



KINGDOM OF SAUDI ARABIA

Capital Market Authority

THE RULES FOR SPECIAL PURPOSES ENTITIES

Issued by the Board of the Capital Market Authority

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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 Rules, as may be amended, can be found at the Authority's website: www.cma.org.sa



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PART 1: GENERAL PROVISIONS

Article 1: Preamble

- (a) The purpose of these Rules is to regulate the special purposes entities including its establishment, licensing, registration, management and associated activities.
- (b) These Rules shall have no prejudice to the provisions of the Capital Market Law and Its Implementing Regulations, including the provisions of the Capital Market Institutions Regulations, the Securities Business Regulations, the Investment Funds Regulations, the Real Estate Investment Funds Regulations and the Rules on the Offer of Securities and Continuing Obligations.
- (c) Assets of the special purposes entity may not be transferred for any reason other than to issue debt instruments or investment units or for ancillary activities necessary to achieve its purposes.

Article 2: Definitions

- (a) Any reference to the “Capital Market Law” in these Rules shall mean the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424 H.
- (b) Expressions and terms in these Rules shall have meanings, 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: Scope and Application

These Rules apply to any person referred to in them.

Article 4: Waivers

The Authority may waive any provision of these Rules in whole or in part as it applies to any person either on an application from such person or on its own initiative.

Article 5: Right of Appeal

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



PART 2: SPECIAL PURPOSES ENTITIES ISSUING OR INTEND TO ISSUE DEBT INSTRUMENTS

CHAPTER 1: GENERAL PROVISIONS

Article 6: Scope and Application

- (a) The provisions of this Part shall apply to special purposes entities that are issuing or intend to issue debt instruments.
- (b) If the special purposes entity is offering asset-linked recourse debt instruments or debt-based recourse debt instruments, through a public offer, the provisions of the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules shall apply to such entity.
- (c) If the special purposes entity is offering asset-backed debt instruments, asset-linked recourse debt instruments or debt-based recourse debt instruments, through a private or exempt placement, the provisions of the Rules on the Offer of Securities and Continuing Obligations shall apply to such entity.

CHAPTER 2: AUTHORISATION

Article 7: Licensing Requirements

- (a) A special purposes entity shall be licensed at all times in accordance with these Rules.
- (b) A sponsor seeking the licensing of a special purposes entity shall submit an application to the Authority in the form prescribed by the Authority, and pay such application fees as the Authority prescribes under Article (48) of these Rules.
- (c) A special purposes entity that is issuing or intends to issue debt instruments shall register its shares under the name of the trustee of a special purposes entity.
- (d) In case the sponsor authorizes the trustee to represent it before the Authority for any of the purposes related to the application for the establishment or cancellation of the special purposes entity, the sponsor must notify the Authority in writing and in advance.

Article 8: Licensing Conditions

A special purposes entity must fulfil the following conditions at all times:

- 1) the special purposes entity shall be established under, and comply with all applicable requirements of these Rules;
- 2) the special purposes entity shall not engage in any activity other than the following:
 - a. issuing of debt instruments.
 - b. issuing shares for establishment purposes, provided that the shares are in the name of the trustee of the special purposes entity.
 - c. ancillary activities necessary to achieve its purposes.
- 3) the special purposes entity shall have by-laws meeting the requirements of Chapter (3) of this Part.



CHAPTER 3: BY-LAWS

Article 9: By-Laws

- (a) A special purposes entity must have by-laws that specify the following:
- 1) the name and registered office of the special purposes entity;
 - 2) the name, registered office and business of the sponsor;
 - 3) the name, registered office and business of the trustee of the special purposes entity;
 - 4) the start and end dates of the special purposes entity's financial year;
 - 5) the purposes, management, operation of the special purposes entity; and
 - 6) the requirements set out in Paragraph (a) of Article (34) of these Rules, and any other provisions that must be specified in the by-laws in accordance with these Rules.
- (b) The Authority may prescribe one or more standard forms of by-laws to be adopted by special purposes entities. Where the Authority has prescribed such standard form by-laws, no departure from that standard form is permissible without the prior written consent of the Authority, except for adding details required to be included in the standard forms prescribed by the Authority, or selections required to be made.
- (c) A special purposes entity's by-laws shall be approved by the Authority. Upon approval by the Authority of the special purposes entity's by-laws, the by-laws shall be signed by the sponsor or its authorized representative in the presence of a notary public or a notary certified in the Kingdom.



CHAPTER 4: SPONSOR

Article 10: Requirement for Sponsor

A special purposes entity issued, or intends to issue debt instruments, and all of its financing transactions, shall be sponsored by a single sponsor.

Article 11: Conditions of the Sponsor

- (a) A sponsor of a special purposes entity that issued or intended to issue debt instruments shall fulfil the following conditions at all times:
- 1) To be a legal person, comply with the laws and regulations relevant to its activities, and obtain the necessary approvals for establishing the entity and issuing debt instruments through it.
 - 2) As an exception to the provisions of Sub-paragraph (1) of Paragraph (a) of this Article, if a special purposes entity issues, or intends to issue, debt-based recourse debt instruments, asset-linked recourse debt instruments through a public placement, the sponsor must not be a limited liability company.
- (b) If the offering of debt instruments is carried out through a Capital Market Institution authorised to conduct arranging activities in the course of carrying out securities crowdfunding, the sponsor of the special purposes entity must be the beneficiary.
- (c) A sponsor, that is not a capital market institution, must submit to the Authority, at its request, a legal opinion that demonstrate that the business it carries on in relation to the special purposes entity does not require authorisation under the Capital Market Law. The legal opinion referred to in this Paragraph must be issued by an independent lawyer/law firm licensed in the Kingdom.

