



KINGDOM OF SAUDI ARABIA

Capital Market Authority

Instructions of Simplified Investment Funds

Issued by the Board of the Capital Market Authority

Pursuant to its Resolution Number 1 - 26 - 2026

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Based on the Capital Market Law

issued by Royal Decree No. M/30 dated 02/06/1424H

Note: The official text is in Arabic. This document is an unofficial translation and is provided for information purposes only

Important Notice: The current version of these Instructions, as may be amended, can be found at the Authority's website: www.cma.org.sa



TABLE OF CONTENTS

PART 1: GENERAL PROVISIONS

- ARTICLE 1: PRELIMINARY PROVISIONS
- ARTICLE 2: DEFINITIONS
- ARTICLE 3: COMPLIANCE WITH THE INSTRUCTIONS
- ARTICLE 4: WAIVERS
- ARTICLE 5: FEES
- ARTICLE 6: RIGHT OF APPEAL

PART 2: FUNDS MANAGEMENT

- ARTICLE 7: ELIGIBILITY REQUIREMENTS
- ARTICLE 8: FUND MANAGEMENT AND DUTIES OF THE FUND MANAGER
- ARTICLE 9: BOOKS AND RECORDS KEEPING
- ARTICLE 10: FINANCIAL STATEMENTS
- ARTICLE 11: REGISTER OF UNITHOLDERS
- ARTICLE 12: CONFLICTS OF INTEREST
- ARTICLE 13: INVESTMENT POLICIES AND PRACTICES
- ARTICLE 14: FUND'S SUBSCRIPTIONS
- ARTICLE 15: DELEGATION BY THE FUND MANAGER
- ARTICLE 16: SERVICES, COMMISSIONS AND MANAGEMENT FEES
- ARTICLE 17: THE REMOVAL, REPLACEMENT AND THE VOLUNTARY WITHDRAWAL OF THE FUND MANAGER
- ARTICLE 18: TERMINATION AND LIQUIDATION OF THE FUND

PART 3: CUSTODY

- ARTICLE 19: APPOINTMENT OF THE CUSTODIAN
- ARTICLE 20: SEGREGATION OF FUND ASSETS AND RESPONSIBILITIES OF THE CUSTODIAN OR THE FUND MANAGER

PART 4: FUND OFFERING

- ARTICLE 21: FUND OFFERING, ITS CATEGORY, AND INVESTOR ELIGIBILITY
- ARTICLE 22: FUND OFFERING REQUIREMENTS
- ARTICLE 23: FUND ADVERTISEMENT

PART 5: CONTRACTUAL FORM OF THE FUND AND ITS DOCUMENTS

- ARTICLE 24: CONTRACTUAL FORM OF THE FUND
- ARTICLE 25: FUND DOCUMENTS

PART 6: FUND UNITS AND MEETINGS OF UNITHOLDERS

- ARTICLE 26: UNITS
- ARTICLE 27: OWNERSHIP OF FUND UNITS AND CLAIMS ON THE FUND ASSETS
- ARTICLE 28: MEETINGS OF UNITHOLDERS
- ARTICLE 29: CONSENT OF UNITHOLDERS TO CHANGES



ARTICLE 30: REPORTING TO UNITHOLDERS

PART 7: ENTRY INTO FORCE

ARTICLE 31: ENTRY INTO FORCE

ANNEX 1: FUND'S DECLARATION TO THE AUTHORITY

ANNEX 2: STATEMENT TO BE INCLUDED IN THE PLACEMENT OFFERING
DOCUMENTS

ANNEX 3: NOTIFICATION REQUESTS PROVIDED TO THE AUTHORITY OR
NOTIFICATION TO THE AUTHORITY



PART 1

GENERAL PROVISIONS

Article 1: Preliminary Provisions

- a. These Instructions aim to regulate the registration, management and operations of simplified investment funds and the offering of its units, and the supervision of all associated activities in the Kingdom.
- b. Simplified investment funds shall be subject to these Instructions not the Investment Funds Regulations, unless stated otherwise in these Instructions.
- c. These Instructions shall have no prejudice to the provisions of the Capital Market Law and its Implementing Regulations, including, the Market Conduct Regulations, the Capital Market Institutions Regulations, the Securities Business Regulations and the Rules for Special Purposes Entities.

Article 2: Definitions

- a. Any reference to the “Capital Market Law” in these Instructions shall mean the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
- b. Expressions and terms in these Instructions 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 context indicates otherwise, and any reference to the “Fund” in these Instructions shall mean the Simplified Investment Fund.

