

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

Pursuant to its Resolution Number 1 - 219 - 2006

Dated 3/12/1427H Corresponding to 24/12/2006

Based on the Capital Market Law

issued by Royal Decree No. M/30 dated 2/6/1424H.

Amended by Resolution of the Board of the Capital Market Authority Number [•] Dated [•]

Corresponding to [•]

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**

TABLE OF CONTENTS

PART 1: GENERAL PROVISIONS

- ARTICLE 1: PRELIMINARY
- ARTICLE 2: DEFINITIONS
- ARTICLE 3: COMPLIANCE WITH THE REGULATIONS
- ARTICLE 4: WAIVERS
- ARTICLE 5: REGISTER OF FUNDS
- ARTICLE 6: FEES
- ARTICLE 7: Right of APPEAL

PART 2: FUND MANAGEMENT

- ARTICLE 8: SCOPE and APPLICABILITY OF THIS PART
- ARTICLE 9: ELIGIBILITY REQUIREMENTS
- ARTICLE 10: FUND MANAGEMENT AND DUTIES OF THE FUND MANAGER
- ARTICLE 11: MAINTENANCE OF BOOKS AND RECORDS
- ARTICLE 12: FINANCIAL STATEMENTS
- ARTICLE 13: REGISTER OF UNITHOLDERS
- ARTICLE 14: CONFLICTS OF INTEREST
- ARTICLE 15: INVESTMENT POLICIES AND PRACTICES
- ARTICLE 16: INVESTMENTS BY THE FUND MANAGER
- ARTICLE 17: SPECIAL COMMISSION ARRANGEMENTS
- ARTICLE 18: DELEGATION BY THE FUND MANAGER
- ARTICLE 19: RETENTION OF ADVISORS
- ARTICLE 20: FEES
- ARTICLE 21: POWER OF THE AUTHORITY TO REMOVE AND REPLACE FUND MANAGER
- ARTICLE 22: INVESTMENT DECISIONS

PART 3: CUSTODY

- ARTICLE 23: SCOPE AND APPLICABILITY
- ARTICLE 24: APPOINTMENT OF CUSTODIAN
- ARTICLE 25: OWNERSHIP AND CUSTODY OF THE ASSETS OF THE INVESTMENT FUND
- ARTICLE 26: SEGREGATION OF ASSETS
- ARTICLE 27: DEALING WITH FUND'S ASSETS
- ARTICLE 28: DELEGATION BY CUSTODIAN

- ARTICLE 29: RESPONSIBILITY OF CUSTODIAN
- ARTICLE 30: FEES
- ARTICLE 31: POWER OF THE AUTHORITY TO REMOVE AND REPLACE CUSTODIAN
- ARTICLE 32: REMOVAL OF CUSTODIAN BY THE FUND MANAGER

PART 4: PUBLIC FUNDS

- ARTICLE 33: APPLICATION TO THE AUTHORITY FOR THE ESTABLISHMENT OF, AND OFFERING OF UNITS IN, A PUBLIC FUND
- ARTICLE 34: STRUCTURE OF A PUBLIC FUND
- ARTICLE 35: UNITS
- ARTICLE 36: PERMITTED FEES AND EXPENSES
- ARTICLE 37: DISTRIBUTION OF INCOME AND GAINS
- ARTICLE 38: PARTICIPATION IN OFFERS OF SECURITIES
- ARTICLE 39: TERMINATION OF A PUBLIC FUND
- ARTICLE 40: FUND BOARD
- ARTICLE 41: RESTRICTIONS ON OFFICE HOLDING
- ARTICLE 42: GENERAL RULES AND RESTRICTIONS
- ARTICLE 43: PUBLIC FUND INVESTMENT LIMITATIONS
- ARTICLE 44: NOTIFICATION RELATING TO SUBSTANTIAL HOLDINGS IN SHARES OR CONVERTIBLE DEBT INSTRUMENTS
- ARTICLE 45: PRINCIPAL TRANSACTIONS
- ARTICLE 46: REAL ESTATE INVESTMENT FUND
- ARTICLE 47: INDEX FUNDS
- ARTICLE 48: EXCHANGE TRADED FUND
- ARTICLE 49: SPECIALISED PUBLIC FUNDS
- ARTICLE 50: MONEY MARKET FUND
- ARTICLE 51: FEEDER FUND
- ARTICLE 52: FUND OF FUNDS
- ARTICLE 53: CAPITAL PROTECTED FUND
- ARTICLE 54: BREACH OF INVESTMENT LIMITATIONS
- ARTICLE 55: EXERCISE OF RIGHTS IN RESPECT OF PUBLIC FUND ASSETS
- ARTICLE 56: REQUIREMENT TO PRODUCE TERMS AND CONDITIONS
- ARTICLE 57: REQUIREMENT TO PRODUCE AN INFORMATION MEMORANDUM AND A KEY FACT SHEET
- ARTICLE 58: APPROVAL OF THE AUTHORITY AND CONSENT OF UNITHOLDERS TO FUNDAMENTAL CHANGES

