

- a. A person who intends to offer units in an investment fund in the Kingdom, or to establish an investment fund in the Kingdom, must comply with these Regulations.
- b. A fund manager, custodian, distributor, market maker, adviser and any member of the fund board of an investment fund in the Kingdom shall comply with these Regulations.

Article 4: Waivers

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

Article 5: Fees

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

Article 6: Right of Appeal

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

PART 2: FUNDS MANAGEMENT

Article 7: Scope and application

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

Article 8: Eligibility Requirements

The fund manager must be an authorised persons to conduct the activities of management.

Article 9: Fund Management and Duties of the Fund Manager

- a. The fund manager must act for the benefit of unitholders in accordance with these Regulations, the Authorised Persons Regulations, the terms and conditions of the investment fund, and the information memorandum in respect to the public fund.
- b. The fund manager must comply with all principles and duties required under Authorised Persons Regulations including the fiduciary duty towards unitholders which includes the duty to act in the best interests of the unitholders and duty to exercise all reasonable care and skill.
- c. With respect to the investment funds, fund manager's responsibilities shall include:
 - 1) Fund management.
 - 2) Fund operations, including administrative services to the fund.
 - 3) Offering of fund units.
 - 4) Ensuring the accuracy of the terms and conditions of the investment fund, (the information memorandum in respect to the public funds), and verify that the terms and conditions are complete, clear, accurate, and not misleading.
- d. The fund manager shall have the primary responsibility for compliance with these Regulations. Any delegation of the fund manager's responsibilities and duties to any other person pursuant to these Regulations shall not in any way limit, reduce or satisfy the fund manager's responsibilities under these Regulations and the Authorised Persons Regulations. The fund manager shall be responsible to unitholders for losses incurred by the investment fund which are caused by, fraud, negligence, misconduct or wilful default of the fund manager.
- e. The fund manager must develop policies and procedures that detect risks effecting the fund's investments and ensure treatment of these risks as soon as possible. These policies and procedures must include conducting risks assessment, at least, once a year.
- f. Unless the Authority determines otherwise, the fund manager may not limit the eligibility of the investment in the fund to nationals of any state or group of states or in a particular fund. This clause does not prevent the fund manager from rejecting investment from any person or entity that is deemed unqualified for such investment by any other relevant law.

- g. The Fund Manager must comply with the provisions of Annex (11) of these Regulations when applying for an approval from or notifying the Authority requests.
- h. The Fund Manager must implement a compliance monitoring program for every fund under its management. The fund manager must provide the Authority with the results of the implementation of the program upon its request.

Article 10: Maintenance of Books and Records

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

Article 11: Financial Statements

- a. The financial statements for an investment fund must be prepared in Arabic and in a semi-annual basis at least and must be reviewed in accordance with the standards issued by the Saudi Organisation of Certified Public Accountants (“SOCPA”), and a copy of the financial statements may be prepared in any other language.
- b. The financial statements for an investment fund should be audited in accordance with the standards issued by the Saudi Organisation of Certified Public Accountants (“SOCPA”).
- c. Copies of all financial statements required by paragraphs (a) and (b) of this Article must be included in the fund reports prepared by the fund manager pursuant to Article (71) of these Regulations in the case of public funds and pursuant to Article (89) of the Regulations in the case of private funds.

Article 12: Register of Unitholders

- a. The fund manager must establish a register of unitholders and must maintain it in the Kingdom.
- b. The register shall be conclusive evidence as to the persons entitled to units entered on the register.
- c. The fund manager must maintain at least the following information in the register:

- 1) The name and address of each unitholder;
 - 2) The national identification number, residence permit number (Iqama), passport number or commercial registration number of the unitholder when applicable, or any other identification as determined by the Authority;
 - 3) The nationality of the unitholder;
 - 4) The date on which the unitholder was registered in the register;
 - 5) Details of all transactions in relation to units conducted by each unitholder; and
 - 6) The running balance of the number of units (including fractions of a unit) held by each unitholder.
 - 7) Any restriction or right attached to units owned by the unitholder.
- d. The register of unitholders must be made available for inspection by the Authority at its request. An extract of the register of unitholders must be provided by the fund manager to any unitholder free of charge (at no cost) upon request (such extract must show all the information that is relevant to the requesting unitholder only).
- e. The fund manager must update the register of unitholders immediately to reflect changes to information referred to in paragraph (c) of this Article.

Article 13: Conflicts of Interest

- a. Without prejudice to paragraphs (b), (c), and (d) of this Article, the fund manager must treat any conflicts of interest in accordance with the provisions of the Authorised Persons Regulations.
- b. Without prior disclosure of the conflict of interest (when possible) or immediate disclosure (when prior disclosure of a conflict of interest is not possible) to the fund board of each applicable investment fund and fund board approval of that action, a fund manager of a public investment fund, and a private real estate fund manager, or the fund sub-manager of any of them, must not engage in any action that involves:
- 1) A material conflict between the interests of the fund manager or fund sub-manager and the interests of any investment fund it manages; or
 - 2) A conflict between the interests of any investment fund it manages and another investment fund or another client account.

- c. The fund manager of a public investment fund or a private real estate fund, and fund sub-manager of any of them, must ensure their affiliates do not, engage in any action described in paragraph (b) of this Article.
- d. The fund manager of a public investment shall disclose immediately, on its website and on the exchange website and on the public fund's annual reports that has been prepared by the fund manager in accordance to article (71) of these Regulations, any conflicts of interest that has been approved by the relevant fund board.

Article 14: Investment Policies and Practices

The investment decisions of the fund manager shall conform to well and prudent investment practice in relation to the investment objectives of the fund as set out in both the terms and conditions (and the information memorandum in respect to the public fund), including using its best efforts to ensure:

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

Article 15: Fund Manager's Subscriptions in Units in an Investment Fund

- a. A fund manager and any of its affiliates may only subscribe, for their own accounts, in units in an investment fund which is managed by the fund manager if the intention of such subscription is disclosed in the information memorandum in respect to the public fund and the terms and conditions of the investment fund and if the following requirements are satisfied:
 - 1) the terms of the fund manager's (or its affiliates') subscriptions, and the rights attached to the units which they hold must be no more favourable than those of other unitholders of the same class;
 - 2) the fund manager and its affiliates shall not be entitled to vote on the units which they hold; and
 - 3) the fund manager must disclose at the end of each quarter details of its investments in the on the fund manager's website, the exchange's website, and in the annual reports that the fund manager prepares in accordance to article (71) of These Regulations.

- b. A unitholder whose subscription in a closed-ended fund was made in kind must not reduce its ownership below the number of units issued for its in kind contribution.

Article 16: Special Commission Arrangements

- a. Any special commission arrangement entered into by a fund manager is subject to the Authorised Persons Regulations and must be disclosed in the terms and conditions and the information memorandum in respect to the public fund .
- b. Goods and services received by a fund manager under a special commission arrangement shall be restricted to those that are related to the execution of transactions on behalf of an investment fund or comprise the provision of research for the benefit of relevant investment fund.
- c. The fund manager shall not get sums of money under special commission or any other arrangements.

Article 17: Delegation by the Fund Manager

- a. A fund manager may, in respect to any investment fund which the fund manager manages, appoint one or more third parties or affiliates as a fund sub-manager. The remuneration of any fund sub-manager must be paid by the fund manager out of its own resources.
- b. With exception for cases described in paragraph (c) of this Article, Any fund sub-manager appointed pursuant to paragraph (a) of this Article must be appointed pursuant to a contract in writing and must be an authorised person to conduct the managing activities.
- c. A fund manager may appoint fund sub-manager operating in a jurisdiction other than the Kingdom to manage foreign investments of the investment fund, however the sub-manager shall be established, authorised and supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority, and must be appointed pursuant to a contract in writing.
- d. The Authority shall have the discretion to assess whether the jurisdiction in which any fund sub-manager operates has regulatory standards and requirements at least equivalent to those of the Authority.
- e. The fund manager may assign a third party or more, or any of his affiliate to work as distributor to units of an investment fund managed by the fund manager. The distributor's remuneration must be paid from the fund manager's own resources.
- f. The distributor that has been assigned to offer units in the Kingdom pursuant to paragraph (e) of this Article, must be an authorised person to conduct the activities of dealing as an agent, and must be appointed pursuant to a contract in writing.
- g. The fund manager may assign a third party or more, to carry out the fund operations, including administrative services for the fund.
- h. With exception for cases described in paragraph (i) of this Article, any third party

assigned pursuant to paragraph (g) of this Article must be an authorised person to conduct the custody activities, and must be assigned pursuant to a written contract.

- i. A fund manager may assign a third party operating in a jurisdiction other than the Kingdom to carry out the fund operations in relation to investment fund's foreign investments. The third party must be established, authorised and supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority, and must be assigned pursuant to a contract in writing.
- j. The Authority shall have the discretion to assess whether the jurisdiction in which any third party operating has regulatory standards and requirements at least equivalent to those of the Authority.

Article 18: Appointment of Advisors

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

Article 19: Services, Commissions and Management Fees

Any fees, commissions or charges levied on the fund for its management must be on arm's length terms (and at least equivalent to the terms entered into by persons dealing independently) and in no event shall such charges exceed the limit specified in the terms and conditions and the information memorandum in respect to the public fund.

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

- a. The Authority shall have the power to remove a fund manager in relation to a particular investment fund and to take any action it deems appropriate to appoint a replacement fund manager for that investment fund or to take any other measures it deems necessary in the event of:
 - 1) the fund manager ceasing to carry on management activities without notification to the Authority under the Authorised Persons Regulations;

- 2) the cancellation by the Authority of the fund manager's relevant authorisation(s) to carry on management activities under the Authorised Persons Regulations;
 - 3) a request by the fund manager to the Authority to cancel its relevant authorisation to carry on management activities;
 - 4) the Authority believing that the fund manager has failed, in a manner which the Authority considers material, to comply with the Capital Market Law or its Implementing Regulations;
 - 5) the death, incapacity or resignation of a portfolio manager who manages the assets of the relevant investment fund, if no other registered person employed by the fund manager can manage the assets of the relevant investment fund or the assets of the funds managed by the portfolio manager;
 - 6) Issuance of a special fund resolution by unitholders of a close ended fund; or
 - 7) any other event determined by the Authority on reasonable grounds to be of sufficient material.
- b. Notice of any event described in sub-paragraph (5) of paragraph (a) of this Article shall be provided by the fund manager to the Authority within (2) days of its occurrence.
- c. If the Authority exercises its power pursuant to paragraph (a) of this Article, the relevant fund manager shall co-operate fully in order to help facilitate a smooth transfer of responsibilities to the replacement fund manager during the initial (45) day period after the appointment of the replacement fund manager. The fund manager shall where necessary and applicable and at the discretion of the Authority, novate all of the contracts relating to the relevant investment fund to which it is a party to the replacement fund manager.

Article 21: Investment Decisions

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

PART 3: CUSTODY

Article 22: Scope and application

This Part shall apply to public funds and private funds.

Article 23: Appointment of Custodian

- a. The fund manager must appoint one or more custodians in the Kingdom to take custody of the assets of the investment funds which the fund manager manages. The custodian must be appointed pursuant to a written contract.
- b. The custodian appointed pursuant to paragraph (a) of this Article must not be a fund manager or a fund sub-manager to the relevant fund, or an affiliate of the fund manager or to the fund sub-manager.
- c. The custodian appointed pursuant to paragraph (a) of this Article must be an authorised person to conduct custody activity.

Article 24: Ownership and Custody of the Assets of the Investment Fund

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

Article 25: Segregation of Assets

- a. The custodian must, in relation to each investment fund to which it acts as custodian, open a separate account in a local bank under its name with the account designated as being for the benefit of the relevant investment fund.
- b. The custodian must segregate each investment fund's assets from its own assets and from the assets of its other clients, and must separately identify, by registration in the name of the custodian for the benefit of the relevant investment fund the securities and other assets of such investment fund. The custodian must register the real estate assets of the fund in the name of a subsidiary of the custodian. The custodian must maintain all necessary records to support the performance of its contractual responsibilities.
- c. The custodian must deposit all cash belonging to the investment fund into the relevant

bank account referred to in paragraph (a) of this Article and must deduct from the relevant bank account payments for investments and expenses incurred in the management and operation of the investment fund in accordance with these Regulations, the relevant terms and conditions (and the information memorandum in respect to the public fund) that it received from the fund manager, and the contract by which the custodian was appointed by the fund manager.

- d. Real estate assets of a private real estate fund can be registered in the name of a subsidiary of a lender, that extended a loan to the fund, as guarantee for the debt.

Article 26: Delegation by the Custodian

- a. A custodian may, in respect of any investment fund in relation to which the custodian acts, delegate one or more third parties or affiliates as a fund sub-custodian. The remuneration of the fund sub-custodian shall be paid by the custodian out of its own resources.
- b. With exception for cases described in paragraph (c), Any fund sub-custodian delegated pursuant to paragraph (a) of this Article must be delegated pursuant to a contract in writing and must be an authorised person to conduct the custody activities.
- c. A fund sub-custodian operating in a jurisdiction other than the Kingdom can be appointed to take custody of the fund's assets in relation to the fund's foreign investments, and must be appointed pursuant to a contract in writing and shall be established, authorised and supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority
- d. The Authority shall have the discretion to assess whether the jurisdiction in which any fund sub-custodian operates has regulatory standards and requirements at least equivalent to those of the Authority.
- e. The fund sub-custodian appointed pursuant to the provisions of this Article, shall not be the fund manager, the fund sub-manager, or any of their affiliates .

Article 27: Responsibilities of the Custodian

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

Article 28: Power of the Authority to Remove and Replace Custodian

- a. The Authority shall have the power to remove the custodian which was appointed by the fund manager of an investment fund and take any other measures it deems

necessary, as appropriate, in the event of:

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

Article 29: Removal of Custodian by the Fund Manager

- a. The custodian appointed by the fund manager of an investment fund shall be subject to removal by written notice by the fund manager of that investment fund upon the fund manager forming the reasonable opinion that the removal is for the interest of the unitholders, the fund manager shall notify the Authority and the unitholders in writing immediately. The fund manager must disclose in its website immediately the removal of a custodian right after, the fund manager of a public fund shall also disclose in the exchange website the removal of a custodian.
- b. On receipt by the custodian of a notice issued under paragraph (a) of this Article, the fund manager must terminate the appointment of the custodian within (30) days of such notification and shall appoint another custodian. The custodian must co-operate fully with the fund manager in order to facilitate a smooth transfer of responsibilities to the replacement custodian, and must transfer, where necessary and applicable, all contracts related to the relevant investment fund to the replacement custodian
- c. The fund manager must disclose in its website immediately about appointing a replacement custodian right after. The fund manager of a public fund shall also disclose in the exchange website the appointment of a replacement custodian for the relevant investment fund.

PART 4: PUBLIC FUNDS

Article 30: Application to the Authority for the Establishment of, and Offering of Units in, a Public Fund

- a. Any person seeking to establish, and offer units in, a public fund must submit an application to the Authority which contains the information specified in Annex 4 of these Regulations. The Applicant must be an authorised person that is authorised to carry out the activity of managing.
- b. The applicant must notify the Authority immediately of any change in the documentation and information provided to the Authority.
- c. The applicant must pay the fees set by the Authority.