Article 12: Restrictions on Sponsor Rights Towards Special Purposes Entity

Neither a sponsor, nor any of its affiliates or any of its creditors, may have any interest in, or claims against, the assets of the special purposes entity other than claims fully and fairly disclosed in the entity's documents, including the prospectus or private placement offering document, as applicable.

Article 13: Notifications and Record-Keeping Requirements and Powers of the Authority

- (a) A sponsor shall ensure that:
- 1) it complies with the notification requirements set out in Annex (1) of these Rules, which apply to it; and
 - 2) all information it provides to the Authority in relation to its sponsorship is complete, clear, accurate and not misleading.



- (b) Upon receiving a notification under Paragraph (a) of this Article, the Authority may require the sponsor to provide any information it considers necessary.
- (c) A sponsor must record and retain sufficient information about its sponsorship to demonstrate compliance with these Rules, this includes records of all financial transactions with or relating to the special purposes entity. Such records must be maintained for a minimum of (10) years, in case of any litigation or claim (including any litigation pending or threatened) or any on-going investigations procedures relating to these information and records, the sponsor must retain such information and records until the closure of that litigation, claim or on-going investigation procedures.
- (d) A sponsor must promptly provide the Authority with any information and documents that the Authority may require for the purpose of applying the provisions of the Capital Market Law and its Implementing Regulations.
- (e) A sponsor must disclose its name and address in the debt instruments issuance prospectus.

Article 14: Changing Sponsor

A sponsor of the special purposes entity that issues or intends to issue debt instruments may not be changed, except in the event of its bankruptcy and after obtaining the Authority's approval on such.

CHAPTER 5: TRUSTEE OF A SPECIAL PURPOSES ENTITY

Article 15: Trustee of a Special Purposes Entity

- (a) The trustee of a special purposes entity shall not be deemed an owner of the special purposes entity, and it may not dispose of the shares of the special purposes entity registered under its name or carry out any structural changes in the special purposes entity unless the Authority's approval is obtained.
- (b) Neither a trustee of the special purposes entity, nor any of its affiliates or any of its creditors, may have any interest in, or claims against, the assets of the entity other than claims fully and fairly disclosed in the entity's documents, including the prospectus or private placement offering document, as applicable.
- (c) The sponsor may not be the trustee of the special purposes entity in the event that such sponsor is the beneficiary of the special purposes entity.
- (d) The originator may not act as the trustee of the special purposes entity.
- (e) The trustee of the special purposes entity must be a legal person.
- (f) If the special purposes entity issues or intends to issue debt instruments through a public offering, the trustee of the entity must be a capital market institution licensed by the Authority.
- (g) In the event that the special purposes entity issues debt instruments through a Capital Market Institution authorised to conduct arranging activities in the course of carrying out securities crowdfunding, the trustee of the special purposes entity must be the capital market institution through which the debt instruments were offered.
- (h) The registered office of the special purposes entity may not be transferred to any other place except after obtaining a written consent of the trustee of the special purposes entity.



Article 16: Responsibilities of the Trustee of a Special Purposes Entity

- (a) The trustee of the special purposes entity shall be responsible for representing the holders of the debt instruments issued by the entity.
- (b) With regards to the provisions of Paragraph (a) of this Article, the trustee of the special purposes entity may delegate the authority to represent the holders of debt instruments to a legal person in writing, without prejudice to its responsibility for exercising such authority, and the trustee must notify the Authority in writing and in advance of any arrangements related to such delegation.
- (c) If the special purposes entity issues or intends to issue debt instruments through a public offering, the person authorized under Paragraph (b) of this Article to represent the holders of debt instruments must be a capital market institution licensed by the Authority.
- (d) The trustee of the special purposes entity shall appoint the members of the board of directors, determine their remuneration, and ensure that they carry out all their duties and responsibilities towards the entity and the debt instruments holders.
- (e) The trustee of the special purposes entity shall appoint a custodian to be responsible for taking custody of real estate assets and securities owned by the entity, and for taking all the administrative measures related to the custody of those real estate assets and securities in accordance with the provisions set out in Chapter (8) of this Part.
- (f) The trustee of the special purposes entity is responsible for appointing an auditor for the entity.
- (g) The trustee of the special purposes entity must deposit all funds received in the context of securities crowdfunding and disburse them through a dedicated bank account of the special purposes entity at the designated bank.