- ARTICLE 59: NOTIFICATION TO THE AUTHORITY AND UNITHOLDERS OF SIGNIFICANT CHANGES
- ARTICLE 60: NOTIFICATION TO THE AUTHORITY AND UNITHOLDERS OF NOTIFIABLE CHANGES
- ARTICLE 61: INITIAL OFFER PERIOD
- ARTICLE 62: SUBSCRIPTIONS AND REDEMPTIONS
- ARTICLE 63: LIMITING OR DEFERRING REDEMPTIONS
- ARTICLE 64: SUSPENSION OF SUBSCRIPTION AND REDEMPTION OF UNITS
- ARTICLE 65: TRANSACTION CHARGES
- ARTICLE 66: BORROWING TO MEET REDEMPTION REQUESTS
- ARTICLE 67: SECURITIES ADVERTISEMENTS AND PROMOTIONAL MATERIALS
- ARTICLE 68: VALUATION
- ARTICLE 69: PRICING OF UNITS
- ARTICLE 70: INCORRECT VALUATION / PRICING
- ARTICLE 71: AUDIT REQUIREMENTS
- ARTICLE 72: MEETINGS OF UNITHOLDERS
- ARTICLE 73: REPORTING TO UNITHOLDERS
- ARTICLE 74: REPORTING TO THE AUTHORITY

PART 5: PRIVATE FUNDS

- ARTICLE 75: OFFER OF UNITS IN A PRIVATE FUND
- ARTICLE 76: PRIVATE PLACEMENT OF A PRIVATE FUND AND ELIGIBILITY OF INVESTORS
- ARTICLE 77: PRIVATE PLACEMENT REQUIREMENTS
- ARTICLE 78: STRUCTURE OF A PRIVATE FUND
- ARTICLE 79: UNITS
- ARTICLE 80: TERMINATION OF PRIVATE FUNDS
- ARTICLE 81: GENERAL RULES AND RESTRICTIONS
- ARTICLE 82: PRIVATE FUND DOCUMENTATION
- ARTICLE 83: SECURITIES ADVERTISEMENTS AND PROMOTIONAL MATERIALS
- ARTICLE 84: GENERAL PROVISIONS
- ARTICLE 85: AUDIT REQUIREMENTS
- ARTICLE 86: MEETINGS OF UNITHOLDERS
- ARTICLE 87: CONSENT OF UNITHOLDERS TO CHANGES
- ARTICLE 88: REPORTING TO UNITHOLDERS