Article 31: Procedures and Power of the Authority Toward the Application

- a. The Authority shall take any of the following within a period not exceeding (5) days from the day of receiving the application for approval to establish a public fund and to offer units in a public fund as per paragraph (a) of Article (30):
 - 1) it will notify the applicant in writing of a decision to approve the application;
 - 2) it will notify the applicant in writing of an uncompleted application and to provide such missing information and documents;
 - 3) if the Authority did not notify the applicant in accordance with sub-paragraph (1) or sub-paragraph (2) of this paragraph, it would be considered an implicit notice from the Authority to the applicant of the completion of the application, and the date of implicit notice is the expiration of the period specified in this paragraph.
- b. if the Authority notifies the applicant of an uncompleted application in accordance with sub-paragraph (2) of this paragraph, the applicant must provide such missing information and documentation within a period not exceeding (5) days from the day of the notice, in failing to comply a decision to refuse the application will be issued, and the Authority may issue a notice of such decision.
- c. Without prejudice to paragraph (d) of this article, if the application was completed in accordance with sub-paragraph (1) or sub-paragraph (3) of paragraph (a) of this article, or if the applicant provided any missing information and documents in accordance with paragraph (b) of this article, The Authority shall take any of the following within a period not exceeding (30) days from the day of the completion of application:
 - 1) a decision to approve the application, and the Authority will provide the applicant with a written notice;
 - 2) a decision to approve the application subject to such conditions and limitations as it considers appropriate by the Authority, and the Authority will provide the applicant with a written notice; or

- 3) a decision to refuse the application, and the Authority will provide the applicant with a written notice with a statement of reasons.

If the Authority have not provided the applicant with a written notice of its decision within term referred to in accordance with sub-paragraph (1) or sub-paragraph (2) or sub-paragraph (3) of this paragraph, it would be deemed as a decision by the Authority of the refusal of the application, for applicants who their applications were refused request a statement of the reasons for refusal from the Authority, and the Authority shall provide the applicant with it within a period not exceeding (5) days from the day following the submission of such request.

- d. The Authority may, during the period referred to in paragraph (c) of this article, request providing any additional information it deems necessary, and such information needs to be submitted to the Authority within a period not exceeding (10) days from the date of the request, otherwise the submitted application for approval to establish a public fund and to offer units in a public fund will be refused and the Authority may provide the applicant with a written notice.
- e. If the applicant made available the additional information requested by the Authority in accordance with paragraph (d) of this Article within the period specified in that paragraph, the Authority may take any of the actions set forth in paragraph (c) of this Article, and within a period not exceeding 10 days of the receipt of the additional information.
- f. The Authority may refuse an application if the Authority believes that the offering of units in the public fund may not be commensurate with the fund managers ability or may result in a breach of the Capital Market Law or its Implementing Regulations.
- g. An applicant shall not offer or hold itself out as offering units in a public fund unless it has received the Authority's decision in a written notice referred to in sub-paragraph (1) or (2) of paragraph (c) of this Article.
- h. An applicant must commence the offer and issuance of units in a public fund within (12) months from the date of the Authority's decision referred to in sub-paragraph (1) or (2) of paragraph (c) of this Article. If the applicant did not commence the offer and issuance of units during such period, the Authority's approval shall be deemed to be cancelled.

Article 32: Contractual Form Structure of a Public Fund

- a. A public fund shall be established by the signing of the terms and conditions of the relevant fund between the first potential unitholders and the fund manager. The terms and conditions shall contain the information required by Annex 1 of these Regulations and the relevant provisions of these Regulations.
- b. The contractual relationship between the potential unitholders and the fund manager is established by signing the terms and conditions of the relevant fund.
- c. A unitholder who has signed terms and conditions of the relevant fund shall be deemed to be a customer of the fund manager for the purposes of the Authorised Persons Regulations.

Article 33: Units

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

Article 34: Permitted Management Fees, Services and Expenses

- a. The only payments which may be made by the fund manager from the assets of the public fund managed by the fund manager are those in respect of:
 - 1) the costs of dealing in the assets of that public fund, including brokerage fees;
 - 2) costs associated with borrowings related to that public fund;
 - 3) management fees, including any performance or incentive element if applicable;
 - 4) the fees of the custodian;
 - 5) the fees and expenses of the auditor;
 - 6) the fees of the Shariah committee, including Shariah oversight, if any;
 - 7) the costs incurred in publishing fund reports (both interim and annual fund reports);
 - 8) fees and expenses of the fund board directors; and
 - 9) any other charges or expenses associated with the operation and administration of that public fund (including, but not limited to, the cost of holding unitholder meetings).
- b. The fund manager must pay all costs of the establishment, and offering of units and promotion in any public fund managed by it out of its own resources, such costs to include the preparation of the public fund's terms and conditions and other materials

required for submission to the Authority under these Regulations and copying and sending them.

- c. The fund manager shall, in its annual report to unitholders, disclose the ratio of the aggregate fees for the year in question to the average net asset value of the public fund.

Article 35: Public Fund Distributions

- a. The fund manager is obliged to pay distributions of profits to unitholders, unless stated otherwise in the fund's terms and conditions and information memorandum.
- b. The fund manager shall be responsible for the distribution of profits to unitholders.
- c. If profit is distributed to unitholders, the distribution must be in accordance to the public fund's terms and conditions and information memorandum, and must be announced in the website of the fund manager and in the Exchange's website immediately, and it must be reported in the public funds reports prepared pursuant to article (71). The announcement and reporting of distributions must include detail of profits distributed to each unit.
- d. The fund manager shall have no right to claw back any distributions already paid out to unitholders in a public fund.

Article 36: Subscription in Offers of Securities

- a. A public fund may subscribe in securities issued in the course of a public offer if:
 - 1) The securities are being offered in a public offer within the Kingdom or are being offered in a jurisdiction other than the Kingdom. If the public offer was made in a jurisdiction other than the Kingdom, the offer must be subject to regulatory standards and requirements at least equivalent to those applied on public offering in the Kingdom. The Authority shall have the discretion to assess whether the regulatory standards and requirements applied on the offer is at least equivalent to those applied by the Authority.
 - 2) With the exception of Initial Public Offering that are made in accordance with the Instructions of Book Building Process and Allocation Method in Initial Public Offering, the securities may be subscribed for by the public fund at a price which is no more than the offering price;
 - 3) The total amount of securities subscribed for by a single public fund does not exceed 10% of the total offering by value; and
 - 4) The total amount of securities subscribed for by all public funds managed by the same fund manager does not exceed 25% of the total offering by value.
- b. A public fund may subscribe in debt instruments offered by way of private placement so long as the debt instruments subscribed for by a single public fund does not exceed 10% of the total offering by value, and In all cases the total value of all debt instruments issued by way of private placement owned by the fund through

subscription may not exceed 10% of the public fund's net asset value, and without prejudice to paragraph (g) of Article (41) of these Regulations.

Article 37: Termination of a Public Fund

- a. A fund manager must seek the consent of unitholders by way of a special fund resolution to terminate a public fund. The fund manager must give unitholders and the Authority at least (21) days written notice of the intention to terminate the public fund, without prejudicing the fund's terms and conditions.
- b. In the case of a public fund with a defined term set out in the terms and conditions of the fund, The fund manager shall terminate the fund once the period is over, and give unitholders and the Authority at least (21) days written notice of forthcoming expiry of the term of the public fund.
- c. In the case the terms and conditions of a public fund provide that the fund will be terminated upon the occurrence of specified events, the fund manager must terminate the fund and notify the Authority and unitholders in writing within (5) days of the occurrence of a specified event triggering the termination of the fund.
- d. The fund manager must terminate the public fund if the requirement referred to in paragraph (e) of Article (66) of these Regulations is not met within 6 months from the date of the notice referred to in paragraph (f) of article (66) of these Regulations. The fund manager must notify the Authority and unitholders.
- e. The fund manager must commence liquidation of the public fund upon the termination of the public fund, without prejudice to the terms and conditions of the fund.
- f. The fund manager must disclose, on its website and on the exchange website, the termination of the fund and the time needed to liquidate it.

Article 38: Public Fund Board

- a. Public fund shall be supervised by a fund board appointed by the fund manager. Any appointment to, or any subsequent change in the composition of, the fund board is subject to the approval of the Authority.
- b. The fund manager must remove a board member if a special fund resolution is issued to request the removal of that member.
- c. When more than one public fund is managed by the same fund manager, those public funds may be supervised by a single fund board unless the number of public funds is estimated by the fund manager to be too high to be supervised effectively by a single fund board. The fund board and the fund manager must review annually the number of public funds supervised by that board and assess whether the number is such that effective supervision is compromised and a different board should be appointed for one or more of those public funds. The Authority reserves the right to require a fund manager to appoint another fund board if the Authority considers that the number of public funds the fund board supervises is too high.
- d. The number of directors in a fund board must not be less than three (3) directors. The

number of independent fund directors of a fund board shall not be less than two, or one third of the total number of directors, whichever is greater.

- e. A fund board director shall not be entitled to vote on any resolution taken by the fund manager to be taken on any matter in which such fund board director has any direct or indirect particular interest and shall disclose any such interest to the fund board.
- f. Any person appointed by the fund manager as a member of the fund board must fulfill the following eligibility requirements:
 - 1) the person must not be bankrupt or subject to any bankruptcy or insolvency proceedings;
 - 2) the person must not have committed an offense involving fraud or acted in breach of integrity and honesty.;
 - 3) the person must possess the necessary experience and expertise.
- g. If a member of the fund board ceases to meet the eligibility requirements set out in paragraph (f) of this Article, the fund manager must:
 - 1) notify the Authority immediately, and;
 - 2) replace a member of the fund board with another person who fulfils the eligibility requirements within (45) days, in case the requirements set out in paragraph (d) of this Article are not met.
- h. If any board director resigned or ceased to provide services, the fund manager must:
 - 1) notify the Authority within (10) days.
 - 2) replace the member of the fund board with another person within (45) calendar days from the day the fund manager becomes aware of such resignation or cessation of services, in case the requirements set out in paragraph (d) of this Article are not met.
- i. The fund manager must disclose immediately, on its website and on the exchange's website, any changes in the composition in the fund board.
- j. The fund manager must provide all necessary information about the public fund to all members of the fund's board in order to enable them to carry out their duties efficiently, the fund manager shall also provide any other information or documentation requested by the fund's board to enable it to perform its duties.

Article 39: Responsibilities of the Members of the Fund Board

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

- 1) approving material contracts, decisions and reports involving the public fund, including, but not limited to, contracts for the provision of fund management services, contracts for the provision of custody services but excluding contracts entered into pursuant to investment decisions regarding underlying investments

- made or to be made by the fund;
- 2) approve a written policy in regards to the voting rights related to the public fund assets.
 - 3) overseeing and, where appropriate, approving or ratifying any conflicts of interest the fund manager has identified;
 - 4) meeting at least twice annually with the fund manager's compliance committee or its compliance officer to review the fund manager's compliance with all applicable rules, laws and regulations, including (without limitation) the requirements of these Regulations;
 - 5) in the case of the fund board of a closed-ended public fund, approving, where appropriate, notifiable changes that stated in article (58) of these Regulations before notification by the fund manager to the Authority and the unitholders;
 - 6) confirming the completeness and accuracy (complete, clear, accurate, and not misleading), and compliance with these Regulations, of the terms and conditions, the information memorandum and of any other document, contractual or otherwise, that includes disclosures relating to the public fund and/or the fund manager and its conduct of the public fund;
 - 7) ensuring that the fund manager carries out its obligations in the best interests of the unitholders, in accordance with these Regulations, the terms and conditions of the public fund, and information memorandum;
 - 8) have a fiduciary duty to unitholders, including a duty to act in good faith, a duty to act in the best interests of the unitholders and a duty to exercise all reasonable care and skill; and
 - 9) taking minutes of meetings that provide all deliberations and facts of the meetings and the decisions taken by the board.

Article 40: Investments Areas

- a. The assets and money of a public fund must be invested in investments in accordance with these Regulations, other applicable laws and regulations, and the terms and conditions and the information memorandum.
- b. The fund manager must invest the assets and money of a public fund, in the following types of investments only:
 - 1) securities;
 - 2) money market transactions concluded with a party subject to SAMA supervision or equivalent regulator in a jurisdiction other than the Kingdom;
 - 3) Bank deposits with a local bank or institution regulated by SAMA or equivalent regulator in a jurisdiction other than the Kingdom;
 - 4) real estate assets; and

- 5) commodities.
- c. The fund manager must not invest the money and assets of a public fund in securities issued by the fund manager or its affiliates unless this is permitted by the terms and conditions of the relevant public fund.
 - d. The subscription monies received from a unitholder must not be placed on deposit which is not invested with an affiliate of the fund manager other than on terms and conditions equivalent to at least the terms entered into by persons dealing at arm's length.
 - e. Without prejudice to paragraph (b) of this Article, the public fund manager must not lend the fund's assets or money to any person.
 - f. The fund manager must not invest the public fund's money and assets in any type of assets that would result in the fund assuming, guaranteeing, endorsing or otherwise become directly or contingently liable for any obligation or indebtedness of any person.
 - g. Any investment fund into which the public fund's assets and money are invested must be in another public fund which is registered with the Authority or a public investment fund which is subject to an equivalent regulatory oversight in a jurisdiction recognised by the Authority as having equivalent regulation. The Authority shall have the discretion to assess whether the jurisdiction has regulatory standards and requirements at least equivalent to those of the Authority .
 - h. The borrowing of a public fund must not exceed (10%) of its net asset value.
 - i. the public fund's money and assets must not be used to acquire any asset that involves the assumption of any liability which is unlimited.

Article 41: Investment Limitations

- a. Unless a public fund is established and approved by the Authority as a specialised public fund or a specific waiver has been obtained from the Authority, the following investment restrictions shall apply.
- b. Not more than 25% of the public fund's net asset value may be invested in the units of another investment fund.
- c. Not more than 20% of the net asset value of the units of another investment fund may be held for the benefit of a public fund.
- d. Not more than 20% of the public fund's net asset value may be invested in all classes of securities issued by any single issuer.
- e. Not more than 10% of the issued securities of any single issuer may be held for the benefit of the public fund.
- f. Subject to the provisions of paragraph (b) of Article (40) of these Regulations, Not more than 25% of the public fund's net asset value may be invested in deferent parties

belonging to the same group, including all investments in securities issued by different parties belonging to the same group and money market transactions, subject to a party regulated by SAMA or equivalent regulator in a jurisdiction other than the Kingdom, concluded with different views belong to the same group and bank deposits with different views belong to the same group.