Article 3: Compliance with the Instructions

A person who intends to offer units in a simplified investment fund, a fund manager, fund operator, custodian, distributor, adviser in the Kingdom, must comply with these Instructions, and the provisions of the Rules for Special Purposes Entities (where applicable).

Article 4: Waivers

The Authority may waive a provision of these Instructions 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 Instructions may appeal to the Committee in respect of any decision or action that the Authority takes under these Instructions.



PART 2

FUNDs MANAGEMENT

Article 7: Eligibility Requirements

The fund manager must be a capital market institution licensed to carry out the activity of managing investments and operating funds or the activity of managing investments.

Article 8: Fund Management and Duties of the Fund Manager

- a. The fund manager must act for the benefit of unitholders in accordance with these Instructions, the Capital Market Institutions Regulations and the Fund's Terms and Conditions. The fund manager shall be responsible toward unitholders for losses incurred by the fund, which are caused by fraud or wilful negligence, misconduct or default of the fund manager.
- b. The fund manager shall comply with the laws and regulations related to his duties and responsibilities, and with all principles and duties required under the Capital Market Institutions Regulations and shall have the primary responsibility for compliance with these Instructions, whether it directly performs its responsibilities and duties or delegated them to an external party.
- c. The fund manager's responsibilities shall include:
 - 1) Fund management, and offering of fund units.
 - 2) Ensuring the accuracy of the Fund's Terms and Conditions and all disclosures by the fund, and verify that they are complete, clear, accurate, and not misleading.
 - 3) Valuing the fund's assets, as well as pricing and dealing in the units of the fund in accordance with a clear policy.
 - 4) Developing 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.
 - 5) Implementing 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.
 - 6) Cooperating with all persons concerned with the performance of tasks for the fund, including the custodian (where applicable) and the auditor, and the fund manager must provide them with whatever necessary to perform their duties and tasks.
 - 7) Documenting all amendments to the Fund's Terms and Conditions.
 - 8) Complying with the provisions of Annex (3) of these Instructions when notifying the Authority.



Article 9: Books and Records Keeping

- a. The fund manager must maintain the books and records of the fund for a period of (10) years unless the Authority determines otherwise, and must maintain copies of all books and records required pursuant to this Article for a longer period in the event such books and records relate to any litigation or claim (including any pending or threatened litigation) or any on-going investigations procedures, the fund manager and fund operator must maintain such books and records until the closure of that litigation, claim or on-going investigation procedures
- b. The fund manager must maintain -at all times- records of all units issued and cancelled, and must maintain an up to date record of the balance of outstanding units.

Article 10: Financial Statements

- a. The annual financial statements for an investment fund must be prepared in accordance with the accounting standards approved by the Saudi Organization for Chartered and Professional Accountants, and must be audited annually in accordance with the auditing standards approved by the Saudi Organisation for Chartered and Professional Accountants, and the auditor, through reviewing the annual financial statements and based on the information provided to it, must include in its report what may come to its attention of breaches to the provisions of the Instructions of Simplified Investment Funds or the Fund's Terms and Conditions.
- b. The fund manager must appoint an auditor upon the establishment of the fund to audit the fund's financial statement.
- c. The auditor must be registered with the Authority in accordance with the Rules for Registering Auditors of Entities Subject to the Authority's Supervision and shall be an independent auditor according to criterion of the independence defined in the Law of the Profession of Accounting and Auditing and its implementing regulations.
- d. The fund manager must provide unitholders with the fund's annual financial statement upon request and free of charge.

Article 11: Register of Unitholders

- a. The fund manager must establish a register of unitholders and must maintain it in the Kingdom.
- b. A fund manager may delegate a third party to establish and maintain a register of unitholders referred to in Paragraph (a) of this Article, provided that the following must be fulfilled:
 - 1) The appointment must be pursuant to a written agreement.
 - 2) The delegate must be a capital market institution licensed to carry out the activity of managing investments and operating funds.



- c. The register shall be conclusive evidence as to the persons entitled to units entered on the register.
- d. The fund manager must maintain at least the following information in the register:
 - 1) The name, address and contact numbers of each unitholder;
 - 2) The national identification number, residence 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 current 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.
- e. The register of unitholders must be made available for inspection by the Authority at its request. A summary must be provided by the fund manager to any unitholder free of charge upon request, such summary must show all the information that is relevant to the requesting unitholder only.
- f. The fund manager must update the register of unitholders immediately to reflect changes to information referred to in Paragraph (d) of this Article.