ARTICLE 89: REPORTING TO THE AUTHORITY

ARTICLE 90: RESTRICTION ON SECONDARY MARKET ACTIVITY

PART 6: FOREIGN FUNDS

ARTICLE 91: OFFER OF UNITS IN A FOREIGN FUND IN THE KINGDOM

ARTICLE 92: PRIVATE PLACEMENT OF A FOREIGN FUND AND ELIGIBILITY OF INVESTORS

ARTICLE 93: PRIVATE PLACEMENT REQUIREMENTS OF FOREIGN FUNDS

ARTICLE 94: INFORMATION TO INVESTORS AND OFFERING DOCUMENTATION

ARTICLE 95: SECURITIES ADVERTISEMENTS AND PROMOTIONAL MATERIALS

ARTICLE 96: POWER OF THE AUTHORITY TO SUSPEND A DISTRIBUTOR

ARTICLE 97: REPORTING TO UNITHOLDERS

ARTICLE 98: REPORTING TO THE AUTHORITY

ARTICLE 99: RESTRICTION ON SECONDARY MARKET ACTIVITY

PART 7: PUBLICATION AND ENTRY INTO FORCE

ARTICLE 100: PUBLICATION AND ENTRY INTO FORCE

ANNEX 1: REQUAIRMENTS OF THE FUND'S TERMS AND CONDTIONS

ANNEX 2: INFORMATION MEMORANDUM

ANNEX 3: CONTENTS OF KEY FACT SHEET

ANNEX 4: CONTENTS OF APPLICATION

ANNEX 5: CONTENTS OF FUND'S REPORTS

ANNEX 6: VALUATION METHODOLOGIES FOR PUBLIC FUNDS

**ANNEX 7: PRIVATE PLACEMENT NOTIFICATION TO THE AUTHORITY
– PRIVATE FUNDS AND FOREIGN FUNDS**

ANNEX 8: FUND'S DECLARATION TO THE AUTHORITY – PRIVATE FUND

ANNEX 9: FUND'S DECLARATION TO THE AUTHORITY – FOREIGN FUND

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

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 should be read in conjunction with, and in addition to, 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 shall have the 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: Compliance with the Regulations

- a. Any person who offers units in any investment fund to an investor in the Kingdom and any person who wishes to establish an investment fund in the Kingdom must comply with these Regulations.
- b. A fund manager, custodian, distributor, market maker 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 any provision of these Regulations in whole or in part as it applies to any 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: Register of Funds

The Authority shall maintain a register of all investment funds the units of which are offered to investors in the Kingdom. The register shall contain the name of each investment fund, together with any other information which the Authority may decide to include from time to time.

Article 6: Fees

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

Article 7: Right of Appeal

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

Draft

PART 2: FUND MANAGEMENT

Article 8: Scope and application of this Part

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

Article 9: Eligibility Requirements

Only an authorised person authorised to carry out the activity of management may establish, manage and offer units in an investment fund in the Kingdom.

Article 10: Fund Management and Duties of the Fund Manager

- a. The fund manager shall act for the benefit of unitholders and the fund as a whole in accordance with both these Regulations and the terms and conditions of the investment fund.
- b. The fund manager shall have a fiduciary duty to unitholders. The fund manager's fiduciary duty to unitholders includes a duty to act in good faith, a duty to act in the best interests of the unitholders and duty to exercise all reasonable care and skill.
- c. The fund manager shall be responsible for the management and operation including the administration of any investment fund which it manages.
- d. The fund manager shall have the primary responsibility for compliance with these Regulations. Any delegation of the fund manager's responsibilities 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. The fund manager shall be financially responsible to unitholders for losses in the investment fund resulting from errors caused by the fund manager, or its fund sub-manager, fraud, negligence, misconduct or wilful default.

Article 11: Maintenance of Books and Records

- a. The fund manager shall maintain within the Kingdom the books and records of all investment funds which the fund manager manages.
- b. In relation to all investment funds which the fund manager manages, the fund manager shall maintain at all times records of all units issued and cancelled, and shall maintain at all times a record of the up to date balance of outstanding units.

Article 12: Financial Statements

- a. The fund manager shall prepare financial statements for an investment fund at least twice annually and cause the annual financial statements to be audited. Financial statements shall be prepared and audited in accordance with the standards issued by the Saudi Organisation of Certified Public Accountants (“SOCPA”).
- b. Copies of all financial statements prepared with respect to the relevant periods described in paragraph (a) of this Article shall be included in the fund reports prepared by the fund manager pursuant to Article (73) of these Regulations in the case of public funds and pursuant to Article (88) of the Regulations in the case of private funds.

Article 13: Register of Unitholders

- a. The fund manager shall establish a register of unitholders and shall 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 shall maintain the following information in the register:
 - 1) the name and address of each unitholder;
 - 2) the national identification number, residence permanent number, passport number or company registration number of the unitholder when applicable ;
 - 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.
- d. The register of unitholders shall be made available for inspection by the Authority at its request. An extract of the register of unitholders shall be supplied by the fund manager to any unitholder upon request (such extract to show only the information in relation to the unitholder in question).
- e. The register of unitholders shall be updated promptly by the fund manager to reflect the changes to the information referred to in paragraph (c) of this Article.

Article 14: Conflicts of Interest

- a. Without prior disclosure of the conflict (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 and fund sub-manager shall 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 such investment fund or another client account,
- b. The fund manager and fund sub-manager, shall ensure that its affiliates shall not, engage in any action described in paragraph (a) of this Article.

Article 15: Investment Policies and Practices

The investment decisions of the fund manager shall conform to good 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, 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 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 of the relevant investment fund; and
- 3) that the investments of the fund provide a prudent spread of risk whilst having due regard to the investment objective, investment policies and terms and conditions of the relevant investment fund.