- g. Notwithstanding the provisions of paragraph (b) of this Article, not more than 10% of the public fund's net asset value may be invested in a class of securities issued by any single issuer, with the exception of:
- 1) debt instruments issued by the Government of the Kingdom or by a sovereign issuer which may comprise not more than 35% of the net asset value of the public fund; with the exception of the provisions mentioned in sub-paragraph (2) of this paragraph, and paragraphs (d) and (h) of this Article.
 - 2) debt instruments listed, which may comprise not more than 20% of the net asset value of the public fund;
 - 3) public funds whose investment objective is to invest in shares traded on the Exchange or any regulated exchange, which may invest more than 10% of its net asset value in shares issued by any single issuer listed on the Exchange or any regulated exchange provided that such investment does not exceed the market capitalisation of the issue expressed as a percentage of the total market capitalisation of all issuers listed on the Exchange or any other regulated exchange;
 - 4) public funds whose terms and conditions and information memorandum state an investment objective of investing in a specific investable universe which is a sub-category of the issuers listed on the Exchange or any regulated exchange, which may invest more than 10% of the public fund's net asset value in shares issued by any single issuer provided that such investment does not exceed the market capitalisation of the issue expressed as a percentage of the investable universe.
- h. Not more than 10% of the public fund's net asset value may be invested in derivatives.
- i. Not more than 10% of the public fund's net asset value be invested in illiquid assets.
- j. The portfolio of a public fund may not include any security where a call is to be made for any sum unpaid on that security unless it is feasible to pay the entire amount of cash or securities that can be converted into cash from the portfolio of the fund within (5) days.

Article 42: Notification relating to Substantial Holdings in Shares or Convertible Debt Instruments

- a. Where a public fund is subject to one or more of the following events, the fund manager must notify the issuer and the Authority at the end of the trading day of the occurrence of the relevant event:
- 1) Becoming the owner of, or interested in, 5% or more of any class of voting

shares or convertible debt instrument of an issuer listed on the Exchange; and

- 2) The ownership or interest of the public fund referred to in sub-paragraph (1) of paragraph (a) of this Article increasing or decreasing by 1% or more of the shares or convertible debt instrument of the issuer. Except where the increase or decrease was a result of capitalisation issue, capital increase for acquiring a company or purchasing an asset, issuer's capital reduction, or the issuance of rights issues where the fund or any of the persons referred to in paragraph (b) of this Article did not trade or exercise their right to subscribe.
- b. For the purpose of this Article, when calculating the total number of shares or convertible debt instruments in which the public fund is interested, the fund will be deemed to be interested in any shares or convertible debt instrument owned or controlled by any of the following:
 - 1) A company controlled by that fund.
 - 2) Any person or fund acting in concert with the public fund referred to in paragraph (a) of this Article to acquire interest in or exercise voting rights in the shares or convertible debt instrument of an issuer listed on the Exchange.
 - c. The Authority may disseminate any notification that it receives under this Article.
 - d. The notice referred to in paragraph (a) of this Article must be in accordance with a form prepared by the Authority.

Article 43: Principal Transactions

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

Article 44: Real Estate Investment Fund

- a. Public real estate investment funds shall be subject to the Real Estate Investment Funds Regulations not these Regulations.
- b. Private real estate investment funds shall be subject to the relevant provisions of these Regulations, and shall not be subject to the Real Estate Investment Funds Regulations.

Article 45: Index Fund

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

Article 46: Exchange Traded Fund

- a. Units of an exchange traded fund must be registered with the Depository Center.
- b. Units in an exchange traded fund shall be issued and cancelled for in kind transactions only, in a pre-determined block size or multiples thereof.
- c. The custodian of an exchange traded fund must ensure that any units issued or cancelled in the exchange traded fund (and the value of such units) match the underlying assets received (and their value) pursuant to any transfer, and to rectify any mis-match between exchange traded fund units and its underlying assets.
- d. The fund manager of an exchange traded fund shall appoint one or more authorised persons which are authorised to deal as principal to act as market maker for the exchange traded fund.
- e. The market maker must at all times comply with the market making requirements agreed upon with the fund manager and/or disclosed in the information memorandum.
- f. The total indicative net asset value and indicative net asset value per unit for an exchange traded fund must be regularly calculated by the fund manager during a trading day and must be disclosed on the Exchange on a real-time basis or at any other frequency acceptable to the Authority.
- g. The fund manager must calculate the total net asset value and net asset value per unit and disclose this information on the Exchange at the end of each trading day.
- h. The exchange traded fund's component securities and their respective weightings must be disclosed by the fund manager on the Exchange.
- i. All documents and information of an exchange traded fund and changes thereof are

deemed to have been made available to unitholders once they have been published on the Exchange.

- j. Unitholders shall be deemed to have accepted and signed the terms and conditions of the exchange traded fund, upon purchase of units in an exchange trade fund.
- k. An exchange traded fund shall comply with any conditions or additional continuing obligations as the Authority may specify.
- l. The exchange fund manager may submit to the Authority a request in writing for a temporary suspension of trading. The Authority may in its discretion accept, reject or accept subject to conditions and limitations any request for suspension by the fund manager when the authority considers appropriate.
- m. The provisions of these regulations shall apply to the exchange traded fund to the extent that they apply to nature of the exchange traded fund.

Article 47: Specialised Public Funds

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

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

In addition to these specialised public funds, applications may be made to the Authority for the Authority to consider other types of specialised investment funds. Each such application will be considered by the Authority on a case-by-case basis.

Article 48: Money Market Fund

- a. A money market fund manager must invest the fund's assets and money only in the following types of investments:
 - 1) Money market transactions concluded with a party regulated by SAMA or equivalent regulator in a jurisdiction other than the Kingdom.
 - 2) Debt instruments.
 - 3) Derivatives.
 - 4) Bank deposits with local banks, or financial institutions regulated by SAMA or equivalent regulator in a jurisdiction other than the Kingdom.
 - 5) Units of money market funds with a similar strategy.
- b. A money market fund must not invest in derivatives contracts except for the purposes

of hedging ,and the value of such investment must not exceed 5% of the fund's net assets value and the issuer entity of these contracts should be subject to prudential rules issued by an equivalent regulator to the Authority.

- c. The value of a money market fund investments in securitisation must not exceed 10% of the fund's net assets value.
- d. Without prejudice to paragraph (b) of this Article, the investments of a money market fund with or in a single counterparty, or with or in parties belonging to the same group, must not not exceed 25% of the fund's net assets. These investments shall include Money market transactions, securities and banks deposits.
- e. Money market fund must have a foreseen average of the date of maturity not exceeding (120) calendar days.
- f. A money market fund manager must ensure, at all times, that it has liquidity equalling to at least 10% of the fund's net assets value or that it has investments that have a maturity, or a remaining maturity, period not more than (7) days.

Article 49: Feeder Fund

- a. A public fund which is a feeder fund shall not invest in another feeder fund.
- b. A public fund which is a feeder fund shall not invest in more than one investment fund.

Article 50: Fund of Funds

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

Article 51: Capital Protected Fund

- a. The name of capital protected fund must be included the phrase "capital protected" in all the fund's relevant documents.
- b. All investments of the capital protected fund must be consistent with the investment objectives of the fund for the protection of the capital invested by the unit holders and to returning their capital to them in a predetermined future date.
- c. Without prejudice to paragraph (b) of Article (40), The investments of a capital protected fund with or in a single counterparty, or with or in parties belonging to the same group, must not not exceed 25% of the fund's net assets. These investments shall include money market transactions, debt instruments and banks deposits.

Article 52: Breach of Investment Limitations

- a. If any of the investment limitations referred to in these Regulations or in the public fund's terms and conditions, or the information memorandum are breached due to an act of the fund manager or the fund sub-manager, the fund manager must notify the Authority in writing immediately and must take, within five (5) days of such breach, the necessary steps to rectify the breach, and the Authority may change this period at its discretion.
- b. If any of the investment limitations referred to in these Regulations or in the public fund's terms and conditions are breached due to a change of circumstance that is beyond the control of the fund manager, fund sub-manager and the breach has not been rectified within (5) days, the fund manager must notify the Authority of such event in writing, indicating the action and period of time required to rectify the matter and the Authority may in its absolute discretion vary the time limit for rectification of such breach.
- c. The fund manager shall report all breaches of the investment limitations referred to in paragraph (a) and paragraph (b) of this Article to the compliance officer and/or compliance committee and to the fund board. The compliance officer and/or compliance committee shall maintain a permanent record of the breaches and document the action taken and period of time required to rectify any such breach.
- d. The fund manager shall include in the annual report all breaches of the investment limitations referred to in paragraph (a) and paragraph (b) of this Article

Article 53: Exercise of Rights in respect of Public Fund Assets

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

Article 54: Requirement to Produce Terms and Conditions

- a. A public fund manager must provide to unitholders and potential unitholders and the custodian the terms and conditions in Arabic and free of charge.

- b. A public fund's terms and conditions must contain the basis upon which potential unitholders are to enter into contractual relations with the fund manager regarding the investment being offered to them and shall include the information specified in Annex 1 of these Regulations.
- c. The terms and conditions shall be deemed as satisfying the terms of business requirements of the Authorised Persons Regulations.
- d. Before accepting an initial subscription to a public fund, the fund manager must ensure that the unitholder has received and signed a copy of the terms and conditions.
- e. Identical terms and conditions must apply to all unitholders of the same class in a public fund.
- f. The fund manager must file an updated version of the fund's terms and conditions with the Authority within (10) days of any change being made to the terms and conditions, and to the custodian as soon as them being updated.
- g. The fund manager must publish, on its website and on the exchange's website, any terms and conditions of the fund, as well as announce of any updates or of any updated version of the terms and conditions of the Fund in its website and the website of the exchange's within (10) days of any update.

Article 55: Requirement to Produce Information Memorandum and Key Information Summery

- a. A public fund manager must provide to unitholders and potential unitholders the information memorandum and a key fact sheet in Arabic and free of charge.
- b. The fund manager must produce the information memorandum in a way that makes it easy for unitholders and the potential unitholders to understand and comprehend The information memorandum must include the followings:
 - 1) information necessary for potential unitholders to make an informed judgment regarding the investment being offered to them, and
 - 2) information specified in Annex 2 of these Regulations
- c. A brief summary of the key information must be prepared in a simple and concise way It must include information relating to specifications of the investment fund in a way that would help unitholders and potential unitholders to reasonably understand the nature of the investment fund and the risks associated with investing in the fund; to enable them to make a calculated and accurate decision based on sufficient information, and to include the information specified in Annex 3 of these Regulations.
- d. The fund manager of the public fund is responsible that the information memorandum is complete, clear, accurate, and not misleading. In any event, a fund manager must update the information memorandum and the key information summary annually to show actual fees and expenses and revise the fund's performance information.
- e. The fund manager must publish, on its website and on the exchange's website, any

updated information memorandum and the key information summary within (10) days of any change or update.

- f. The fund manager shall file an updated version of the information memorandum and the key information summary with the Authority within (10) days of any change being made to the information memorandum and the key information summary. Which does not include the annual update of the funds' performance.

Article 56: Approval of the Authority and consent of Unitholders to Fundamental Changes

- a. A fund manager must obtain the consent of the unitholders in the relevant fund to the proposed fundamental change by way of an ordinary fund resolution.
- b. A fund manager, having obtained the approval of the unitholders specified in paragraph (a) of this Article, must obtain the consent of the Authority in the relevant fund to the proposed fundamental change.
- c. For the purposes of these Regulations, “fundamental change” means:
 - 1) a change which significantly changes the purposes or nature of the public fund;
 - 2) a change which may have a material adverse effect on the unitholders or their rights in relation to the closed-ended public fund;
 - 3) a change which alters the risk profile of the public fund; or
 - 4) the voluntary withdrawal of a fund manager from its position as the fund manager.
 - 5) any other instances determined by the Authority from time to time and reported to the fund manager.
- d. The fund manager must notify the unitholders and disclose details of fundamental changes on its website and on the exchange's website(10) days before of the date in which the change becomes effective.
- e. Details of all fundamental changes shall be included in the next fund report prepared by the fund manager pursuant to Article (71) of these Regulations.
- f. The unitholders of an open public fund have the right to redeem their units before any fundamental changes are effective; without incurring any redemption fees if any.

Article 57: Notification to the Authority and Unitholders of Significant Changes

- a. The fund manager must notify in writing the Authority and unitholders in a public fund of any proposed significant changes to any public fund which is managed by the fund manager. The notice period for notifications to both the Authority and the unitholders of a significant change must not be less than (21) days prior to the day on which the fund manager intends to make that change.
- b. A fund manager of a public fund which is a closed-ended investment fund must obtain

the consent of unitholders in the relevant fund to the proposed significant change by way of an ordinary fund resolution.

- c. For the purposes of these Regulations, “significant change” means a change which is not a fundamental change in accordance with Article (56) of these Regulations but which:
 - 1) would reasonably be expected to cause the unitholders to reconsider their participation in the public fund;
 - 2) results in any increased payments out of the assets of the public fund to a fund manager or any member of the fund board or an affiliate of either;
 - 3) introduces any new type of payment out of the assets of the public fund; or
 - 4) materially increases other types of payment out of the assets of the public fund.
 - 5) Any other cases determined by the Authority from time to time and reported to the fund manager.
- d. The details of significant changes must be disclosed (10) days before the date in which the change becomes effective on the fund manager's website and on the exchange’s website or in any other means that the Authority determines .
- e. Details of all significant changes shall be included in the next fund report prepared by the fund manager pursuant to Article (71) of these Regulations.
- f. The unitholders of an open public fund have the right to redeem their units before validate any significant change; without imposing any redemption fees if any.

Article 58: Notification to the Authority and Unitholders of Notifiable Changes

- a. The fund manager shall notify the Authority in writing of any notifiable changes to any public fund which is managed by the fund manager within (10) days of the change taking effect.
- b. In the case of a closed-ended public fund, the fund manager shall obtain the fund board approval on, where possible, notifiable changes before notification by the fund manager to the Authority.
- c. For the purposes of these Regulations, “notifiable change” means a change, excluding Article (56) and Article (57) provisions of these Regulations.
- d. Details of notifiable changes shall be disclosed on the fund manager's website and on the exchange’s website within (21)days of the change taking effect.
- e. Details of all notifiable changes shall be included in the next fund report prepared by the fund manager pursuant to Article (71) of these Regulations.

Article 59: Initial Offer Period

- a. Details of any initial offer (including the duration of the initial offer period and the initial price of the units) must be provided in the information memorandum of the public fund.
- b. During the initial offer period, units may only be offered by the fund manager at the initial price.
- c. The duration of any initial offer period shall not exceed (45) days. During such period and until the elapse of initial offer no investment of subscription monies raised be made except placing them on deposit or in money market transactions concluded with a party subject to SAMA supervision or equivalent regulator in a jurisdiction other than the Kingdom, without prejudice to paragraph (d) of Article (40) of these Regulations.
- d. The fund manager should specify a minimum amount that must be raised through investors subscriptions during the initial offer period, without prejudices to paragraph (d) of Article (40) of these Regulations, no investment of subscription monies raised may be made until this minimum sum has been achieved, but investors subscriptions may be placed on deposit or invested in money market transactions. The fund manager must disclose the required minimum amount that must be raised in the terms and conditions and the information memorandum of the public fund.
- e. The minimum amount referred to in paragraph (d) of this Article, must not be less than (10) million Riyals or its equivalent.
- f. In case the minimum amount referred to in paragraph (d) of this Article is not raised during the initial offer period, fund manager can, after obtaining the Authority's approval, extend the initial offer period not more than (21) days and disclose such extension on its website. If the minimum amount is not raised during the initial offer period, the fund manager must return to the unitholders their full subscriptions monies together with any returns generated from investing the subscriptions monies as per the paragraphs (c) and (d) of this Article without any deduction.
- g. At the end of the initial offer period, the fund manager must provide the Authority within (10) days the offer results, and disclose them on its website.