Article 17: Changing the Trustee of the Special Purposes Entity

- a) Other than the cases in which the sponsor is the trustee of the special purposes entity, the sponsor and the debt instrument holders may submit a request to the Authority to change the trustee of the entity in the event of its failure to carry out its responsibilities in accordance with the provisions of these Rules or the terms of the agreement under which it was appointed, or upon its failure to fulfil any of its obligations toward the sponsor, or the debt instrument holders, or the entity.
- b) The request referred to in paragraph (a) of this article must include evidence of the debt instrument holders' approval of the appointment of a replacement trustee. The applicant must also provide the Authority with any documents or information requested for issuing its decision on changing the trustee of the special purposes entity.
- c) The Authority shall have the power to change the trustee of the special purposes entity and take any action it deems appropriate to appoint a replacement trustee or implement any other measures it deems necessary, if the trustee is unable to fulfill its responsibilities in accordance with these rules or if the trustee has failed, in a manner which the Authority considers material, to comply with the Capital Market Law and its Implementing Regulations, or has failed to fulfil any of its obligations toward the sponsor, debt instrument holders, or the entity.

CHAPTER 6: THE ORIGINATOR IN SECURITIZATION TRANSACTIONS.



Article 18: True sale standards for the securitized assets and their transfer

- a) The originator in securitization transactions shall sell the securitized assets or transfer the associated rights to the special purposes entity through which asset-backed debt instruments or asset-linked recourse debt instruments will be offered. Neither the originator nor its creditors shall have the right to dispose of the assets after they have been sold or the rights after they have been transferred.
- b) The originator, any of its affiliates, or its creditors shall not have any interest in the securitized assets, the special purposes entity, or any claims related to entity's assets, except for claims fully and fairly disclosed in the entity's documents, including the prospectus or private placement offering document, as applicable.

Article 19: Claims under debt instruments issued by the special purposes entity through securitization transactions

Holders of debt instrument shall not have the right to claim payment from the originator for amounts due under the debt instruments issued by the special-purposes entity through securitization transactions, except for claims fully and fairly disclosed in the entity's documents, including the prospectus or private placement offering document, as applicable.

CHAPTER 7: BOARD OF DIRECTORS

Article 20: Board Membership Requirements

- (a) The directors of a special purposes entity must be registered with the Authority at all times in accordance with these Rules.
- (b) The board of directors of the special purposes entity must be independent of both the sponsor and the originator, including cases where the sponsor is the trustee of the entity.
- (c) As an exception to the provisions of paragraph (B) of this article, if the board of directors of the entity that issued or intends to issue debt instruments through securitization transactions consists of three or more members, at least, the majority of the board of directors must be independent of both the sponsor and the originator.
- (d) A special purposes entity must have, at least, two board members, and all directors of a special purposes entity must fulfil the requirements of this Chapter.

Article 21: Residence

At least one of the directors must be resident in the Kingdom.

Article 22: Appointment, Removal and Remuneration of Directors

- (a) A special purposes entity's by-laws shall provide the procedures to appoint and remove directors and their remuneration.



- (b) A person who is appointed as director shall comply with the special purposes entity's by-laws and all of its provisions.

Article 23: Duties of Directors

- (a) A director of a special purposes entity owes the following duties towards the special purposes entity:
- 1) To act in accordance with the special purposes entity's by-laws.
 - 2) To exercise its powers only for the purposes for which they are conferred.
 - 3) To exercise its powers in a manner that does not conflict with the interests of the special purposes entity.
 - 4) A director is responsible for ensuring that the special purposes entity carries on its businesses in accordance with these Rules.
 - 5) The members of the board of directors must submit an annual report to the trustee of the special purposes entity that includes details of the businesses and decisions related to the issued debt instruments, and any relevant information or documents required by the trustee of the special purposes entity.
- (b) A director must provide the Authority with all the information and documents required by the Authority.
- (c) The provisions of this Article shall apply to any person who fulfils the role of a director of a special purposes entity, whether such person is registered or delegated in accordance with the provisions of Article (24) of these Rules.
- (d) The Authority may carry out any necessary measures related to the role of a director of a special purposes entity.

Article 24: Decision-Making

- (a) The special purposes entity's by-laws must specify the decision-making processes to be followed by directors.
- (b) Minutes must be kept of every directors' meeting and of every resolution made by them.

Article 25: Powers and Authorities

The directors of the special purposes entity must have all powers and authorities that do not interrelate with the powers and authorities of the sponsor or the trustee of the special purposes entity in accordance with the provisions of these Rules or the special purposes entity's by-laws. Such powers and authorities of the directors shall cease on and from the point at which the special purposes entity enters into the stage of liquidation.

Article 26: Delegation

- (a) Subject to the provisions of Paragraph (b) of this Article, the directors may delegate any of their powers to any person, in writing, without prejudice to the responsibilities of the directors in regards to the exercise of any such delegated powers.
- (b) A special purposes entity's board of directors must notify the Authority in writing of any arrangements relating to any director that delegating any of its powers to other person.



Article 27: Responsibilities of the Directors

The directors shall be jointly responsible for compensating the special purposes entity or third parties for any damages sustained as a result of the directors violating the provisions of these Rules or the special purposes entity's by-laws, or any wrongful acts committed by them in the performance of their duties mentioned in Article (21) of these Rules. The liability of such shall be on all directors, if the wrongful act was due to their unanimous decision, as for the wrongful act caused by a decision that was not issued unanimously, the objecting director will not be liable as long as it explicitly reflects its objection on the minutes of meeting. Moreover, absenteeism from the meetings shall not consist a cause for pardoning a director from the liability, unless it became evident that the absent director was unaware of such resolution or could not object to it after becoming aware of such.