Article 16: Investments by the Fund Manager

A fund manager may only invest in units in an investment fund which is managed by the fund manager if the intention of the fund manager to invest for its own account in the relevant investment fund is disclosed in the information memorandum and the terms and conditions of the investment fund and if the following requirements are satisfied:

- 1) the terms of the fund manager's subscription, and the rights attaching to the units which the fund manager holds, must be no more favourable than those of other unitholders;
- 2) the fund manager shall not be entitled to vote on the units which the fund manager holds; and

- 3) the fund manager shall not be entitled to hold more than 25% of the units in issue at all times in relation to any investment fund which the fund manager manages, unless it is a result of the fund manager's subscription during the initial offer period or as a result of redemption by other clients.

Article 17: 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 of the investment 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.

Article 18: Delegation by the Fund Manager

- a. A fund manager may, in respect of 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 shall be paid by the fund manager out of its own resources.
- b. Any fund sub-manager appointed pursuant to paragraph (a) of this Article shall be appointed pursuant to a contract in writing and shall be an authorised person to conduct the managing activities.
- c. Any fund sub-manager operating in a jurisdiction other than the Kingdom and pursuant to paragraph (a) of this Article. Shall 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-manager operates has regulatory standards and requirements at least equivalent to those of the Authority.

Article 19: Retention of Advisors

The fund manager may retain an authorised person under the Authorised Persons Regulations authorised to conduct the advising activity to assist the fund manager in the carrying out of the fund manager's responsibilities and functions in relation to any investment fund which the fund manager manages. The remuneration of any such person shall be paid by the fund manager from the remuneration paid to the fund manager.

Article 20: Fees and Charges

Any fees, commissions or charges levied on the fund for its management and operation shall be on arm's length terms and in no event shall such charges exceed the limit specified in the terms and conditions of the relevant investment fund.

Article 21: 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 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 securities business without notification to the Authority under the Authorised Persons Regulations;
 - 2) the cancellation or suspension by the Authority of the fund manager's relevant authorisation(s) under the Authorised Persons Regulations;
 - 3) a request by the fund manager to the Authority to cancel its relevant authorisation;
 - 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 and 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) a special fund resolution being passed by the unitholders of that 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 given 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 with the Authority and the unitholders in order to help appoint a replacement fund manager and facilitate a smooth handover of responsibilities to the replacement fund manager during the initial (60) calendar day period after the appointment of the replacement fund manager. The fund manager shall novate all of the contracts relating to the relevant investment fund to which it is a party to the replacement fund manager.

Article 22: Investment Decisions

If a fund manager is removed pursuant to Article (21) of these Regulations, it shall cease to make any investment decisions as soon as the replacement fund manager is appointed or at any earlier time determined by the Authority, and any action from the fund manager during this period deemed to be void.

Draft

PART 3: CUSTODY

Article 23: Scope and application

This Part shall apply to public funds and private funds.

Article 24: Appointment of Custodian

- a. The fund manager shall appoint one or more custodians in the Kingdom to take custody of the assets of all investment funds which the fund manager manages.
- b. The custodian who was appointed pursuant to paragraph (a) of this Article shall not be an affiliate of the fund manager or the fund sub-manager.

Article 25: 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 and/or custodian 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 these Regulations and disclosed in the terms and conditions and the information memorandum. Creditors of such authorised persons do not have any claim or entitlement to money or assets of the investment fund.
- b. The custodian of an investment fund shall be responsible for taking custody of the assets of the investment fund and for safeguarding such assets for the interest of the unitholders. The custodian shall also be responsible for taking all necessary administrative measures in relation to the custody of the assets of the investment fund.

Article 26: Segregation of Assets

- a. The custodian shall in relation to each investment fund in relation to which it acts as custodian establish a separate account in located bank in the name of the fund manager with the account designated as being for the benefit of the relevant investment fund.
- b. The custodian shall segregate each investment fund's assets from its own assets and from the assets of its other clients, and shall separately identify, by registration in the name of the relevant investment fund, the securities and other assets of such investment fund, and shall maintain all necessary records to support the performance of its contractual responsibilities.

- c. The custodian shall deposit all cash belonging to the investment fund into the relevant bank account referred to in paragraph (a) of this Article and shall debit from the relevant bank account payments for investments and expenses incurred in the management and operation of the investment fund as permitted by the relevant investment fund's terms and conditions and these Regulations.