Article 60: Subscriptions and Redemptions

- a. Units in a public fund may only be subscribed for or redeemed on a dealing day. A public fund, which is not a closed-ended fund, shall have not less than two dealing days during each week. A public fund which is a closed-ended investment fund shall have such dealing days as the fund manager specifies in the fund's terms and conditions and in the information memorandum.
- b. The deadlines for submission of requests for subscriptions and redemptions for a public fund must be specified in the public fund's terms and conditions and information memorandum.
- c. The fund manager shall process requests for subscriptions or redemption at the price

calculated at the valuation point following the request for subscription or redemption.

- d. A fund manager shall be obliged to meet subscription or redemption requests, subject to any provisions to the contrary in the public fund's terms and conditions or in these Regulations, or information memorandum.
- e. The fund manager shall pay the unitholder proceeds of redemption no later than the close of business on the fifth day at the latest of the following the valuation point at which the price for the redemption was determined.

Article 61: Deferring Redemptions

- a. A fund manager may defer fulfilling a request for redemptions from a public fund until the next dealing day if the total of all unitholders' redemption requests to be fulfilled on any dealing day amounts to a total of 10% or more of the net asset value of the public fund.
- b. Each fund manager must adopt fair and equitable procedures by which those redemption requests which are to be deferred are selected and disclose those procedures in the terms and conditions and the information memorandum.

Article 62 Suspension of Subscription and Redemption of Units

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

suspension ends and disclose it on its website and on the exchange's website;

- d. the Authority shall have the power to lift such suspension if the Authority believes that to do so is in the best interests of unitholders.

Article 63: Transaction Charges

The only transaction charges which may be charged in relation to a public fund are subscription charges, redemption charges and transfer charges. Any of these charges must be disclosed in full in the terms and conditions and the information memorandum of the relevant public fund.

Article 64: Borrowing to Meet Redemption Requests

- a. A fund manager must use its best efforts to retain sufficient liquidity to meet redemption requests.
- b. A fund manager may borrow to meet redemption requests where the money available in the account designated as being for the benefit of the relevant public fund is insufficient to meet redemption requests..
- c. Borrowing to meet redemption requests pursuant to this Article shall not be subject to the 10% limit set out in paragraph (h) of Article (40) of these Regulations.

Article 65: Securities Advertisements and Promotional Materials

- a. A securities advertisement which is communicated to unitholders or potential unitholders in relation to a public fund must satisfy the requirements of this Article and the applicable provisions of the Authorised Persons Regulations and the Securities Business Regulations.
- b. Any securities advertisement relating to a public fund must include information about how to obtain a copy of the fund's terms and conditions, information memorandum and fund reports to unitholders, and a reference to the disclosure in the information memorandum of the risks of investing in the fund.
- c. If a securities advertisement includes performance information for a fund or any representations about the performance of a fund or its manager, the securities advertisement must comply with the following requirements:
 - 1) total return information must be shown net of all actual historical expenses of the fund and the securities advertisement may include the total return of a fund that is gross of fees and expenses if the return is presented in addition to, and with no greater prominence than, returns of the fund that are net of actual expenses;
 - 2) total return information for a fund must be presented in comparison to the total return for the same period of an appropriate index or other benchmark disclosed in the information memorandum. If the index or other benchmark does not include all elements of total return, the presentation must disclose what elements of return are not included in the index or other benchmark and

how that omission affects the comparison of the fund's total return to the index or other benchmark; and

- 3) the securities advertisement must disclose that the value of an investment in a public fund is variable and may increase or decrease.
- d. If any total return is shown for a fund, the securities advertisement must show total returns for periods of one, (3), (5) and (10) years (or since inception if the life of the fund is shorter than these periods, but no performance shall be provided for a period of less than one year).
 - e. Total returns shown for a fund in accordance with paragraph (d) of this Article must be current through the end of the most recent calendar quarter (using the same calendar as for the preparation of the fund's financial statements).
 - f. If there is any respect in which the fund performance information may be misleading to potential unitholders, the securities advertisement must include relevant explanatory disclosure of the circumstances relating to the performance information.
 - g. A securities advertisement must include the risk warnings required under the Authorised Persons Regulations, as applicable.
 - h. A securities advertisement may include a list of all of a fund's portfolio holdings or a list of selected holdings. If a securities advertisement includes only a list of selected holdings, the holdings listed must be selected in an objective, balanced manner, and the securities advertisement must disclose the basis for selecting the holdings listed.
 - i. A securities advertisement may not include:
 - 1) a projection or prediction of the total return or investment performance of the public fund or of unitholders of a public fund (except that a securities advertisement for a public fund with a guarantee or other principal protection feature may disclose any guaranteed minimum return); or
 - 2) any form of testimonial, that is, statements about the experience of actual or fictitious unitholders of that fund or other funds with the same manager.
 - j. The fund manager shall provide to the Authority copies of any securities advertisement communicated to unitholders or potential unitholders no later than (5) days following the first communication of such securities advertisement.

Article 66: Valuation

- a. The fund manager shall be responsible for valuing the assets of the public fund. In so doing, the fund manager shall conduct a full and fair valuation.
- b. The assets of a public fund must be valued each dealing day at such time as specified in the terms and conditions and the information memorandum of such public fund, and for the duration not exceeding one day from the deadline for the request for subscription or redemption.

- c. The fund manager must, in the terms and conditions and the information memorandum, document the basis of the valuation of units and, where appropriate, any valuation methodology, and must ensure that the valuation methodology and procedures are applied in a fair and consistent manner.
- d. The fund manager must develop, maintain and state in the information memorandum and terms and conditions of the public fund a clear policy covering valuation, valuation points, pricing and dealing in units. The fund manager must adopt a consistent approach to the valuation of units for the purposes of meeting the subscription and redemption requests and transfer of units ownership.
- e. In case the net value of the fund's assets is less than (10) million Saudi Riyals, the fund manager must take the required corrective procedures specified in the fund's terms and conditions and information memorandum to ensure meeting such requirement.
- f. The fund manager must inform the Authority immediately in case of not meeting the requirement referred to in paragraph (e) of this Article.
- g. The fund manager must comply with the provisions of Annex 6 of these Regulations in relation to valuation of the public funds.

Article 67: Pricing of Units

- a. The fund manager shall be responsible for calculating the price of the units in a public fund for which it is the fund manager. The price of units for subscriptions and redemptions on any dealing day shall be calculated by reference to the net asset value per unit of the public fund at the valuation point on the relevant dealing day.
- b. Unit prices shall be expressed to at least four decimal places.
- c. The fund manager must publish the net asset value per unit on the business day following the dealings day on its website and on the exchange's website;

Article 68: Incorrect Valuation or Pricing

- a. The fund manager must record each instance where an asset of the public fund is valued incorrectly or the price of a unit is calculated incorrectly.
- b. The fund manager must compensate all harmed unitholders (including former unitholders) as soon as reasonably practicable for all valuation or pricing errors
- c. The fund manager shall immediately report to the Authority any valuation or pricing error of 0.5% or more of the price of a unit and disclose it immediately on its website and on the exchange website and in the public fund's reports prepared in accordance to articles (71) of these Regulations
- d. The fund manager, in its reports to the Authority pursuant to Article (72) of these Regulations, must provide a summary of all valuation and pricing errors.

Article 69: Audit Requirements

- a. The fund manager must appoint an auditor prior to the establishment of a public fund. The auditor of the public fund must be certified in the Kingdom and must be independent from the fund manager according to the independence standard stated in (Certified Public Accountants Regulations).
- b. Where a public fund was established more than (9) months before such public fund's year-end, an audit must be conducted as of its first year end.
- c. Where a public fund was established (9) months or less before such public fund's year-end, an audit may be conducted at the end of the second year end of the public fund.
- d. The appointment or the substitution of any auditor must be approved by the fund board.
- e. The fund board must reject the appointment of an auditor, or instruct the fund manager to replace an auditor which has already been appointed in relation to the public fund, if:
 - 1) there are any outstanding and significant allegations of professional misconduct in relation to audit functions by the auditor;
 - 2) the auditor of the public fund ceases to be an independent auditor;
 - 3) the fund board determines that the auditor does not have sufficient qualifications and experience to perform a satisfactory auditing functions; or
 - 4) the Authority, in its absolute discretion, instructs the public fund manager to replace the auditor appointed in relation to the public fund.
- f. The audit fees of the auditor shall be determined by the fund manager with the approval of the fund board.

Article 70: Meetings of Unitholders

- a. The fund manager may call for a meeting of unitholders on its own initiative.
- b. The fund manager must call for a meeting of unitholders within (10) days of receiving a written request from the custodian.
- c. The fund manager must call for a meeting of unitholders within (10) days of receiving a written request from the unitholder or unitholders holding together at least 25% in value of the units in the fund, and the fund manager must state it in the fund's terms and conditions and the information memorandum .
- d. The fund manager shall call for a meeting of unitholders by announcing it on its website and on the exchange's website, and by sending a notice in writing to all unitholders and the custodian giving (1) not less than (10) days' notice of the meeting; (2) and no more than (21) days' notice before the meeting. The announcement and notice must specify the date, place and time of the meeting and the resolutions

proposed. The fund manager must at the same time as sending a notice to unitholders convening any meeting of unitholders also send a copy of any such notice to the Authority.

- e. The quorum required to conduct a meeting of the unitholders shall be such number of unitholders holding together at least 25% in value of the units in the fund or greater percentage as specified in the terms and conditions and the information memorandum of the public fund.
- f. If the quorum requirements set out in paragraph (e) of this Article are not met, the fund manager shall call for a second meeting by announcing it on its website and on the exchange's website and shall send a notice in writing to all unitholders and the custodian giving not less than (5) days' notice of the second meeting (excluding the day on which the notice is sent and the day of the meeting). At the second meeting, any number of unitholder(s) holding any number of units present in person or represented by a proxy is a quorum.
- g. Every unitholder shall be entitled to appoint a proxy to represent such unitholder at a meeting of the unitholders.
- h. Every unitholder shall be entitled to exercise one vote at the meeting of the unitholders for each unit which the unitholder holds as at the time of the meeting.
- i. The unitholders meetings and its deliberations and voting on decisions may be conducted through modern technology in accordance with requirements set by the Authority.

Article 71: Reporting to Unitholders

- a. The fund manager must prepare the annual reports that includes (audited financial statement) short-form annual reports and interim reports in accordance with the requirements of Annex 5 of these Regulations and must be provided by the fund manager to unitholders on request and without charge.
- b. Annual reports must be made available to the public no later than (70) days from the end of the period to which the report relates in such locations and by such means as specified in the terms and conditions and information memorandum as well as in the fund manager's website and on the exchange's website.
- c. The interim reports must be prepared and made available to the public within (35) days from the end of the period to which the report relates in such locations and by such means as specified in the terms and conditions, the information memorandum as well as in the fund manager website and on the exchange's website.
- d. A feeder fund or fund of funds must make its fund reports available within (21) days after the release of the fund reports of the fund(s) in which it invests.
- e. The fund manager shall make available for inspection by unitholders the current net asset value of the public funds to which it is fund manager free of charge, and all historical net asset value figures at the registered offices of the fund manager.

- f. The fund manager must provide each unitholder with details of the net asset value of the units owned by it and the record of transactions in fund units made by it within (15) days of each transaction in units of the public fund by the relevant unitholder.
- g. The fund manager must send to the unitholder (including former unitholder during the year that statement was prepared) an annual statement summarising their transactions in units in the public fund during the course of a financial year within (30) days of the end of the financial year, this statement must include the outline of service fees, expenses, and charges discounted from the unitholder, and specified in the fund's terms and conditions and information memorandum, in addition to details of all the violations of investments limitations described in these Regulations, the terms and condition, or the information memorandum.
- h. The fund manager must, at the end of each quarter, disclose information about the public fund on its website and on the exchange's website or by any other means specified by the Authority. The information must include, at least, the followings at least:
 - 1) List of issuers which shares constitute the largest ten investments in the fund portfolio their percentages as it is in the first day of the quarter.
 - 2) The percentage of total fees and charges of the concerned quarter to the average of the net assets value of the fund.
 - 3) The amount and percentage of profits distributed in the quarter in question if any.
 - 4) The fund's manager investments amount and percentage to the net assets value as it is at the end of the concerned quarter.
 - 5) The amount and percentage of the concerned quarter's dealing expenses to the public fund's average net assets value.
 - 6) Standards and index to measures the risks.
 - 7) Fund's performance standards and index.
 - 8) Percentage of borrowings to the fund's net assets value at the end of the concerned quarter.

Article 72: Reporting to the Authority

- a. After making the annual fund reports available to the public pursuant to Article (71) of these Regulations (including the annual audited financial statements) of the public fund, The fund manager must submit such reports to the Authority no later than (5) days following the day of which the reports request was made
- b. After making the interim fund reports available to the public pursuant to Article (71) of these Regulations (including the reviewed interim financial statements), The fund manager must submit such reports to the Authority no later than (5) days from the Authority request.

PART 5: PRIVATE FUNDS

Article 73: Submitting a Notice to the Authority For the Establishment of a Private Fund, and Offering of Units in a Private Fund

- a. A notification to the Authority to establish, and offer units in, a private fund must be submitted by an authorised person that is authorised to carry out the activity of managing. Any such notice must be in the form specified in Annex (7) of these Regulations. Requirements of a private placement referred to in paragraph (a) of Article (75) of these Regulations must be met.
- b. Units in a private fund may only be offered in the Kingdom by way of private placement in accordance with Article (74) of these Regulations.

Article 74: Private Placement of a Private Fund and Eligibility of Investors

- a. An offer of units in a private fund is a private placement where the offerees are sophisticated investors or the minimum amount payable per offeree is not less than Saudi Riyals one million or an equivalent amount.
- b. for the purpose of this Article, sophisticated investors shall mean any of the followings:
 - 1) Authorised persons acting for their own account;
 - 2) Clients of a person authorised by the Authority to conduct managing activities provided that:
 - a. The offer is made through authorised person and all relevant communications are made through the authorised person; and
 - b. The authorised person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of the private offers of securities on the client's behalf without reference to the client;
 - 3) The government of the Kingdom, any supranational authority recognised by the Authority, the Exchange and any other stock exchange recognised by the Authority or the Depository Center.
 - 4) Institutions acting for their own account;
 - 5) Professional investors; or
 - 6) Registered persons with an authorised person if the offer is made through the respective authorised person itself.
 - 7) Any other persons prescribed by the Authority
- c. The Authority may, in circumstances other than those described in paragraph (a) of this Article and upon application of an authorised person seeking to make an offer of units in a private fund, determine that such an offer shall be treated as a private placement subject to compliance with such limitation as the Authority may impose.

- d. If the units are offered in a private real estate fund, the fund must be a close-ended investment fund.

