

Draft Regulatory Provisions for Conducting Dealing Activities in Financial Markets Outside the Kingdom

Draft Objectives:

Enhance the supervisory framework regulating the activities of capital market institutions when dealing with their clients in financial markets outside the Kingdom.

Regulatory Provisions:

- Suspending the application of the provisions of sub-paragraph (1) of paragraph (j) of Article (43) of the Capital Market Institutions Regulations with respect to the non-application of the provisions of that Article to transactions that will be executed in securities markets outside the Kingdom — which are equivalent to the listed debt instruments market or the main market —; and a capital market institution must satisfy the suitability requirements in accordance with the provisions of that Article before commencing dealing with clients in those external markets. Suitability is not required to be reassessed upon the execution of each subsequent transaction, unless a material change occurs — necessitating a reassessment of suitability — in light of the facts disclosed by the client, and any other relevant facts about the client of which the capital market institution is, or reasonably should be, aware, in accordance with the provisions of the Capital Market Institutions Regulations.
- Complying with the fiduciary duties set out in the Capital Market Institutions Regulations, including paragraph (3) of Annex (5.4) of the Regulations, by not using the client's property, information or opportunities for its own benefit, or for the benefit of any other person — including the external broker — whether directly or indirectly, unless it makes full disclosure of such usage to the client and obtains his consent explicitly, in writing, and independently of any other consents that may be required from the client; this includes benefits arising from the lending of securities or payment for order flow (Payment for Order Flow "PFOF").
- Complying with the requirements related to the lending of securities belonging to clients set out in Article (86) of the Capital Market Institutions Regulations, including the collateral requirements and the requirement to obtain the client's consent to the lending of securities explicitly, in writing, and independently of any other consents that may be required from the client, when dealing in financial markets outside the Kingdom.
- Complying with the requirements related to understanding risk set out in Article (42) of the Capital Market Institutions Regulations, when clients borrow or when lending securities belonging to clients in financial markets outside the Kingdom, and a capital market institution must take reasonable steps to ensure the client's understanding of the nature of the risks involved in the type of transaction it will be entering into.
- Complying with the requirements related to suitability set out in Article (43) of the Capital Market Institutions Regulations, when clients borrow securities in financial markets outside the Kingdom.
- Complying with the requirements related to margin set out in Article (45) of the Capital Market Institutions Regulations when dealing in financial markets outside the Kingdom, and complying with the following:
 - A capital market institution, when effecting a margin transaction on a security or providing financing in any other form in financial markets outside the Kingdom, must require the client to provide a margin of not less than 50% of the transaction value prior to effecting the transaction, monitor the margin provided by the client daily, and ensure that the margin is not less than 25% of the current value of each investment position in the relevant security.
 - A capital market institution may not, whether through itself or through any other person including the external broker, effect a margin transaction with or for the account of a client in financial markets outside the Kingdom on leveraged exchange-traded funds, any leveraged traded securities, and securities linked to commodities, metals and volatility indices.
 - A capital market institution may not effect a margin transaction on the shares of companies listed in financial markets outside the Kingdom whose accumulated losses reach 50% or more of their capital according to the disclosures issued by the listed companies, whether through itself or through any other person including the external broker.
 - A capital market institution, when effecting a margin transaction whether through itself or through any other person including the external broker, must follow up and monitor the margin, comply with the resolutions issued in this regard, and provide the CMA with the necessary data upon request.



- The requirements set out in paragraph (6) of these regulatory provisions apply to any margin transactions as of 01/11/2026. With respect to existing margin transactions, capital market institutions must operate in accordance with these regulatory provisions in a manner that does not affect clients' current investment positions.