Article 27: Dealing with Fund Assets

The custodian shall ensure at all times that the assets of the investment fund which it holds in custody are dealt in accordance with these Regulations, all applicable laws and regulations, the terms and conditions of the investment fund and the contract pursuant to which the custodian was appointed.

Article 28: Delegation by the Custodian

- a. A custodian may, in respect of any investment fund in relation to which the custodian acts, appoint 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. Any fund sub-custodian appointed pursuant to paragraph (a) of this Article shall be appointed pursuant to a contract in writing and shall be an authorised person to conduct the custody activities.
- c. Any fund sub-custodian operating in a jurisdiction other than the Kingdom and pursuant to paragraph (a) of this Article. Shall 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.

Article 29: Responsibility of Custodian

Notwithstanding the delegation by a custodian to one or more third parties or affiliates pursuant to Article (28) of these Regulations, the custodian shall remain fully responsible for the custody of the fund's assets.

Article 30: Fees

Any fees, commissions or charges levied for the provision of custody activities or other services by the custodian shall be on arm's length terms and in no event shall such charges exceed the limit specified in the terms and conditions of the relevant investment fund.

Article 31: 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 to appoint a replacement custodian of that investment fund or to take any other measures it deems necessary, as appropriate, in the event of:
 - 1) The custodian ceasing to carry on securities business without notification to the Authority under the Authorised Persons Regulations;
 - 2) The cancellation or suspension by the Authority of the custodian's relevant authorisation under the Authorised Persons Regulations;
 - 3) A request by the custodian to the Authority to cancel its authorisation as a custodian under the Authorised Persons Regulations;
 - 4) 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
 - 5) Any other event determined by the Authority to be of sufficient significance.
- b. If the Authority exercises its power pursuant to paragraph (a) of this Article, the relevant fund manager shall co-operate fully with the Authority in order to help appoint a replacement custodian.

Article 32: Removal of Custodian by the Fund Manager

- a. The custodian 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,
- b. And stating in writing to the unitholders, that a change of custodian is desirable in the interest of unitholders.
- c. On receipt by the custodian of a notice issued under paragraph (a) of this Article, the fund manager shall terminate the appointment of the custodian within (30) calendar days of such notification and shall appoint another custodian.

PART 4: PUBLIC FUNDS

Article 33: 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 in the Kingdom.
- b. The Authority will consider the application within (30) days of receiving all information and documentation required, in accordance with these Regulations
- c. In considering an application for approval to establish a public fund and offer units in a public fund, the Authority may:
 - 1) carry out any enquiries that it considers appropriate;
 - 2) request the applicant or its representative, to attend before the Authority to answer questions and explain any matter the Authority considers relevant to the application;
 - 3) request the applicant to provide such additional information as the Authority considers appropriate within thirty (30) calendar days of the request; and
 - 4) verify any information provided by the applicant.
- d. The Authority may refuse to consider the application where an applicant has failed to provide information requested from it within the time specified in sub-paragraph (3) of paragraph (c) of this Article.
- e. The Authority may refuse an application if the Authority believes that the offering of units in the public fund would not be in the best interests of investors.
- f. The Authority shall notify the applicant in writing of any of the following decisions taken by the Authority:
 - 1) a decision to approve the application;
 - 2) a decision to approve the application subject to such conditions and limitations as it considers appropriate; or
 - 3) a decision to refuse the application.
- 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 referred to in sub-paragraph (1) or (2) of paragraph (f) of this Article.
- h. An applicant must commence the offer of units in a public fund within (6) months of receipt of the Authority's decision to approve the application under sub-paragraph (1) or (2) of paragraph (f) of this Article, failing which the approval will lapse.

Article 34: Structure of a Public Fund

- a. A public fund is established by the signing of the terms and conditions of the relevant fund between the potential unitholders and the fund manager. The terms and conditions shall contain the information required by Annex 1 of these Regulations.
- b. 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 35: Units

- a. As soon as a potential unitholder signs the terms and conditions and paid the subscription price for the units, the unitholder shall be the owner of the units to 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. A unitholder's liability for the debts and obligations of a public fund shall be limited to the value of its investment in the relevant public fund.
- d. A public fund may only issue one class of units and all unitholders shall have the same rights as each other and shall be treated equally by the fund manager.