Article 75: Private Placement Requirements

- a. An authorised person may not offer units in a private fund unless such an authorised person:
- 1) notifies the Authority in writing in accordance with the format set out in Annex 7 of these Regulations at least (15) days prior to the proposed date of an offer;
 - 2) submits to the Authority a declaration in accordance with the terms set out in Annex 8 of these Regulations;
 - 3) submits to the Authority copies of the fund's terms and conditions and any offering documents to be used in advertising the offer; and
 - 4) provide details of the organizational structure of the Fund Manager, including a description of the investment decision-making process of fund manager or sub-fund manager, and the name and function of any registered person in that decision-making process to the Authority .
 - 5) provide a compliance monitoring program for the relevant investment fund
 - 6) pays such registration fees as the Authority may prescribe.
 - 7) any other information that the Authority requires.
 - 8) provide a copy of the key information in Arabic, in accordance with the requirements of annex (3) of these Regulations.
- b. If having received a private placement notification and the relevant information and documents provided under paragraph (a) of this Article the Authority considers that the proposed offer of units may not be commensurate with the fund managers ability or may result in a breach of the Capital Market Law or its Implementing Regulations then it may take the following actions:
- 1) carry out any enquiries which it considered appropriate including requiring the concerned person or its representative to appear before the Authority to answer the questions of the Authority and to explain any matters that the Authority considers relevant to the private placement offering; or
 - 2) require the concerned person or others to provide additional information or to confirm, in such manner as the Authority may specify, that the information provided is accurate.
- c. Where the Authority determines that the private placement may not be commensurate with the fund managers ability or may result in a breach of the Capital Market Law or its Implementing Regulations, the Authority may issue a “notification” to the authorised person stating that the private offer is not to be made or publish a “notice” prohibiting the offer.

- d. Where the Authority has not taken any actions stated in paragraph (c) of this Article, the Authority shall, on the request of the authorised person, issue a notice stating it has no objection to the establishment and offering of units in the private fund and enter the name of the private fund in the register of funds.
- e. The authorised person must provide the Authority within (10) days of the end of the initial offer period of the private fund with the results of the offer.
- f. Where the offer is not completed by the proposed offer end date (if any) specified in the private placement notification provided to the Authority in accordance with subparagraph (1) of paragraph (a) of this Article and terms and conditions of the fund, the authorised person must provide the Authority within (10) days with a notification in writing signed by the authorised person confirming that the offer has failed to complete. The authorised person must return to the unitholders their full subscriptions monies together with any returns generated from investing the subscriptions monies without any deduction.

Article 76: Contractual form of Organisation of Private Fund

- a. A private fund shall be established by the signing of the terms and conditions of the relevant fund between the first potential unitholder and the fund manager s
- b. The contractual relationship between a potential unitholder and the fund manager is established by them signing the fund's terms and conditions.
- c. A unitholder who has signed terms and conditions shall be deemed to be a customer of the authorised person for the purposes of the Authorised Persons Regulations.
- d. The fund manager must include the terms and conditions of the fund the related requirements in these Regulations, and the real estate private investment fund manager shall, in addition to that, include the terms and conditions to the requirements and the information contained in Annex (12) of these Regulations.
- e. The terms and conditions referred to in paragraph (b) of this Article shall be considered as satisfying the terms of business requirements in the Authorised Persons Regulations.

Article 77: Units

- a. As soon as a potential unitholder has signed the terms and conditions and paid the subscription price for the units, such unitholder shall be the owner of the units which it has subscribed.
- b. The unitholder shall be entitled to exercise all rights in relation to the units (including, but not limited to, the right to vote at meetings of unitholders).
- c. Other than losing his\her investment in the fund or part of it, the unitholder shall not be liable for the debts and obligations of the relevant private fund.
- d. The private fund can issue more than one class of units, and all unitholders from the same class shall have equal rights and be treated equally by the fund manager. No

class of unitholders shall have a different investment strategies and goals that differ from the investment strategies and goals of another class of the same investment fund.

- e. The owners of a class of units shall not have the rights that will jeopardize the rights of the owners of another class of units.

Article 78: Termination of Private Funds

A fund manager shall specify the termination provisions of a private fund in the terms and conditions of the relevant private fund.

Article 79: Real Estate private fund Board

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

Article 80: Responsibilities of the Members of the Fund Board .

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

- 1) approving material contracts, decisions and reports involving the private real estate fund, including, but not limited to, contracts for the provision of real estate development, contracts for the provision of custody, and marketing contract, valuation contract, and the contract with an engineering office;
- 2) approving of the appointment of the external auditor of the fund nominated by the fund manager.
- 3) making a decision regarding any transaction involving a conflict of interest disclosed by the fund manager.
- 4) meeting at least twice annually with the fund manager's compliance officer or the fund's MLRO to review the fund manager's compliance with all applicable rules, laws and regulations;
- 5) approving the terms and conditions of a real estate private fund and any changes thereto;
- 6) ensuring that the fund manager carries out its obligations in the best interests of the unitholders, in accordance with the provision of these Regulations, the terms and conditions of a real estate private fund;
- 7) ensuring that the fund manager is disclosing material information to the Unitholders and other stakeholders;
- 8) have a fiduciary duty to unitholders, including a duty to act in good faith, a duty to act in the best interests of the unitholders and a duty to exercise all reasonable care and skill; and
- 9) taking minutes of meetings that provide all deliberations and facts of the meetings and the decisions taken by the board.

Article 81: General Rules and Restrictions

- a. The investments of a private fund may consist of assets of any types and descriptions; however, the fund manager shall clearly state the permitted investments together with the investment objective, investment policies and any investment restrictions or limitations in the fund's terms and conditions and in the offering documents of the relevant private fund.
- b. The fund manager shall comply at all times with the fund's terms and conditions, the offering documents, investment objective, investment policies and any investment restrictions or limitations of the relevant private fund.
- c. The fund manager shall disclose all payments out of assets of the fund in the terms and conditions.

Article 82: Private Fund Documentation

The authorised person shall submit to the Authority any documentation which it distributes in relation to the offer and establishment of a private fund. Such documentation must include the disclaimer that stated in such format set out in Annex 10 of these Regulations.

Article 83: Securities Advertisements and Promotional Materials

An authorised person may not advertise or communicate securities advertisements and promotional materials in respect of a private fund unless the following conditions are fulfilled:

- 1) the securities advertisement is sent solely to persons to whom a private placement of a private fund may be made in accordance with Article (74) of these Regulations; and
- 2) the securities advertisement complies with the applicable provisions of the Authorised Persons Regulations and the Securities Business Regulations.

Article 84: General Provisions

The fund manager must develop, maintain and disclose in the terms and conditions of the fund a clear policy covering valuation, pricing and dealing in units. The fund manager must also keep unitholders informed of any amendments to this policy immediately. The fund manager must adopt a consistent approach to the valuation of units for the purposes of the issue of units, the subscription or transfer of units and the redemption of units.

Article 85: Audit Requirements

- a. The fund manager shall appoint an auditor upon the establishment of a private fund. An audit must be conducted at the end of the first full calendar year after the establishment of a private fund, but may be conducted earlier.
- b. The auditor shall be certified in the Kingdom and shall be an independent auditor according to criterion of the independence defined in (Certified Public Accountants Regulations).

Article 86: valuation and appointment of an engineering office

- a. A fund manager of a private real estate fund must, before purchasing or selling any real estate assets, obtain evaluation from at least two valuers.
- b. The fund manager must ensure that any valuer appointed pursuant to paragraph (a) of this article meets the following conditions:
 - 1) the valuer must be independent from all related parties
 - 2) the valuer must be an original member in the Saudi Authority for Accredited Valuers.
- c. At the time of the purchasing or selling of the real estate asset, the evaluation report issued pursuant to paragraph (a) of this Article must not be more than three (3) months old

- d. In the case of a one investment goals of the fund includes Initial development or structural development, the fund manager of a private real estate fund shall appoint a developer, and an engineering office that is independent of any of the relevant parties, and the engineering office shall – at least- oversee the implementation of the Fund's business plan, and the approval of disbursements to the developer and contractor.
- e. For the purposes of this Article, the term related party shall mean any of the followings:
 - 1) the fund manager
 - 2) the custodian
 - 3) the developer
 - 4) valuer, where applicable
 - 5) auditor
 - 6) board members, or any of the executives or employees of any of the parties above
 - 7) any unitholder whose ownership exceeds 5% of the net assets of the real estate investment fund
 - 8) any person under or in control of any of the previously mentioned persons
- f. For the purposes of this article, it is intended that meanings of the initial development and construction development set forth in the list of real estate investment funds.

Article 87: Meetings of Unitholders

The fund manager shall develop a policy regarding meetings of unitholders. The fund manager shall include the details of such policy in the offering documents of the private fund.

Article 88: Consent of Unitholders to Changes

- a. A fund manager must obtain the consent of unitholders in the relevant fund by way of an ordinary fund resolution on the following changes:
 - 1) a change which significantly changes the purposes or nature of the private fund's goals or nature;
 - 2) a change which alters the risk profile of the private fund;
 - 3) change that results in a material increase of the aggregate payments made out of the assets of the closed-ended private fund;
 - 4) change that will make a negative or material effect on the rights of unitholders

in relation to the closed-ended private fund;

- 5) change of the due date or maturity date of private fund.
- b. Details of changes referred to in this Article must be listed in the private fund's reports made by the fund manager pursuant to Article (89) of these Regulations.
- c. The fund manager must notify the Authority and the unitholders of the details of the changes referred to in paragraph (a) of this Article, (10) days prior to the effective date.
- d. In case of an open-ended fund, unitholders shall have the right to redeem their units before the date the changes referred to in paragraph (a) of this Article are effective, without imposing redemption fees if any.

Article 89: Reporting to Unitholders

- a. Annual reports (including audited financial statements) and short form annual reports of the private fund must be prepared in accordance with the requirements set out Annex 5 of these Regulations and must be provided by the fund manager to unitholders on request and without charge. Annual reports should be made available to unitholders no later than (70) calendar days from the end of the period to which it relates by such means as specified in the fund's terms and conditions.
- b. Interim reports for a private real estate funds shall be prepared every (6) months in accordance with the requirements of Annex 5 of these Regulations, and make available to unit holders within (35) days from the end of the reporting period, in the places and the means specified in the terms and conditions of the fund, and the fund manager must provide Unitholders initial reports of the Fund upon request at no charge.

Article 90: Reporting to the Authority

- a. After making the annual reports available to unitholder pursuant to Article (89) (including the annual audited financial statements), the fund manager must submit such reports to the Authority no later than (5) days following the day of which the reports request was made.
- b. The fund manager must submit to the Authority any information regarding the subscription or redemption of units in a private fund and no later than (10) days following the day of which the information request was made.

Article 91: Notification relating to substantial holdings in shares or convertible debt instruments

- a. Where a private fund is subject to one or more of the following events, the fund manager must notify the issuer and the Authority at the end of the trading day of the occurrence of the relevant event:
 - 1) Becoming the owner of, or interested in, 5% or more of any class of voting shares or convertible debt instrument of an issuer listed on the Exchange; and

- 2) The ownership or interest of the private fund referred to in sub-paragraph (1) of paragraph (a) of this Article increasing or decreasing by 1% or more of the shares or convertible debt instrument of the issuer. Except where the increase or decrease was a result of capitalisation issue, capital increase for acquiring a company or purchasing an asset, issuer's capital reduction, or the issuance of rights issues where the fund or any of the persons referred to in paragraph (b) of this Article did not trade or exercise their right to subscribe.
- b. For the purpose of this Article, when calculating the total number of shares or convertible debt instruments in which the private fund is interested, the fund will be deemed to be interested in any shares or convertible debt instrument owned or controlled by any of the following:
 - 1) A company controlled by that fund.
 - 2) Any person or fund acting in concert with the private fund referred to in paragraph (a) of this Article to acquire interest in or exercise voting rights in the shares or convertible debt instrument of an issuer listed on the Exchange.
 - c. The Authority may disseminate any notification that it receives under this Article.
 - d. The notice referred to in paragraph (a) of this Article must be in accordance with a form prepared by the Authority.

Article 92: Restriction on Secondary Market Activity

Subsequent transfers of units in a private fund offered in accordance to the provisions of article (75) from these Regulations may only be made to any of the followings:

- 1) to existing unitholders,
- 2) to sophisticated investors,
- 3) where the minimum amount payable for such units is not less than one million Saudi Riyals, or an equivalent amount.

PART 6: FOREIGN FUNDS

Article 93: Offer of Units in a Foreign Fund in the Kingdom

- a. Units in a foreign fund may not be offered in the Kingdom except in accordance with this Part.
- b. No person may offer units in a foreign fund in the Kingdom unless the offer is being made through a distributor and the offering of units shall be a private placement in accordance with the requirements set out in Article (95) of these Regulations.
- c. The distributor referred to in paragraph (a) of this Article, must be an authorised Person authorised to conduct dealing as agent activities.
- d. A foreign offered fund manager must be authorised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority. The Authority shall have the discretion to assess whether the jurisdiction has regulatory standards and requirements at least equivalent to those of the Authority

Article 94: Private Placement of a Foreign Fund and Investors Eligibility

- a. An offer of units in a foreign fund is a private placement where the offerees are sophisticated investors, as specified in paragraph (b) of Article (74) of these Regulations, or the minimum amount payable per offeree is not less than Saudi Riyals one million or an equivalent amount.
- b. The Authority may, in circumstances other than those described in paragraph (a) of this Article and upon a request from a distributor seeking to make an offer of units in a foreign fund, determine that such an offer shall be treated as a private placement subject to compliance with such limitation as the Authority may impose.

Article 95: Private Placement Requirements of foreign funds

- a. No units may be offered in a foreign fund unless the distributor meets the following:
 - 1) notifies the Authority in writing in accordance with the format set out in Annex 7 of these Regulations at least (15) days prior to the proposed date of the offer;
 - 2) submits to the Authority a declaration in accordance with the terms set out in Annex 9 of these Regulations;
 - 3) submits to the Authority copies of any offering documents to be used in advertising the offer; and
 - 4) submits to the Authority copies of key information in Arabic in accordance requirement of Annex (3) of these Regulations.
 - 5) conduct a detailed comprehensive review of the foreign fund and its manager before the distribution of that fund's units, and provide the Authority with it upon its request within (5) days from the date of request.
 - 6) pays such registration fees as the Authority may prescribe.

- 7) any another information that the Authority requires.
- b. If having received a private placement notification and the information and documents provided under paragraph (a) of this Article and the Authority considers that the proposed offer of units may not be commensurate with the distributor's ability or may result in a breach of the Capital Market Law or its Implementing Regulations then it may take any of following actions:
 - 1) carry out any enquiries which it considered appropriate including requiring the concerned person or others to appear before the Authority to answer the questions of the Authority and to explain any matters that the Authority considers relevant to the private placement offering; or
 - 2) require the concerned person or others to provide additional information or to confirm that the information provided is accurate, in such manner as the Authority may specify.
 - c. Where the Authority determines that the private placement may not be commensurate with the distributor's ability or may result in a breach of the Capital Market Law or its Implementing Regulations, the Authority may issue a “notification” to the authorised person stating that the private offer is not to be made or publish a “notice” prohibiting the offer.
 - d. Where the Authority has not taken any actions stated in paragraph (c) of this Article, the Authority shall, on the request of the distributor, issue a notice stating it has no objection to the offering of units in the foreign fund and enter the name of the foreign fund in the register of funds.
 - e. The distributor must provide the Authority within (10) days of the end of the initial offer period of the foreign fund with the results of the offer in such form as the Authority may prescribe, when applicable.
 - f. Where the offer is not completed by the proposed offer end date (if any) specified in the private placement notification provided to the Authority in accordance with subparagraph (1) of paragraph (a) of this Article, terms and conditions of the fund, and relevant offering documents,, the distributor must provide the Authority within (10) days with a notification in writing signed by the distributor confirming that the offer has failed to complete, The distributor must return to the unitholders their full subscriptions monies together with any returns generated from investing the subscriptions monies without any deduction.