Article 28: Register of Directors

A special purposes entity shall maintain a register of detailed information of each director, in accordance with the information stipulated in the by-laws of the special purposes entity.

Article 29: Registration and the Powers and Procedures of the Authority

- a) The application for the registration of a director shall be made on the form prescribed by the Authority.
- b) The Authority may carry out any necessary measures related to the registration application made by a director.

Article 30: Notification Requirements

- (a) A director shall ensure that:
 - 1) it complies with the notification requirements set out in Annex (1) of these Rules, where applicable; and
 - 2) all information it provides to the Authority under these Rules is complete, clear, accurate and not misleading.
- (b) Upon receiving a notification under Paragraph (a) of this Article, the Authority may require the director to provide any information it considers necessary.

Article 31: Suspension or Cancellation of Registration

- (a) The Authority may suspend or cancel the registration of a director on notice to the trustee of the special purposes entity, if the director violates any provision of the Capital Market Law or its Implementing Regulations, commits any offence involving fraud, any act involving a lack of integrity and dishonesty or becomes insolvent.
- (b) The trustee of the special purposes entity may terminate the services of a director upon its request or as otherwise provided by the provisions of these Rules or the by-laws of the special purposes entity.
- (c) If a director's registration is suspended or cancelled, the trustee of the special purposes entity shall ensure that the person immediately ceases to act as a director of the special purposes entity.
- (d) The trustee of the special purposes entity must notify the Authority in writing within (7) days of such director ceasing to be a director. Upon receipt of the notice by the Authority, the registration shall be deemed cancelled.



- (e) In the event where the number of directors becomes less than the minimum required under Paragraph (b) of Article (18) of these Rules, or the resignation of the director residing in the Kingdom which will result in a violation of Article (19) of these Rules, the trustee of the special purposes entity must make the needed corrective measures to fulfil the requirements referred to, in a period no later than (30) calendar days from the date of the notice referred to in Paragraph (d) of this Article.
- (f) A director continues to be subject to the jurisdiction of the Authority from the date of cancelling its registration in respect of any act or omission that occurred as a member of the board of directors, and for (2) years thereafter. And in case of any litigation or claim (including any litigation pending or threatened) or any investigation relating to its duty as a director of the special purposes entity, or the special purposes entity for which it acted as a director, the director with cancelled registration continues to be subject to the jurisdiction of the Authority until the closure of the investigation, litigation or related claim.

CHAPTER 8: CUSTODIAN

Article 32: Appointment of a Custodian

- (a) In respect of the issuance of asset-linked recourse debt instruments and asset-backed debt instruments, the trustee of the special purposes entity must appoint a custodian to be responsible for taking custody of real estate assets and securities owned by the special purposes entity (if any) and for safeguarding and taking all administrative measures in relation to such real estate assets and securities in accordance with the provisions of Article (31) of these Rules;
- (b) Other than the cases in which the trustee of the special purposes entity is the sponsor, the trustee of the special purposes entity may be the custodian, without prejudice to the obligations prescribed to the custodian as per the provisions of these Rules.
- (c) The custodian must be a capital market institution duly authorised to carry on the activity of custody.
- (d) The appointment of the custodian must fulfil the following conditions:
 - 1) the custodian must not be a sponsor of the special purposes entity, an affiliate of the sponsor or controlled by it;
 - 2) the agreement under which the custodian is appointed shall:
 - a. include a provision that enables the special purposes entity to report any information required under these Rules to the Authority;
 - b. be consistent with the obligations of the custodian under this Part; and
 - c. not include any encumbrance over the securities of the special purposes entity or right of set-off, or counterclaim with respect to any amounts deposited in an account of the special purposes entity unless clearly disclosed in the prospectus or the private placement offering document, as the case may be.
- (e) Any fees, commissions or charges levied by the custodian shall be determined on fair basis.



- (f) The special purposes entity must provide the custodian with all necessary data and information to perform its duties according to these Rules.
- (g) The trustee of the special purposes entity may terminate the services of the custodian upon its request, or in accordance with the entity's by-laws. When the custodian receives a written notice of such, the custodian must not take any decision or action related to the special purposes entity after being notified of its removal decision, and must take all necessary actions to transfer businesses and all that in its possession related to the assets of special purposes entity.

Article 33: Custody of Real Estate Assets and Securities in Respect of Asset-Linked Recourse or Asset-Backed Transactions