Article 12: Conflicts of Interest

- a. The fund manager must treat any conflicts of interest in accordance with the provisions of the Capital Market Institutions Regulations, and without prejudice to paragraph (b) of this Article.
- b. The provisions governing conflict of interest situations and their disclosure, as set out in the Investment Funds Regulations, shall apply to the extent not otherwise provided for in the Fund's Terms and Conditions.

Article 13: Investment Policies and Practices

The investment decisions of the fund manager must conform to the investment objectives of the fund as set out in the Terms and Conditions.

Article 14: Fund's Subscriptions

- a. The fund manager and any of its affiliates may subscribe for their own accounts in units in the fund which is managed by the fund manager, if the Fund's Terms and Conditions permit such subscription.



- b. The fund manager and its affiliates shall not be entitled to vote on the units which they hold, unless the Fund's Terms and Conditions stipulate otherwise.

Article 15: Delegation by the Fund Manager

- a. The Fund Manager may delegate one or more third parties or any of its affiliates to act as a Sub-Fund Manager for managing the Fund's investments within the Kingdom, the following must be fulfilled:
 - 1) The delegate must be appointed pursuant to a written agreement.
 - 2) The delegate must be a capital market institution licensed to carry out the activity of managing Investments and operating funds or the activity of managing investments.
- b. The fund manager may delegate one or more third parties or any of its affiliates to act as a fund operator, or may delegate one or more third parties to carry out fund operations, including administrative services of the fund, the following must be fulfilled:
 - 1) The delegate must be appointed pursuant to a written agreement.
 - 2) The fund operator or delegate must be a capital market institution licensed to carry out the activity of managing investments and operating funds.
- c. A sub-fund manager operating outside the Kingdom may be delegated to manage the Fund's foreign investments, or one or more third parties may be delegated to carry out Fund operations outside the Kingdom in relation to the Fund's foreign investments, provided that such delegate is duly established, licensed, and subject to the supervision of a regulatory authority that applies regulatory standards and requirements at least equivalent to those of the Authority. The delegate must be appointed pursuant to a written agreement. The Authority shall, at its sole discretion, assess whether the regulatory standards and requirements applicable to the sub-fund manager outside the Kingdom or to the third party delegated to carry out Fund operations outside the Kingdom are at least equivalent to those of the Authority.
- d. The fund manager may delegate one or more third parties or any of its affiliates to act as a distributor of the Fund's units. The distributor must be appointed pursuant to a written agreement, and any distributor delegated within the Kingdom must be a capital market institution licensed to carry out the activity of dealing or the activity of advising; and the fund manager may delegate a party outside the Kingdom to undertake distribution activities outside the Kingdom.
- e. The fund manager may rely on the distributor delegated pursuant to paragraph (d) of this Article to carry out customer due diligence measures in accordance with the relevant provisions of the anti-money laundering law and its implementing regulations.

Article 16: Services, Commissions and Management Fees

It shall not be permitted under any circumstances for service fees, commissions, or management fees to exceed the limit specified in the Fund's Terms and Conditions.



Article 17: the removal, replacement and the voluntary withdrawal of the fund manager

The provisions governing the removal, replacement and the voluntary withdrawal of the fund manager, as set out in the Investment Funds Regulations, shall apply to the extent not otherwise provided for in the Fund's Terms and Conditions.

Article 18: Termination and Liquidation of the Fund

- a. The provisions governing termination and liquidation of the Fund, as set out in the Investment Funds Regulations, shall apply to the extent not otherwise provided for in the Fund's Terms and Conditions.
- b. The Fund Manager must notify the Authority in writing upon the termination or liquidation of the Fund in accordance with the requirements set out in Annex (3) of these Instructions.

PART 3

CUSTODY

Article 19: Appointment of the Custodian

- a. The fund manager must appoint one or more custodians in the kingdom to take custody of the assets of the fund it manages, and such custodian must be appointed pursuant to a written agreement.
- b. The custodian appointed pursuant to paragraph (a) of this Article must not be the relevant fund manager, a sub-fund manager of the relevant fund, or an affiliate of the fund manager or the sub-fund manager.
- c. The custodian appointed pursuant to paragraph (a) of this Article must be a capital market institution licensed to carry out the activity of custody. the custodian may appoint a sub-custodian, provided that the sub-custodian meets the requirements set out in this Article.
- d. The manager of fund takes the form of a special purposes entity shall be exempted from the requirement to appoint a custodian under paragraph (a) of this Article and the Rules for Special Purposes Entities.
- e. Where the simplified fund is a feeder fund, the fund's custodian shall be exempt from the provisions of paragraph (b) of this Article, upon meeting the criteria set out in Article (25) of the Investment Funds Regulations.