Article 96: Information to Unitholders and Offering Documentation

- a. The distributor of units of a foreign fund shall make available to unitholders in the Kingdom the same documentation which is made available by the foreign fund manager to unitholders of the same class in other jurisdictions.
- b. The distributor of units of a foreign fund must ensure that unitholders are provided with sufficient information on the private placement to enable them to make an informed investment decision and that such information is are complete, clear, accurate, and not misleading.

- c. The private placement offering documents to be used in advertising the offer of units in the foreign fund must contain a prominent statement in the form set out in Annex 10 of these Regulations.

Article 97 Securities Advertisements and Promotional Materials

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

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

Article 98: Power of the Authority to Suspend a Distributor

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

- 1) the distributor ceasing to carry on activities of dealing as agent without notification to the Authority under the Authorised Persons Regulations;
- 2) the cancellation or suspension by the Authority of the distributor's relevant authorisation(s) under the Authorised Persons Regulations;
- 3) a request by the distributor to the Authority to cancel its relevant authorisation under the Authorised Persons Regulations;
- 4) the Authority considering it necessary for the protection of unitholders or maintenance of an orderly market;
- 5) the Authority believing that the distributor has failed, in a manner which the Authority considers material, to comply with the Capital Market Law and its Implementing Regulations; or
- 6) any other event determined by the Authority on reasonable grounds to be of sufficient significance.

Article 99: Distributor's responsibilities

The distributor of units of a foreign fund must comply with the followings:

- 1) Sending all reports and documentation issued by the foreign fund manager to the unitholders in the Kingdom. and ensuring that all unitholders within the Kingdom in a foreign fund shall be directly entitled to the rights prescribed in the fund documentation.
- 2) Notifying all unitholders in writing of all fundamental changes related to the foreign fund.
- 3) Conveying all requests and letters of unitholders within the Kingdom to the

foreign fund manager.

- 4) Notifying the unitholders within the kingdom of termination of relationship with the foreign open fund manager (90) days of such termination.
- 5) Taking all appropriate actions to ensure continuity of relationship with the manager of the closed foreign fun until the end of the fund's period.

Article 100: Reporting to the Authority

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

Article 101. Restriction on Secondary Market Activity

Subsequent transfers of units in a foreign fund offered in accordance to the provisions of Article (95) to any person in the Kingdom may only be made:

- 1) to existing investors,
- 2) to sophisticated investors,
- 3) where the minimum amount payable for such units is not less than one million Saudi Riyals, or an equivalent amount.

PART 7: MERGING OF INVESTMENT FUNDS

Article 102: Application to the Authority for the merging of investment funds.

- a. After obtaining the approval of the unitholders of all the related funds offered in accordance with Articles (31) and (74) of these Regulations by way of fund special resolutions, the fund manager may apply to the Authority for approval to merge a number of investments fund it manages .
- b. The merger shall be through combining one fund or more into an existing fund.
- c. The funds that are planned to be merged shall have the same type and have the same class, and share similar investment objectives and policies.
- d. The unitholders must be notified about the merger details, which must be disclosed on the fund manager's website (and on the exchange's website for public funds), (21) days before executing the merger.
- e. The merger details must be incorporated in the fund's report prepared by the fund manager pursuant to Article (71) or Article (89) from these Regulations.
- f. The unitholders of an open-ended fund have the right to redeem their units before the merger closure, without imposing any redemption fees if any.
- g. The fund manager shall pay the merger costs from its own recourses.

Article 103: Additional Information to be Provided to Unitholders.

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

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

PART 8: PUBLICATION AND ENTRY INTO FORCE

Article 104: Publication and Entry into Force

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

ANNEX 1

REQUAIRMENTS OF THE FUND'S TERMS AND CONDTIONS

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

Content of the Cover Page

- a. Name of investment fund, indicating the class and type.
- b. Name of fund manager.
- c. For a Shariah-compliant investment fund, the following statement should be additionally stated:

“[Name of fund] has been certified as being Shariah compliant by the Shariah Board appointed for the investment fund.”
- d. A statement that the fund's terms and conditions and all other documentation comply with the Investment Funds Regulations and contain are complete, clear, accurate, and not misleading information on the investment fund.
- e. A statement that the fund's terms and conditions shall be read in conjunction with the information memorandum and other documentation of the investment fund.
- f. A statement that, unitholders shall be deemed to have accepted and signed the fund's terms and conditions of the exchange traded fund, upon subscribed of units in an exchange trade fund.
- g. Date of issuance of the information memorandum and last update, if any.
- h. Date of the Authority’s decision on the establishment of the fund and the offering and issuance of its units.

Content within the Cover Page:

1) General Information:

- a. Name of the fund manager, and fund manager Authorisation number granted by the Authority to the fund manager under the Authorised Persons Regulations.
- b. The address of the head office of the fund manager.
- c. The web address of the fund manager and any web address, related to the fund manager, contain information on the investment fund, if any.

d. Name of the custodian and the Authorisation number granted by the Authority to the custodian under the Authorised Persons Regulations.

e. The web address of the custodian, if any.

2) Governing Laws:

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

3) Objectives of the Investment Fund

a. A description of the investment objectives of the investment fund, including the type of the fund.

b. Investment policies and practices, including the types of assets in which the investment fund will invest.

4) Duration of the Investment Fund

If applicable, a statement on the duration of the investment fund and maturity date.

5) Investments Restrictions/Limitations

A statement that the fund manager, in managing the investment fund, will comply with any restrictions imposed by the Investment Funds Regulations, the fund's terms and conditions and the information memorandum.

6) Currency

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

7) Fees, Charges and Expenses

a. Statement of Details on all payments from the assets of the investment fund.

b. Statement of Details on charges imposed for subscription and redemption.

c. Statement of any special commission concluded by the fund manager (if any).

8) Valuation and Pricing

a. A description of the valuation method and the basis of underlying assets.

b. Frequency of valuation and number of valuation points.

c. A description of actions to be taken in case of mis-valuation or mis-pricing.

d. A description of the method for calculating the unit price.

- e. The publication time and place of the unit price, and its frequency.

9) Dealings

- a. A statement on the responsibilities of the fund manager in relation to subscription and redemption requests.
- b. The maximum period between receipt of a redemption request and payment of proceeds.
- c. Statement showing any restrictions on dealing in units of the fund.
- d. Statement showing the circumstances in which dealing in units may be deferred or suspended.
- e. A description of the procedures by which those redemption requests which are to be deferred are selected.
- f. Description of the provisions governing the transfer of units to other investors.
- g. Disclose if the fund manager intends to invest in the investment fund.
- h. Statement of the date set and the deadlines for submission of requests for subscriptions and redemptions in any dealing day.
- i. Statement of the procedures for submitting instructions to subscribe in, or redeem units;
- j. Statement of any minimum number or value of units that a unitholder must subscribe or transfer or redeem; and
- k. Statement of any entitlement of the fund manager to defer or suspend subscription or redemption requests.
- l. Statement of the necessary corrective measures to ensure the fulfilment of the requirement of maintaining 10 million Saudi riyals or its equivalent as a minimum net asset value of the fund.

10) Distribution Policy

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

11) Reporting to Unitholders

- a. Relevant information on accounting and financial reporting, including accounting period and financial-year end.
- b. Information on the locations and means of making available fund reports prepared by

the fund manager.

- c. Information on the means of providing the annual statement to unitholders.

12) Unitholders' Register

Statement regarding the maintenance of an up-to-date register of unitholders in the Kingdom.

13) Meeting of Unitholders

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

14) Unitholders' Rights

List of unitholders' rights.

15) Unitholders' Liability

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

16) Units Characteristics

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

17) Changes to the Fund's Terms and Conditions

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

18) Termination of the Investment Fund

Statement of any events of which will result in the termination of the investment fund and procedures for termination of the investment fund under the Investment Funds Regulations.

19) Fund Manager

- a. Functions, duties and responsibilities of the fund manager.
- b. Right of the fund manager to appoint a fund sub-manager.

- c. Provisions governing the removal/replacement of fund manager.

20) Custodian

- a. Functions, duties and responsibilities of the custodian.
- b. Right of custodian to appoint a sub-custodian.
- c. Provisions governing the removal/replacement of custodian.

21) Auditor

- a. Name of the auditor of the investment fund
- b. Functions, duties and responsibilities of the auditor.
- c. Provisions governing the replacement of the investment fund's auditor.

22) Fund's assets

- a. A declaration that the assets of the investment fund is held by the custodian on behalf of the investment fund.
- b. Statements that the assets of the investment fund are segregated from the custodian's own assets and the assets of other clients.
- c. A statement that the assets of an investment fund are owned collectively by the unitholders. A fund manager, fund sub manager or custodian, sub custodian or distributor or investment advisor shall not have any interest in or claims against such assets, other than when the fund manager, fund sub manager or custodian is a unitholder, and for claims permitted under the Investment Funds Regulations and disclosed by way of statement in these terms and conditions.

23) Unitholder declaration

A declaration from the unitholder that he\she consent to the terms and conditions of the fund and the information memorandum and a the summary of key information of the Fund, as well as agreeing to consent to properties of units that subscribed for.

ANNEX 2

INFORMATION MEMORANDUM

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

Content of Cover Page

- a. Name of investment fund.
- b. Name of fund manager.
- c. Name of custodian.
- d. Date of issuance of the information memorandum and last update.
- e. A statement that the information memorandum and its contents are governed by the provisions of the Investment Funds Regulations.
- f. Warning statement as follows:

“INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE INFORMATION MEMORANDUM. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.”

Content within the Cover Page

- a. Responsibility Statement as follows:

“This Information Memorandum has been reviewed and approved by the fund board. The fund manager and the fund board directors collectively and individually accept full responsibility for the accuracy of the information presented herein. Having made all reasonable inquiries, the fund board directors and the fund manager confirms to the best of their knowledge and belief, there are no false or misleading statements, or omission of other facts which would make any statement in the Information Memorandum false or misleading.”

- b. Disclaimer Statement as follows:

“The Capital Market Authority has approved the establishment of and the offering of units in the investment fund. The Capital Market Authority does not, however, take any responsibility for the contents of this information memorandum, nor does it make any representation as to its accuracy or completeness (complete, clear, accurate, and not misleading), and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. The Capital Market Authority does not make any recommendation as to the soundness or otherwise of investing in the investment fund, and the approval of establishing the fund does not mean that the

Authority recommends to invest in the Fund nor confirm the authenticity of the information contained in the terms and conditions and the information memorandum, and the Authority emphasizes that the decision to invest in the fund is up to the investor or his representative.”

- c. For a Shariah-compliant investment fund, the following statement should be additionally stated:

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

1) The Investment Fund

- a. Name of investment fund.
- b. Issue date of the investment fund’s terms and conditions.
- c. Date of the Authority’s approval for the establishment of and offering of units in the investment fund.
- d. If applicable, the duration of the investment fund and maturity date.
- e. Currency of the investment fund.

2) Investment Policies and Practices:

- a) The investment objectives of the investment fund;
- b) Type or types of securities in which the investment fund will invest in primarily;
- c) The investment fund’s policies and practises to meet its objectives, including any intended concentration or specialization (e.g. asset type, geography, maturity, industries);
- d) The markets in which the investment fund intends to invest in,
- e) Specific techniques and instruments that may be used in the management of the investment fund, use of leverage,
- f) Types of securities that cannot be included in the Fund's investments.
- g) Investment limits and restrictions;
- h) The extent that investments of the Fund's assets can be in a unit of an investment fund or units of an investment funds managed by that manager or by managers of other funds.
- i) Investment Fund borrowing rights, and fund manager policy on the exercise of the borrowing rights, and a statement of fund manager policy with respect to pledging assets of the Fund.
- j) Disclosure of the maximum limit to deal with any counterparty.
- k) Statement on the fund manager policy for the management of investment fund risks.
- l) The benchmark, as well as information about the provider of the benchmark and the bases and the methodology used to calculate the benchmark.

m) Where derivatives are used, there must be a prominent statement that states the purpose of using such instruments (e.g. efficient portfolio management, meeting investment objectives or merely for hedging purposes from the price volatility).

n) Any waivers approved by the Capital Market Authority for any investment limits and restrictions;

3) Risks of investing in an investment fund:

a) Where an investment fund is likely to have a high volatility due to the composition of its investment portfolio, there must be a prominent statement to that effect.

b) Principal risks of investing in the investment fund, including risks to which the investment fund is subject and any circumstances which are reasonably likely to affect the investment fund's net asset value and returns; and

c) There is no guarantee for unitholders that the investment fund's absolute performance or its performance relative to the index will repeat or match past performance.

d) A statement that investment in the investment fund is not a deposit with any bank.

e) A prominent statement that warns investors from the risk of loss of money when investing in the investment fund; and

f) Must contain a list of potential risks associated with investing in an investment fund, risk exposure to the investment fund and any conditions likely to affect the net asset value of the Fund's assets and revenues.

4) General Information:

a) Profile of investors most suited to invest in the relevant investment fund.

b) Distribution policy, including details for unclaimed distributions and information on payment method.

c) Historical performance (if applicable), and must include the following:

1) Average total returns for 1 year, 3 years and 5 years (or since establishment);

2) Annual total return for each of the past 10 years or since establishment;

3) If applicable, the investment fund performance against its benchmark for the past 5 years or since establishment;

4) Dividend distribution history (for the past 3 financial years); and

5) A statement that indicates that the fund reports are available upon request.

d) Rights and Liabilities of a unitholder.

e) Circumstances in which the investment fund may be terminated and procedures for termination under the Investment Funds Regulations.

f) Statement of the fund manager stating the existence of an internal mechanism to evaluate risks associated with the Fund's assets.

5) Fees, charges and Expenses

- a. Disclosure of all types of payments out of the investment fund's assets.
- b. A table showing all fees and expenses, how the fees, charges and expenses are calculated and when it is paid by the investment fund.
- c. Any charges made to the unitholders on subscription in or redemption of units and the way such charges calculated.
- d. Statement of any special commission entered into by the fund manager (if any).
- e. Hypothetical example that illustrates all fees, charges and expenses, paid from the fund's assets or unitholders based on the currency of the fund.

6) Valuation and Pricing

- a. Details on how each asset held by the investment fund is valued.
- b. Frequency and time of valuation (valuation points).
- c. Method of calculating the unit price for dealing purposes.
- d. Details on publication of unit prices (where and when).
- e. Actions to be taken in case of mis-valuation / mis-pricing.

7) Dealing

- a. Details of the initial offer (e.g. start date, period, , initial price).
- b. The date set and the deadlines for submission of requests for subscriptions and redemptions.
- c. Procedures for subscriptions and redemptions, including minimum subscription, minimum holding, where to submit applications, period between request for redemption and payment of redemption proceeds, transfer (if applicable).
- d. Information on unitholders' register (e.g. location of the register where it can be obtained by unitholders).
- e. A statement that subscription monies are to be invested in money market transactions, subject to a party regulated by SAMA or equivalent regulator in a jurisdiction other than the Kingdom, or bank deposits, pending such a minimum amount being achieved.
- f. The minimum amount that must be raised through investors' contributions before the investment fund may be launched.
- g. Circumstances in which dealing in units may be deferred or suspended.
- h. A description of the necessary corrective measures to ensure that fund meets the

requirement of 10 million Saudi riyals or its equivalent as a minimum net asset value.