- (a) This Article applies in respect of real estate assets and securities owned by a special purposes entity.
- (b) The custodian shall separately identify, by registration under the name of the relevant special purposes entity, the real estate assets and securities of the special purposes entity, and shall maintain all necessary documents and records to support the performance of its contractual responsibilities.
- (c) A custodian may appoint one or more third parties or affiliates as a sub-custodian in relation to the real estate assets and securities of a special purposes entity. The fees of the sub-custodian shall be paid by the custodian out of its own resources unless otherwise disclosed in the prospectus or private placement offering document, as applicable.
- (d) A sub-custodian operating in a jurisdiction outside the Kingdom may be appointed to hold custody of its real estate assets and securities located in other jurisdiction, and it shall be established, authorised and subject to the supervision of a regulator, that employs regulatory standards and requirements at least equivalent to those of the Authority.
- (e) Any sub-custodian must be appointed pursuant to a contract in writing and must be a capital market institution authorised to conduct the custody business, provided that the sub-custodian is not a sponsor of the special purposes entity or an affiliate of the sponsor or controlled by it.
- (f) The Authority may, at its absolute discretion, assess whether the jurisdiction in which any sub-custodian operates outside the Kingdom has regulatory standards and requirements applicable to, at least equivalent, those applied by the Authority.
- (g) The appointment by a custodian to one or more third parties or its affiliates as a sub-custodian does not constitute a prejudice to the custodian's responsibilities, toward its custody of the special purposes entity's real estate assets and securities pursuant to these Rules.

Article 34: Custodian's Notifications and Record-Keeping Requirements and Powers of the Authority

- (a) A custodian shall ensure that:
 - 1) it complies with the notification requirements set out in Annex (1) of these Rules, which apply to it; and
 - 2) all information it provides to the Authority in relation to its functions are complete, clear, accurate and not misleading.
- (b) Upon receiving a notification under Paragraph (a) of this Article, the Authority may require the custodian to provide any information it considers necessary.



- (c) A custodian must record and retain sufficient information about its functions under these Rules, and maintain it in special records to demonstrate compliance with these Rules, this includes records of any financial transactions with or relating to the special purposes entity. Such records must be maintained for a minimum of (10) years, in case of any litigation or claim (including any litigation pending or threatened) or any on-going investigating procedures related to that information and records, the custodian must retain such information and records until the closure of that litigation, claim or on-going investigation procedures.
- (d) A custodian must provide the Authority with any information and documents that the Authority may require for the purpose of implementing the Capital Market Law and its Implementing Regulations.

Article 35: Powers of the Authority in Relation to Custodian

- (a) Without prejudice to the other relevant powers of the Authority, if the Authority deems that any of the events stipulated in Paragraph (d) of this Article has occurred or may occur, it may do the following:
 - 1) require the custodian to submit any written clarification, information or documents it considers necessary to address any relevant matter.
 - 2) request the custodian or its representative to appear before the Authority and to answer any question and explain any matter that the Authority considers relevant.
 - 3) carry out any enquiries which it considers appropriate;
 - 4) take any action to verify the information rendered by the custodian, including communicating with any relevant entity.
 - 5) remove and replace the custodian.
 - 6) take any other measures as it considers appropriate.
- (b) The removal and replacement of the custodian under Sub-paragraph (5) of Paragraph (a) of this Article shall be effective immediately upon sending a written notice of such from the Authority to the removed custodian. The removed custodian must not take any decision or action related to the special purposes entity after being notified of its removal decision, and must take all necessary measures to transfer business and all that in its possession related to the special purposes entity from which it was removed from taking custody of its assets.
- (c) The Authority may disclose the identity of any custodian removed under this Article.
- (d) The events referenced in Paragraph (a) of this Article include any of the following:
 - 1) The custodian does not continue to fulfil the conditions, obligations and requirements stipulated in these Rules.
 - 2) The occurrence of any insolvency or bankruptcy case to the custodian.
 - 3) The custodian's violation of any obligations stipulated in the Capital Market Law and its Implementing Regulations or any other relevant laws in the Kingdom.
 - 4) the custodian ceasing to carry on its businesses;
 - 5) the cancellation or suspension of the custodian's authorisation;
 - 6) a request by the custodian to cancel its authorisation;
 - 7) the Authority believing that the custodian has failed, in a manner which the Authority considers material, to comply with the Capital Market Law and its Implementing Regulations; or
 - 8) any other event determined by the Authority to be of sufficient significance.



- (e) If the Authority exercises its power pursuant to Paragraph (a) of this Article, the sponsor and special purposes entity shall co-operate fully with the Authority in order to appoint a replacement custodian.
- (f) In the event where the trustee of the special purposes entity is the custodian of its assets, the trustee of the special purposes entity must immediately appoint another custodian upon the occurrence of any of the events stipulated in Paragraph (d) of this Article.



CHAPTER 9: ACCOUNTS AND AUDIT

Article 36: Appointment of an Auditor

- (a) The special purposes entity's by-laws must provide provisions for the following:
- 1) the appointment of an auditor registered with the Authority in accordance with the Rules for Registering Auditors of Entities Subject to the Authority's Supervision;
 - 2) the auditor's remuneration and term of office;
 - 3) procedures for removal of an auditor; and
 - 4) Sub-paragraph (1) of paragraph (a) of this Article shall not apply where the purpose of the special purposes entity is to issue debt instruments in the context of securities crowdfunding, provided that an auditor licensed to practice auditing in accordance with the Law of the Profession of Accounting and Auditing is appointed.
- (b) The auditor shall be responsible for reviewing the financial statements stipulated under Paragraph (b) of Article (35) of these Rules, and must at any time have access to the special purposes entity's books, records and other documents. It must be provided with any information and clarifications as it may deem it necessary to obtain in order to verify the assets and liabilities of the special purposes entity.