Article 36: Permitted Fees 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) investment management fees, including any performance or incentive element if applicable;
 - 4) the fees of the custodian of that public fund;
 - 5) the fees and expenses of the auditor of that public fund;
 - 6) the fees of the Shariah advisor from the Shariah committee , if any;
 - 7) the costs incurred in publishing fund reports (both annual and interim fund reports);
 - 8) fees and expenses of the fund board directors; and

- 9) any other charges or expenses payable to persons dealing at arm's length with that public fund or incurred in connection 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 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.
- c. No payments may be made out of the assets of a public fund for the purpose of, or for services rendered in relation to, the distribution and promotion of units, including, but not limited to, the costs of preparing, copying and sending of the terms and conditions and information memorandum.
- d. The fund manager shall, in its annual report to unitholders, disclose the ratio of the aggregate fees for the year in question to the net asset value of the public fund.

Article 37: Distribution of Income and Gains

- a. The fund manager shall not be obliged to pay distributions to unitholders, and if distributions are paid to unitholders, it shall be paid in compliance with the public fund's terms and conditions. If distributions are paid to unitholders, the fund manager shall send an annual statement detailing the distributions paid to a unitholder in a public fund to the relevant unitholder within thirty (30) calendar days of the end of the financial year.
- b. The fund manager shall have no right to claw back any distributions already paid out to unitholders in a public fund.

Article 38: Participation 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 according to the law and regulations of the jurisdiction in which the offer is being made and that such jurisdiction subjects the offer of securities to a regulatory system which is at least equivalent to that applied to a public offer in the Kingdom,
 - 2) the subscription in securities will not result in buying the securities from the fund manager or its affiliates where the fund manager or its affiliates is the underwriter.;
 - 3) the securities are subscribed for by the public fund at a price which is no more than the offering price;

- 4) the total amount of securities subscribed for by a single public fund does not exceed 10% of the total offering by value; and
 - 5) the total amount of securities subscribed for by all other public funds managed by the same fund manager does not exceed 20% of the total offering by value.
- b. A public fund may subscribe in debt securities offered by way of private placement so long as the securities subscribed for by a single public fund does not exceed 5% of the total offering by value, or 5% of the public fund's net asset value, whichever is smaller.

Article 39: Termination of a Public Fund

- a. A fund manager shall seek the consent of unitholders by way of a special fund resolution to terminate a public fund. The fund manager shall give unitholders and the Authority at least (60) calendar days written notice of the intention to terminate the public fund. The fund manager shall notify the Authority in writing within (5) days of a special fund resolution being passed to terminate the public fund.
- b. The consent of unitholders to termination is not required in the case of a public fund with a defined term set out in the terms and conditions of the fund, and provided that term has expired. The fund manager shall give unitholders and the Authority at least (30) calendar days written notice of forthcoming expiry of the term of the public fund.
- c. The consent of unitholders to termination is not required in the case of a public fund the terms and conditions of which provide that the fund will terminate upon the occurrence of specified events, provided that one of those events has occurred. The fund manager shall notify the Authority and unitholders in writing within (5) days of the occurrence of a specified event triggering the termination of the fund.

Article 40: 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. 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 considered 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.

- c. The number of independent fund directors of a fund board shall not be less than two, or one third of the total number of members, whichever is greater.
- d. A fund board director shall not be entitled to vote on any resolution to be taken on any matter in which such fund board director has any direct or indirect 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 fulfil 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 been convicted of a criminal offence and;
 - 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 (e) of this Article, the fund manager must notify the Authority immediately and must replace a member of the fund board with another person who fulfils the eligibility requirements set out in paragraph (e) of this Article, within (60) calendar days.
- g. A fund manager must notify the Authority within (10) days of any resignation or cessation of services by a member of the fund board and must appoint a replacement member of the fund board within (60) calendar days.
- h. The fund board shall 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.
- i. The responsibilities of the fund board shall include the following:
 - 1) approving material contracts 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) overseeing and, where appropriate, approving or ratifying any conflicts of interest the fund manager has identified;
 - 3) 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 laws and regulations, including (without limitation) the requirements of these Regulations;
 - 4) in the case of the fund board of a closed-ended public fund, approving, where appropriate, notifiable changes that stated in article (60) of these Regulations before notification by the fund manager to the Authority and the unitholders;

- 5) confirming the completeness and accuracy, 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; and
 - 6) ensuring that the fund manager carries out its obligations in the best interests of the unitholders, in accordance with the terms and conditions of the public fund.
- j. A fund manager must provide the fund board with all necessary information, relating to the relevant public fund, to enable the fund board directors to perform their responsibilities competently.