Article 20: Segregation of Fund Assets and Responsibilities of the Custodian or the Fund Manager

- a. The custodian and the fund manager (as applicable) must segregate the assets of the fund from their own assets and from the assets of their other clients.



- b. The provisions governing the segregation of the Fund's assets and the responsibilities related with their custody, as set out in the Investment Funds Regulations, shall apply to the extent not otherwise provided for in the Fund's Terms and Conditions.

PART 4

Fund Offering

Article 21: Fund Offering, Its Category, and Investor Eligibility

- a. The offering of fund units shall be a private placement limited to investors in the category of institutional clients. the ownership of fund units shall only be transferred in the secondary market to such clients.
- b. In cases other than those set out in paragraph (a) of this Article, the Authority may, upon the request of a capital market institution seeking to offer units of a simplified investment fund, approve such private offering, subject to compliance with the requirements imposed by the Authority.
- c. If the fund manager was licensed to carry out managing investments activity, without the license to carry out operating funds activity, the fund shall not be a real estate fund or invest in real estate assets.

Article 22: Fund Offering Requirements

- a. The Fund Manager may not offer units of a Fund unless the following are fulfilled:
 - 1) notifies the Authority in writing prior to the proposed date of the offering;
 - 2) submits to the Authority a declaration in the form set out in Annex (1) of these Instructions;
 - 3) submits to the Authority copies of the Fund's Terms and Conditions and the offering documents, which must include a statement in the form set out in Annex (2) of these Instructions;
 - 4) pays the registration fee as determined by the Authority; and
 - 5) provides any other information required by the Authority.
- b. If the Authority, after receiving the private offering notification and the relevant information and documents pursuant to paragraph (a) of this Article, considers that the proposed offering of units may not be commensurate with the fund manager's ability or may result in a breach of the Capital Market Law or its Implementing Regulations, it may take any of the following actions:
 - 1) carry out any enquiries it considers appropriate, including requiring the concerned person or its representative to appear before the Authority to answer the Authority's questions and to explain any matters the Authority considers relevant to the offering; or
 - 2) require the concerned person or others to provide additional information, or to confirm the accuracy of the information provided in such manner as the Authority may specify.



- c. The Authority may suspend the offering until the completion of the procedures taken pursuant to paragraph (b) of this Article.
- d. If the Authority determines that the offering may not be commensurate with the Fund Manager's ability or may result in a breach of the Capital Market Law or its Implementing Regulations, it may issue a "Notification" to the Fund Manager stating that the offering is not to be made, or publish a "Notice" prohibiting the offering.
- e. If the Authority has not taken any of the procedures stated in paragraph (b) of this Article, it shall, at the request of the Fund Manager, issue a notice stating that it has no objection to the offering of the Fund's units.
- f. The Fund Manager must provide the Authority within (10) days from the end of the Fund's offering period with a statement of the results of the offering in the form set out in Annex (3) of these Instructions.
- g. If the offering is not completed, the Fund Manager must provide the Authority within (10) days from the end of the offering period with a written notification confirming that the offering has not been completed, and must return to the unitholders their subscription monies together with any returns generated from investing such monies without any deductions.
- h. The Fund Manager must notify the Authority within (10) days from the date of the Fund's operation.
- i. If the Fund takes the form of a special purposes entity, the Fund Manager must have the by-laws certified by the relevant authority before offering the Fund's units.

Article 23: Fund Advertisement

The Fund Manager may not advertise or promote the Fund unless such advertisement is sent solely to persons in the categories of clients to whom the Fund units may be offered in accordance with Article (21) of these Instructions.