Article 37: Reports Prepared by Directors

- (a) The directors shall, within (1) month of the end of every financial year, prepare a report on the preceding financial year that includes the details referred to in Paragraph (a) of Article (9) of these Rules.
- (b) The directors must within (3) months of the end of every financial year prepare the annual financial statements of the special purposes entity, in accordance with the accounting standards approved by the Saudi Organization for Certified Public Accountants, and audited by an auditor in accordance with the auditing standards approved by the Saudi Organization for Certified Public Accountants, and sign it by one of the directors. Provided it includes, among other items, details of all outstanding and issued debt instruments by the special purposes entity.
- (c) The directors must immediately after signing the documents referred to in Paragraph (b) of this Article, send a copy of each of them to the Authority.
- (d) Paragraphs (b) and (c) of this Article do not apply to a special purposes entity in which all of its debt instruments in issue are debt-based recourse debt instruments.



CHAPTER 10: RECORD-KEEPING

Article 38: Record-Keeping

- (a) A special purposes entity must keep complete and accurate books and records, which shall include at least the following:
- 1) the register of directors required by the provisions of Article (26) of these Rules;
 - 2) minutes of all board meetings;
 - 3) all board resolutions and trustee of the special purposes entity decisions where applicable;
 - 4) the terms of all contracts and transactions entered into by the special purposes entity, including in relation to any issuance of debt instruments and any associated financing transactions;
 - 5) details of the special purposes entity's income and expenditure;
 - 6) details of the special purposes entity's assets and liabilities; and
- (b) A special purposes entity must make its books and records available to the Authority immediately upon its request.
- (c) The special purposes entity must maintain records and information referred to Paragraph (a) of this Article, for (10) years at least. Except if such information is related to a financing transaction, then it shall be kept for a period no less than (3) years from the date of the transaction entitlement or end, whichever is longer. Moreover, in case of any litigation or claim (including any litigation pending or threatened) or any on-going investigating procedures related to that information and records, the special purposes entity must retain such information and records until the closure of that litigation, claim or on-going investigation procedures.

CHAPTER 11: MERGER AND CONVERSION

Article 39: Prohibition on Merger or Conversion

- (a) A special purposes entity may not merge with another special purposes entity or other legal person of any kind.
- (b) A special purposes entity may not convert into a legal person in any other form.



PART 3: INVESTMENT FUNDS THAT TAKE THE FORM OF SPECIAL PURPOSES ENTITIES

CHAPTER 1: PRELIMINARY PROVISIONS

Article 40: Scope and Application

- (a) The provisions of this Part shall be limited to investment funds that take the form of a special purposes entity.
- (b) The provisions stipulated in the Investment Funds Regulations or the Real Estate Investment Funds Regulations – whichever applies – shall apply to investment funds that take the form of a special purposes entity.

Article 41: Preliminary Provisions

- (a) All assets of the special purposes entity are jointly owned by unitholders, and shall be registered under the name of the special purposes entity.
- (b) The manager of the investment fund that takes the form of a special purposes entity shall be responsible for managing the special purposes entity, in accordance with the provisions stipulated in the Investment Funds Regulations and the Real Estate Investment Funds Regulations (whichever applies).
- (c) In the case of an open-ended investment fund that takes the form of a special purposes entity, the capital of the entity shall be variable and based on the subscriptions and redemptions of investors in the fund.

CHAPTER 2: AUTHORISATION

Article 42: Authorisation Requirements and Conditions

- (a) The manager of an investment fund that intends to issue investment units via a special purposes entity must fill out the part for the establishment of a special purposes entity in the fund establishment's form and shall attach the by-laws form for such entity.
- (b) The following conditions must be met at all times:
 - 1) That the investment fund that takes the form of special purposes entity shall be established in accordance with these Rules and the Investment Funds Regulations or the Real Estate Investment Funds Regulations (whichever applies), and complies with all relevant provisions.
 - 2) The special purposes entity shall not engage in any activity other than the following:
 - a. issuing investment units.
 - b. ancillary activities necessary to achieve its purposes.
 - c. The activities stipulated in both the terms and conditions of the fund that takes the form of a special purposes entity, and the by-laws of the special purposes entity.



CHAPTER 3: BY-LAWS

Article 43: By-laws

- (a) The Authority may prescribe one or more standard forms of by-laws to be adopted by the special purposes entity. Where the Authority has prescribed such standard forms by-laws, no departure from that standard form is permissible without the prior written consent of the Authority, except for adding details required to be included in the standard forms prescribed by the Authority or selections required to be made.
- (b) The Authority's approval of the by-laws is required, and upon obtaining approval, the by-laws of the special purposes entity shall be signed by the manager of the investment fund that intends to issue investment units via a special purposes entity or its authorized representative in the presence of a notary public or a notary certified in the Kingdom.