Article 41: Restrictions on office holding

Personnel of a fund manager shall not serve as directors or take up any other office in a company or other entity the securities of which form part of the assets of a public fund managed by the fund manager.

Article 42: General Rules and Restrictions

- a. The assets of a public fund shall be invested in investments which are not prohibited by these Regulations or other applicable law and regulations and which are permitted by the terms and conditions of the relevant public fund.
- b. The fund manager may invest the assets of a public fund in the following types of investments:
 - 1) securities;
 - 2) money market transactions;
 - 3) bank deposits with financial institutions regulated by SAMA or subject to equivalent regulation in another jurisdiction; and
 - 4) real estate; and
 - 5) commodities.
- c. The fund manager shall not invest the 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 fund manager must not place on deposit subscription monies received from a unitholder which is not invested with an affiliate of the fund manager other than on terms and conditions equivalent to 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 to any person.
- f. The fund manager must not invest the public fund's 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 are invested must be another public fund which is registered with the Authority or an investment fund which is subject to equivalent regulatory oversight in a jurisdiction recognised by the Authority as having equivalent regulation.
- h. The maximum borrowing of a public fund must not exceed [10]% of its net asset value.
- i. The investments of a public fund in securities, money market transactions or bank deposits described in sub-paragraph (3) of (b) of this Article not exceed [25]% of the net asset value of a public fund.
- j. the public fund's assets must not be used to acquire any asset that involves the assumption of any liability which is unlimited.

Article 43: Public Fund 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 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. 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 with a long term investment grade rating from any rating agency authorised by the Authority, which may comprise not more than [35]% of the net asset value of the public fund;
 - 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 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.
- g. Not more than [10]% of the public fund's net asset value may be invested in derivatives.
 - h. Not more than [10]% of the public fund's net asset value be invested in illiquid assets.
 - i. The portfolio of a public fund may only include any security where a call is to be made for any sum unpaid on that security if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the public fund, at the time when payment is required, without contravening these Regulations.

Article 44: 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.
- b. The Authority may disseminate any notification that it receives under this Article.
- c. The notice referred to in paragraph (a) of this Article must be in accordance with a form prepared by the Authority.

Article 45: Principal Transactions

- a. A fund manager, its affiliates, and any fund sub-manager shall not act as principal for their own account or accounts when dealing for public investment 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 [50]% 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 46: Real Estate Investment Fund

- a. Public real estate investment funds shall be subject to the Real Estate Investment Funds Regulations.
- b. private real estate investment funds shall be subject to the relevant provisions of these Regulations.

Article 47: Index Funds

- a. An index fund may only invest in constituent securities of a specified index. 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.
- b. 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 48: 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 authorized persons which are authorized to deal as principal to act as market maker for the exchange traded fund. The market maker must not be the fund manager or an affiliate of the fund manager.
- 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 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 the following requirements:
 - 1) the Fund's assets must be at least SR (10) million, the fund manager must take the necessary corrective actions to ensure that requirement is satisfied and must provide updated information, in such manner as the Authority may specify, regarding that requirement.
 - 2) the fund manager must 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 49: Specialised Public Funds

Specialised public funds which are regulated by the provisions of these regulations shall be money market funds, feeder funds, fund of funds and 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 50: Money Market Fund

- a. A money market fund manager shall invest at least [90]% of its net asset value in debt instruments, Morabaha transactions and deposits, provided that such investments have a maturity or a remaining maturity period of not more than one year and are offered by an entity which is either rated or recognised by the Authority.
- b. The value of a money market fund's investments in debt instruments issued by any single issuer shall not exceed [25]% of the fund's net asset value.
- c. The value of a money market fund's investments in placements in deposits with any single entity shall not exceed [25]% of the fund's net asset value.

Article 51: Feeder Fund

A public fund which is a feeder fund shall not invest in another feeder fund.

Article 52: 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.
- c. Not more than [50]% of a fund of funds' net asset value may be invested in a single investment fund.
- d. A fund of funds shall not invest in another fund of funds or a feeder fund.

Article 53: Capital Protected Fund

- a. The capital protected fund must include the phrase "capital protected" in all the fund's relevant documents.
- b. The fund manager of a capital protected fund shall use its best efforts to manage counterparty risk.
- c. The value of a capital protected fund's investments in debt instruments issued by any single issuer shall not exceed [25]% of the fund's net asset value.
- d. The value of a capital protected fund's investments in deposits with any single entity shall not exceed [25]% of the capital protected fund's net asset value.