- i. Any entitlement of the fund manager to defer or suspends subscription or redemption requests.
- j. A description of the procedures under which the selection of redemption requests that would be delayed.

8) Units characteristics:

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

9) Accounting and Reporting

- a. Relevant information on accounting and reporting, including accounting period and financial-year end.
- b. Information on the locations and means of making available fund reports prepared by the fund manager.
- c. Declaration stating the availability of the first audited financial statement at the end of the fiscal year of the fund and stating the end date of that year.
- d. Declaration stating that the fund's audited annual financial statement are available free of charge upon request.

10) Fund Board

- a. Names of Fund Board members, clearly indicating independent members.
- b. A brief about of the fund board members' qualifications.
- c. Description of the roles and responsibilities of the Fund Board.
- d. Details on the remuneration of fund board members.
- e. A statement of any conflict or potential conflict of interest between the interests of a fund board member and the interests of the fund.
- f. A statement showing all the funds boards that the relevant board member is participating in.

11) Shariah Board, if applicable

- a. The identity of the Shariah committee members;.
- b. Description of the roles and responsibilities of Shariah Board.

- c. Details on the remuneration of Shariah Board members.
- d. Details of the standards used to determine the Shariah-compliant assets to be used for investment, and the periodic review of such assets, and the procedures in the event of non-compliance with the Shariah standards.

12) Fund Manager

- a. Name of fund manager.
- b. Authority authorization number.
- c. Registered address and business address of fund manager.
- d. Date of Authority authorization.
- e. The paid-up capital to the fund manager.
- f. Summary of financial information of the fund manager, highlighting, substantial shareholders, revenues and profits in the preceding financial year.
- g. Names of the fund manager's Board of Directors, and the main business activities of each director (other than those connected with the business of the fund manager) where these are of significance to the fund manager's business.
- h. Description of the primary roles, responsibilities and duties of the fund manager in relation to the investment fund.
- i. Functions that have been delegated to a third party by the fund manager in relation to the investment fund.
- j. Any other business activities or interests of the fund manager that are of significance or could potentially conflict with those of the investment fund.
- k. Description of the provisions governing the removal or replacement of the fund manager.

13) Custodian

- a. Name of custodian.
- b. Authority authorization number.
- c. Registered address and business address of custodian.
- d. Date of incorporation.
- e. Description of the primary roles and responsibilities of custodian in relation to the investment fund.

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

g. Description of the provisions governing the removal or replacement of the custodian.

14) Investment Advisor (where applicable)

a. Name of Investment Advisor.

b. Registered address and business address of Investment Advisor.

c. Description of primary role and responsibility of Investment Advisor in relation to the investment fund.

15) Distributor (if applicable)

a. The name of the distributor.

b. The registered address and business address of the distributor.

c. The license issued by the Authority for the distributor.

d. A description of primary roles and responsibilities of the distributor in relation to the investment fund.

16) Auditor

a. Name of auditor.

b. Registered address and business address of Auditor.

c. Description of primary roles and responsibilities of auditor in relation to the investment fund.

17) Other Information

a. Disclosure of conflict of interest policy, and any potential and/or actual conflict of interest.

b. Information on rebates and soft commissions and explanation of the fund manager's policy on rebates and soft commissions.

c. Information regarding tax and/or zakat (if any).

d. Information and details of meeting of unitholders.

e. Information on the procedures to be followed for the termination or the winding-up of the investment fund.

f. Complaints procedures, including means of complaining, where to submit complaints.

g. A statement that the "Committee For The Resolution of Securities Disputes" has the

jurisdiction to adjudicate disputes arising from investing in the investment funds.

- h. A list of documents available for unitholders, which includes, the fund's terms and conditions, each contract mentioned in the information memorandum, financial statements of the fund manager etc.
- i. A statement that the assets of the investment fund are owned collectively by the unitholders. A fund manager, fund sub manager or custodian, sub custodian or a distributor or investment advisor shall not have any interest in or claims against such assets, other than when the fund manager, fund sub manager or custodian is a unitholder, and for claims permitted under the Investment Funds Regulations and disclosed by way of statement in the fund's terms and conditions or the information memorandum.
- j. Any other information known to, or that ought reasonably to be known to, the fund manager or the fund board and that unitholders, potential unitholders and their professional advisors might reasonably require or expect to be included in the information memorandum upon which an investment decision is to be made.
- k. The fund manager's policy in regard to voting rights associated with the assets of the public fund that is managed by such fund manager.

18) Additional Information Requirements for Certain Types of Funds

- a. In the case of a money market fund:
 - 1) a statement that the subscription in a unit in such a fund is not the same as placing cash on deposit with a local bank.
 - 2) that the fund manager has no obligation to redeem units at the subscription price, and that the value of units and the income from them can go down as well as up.
 - 3) a statement of the methodology that will be adopted by the fund manager for the classification of the fund's investments or counterparties, which will deal with the Fund.
 - 4) If the fund will deal with any issuer of money market transactions outside the Kingdom, the fund manager acknowledges that the issuer is subject and regulated by a regulator equivalent to SAMA.
 - 5) If the fund will invest in derivative contracts for the purpose of hedging, the fund manager acknowledges that the issuer is subject to the Prudential Rules issued by the Authority or issued by an equivalent regulator.
- b. In the case of a feeder fund:
 - 1) The criteria used by the fund manager in selecting those target investment funds.
 - 2) investment fund;the feeder fund manager shall disclose full details of the

applicable fees and charges at all levels of the fund structure, including the aggregate of the underlying fees of the investment fund in which the feeder fund invests and the fees charged by the fund manager of the feeder fund.

- c. In the case of a capital protected fund, a statement that the capital will be protected only if the units are held until the maturity of the fund and the redemption of the units prior to the maturity of the fund may be at a price lower than the invested value, unless otherwise provided by the provisions contained in the Investment Funds Regulation or disclosed in the terms and conditions or information memorandum.
- d. In the case of an exchange traded fund:
 - 1) Disclosure that, upon subscription in units in an exchange traded fund, unitholders are deemed to have accepted and signed the fund's terms and conditions of such exchange traded fund;
 - 2) Disclosure of the valuation points of the indicative net asset value and net asset value per unit; and
 - 3) Disclosure of market maker information and the details of the agreed market-making requirements (which include, for example, a price range that the market maker is committed to enter the purchase order and the sell order within it and the minimum values of purchase and sell orders).
 - 4) Margin of deviation factor for the index.
- e. In case of a fund of funds, a disclosure that the underlying funds are subject to other fees. In addition, a disclosure of the expense ratio of each underlying fund at end of year and the weighted average expense ratio of all underlying funds that invested in, unless the fund manager stated otherwise in this paragraph.
- f. In the case of an investment fund which has an investable universe, the criteria for inclusion in the investable universe.

ANNEX 3
CONTENTS OF KEY FACT SHEET

The “Key fact sheet” must be prepared in Arabic language and in a concise and simple manner, and The “Key fact sheet” must contain relevant information of the characteristic of the investment fund to allow investors to reasonably understand the nature and risks of the investment fund and thus be able to make an informed investment decision, and must contain at least the following information:

- a) Key information about the investment fund including, but not limited to, the following:
 - 1) Name of investment fund, indicating the class and type.
 - 2) A short description of the investment fund’s investment objectives;
 - 3) A short description of the investment policies and practices of the investment fund;
 - 4) Risks associated with investments in the investment fund; and
 - 5) Historical data on the performance of the investment fund.
- b) Fees, charges and expenses.
- c) Statement on where and how further information and documents regarding the investment fund can be obtained
- d) Name, address and contact information of the fund manager.
- e) Name, address and contact information of the custodian.
- f) Name, address and contact information of the distributor (if applicable)

ANNEX 4

CONTENTS OF APPLICATION

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

The application file must include the following:

- a. Form (1) of this annex after it is being filed.
- b. Submission Checklist of the provided documents.
- c. Draft of the fund's Terms and Conditions (with the fund's terms and conditions Checklist).
- d. Draft Information Memorandum (with the Disclosure Checklist).
- e. Draft Key fact sheet.
- f. Funds board member photo ID
- g. Subscription and Redemption Forms.
- h. Compact disk comprising soft copies of documents (d), (e) and (f) of this annex.
- i. A detailed investment decision-making process, highlighting the names of any registered persons involved (highlighting those who passed exams and their curriculum vitae).
- j. A detailed description of risk management policies and procedures for the relevant fund.
- k. A declaration by the fund manager that all candidates of the fund's board meet the qualification and requirements contained in these Regulation, and that the definition of independent fund director in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority applies on that fund's independent directors.
- l. Any other supporting documents.
- m. Fees.
- n. Electronic copies of all documents required under the above paragraphs.

Application form is available for public at the official Capital Market Authority website: www.cma.org.sa



FORM – 1 APPLICATION TO ESTABLISH A PUBLIC FUND

Instructions to fill up the form:

.

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

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

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

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

Please fill up one application form for each fund.

must keep a copy of any supporting documents submitted to the Capital Market Authority.

1

THE INVESTMENT FUND

Information about the Investment Fund to be established

1. Name of Fund

2. Fund Type

3. Investment Objectives

4. Investment Policies and practices .

5. Special / Distinctive Features (if any)

6. Proposed offering Date

7. Initial Offer Period

8. Duration / Maturity Date of Investment Fund (if any)

9. reasons of establishing the investment fund.

10. Marketing the fund's Strategy (3-5 year plan)

--

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

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

Note

Please submit the following –

- (i) A copy of the target fund's Information Memorandum; and
- (ii) Due Diligence Report on the target fund and its' Fund Manager.

2

THE FUND MANAGER

Information on the Authorised Person managing the investment fund

1. Name of the Authorised Person (the fund manager)

2. the Authorization Number granted by the Capital Market Authority

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

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

4. Name(s) of Registered portfolio responsible for the fund

(including contact details)

5. Name(s) of Compliance Officer and Compliance Committee

(including contact details)

6. Will the fund management function be delegated?

Yes No

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

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

8. Name of portfolio manager responsible for the fund at the fund sub-manager

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

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

a) Place of Incorporation

b) Regulatory Authority

c) Address and contact details of fund sub-manager

Address	<input type="text"/>
Phone No	<input type="text"/>
Email	<input type="text"/>

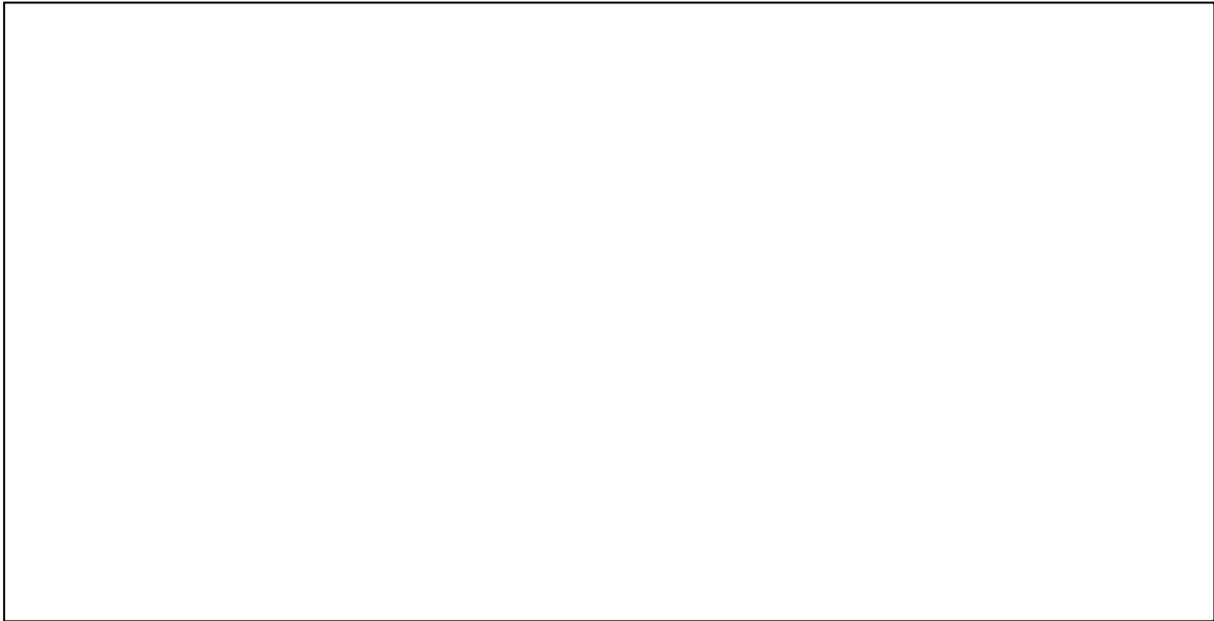
If there are more than one fund sub-manager, please give the information required under para 7 – 10 above for each fund sub-manager.

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

Yes No

If yes, please submit copies of the service contracts.

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



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

3

THE CUSTODIAN

Information on the Authorised Person that carries out the custody activity

1. Name of the Authorised Person (the custodian)

2. The Authorization Number granted by the Capital Market Authority

3. Relationship with Fund Manager

Related Party

Independent

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

4. Organizational Structure (Custody Division)

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

5. Will a sub-custodian be appointed?

Yes

No

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

6. If yes, name of the sub-custodian

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

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

a) Place of Incorporation

b) Regulatory Authority

c) Address and contact details of sub-custodian

Address	
Phone No	
Email	

If there are more than one sub-custodian please give the information required under para 5 – 8 above for each sub-custodian. You may photocopy this page and complete for each sub-fund manager.

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

Yes

No

If yes, please submit copies of the service contracts.

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

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

4

DECLARATION

Declaration by, the Fund Manager and Custodian

For and on behalf of the Authorised Person (Fund Manager)

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

name

position

Name of person responsible for the application

Position

phone number

Email

I declare that the [*name of Authorized Person*] to act as a Custodian for the proposed investment fund. I confirm that the proposed investment fund, the contents of the fund's Terms and Conditions, and the disclosures in the Information Memorandum do not conflict with the Capital

Market Law and Investment Funds Regulations.

name

position

Date

Name of person responsible for the application

Position

phone number

Email

ANNEX 5

CONTENTS OF FUND'S REPORTS

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

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

Short-form Annual Reports must contain at least the information required under paragraphs (A), (B) and (C) - (3) to (6) of this Annex.

Interim Reports must contain at least the information required under paragraphs (C) and (F) of this Annex.