CHAPTER 4: MONITORING PROCEDURES AND SYSTEMS

Article 44: Notifications and Record-Keeping Requirements and Powers of the Authority

- (a) A manager of an investment fund that takes the form of a special purposes entity must ensure that:
 - 1) it complies with the notification requirements set out in Annex (1) of these Rules, where applicable; and
 - 2) all information it provides to the Authority are complete, clear, accurate and not misleading.
- (b) Upon receiving a notification under Paragraph (a) of this Article, the Authority may require the manager of an investment fund that takes the form of a special purposes entity (where applicable), to provide it with any additional information it considers necessary.
- (c) A manager of an investment fund that takes the form of a special purposes entity, must record and retain sufficient information to demonstrate compliance with these Rules, this includes records of all financial transactions with or relating to the special purposes entity. Such records must be maintained for a minimum of (10) years, in case of any litigation or claim (including any litigation pending or threatened) or any on-going investigations procedures relating to these information and records, the fund manager of an investment fund that takes the form of a special purposes entity must retain such information and records until the closure of that litigation, claim or on-going investigation procedures.
- (d) A manager of an investment fund that takes the form of special purposes entity must provide the Authority with any information and documents that the Authority may require for the purpose of implementing the Capital Market Law and its Implementing Regulations and relevant laws.



PART 4: GENERAL PROVISIONS

CHAPTER 1: PROCEDURES AND POWERS OF THE AUTHORITY IN RELATION TO THE AUTHORISATION APPLICATION

Article 45: Procedures and Powers of the Authority in Relation to the Authorisation Application

- (a) In considering an application made under the provisions of Paragraph (b) of Article (7) or the provisions of Paragraph (a) of Article (40) of these Rules, the Authority may carry out any enquiries that it considers appropriate;
- (b) The Authority shall, upon receipt of all information and documents required, notify the sponsor or the manager of an investment fund that intends to issue investment units via a special purposes entity (whichever applies) in writing of the same, and shall make any of the following decisions within (5) days from the date of the notice:
 - 1) to approve the application;
 - 2) to approve the application subject to such conditions and limitations as it considers appropriate; or
 - 3) to reject the application, and provide reasons.
- (c) The Authority may reject an application if the Authority deems that the authorisation of the special purposes entity may result in a breach of the Capital Market Law or its Implementing Regulations or any other relevant laws.

Article 46: Effect of Authorisation

Upon approval by the Authority of the application to licence the special purposes entity, it shall be registered in the register referenced in Paragraph (a) of Article (49) of these Rules, with the effect that:

- 1) the special purposes entity shall have a legal personality and financial anatomy capable of exercising all of the functions of a special purposes entity;
- 2) the special purposes entity, its sponsor or the manager of an investment fund that takes the form of a special purposes entity (where applicable), its trustee (where applicable), and its directors must comply with all provisions of such entity's by-laws, to the effect that each of them understands all the provisions of the by-laws.

CHAPTER 2: LIABILITY TOWARDS PRE-AUTHORISATION CONTRACTS

Article 47: Pre-Authorisation Contracts

Any person delegated to make a contract in the name of a special purposes entity before it obtains authorisation is personally liable for the obligations arising from such contract unless the special purposes entity, after its establishment, adopts such obligations.



CHAPTER 3: THIRD PARTY RELIANCE

Article 48: Third Party Reliance on Actions of the Special Purposes Entity

A person that deals with a special purposes entity is considered aware of the content and restrictions in these Rules and the special purposes entity's by-laws, but shall not be required to confirm the validity of the special purposes entity's internal proceedings.

CHAPTER 4: SETTLEMENT AND INSOLVENCY PROCEEDINGS

Article 49: Compliance with the Bankruptcy Law

- (a) A special purposes entity must comply with the provisions of the Bankruptcy Law and its implementing regulations.
- (b) The special purposes entity must submit a request to obtain the Authority's approval before initiating any of the procedures stipulated in the Bankruptcy Law and its implementing regulations. The Authority will review the request in accordance with the provisions of the Bankruptcy Law, its implementing regulations, and the Information and Documents Rules Provided for in the Bankruptcy Law and the Implementing Regulations thereof. the Authority may require the entity to provide it with any information or documents it considers necessary to issue its decision regarding the request to initiate any bankruptcy procedures or Judicial Depository.
- (c) A special purposes entity must notify the Authority in writing of the result of any action taken from the Bankruptcy Law procedures, within (14) days of the procedure's completion.

CHAPTER 5: FEES

Article 50: Fees

The special purposes entity and the sponsor or the manager of an investment fund that takes the form of a special purposes entity (whichever applies), must pay such fees as the Authority may prescribe.



CHAPTER 6: AUTHORITY REGISTERS

Article 51: Register of Special Purposes Entities

- (a) The Authority shall maintain a register of each special purposes entity that is established under these Rules in such form, as it deems appropriate.
- (b) This register must record a copy of the special purposes entity's by-laws as at its incorporation, together with any subsequent amendments to the by-laws.

Article 52: Register of Directors

- (a) The Authority shall maintain a register of the directors of each special purposes entity that is established under these Rules in such form, as it deems appropriate.
- (b) This register referred to in Paragraph (a) of this Article must record the following details:
 - 1) The name of the special purposes entity and its commercial register;
 - 2) names and addresses of the directors;
 - 3) national identification number, residency identification (iqama) number or passport number of each director, as applicable;
 - 4) nationality of each director;
 - 5) business occupation of each director (if any);
 - 6) date of appointment of each director; and
 - 7) date of removal or resignation of each director (if applicable).

Article 53: Access to Registers

An extract of each of the registers referred to in Article (51) and Article (52) of these Rules shall be made available for public viewing in the manner prescribed by the Authority.