PART 5

Contractual Form of the Fund and Its Documents

Article 24: Contractual Form of the Fund

- a. A Fund shall be established upon the accepting of the Fund's Terms and Conditions by the initial prospective unitholders.
- b. The contractual relationship between a prospective unitholder and the Fund Manager shall be established upon the accepting of the Fund's Terms and Conditions by such unitholder.
- c. The Fund Manager must include in the Fund's Terms and Conditions the relevant requirements set out in these Instructions, and must also include, at a minimum, the following requirements and information:
 - 1) The proposed commencement date and closing date of the offering period;



- 2) The fund's target capital, the nominal value per unit, any minimum amount that the fund manager intends to collect, and the action taken in the absence of reaching that minimum limit in the fund;
- 3) The date of issuance of the Terms and Conditions;
- 4) The name and address of the Fund Manager, with a statement that the Fund Manager is a Capital Market Institution subject to the supervision and oversight of the Authority;
- 5) The name, category, and type of the Fund;
- 6) The Fund's strategy and investment objectives;
- 7) The services to be provided by the Fund Manager and other parties to the Fund, and the related responsibilities;
- 8) Details of any payments to be made to the Fund Manager and to parties providing services to the Fund, including the methodology and timing for calculating such fees;
- 9) The potential investment risks associated with investing in the Fund; and
- 10) The procedure for submitting a complaint to the Fund Manager.

Article 25: Fund Documents

- a. The Fund Manager shall at all times comply with the Fund's Terms and Conditions and its offering documents. And notify the Authority of any amendments to the Fund's documents, and must provide the Authority with an updated copy thereof.
- b. The Fund Manager shall provide the Fund's reports and documents to the Authority upon its request within a period not exceeding (5) days.

PART 6

Fund Units and Meetings of Unitholders

Article 26: Units

- a. The Fund may issue more than one class of units, and the Fund's Terms and Conditions must include a statement of their characteristics.
- b. 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 fund.

Article 27: Ownership of Fund Units and Claims on the Fund Assets

- a. The assets of an investment fund shall be owned collectively by the unitholders in that fund. A fund manager, fund sub-manager, fund operator, custodian, sub-custodian, advisor or distributor may not have any interest in or claims against such assets, except when the fund manager, fund sub-manager, fund operator, custodian, sub-custodian, advisor or distributor



is a unitholder (within the limits of its ownership), or for claims permitted under these Instructions and disclosed in the Fund's Terms and Conditions.

- b. With the exception of units owned by the fund manager, fund sub-manager, fund operator, 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, fund operator, custodian, sub-custodian, advisor, or distributor may not have any claim or entitlement to money or assets of the investment fund.

Article 28: Meetings of Unitholders

- a. The provisions governing unitholders' meetings, as set out in the Article (93) of the Investment Funds Regulations, shall apply to the extent not otherwise provided for in the Fund's Terms and Conditions.
- b. The fund manager must call for a unitholder meeting upon the Authority's request within a period not exceeding (10) days.

Article 29: Consent of Unitholders to Changes

The provisions governing unitholders' consent to changes as set out in the Article (94) of the Investment Funds Regulations, shall apply to the extent not otherwise provided for in the Fund's Terms and Conditions.

Article 30: Reporting to Unitholders

The provisions governing the submission of reports to unitholders as set out in the Article (95) of the Investment Funds Regulations, shall apply to the extent not otherwise provided for in the Fund's Terms and Conditions.

PART 7 ENTRY INTO FORCE

Article 31: Entry into Force

These Instructions shall become effective upon their publication.



Annex 1

FUND'S DECLARATION TO THE AUTHORITY

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

To: The Capital Market Authority

We, being _____ (insert name of the manager of the fund), hereby jointly and severely declare that the information contained in the private offering notification of (name of the fund) and offering documents is complete, clear, accurate and not misleading, and contains no omissions that would affect the substance of such information.

We further declare that all the relevant conditions for undertaking the private offering have been satisfied and have submitted or will submit all the information and documentation required to be provided to the Authority under the Instructions of Simplified Investment Funds.

We hereby authorise the Authority to request or 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 2

STATEMENT TO BE INCLUDED IN THE PLACEMENT OFFERING DOCUMENTS

The private 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 Instructions of Simplified Investment Funds 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 must conduct their own due diligence on the accuracy of the information relating to the securities to be offered. If you do not understand the contents of this document, you should consult an authorized financial adviser.”



Annex 3

NOTIFICATION REQUESTS PROVIDED TO THE AUTHORITY

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.
4. If the change requires the consent of parties other than the fund manager, their consent must be taken before sending the request or the notice, with the necessity to refer to that in the request sent to the Authority.
5. Declaration of the fund manager that the proposed change does not conflict with this Instructions and other implementing regulations and any applicable Law in the Kingdom.
6. Any other documents in support of the request.

b. Notifications relating to the end of the offering period:

1. Fund's name.
2. the subject of the notice.
3. the date of the end of the offering period.
4. the amount collected.
5. a list of the names of all investors and the amount paid from each investor and their categories.
6. Date of fund operation

c. Notification on the termination or liquidation of the Fund:

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