Content of Fund Report

a. Investment Fund Information

- 1) Name of investment fund.
- 2) Investment objectives, policies and polices .
- 3) Distribution of income and gain policy.
- 4) A statement (in bold) that the fund's Reports are available upon request free of charge.

b. Fund Performance

- 1) A comparative table covering the last (3) financial years (or since inception), highlighting:
 - a) the fund net assets value at the end of each financial year.
 - b) the fund net assets value per unit at the end of each financial year.
 - c) highest and lowest net asset value per unit for each financial year.
 - d) the number of units in issue at the end of each financial year.
 - e) income distribution per unit (gross and net).
 - f) expense ratio.
- 2) A performance record that covers the following:

- a) the total return for 1 year, 3 years and 5 years (or since inception).
 - b) the Annual total return for each of the last 10 financial years (or since inception).
 - c) a table showing actual fees and fund expenses paid by the investment fund during the year. The Total Expense Ratio should also be clearly disclosed. If there are any circumstances in which a fund manager may elect to waive or rebate any fees, this must also be disclosed.
 - d) The bases for calculating the performance data and any assumption made must be consistently applied.
- 3) If there were material changes that occurred during the period and that affected the performance of the fund, these changes must be clearly disclosed.
 - 4) Disclosure of the exercise of annual voting rights and it must include the issuer's name and the date of the General Assembly and the subject of the vote and the decision to vote (agree / disagree / abstain from voting).
 - 5) The fund's board annual report including, but not limited to, the topics discussed and issued resolutions, as well as the fund performance and fund achievement of its objectives.

c. Fund Manager

- 1) Name and address of the fund manager.
- 2) Names and addresses of sub-manager and/or investment adviser (if any).
- 3) A review of the investment activities during the period.
- 4) A write-up on the investment fund's performance during the period.
- 5) Details of any material changes made during the period.
- 6) Any other information that would enable unitholders to make an informed judgment about the fund's activities during the period.
- 7) Where an investment fund invests substantially in other investment funds, a statement must disclose on the proportion of the management fees charged to the fund itself and to funds in which the funds invests.
- 8) A statement on any special commission received by the fund manager during the period, clearly identifying what they are and the manner in which they were utilized.
- 9) Any other data and other information required by these Regulations to be included in this report.

d. Custodian

- 1) Name and address of custodian.
- 2) Brief description of its duties and responsibilities,.
- 3) A statement based on its opinion whether the fund manager has:
 - a) issued, transferred and redeemed the units in accordance with the provisions of the Investment Funds Regulations and the fund's Terms and Conditions;
 - b) valued and calculated the price of units in accordance with the provisions of the Investment Funds Regulations , the fund's Terms and Conditions and the information memorandum;
 - c) breached any of the investment restrictions, limitations and borrowing powers applicable to the Investment fund Regulations.

e. Auditor

- 1) Name and address of auditor.
- 2) A statement whether, in the auditor's opinion:
 - a) the financial statements have been prepared and audited in accordance with SOCPA standards, the Investment Funds Regulations ,the fund's terms and conditions and the information memorandum;
 - b) the financial statements give a true and fair view of the net income and the net gains or losses of the investment fund's assets in that accounting period; and
 - c) the financial statements give a true and fair view of the financial position of the investment fund at the end of the period.

f. Financial Statements

Financial statements for the annual accounting period (or the interim period covered in the report) of the investment fund, which must be prepared in accordance with SOCPA standards.

ANNEX 6

VALUATION METHODOLOGIES FOR PUBLIC FUNDS

Assets to be included in the Valuation:

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

Method of Valuation:

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

- 4) listed Bond and Sukuk, or traded on any organized securities market or through automatic pricing system, and market conditions does not allow the assessment of the bond, or sukuk, as stated in sub-paragraph (1) referred to above, it may evaluate those sukuk and bonds as stated in subparagraph (3) provided that this is disclosed in the terms and conditions of the fund and the information memorandum.
 - 5) Investment Funds, last published Net Asset Value per unit;
 - 6) Deposit, nominal value and accrued interest/profit; and
 - 7) Any other investment, fair value, as determined in good faith by the fund manager based on methods and bases agreed by the custodian and have been verified by the auditor of the fund.
- d) Net Assets Value per Unit = (Total Assets – Liabilities – Accrued Expenses)

Outstanding unit at the valuation time

ANNEX 7

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

Instructions to fill up the form:

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

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

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

Please fill up one notification form for each fund.

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

1

THE INVESTMENT FUND

Information about the Investment Fund to be established

Private Fund

Foreign Fund

1. Name of Fund

2. (For private fund) Date of CMA registration for the fund

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

a) Place of Establishment

b) Name of Regulatory Authority

c) Date of Registration

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

5. Proposed Offer Date

6. Offer Period

7. Please specify which category of private placement in Article 76 or 93 of Investment Funds Regulations. the private placement falls into:

8. Number and type of units to be offered, if applicable.

9. The price to be paid for the offered units (in SAR), if applicable.

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

11. The total number of units to be offered plus the total number of units in the fund, if applicable.

2

THE OFFEROR

Information on the Authorised Person offering units in the investment fund

1. Name and address of the Authorised Person offering the private or foreign fund in the Kingdom

2. the Authorization Number granted by the Capital Market Authority.

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

- a) Place of Incorporation

- b) Name of Regulatory Authority

- c) Date of License / Authorization / Registration

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

Address	
Contact Person	
Phone Number	
Email	

4. Where the fund, fund manager or any of the directors, senior executives, controlling shareholders, or founding shareholders of the fund manager have been convicted by a

judicial authority of any violation involving fraud or dishonesty or a violation under the Capital Market Law, its Implementing Regulations, or any legislation relating to companies or money laundering of which, details of such violation including details of the convicted party, the name of the judicial authority by which such party was convicted, the date of conviction and full particulars of the violation and the penalty imposed.

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3

THE CUSTODIAN

Information on the Authorised Person that carries out the custody activity

1. *(For private fund)* Name of the Authorised Person (the custodian)

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

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

a) Place of Incorporation

b) Name of Regulatory Authority

c) Date of License / Authorization / Registration

d) Address and contact details of the foreign custodian

Address	
Contact Person	
Phone Number	
Email	

ANNEX 8

FUND'S DECLARATION TO THE AUTHORITY – PRIVATE FUND

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

To: The Authority

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

We further declare that all the relevant conditions for making a private placement have been satisfied and have submitted or will submit all the information and documentation required to be provided to the Authority under **Part 5** of the Investment Fund Regulations.

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

Name: _____

Signature: _____

Date: _____

ANNEX 9

FUND'S DECLARATION TO THE AUTHORITY – FOREIGN FUND

[To be provided on the letterhead of the foreign fund]

To: The Authority

We, _____ (insert name of the authorised representative of the foreign fund) hereby confirm that we have been appointed by _____ (insert name of offeror) (the offeror) to offer securities of the offeror., we further hereby declare that to the best of our knowledge and belief (having taken reasonable care to ensure that such is the case).

We further declare that all the relevant conditions for making a private placement have been satisfied and have submitted or will submit all the information and documentation required to be provided to the Authority under **Part 6** of the Investment Fund Regulations.

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

Signed on behalf of the authorised person: the authorized officer

Name: _____

Signature: _____

Date: _____

ANNEX 10
STATEMENT TO BE INCLUDED IN THE PRIVATE PLACEMENT OFFERING
DOCUMENTS

The private placement offering documents must include the following statement:

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

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

ANNEX 11

Approvals and notifications submitted to the Authority

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

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

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

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

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

c. Notices relating to the end of the offering:

- 1) the name of the Fund.
- 2) the subject of the notice.
- 3) the date of the end of the offering.
- 4) the amount collected (in SAR).

d. Notification on the end of the liquidation of the Fund:

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

ANNEX 12

REQUIREMENTS OF THE PRIVATELY PLACED REAL ESTATE FUND'S TERMS AND CONDITIONS

Fund manager must present the terms and conditions of the fund in Arabic and in a manner easy to comprehend and understand by investors, and must comprise at least the following:

Content of Cover Page:

- a. Name of the fund.
- b. Name of the fund manager.
- c. Name of the custodian.
- d. Name of the developer.
- e. Must include the following statement:

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

- f. For a Shariah-compliant investment fund, the following statement should be additionally stated:

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

- g. A statement that the fund's terms and conditions shall be read in conjunction with the information memorandum and other documentation of the investment fund.
- h. Issue date of the fund's terms and conditions and last updated, if any.

- i. The date of the notification to the Authority to establish investment fund and offering of units.

Inside the cover page:

- 1- **Name and Type of the fund.**
- 2- **Address of the head office of the Fund Manager and any website for obtaining any information about the fund or its Manager.**
- 3- **Fund duration, with extension duration if any.**
- 4- **Fund objectives.**
- 5- **A description of the Fund's objectives and its investment objectives, and clarification of the funds policy on the distribution of dividends to Unitholders.**
- 6- **A summary of the Fund's strategies to achieve its objective, which includes at least the Following:**
 - a. A description of real estate type (or types) the Fund will invest in.
 - b. Any policy that may result in concentrating investment in a certain type of real estate assets or specific geographical region, that includes a provision that includes the information on the deed of ownership of the property or real estate projects (where applicable).
 - c. A clear course of business plan approved by the developer (where applicable).
 - d. Borrowing rights for the Fund and the Fund Manager policy in the exercise of these powers.
 - e. Methods and ways to invest the liquidity available in the fund.
- 7- **Risks of investing in the Fund.**
 - a. Setting out a description of the main risks related to investing in the Fund, which could affect the Fund investments or any other circumstances that could affect the Fund net assets and the return on investment.
 - b. A statement that, investment in the Fund does not guarantee profits and does not protect from losses.
- 8- **Subscription**
 - a. Providing sufficient information on the subscription which includes subscription and termination dates.
 - b. Clarifying weather the fund take or accept an in-kind subscriptions.

- c. A statement that include an undertaking by the fund manager of his commitment to laws and regulations that governs investments of non-Saudis in property and real estate.
- d. A detailed statement of any minimum amount that the fund manager intends to collect, and how would not reaching that minimum would impact the fund.
- e. A statement to clarifies the targeted group that are fitted to invest in the fund (qualified investors to invest in the fund).

9- Trading of the Fund's units

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

10- Termination of the Investment Fund

- a. Statement of any events of which will result in the termination of the investment fund.
- b. Stating the duration of liquidation of the Fund.
- c. A statement about recovering in-kind investments or not, with the fund manager's pledged to abide by the laws and regulations that governs investments of non-Saudis in property and real estate.

11- Fees, charges and Expenses

It must Include a disclosure of all fees and charges will be borne by the Fund's assets in details so as to clarify the amounts of fees and charges and their percentage of the total assets of the Fund with the stated upper limit for all the charges and fees.

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

- a. Statement of Details on charges imposed for subscription and redemption.
- b. Statement of Details on all charges made from the assets of the investment fund to the fund manager.
- c. Statement of Details on all custody services fees, or any other service provided by the custodian.

- d. Fees paid to the accountant.
- e. Any commission resulting from loans made to the Fund.
- f. Any fees related to the registration of units, and any other administrative service.
- g. Fees paid to the developer
- h. Clarification of all types of deduction or payments paid out of the investment fund assets and any other amount paid by the unitholders.

In all cases or circumstances in which the fund manager have the right to waive or resolve any of the mentioned above.

12- The fund's assets

- a. A statement of registration mechanism of the fund's assets.
- b. A detailed statement of: each:
 - 1) How to assess each asset owned by Fund
 - 2) Method of calculating the unit price.
 - 3) The number of the and timing.
 - 4) Actions to be taken in case valuations or pricing where wrong or incorrect.
- c. A statement that the assets of an investment fund are owned collectively by the unitholders. A fund manager, fund sub manager or custodian, sub custodian or distributor or investment advisor shall not have any interest in or claims against such assets, other than when the fund manager, fund sub manager or custodian is a unitholder, and for claims permitted under the Investment Funds Regulations and disclosed by way of statement in these terms and conditions.

13- Fund Board

- a. Names of fund board members and a statement of their qualifications, and to clearly indicate independent fund directors of a fund board.
- b. Details on the expected total compensation to be paid to the fund board members during the term of the fund.
- c. Description of the roles and responsibilities of the Fund Board.
- d. A statement of any other investment fund managed by any member of the Fund's Board.
- e. Any person appointed by the fund manager as a member of the fund board must fulfill the following eligibility requirements:

- 1) the person must not be bankrupt or subject to any bankruptcy or insolvency proceedings;
 - 2) the person must not have committed an offense involving fraud or acted in breach of integrity and honesty;
 - 3) the person must possess the necessary experience and expertise.
- f. Declaration by the fund manager that the definition of an independent fund director in the glossary of defined terms used in the regulations and rules of the capital market authority applies to the independent fund board members.

14- Fund Manager

- a. Name of the fund manager and address.
- b. The Authorization number granted by the Authority to the fund manager under the Authorized Persons Regulations, with a statement of that.
- c. Functions, duties and responsibilities of the fund manager.
- d. Provisions governing the removal/replacement of fund manager.
- e. Any other business activities or interests of the fund manager that are of significance or could potentially conflict with those of the investment fund.
- f. Disclosure of any conflict of interest could potentially conflict with those of the investment fund.
- g. Functions that have been delegated to a third party by the fund manager in relation to the investment fund.
- h. Disclose if the fund manager intends to invest in the investment fund.

15- Custodian

- a. Name of the custodian and the Authorisation number granted by the Authority to the custodian under the Authorised Persons Regulations.
- b. Functions, duties and responsibilities of the custodian.
- c. Right of custodian to appoint a sub-custodian.
- d. Provisions governing the removal/replacement of custodian.

16- Developer:

- a. the developer name, and address.
- b. A statement of the developer's tasks and duties and responsibilities.

- c. Disclosure of whether the developer intends to invest in the units of the Fund and the value of these investments.

17- Engineering office:

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

18- Auditors:

- a. The name of the chartered accountant of the Fund's, and his address.
- b. A statement of the chartered accountant tasks and duties and responsibilities.

19- Fund Financial Reports

A statement that indicates that the fund financial reports are available upon request.

20- Conflict of Interest

Disclosure of conflict of interest policy and any potential or actual conflict of interest.

21- Reporting to Unitholders

- a. Information on the locations and means of making available fund reports prepared by the fund manager.
- b. A statement that the fund manager will include the periodic reports that will be provided to unit holders the following items:
 - 1) Full disclosure of all fund expenses that explains each item of expenditure separately and the beneficiary of those. detailed report from the engineering office about the percentage of completion and any changes to the course of the project progress, and it must be provided to the unitholders upon request at no charge.
 - 2) The functioning of the business plan along with an engineering office report of the percentage completed, and any changes to the
 - 3) Any wrong assessment of any of the assets of the Fund or the pricing of units.

22- Meeting of Unitholders

- a. Statement of the circumstances in which a meeting of unitholders is called.
- b. Statement of the processes and procedures for calling a meeting of unitholders.
- c. Statement that shows the manner in which unitholders' would exercise their voting rights and a statement that shows the voting rights at meetings of the unitholders.

23- A list of unitholders rights.

A list that contains the rights of unitholders rights

24- Unitholders' Liability

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

25- Other Information

Any other information known to, or that ought reasonably to be known to, the fund manager or the fund board and that unitholders, potential unitholders and their professional advisors might reasonably require or expect to be included in the information memorandum upon which an investment decision is to be made.

26- Shariah Board, if applicable

- a. The identity of the Shariah committee members;.
- b. Description of the roles and responsibilities of Shariah Board.
- c. Details on the remuneration of Shariah Board members.

27- Unit Characteristics

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

28- Changes to the fund's terms and conditions

- a. A statement of the provisions governing changes to the fund, if the fund has more than one category, including name of all class, features, and rights arising

of each category

- b. A statement that shows the procedures to be employed on notifying changes to the fund's terms and conditions.

29- Governing Laws:

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