Article 54: Forms

The Authority may publish forms to be used for the provision of the information that a special purposes entity is required to provide to the Authority under Articles (51) and (52) of these Rules.

CHAPTER 7: TERMINATION OF A SPECIAL PURPOSES ENTITY

Article 55: Termination and Dissolution of a Special Purposes Entity

- (a) The special purposes entity shall cease to exist with the end of the purpose for which it was established for. The special purposes entity must notify the Authority in writing of such (14) days prior to the date of its termination.
- (b) The special purposes entity may submit a request to the Authority for its dissolution when the need of its establishment no longer exists, provided that the entity's board members, trustee, or the fund manager and custodian (where applicable), submit a declaration confirming that the entity to be dissolved has no existing obligations. the Authority may require the entity to provide it with any information or documents it considers necessary to issue its decision regarding the dissolution.

PART 5: PUBLICATION AND ENTRY INTO FORCE

Article 56: Publication and Entry into Force

These Rules shall become effective as per its approval resolution.



Annex 1: Notifications Requirements

Notifications to be submitted at least (7) days before the relevant event

No.	Notification	Person required to notify	Required documents or information
A)	Notifications to be submitted at least (7) days before the relevant event related to the establishment and licensing of the special purposes entity		
1.	Any proposed amendments to the identity of any party responsible for managing the special purposes entity.	Directors of the special purposes entity that issued debt instruments or a manager of an investment fund that takes the form of a special purposes entity.	Details of the proposed amendments; copies of any documents or resolutions on which holders of debt instruments or investment unitholders (whichever applies), are approving the proposed amendments.

Immediate Notifications

No.	Notification	Person required to notify	Required documents or information
A)	Immediate notifications to be promptly submitted in relevance to the establishment and licensing of the special purposes entity		
1.	Any breach of the provisions of these Rules.	Sponsor or a manager of an investment fund that takes the form of a special purposes entity and directors of the special purposes entity that issued debt instruments and custodian.	Details of breach; assessment of impact on holders of debt instruments or investment unitholders, whichever applies, and proposed remediation plan.
2.	Any material breach of the terms of an agreement or document relating to the special purposes entity.	Sponsor or a manager of an investment fund that takes the form of a special purposes entity and directors of the special purposes entity that issued	Details of breach; assessment of impact on holders of debt instruments or investment unitholders, whichever applies, and the proposed remediation plan.



		debt instruments and custodian.	
3.	The identification of irregularities in the accounting or other records of the special purposes entity.	Directors of the special purposes entity that issued debt instruments and the sponsor or a manager of an investment fund that takes the form of a special purposes entity and custodian.	Details of irregularities and the proposed remediation plan.
4.	any change to the identity of any person with responsibility for the management of the assets of the special purposes entity.	Directors of the special purposes entity that issued debt instruments or a manager of an investment fund that takes the form of a special purposes entity.	Details of the change.
5.	The insolvency of the sponsor.	Directors of the special purposes entity that issued debt instruments or a manager of an investment fund that takes the form of a special purposes entity.	Time and date of insolvency.
6.	The insolvency of the special purposes entity.	Directors of the special purposes entity that issued debt instruments or a manager of an investment fund that takes the form of a special purposes entity.	Time and date of insolvency.
7.	The insolvency of a registered director.	Directors of the special purposes entity that issued debt instruments or a manager of an investment fund	Time and date of insolvency.



		that takes the form of a special purposes entity.	
8.	Any amendment made to the incomplete, or unclear, or inaccurate, and misleading information previously provided to the Authority, and an explanation of such.	Directors of the special purposes entity that issued debt instruments and custodian and sponsor or a manager of an investment fund that takes the form of a special purposes entity.	



Notifications to be submitted within (7) days

No.	Notification	Person required to notify	Required documents or information
A)	Notifications to be submitted within seven (7) days related to the establishment and licensing of the special purposes entity		
1.	Any change to the information submitted in the licensing application relating to the sponsor or the manager of an investment fund that takes the form of a special purposes entity, and shall not be considered among the required notifications under the section above related to immediate notifications.	Sponsor or a manager of an investment fund that takes the form of a special purposes entity.	Details of the change.
2.	Any change to:		
	(a) the custodian; or	Directors of the special purposes entity that issued debt instruments or a manager of an investment fund that takes the form of a special purposes entity.	Details of the change.
	(b) the bank which has the account of the special purposes entity.	Custodian.	Details of the change.
3.	The director ceasing to perform his functions.	Directors of the special purposes entity that issued debt instruments or a manager of an investment fund that takes the form of a special purposes entity.	Details of the cessation.

For the purpose of this Annex a person is considered “insolvent” in the event of any of the following occurring:

- becoming unable to pay its debts as they fall due;
- becoming insolvent, as defined under any insolvency laws applicable to it; and
- the commencement of a case or other procedures seeking or proposing liquidation, administration, restructuring its debts, performing settlement arrangements, the freeze or moratorium or other similar relief with respect to its debts under any bankruptcy, regulatory, supervisory laws, or seeking the appointment of a liquidator, or other similar officials of the sponsor or any part of the sponsor’s assets in any jurisdiction.