Article 54: 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 are breached due to an act of the fund manager or the fund sub-manager, the fund manager shall notify the Authority in writing immediately and shall take the necessary steps to rectify the breach.
- 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 shall 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 Authority may impose sanctions for any breach of the investment limitations referred to in these Regulations or in paragraph (a) and paragraph (b) of this Article.

Article 55: 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 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 voting rights in a particular way).

Article 56: Requirement to Produce Terms and Conditions

- a. A public fund manager must provide to unitholders and potential unitholders the terms and conditions free of charge.
- b. A public fund's terms and conditions should 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. Unitholders shall indicate their agreement to the terms and conditions by signing a copy of them.
- e. 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.
- f. Identical terms and conditions must apply to all unitholders in a public fund.
- g. The fund manager shall file an updated version of the fund's terms and conditions with the Authority within (5) days of any change being made to the terms and conditions.
- h. The fund manager of a public fund is responsible that the fund's terms and conditions are complete, accurate, not misleading, are kept up-to-date and revised.

Article 57: Requirement to Produce an Information Memorandum and a Key Fact Sheet

- a. A public fund manager must provide to unitholders and potential unitholders the information memorandum and a key fact sheet free of charge.
- b. The information memorandum should contain the information necessary for potential unitholders to make an informed judgment regarding the investment being offered to them and shall include the information specified in Annex 2 of these Regulations. The key fact sheet shall include the information specified in Annex 3 of these Regulations.
- c. The fund manager of the public fund is responsible that the information memorandum is complete, accurate and not misleading and is kept up-to-date and revised. In any event, a fund manager must update the information memorandum annually to show actual fees and expenses and revise the fund's performance information.

- d. The fund manager shall file an updated version of the information memorandum with the Authority within (5) days of any change being made to the information memorandum.

Article 58: Approval of the Authority and consent of Unitholders to Fundamental Changes

- a. A fund manager shall obtain the approval of the Authority to any proposed fundamental change to a public fund.
- b. A fund manager, having obtained the approval of the Authority specified in paragraph (a) of this Article, shall obtain the consent of unitholders in the relevant fund to the proposed fundamental change by way of an ordinary fund resolution.
- 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 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.
- d. Details of all fundamental changes shall be included in the next fund report prepared by the fund manager pursuant to Article (73) and Article (74) of these Regulations.

Article 59: Notification to the Authority and Unitholders of Significant Changes

- a. The fund manager shall notify in writing the Authority and unitholders in a public fund of any proposed significant change 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 (30) calendar 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 shall 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 (58) of these Regulations but which:
 - 1) affects the unitholders’ ability to exercise their rights in relation to their investment;

- 2) would reasonably be expected to cause the unitholders to reconsider their participation in the public fund;
 - 3) 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;
 - 4) introduces any new type of payment out of the assets of the public fund; or
 - 5) materially increases other types of payment out of the assets of the public fund.
- d. Details of all significant changes shall be included in the next fund report prepared by the fund manager pursuant to Article (73) and Article (74) of these Regulations.

Article 60: Notification to the Authority and Unitholders of Notifiable Changes

- a. The fund manager shall notify the Authority in writing of any notifiable change to any public fund which is managed by the fund manager within (30) calendar 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 and the unitholders.
- c. For the purposes of these Regulations, “notifiable change” means a material change, excluding Article (58) and Article (59) provisions of these Regulations.
- d. Details of notifiable changes shall be disclosed on the exchange and the fund manager’s website within (30) calendar 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 (73) and Article (74) of these Regulations.

Article 61: Initial Offer Period

- a. Details of any initial offer period (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 (30) calendar days, during such period no investment of subscription monies raised be made except for placing on deposit subscriptions monies.

- d. If a fund manager specifies a minimum amount that must be raised through investors subscriptions during the initial offer period, without prejudices to paragraph (d) of Article (42) 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. 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. At the end of the initial offer period, the fund manager must provide the Authority within (10) days with the offer results in the format specified from time to time by the Authority.

Article 62: 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 investment 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 shall 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.
- 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 63: Limiting or 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. Procedures will be fair and equitable if they honour all pending redemption requests pro rata.

Article 64 Suspension of Subscription and Redemption of Units

- a. The fund manager shall suspend the subscription and redemption of units if the Authority orders any such suspension.
- b. The fund manager may suspend the subscription and redemption of units in a public fund 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 of any suspension as soon as reasonably practicable after the suspension commences, and give the reasons for the suspension, and shall similarly inform both the Authority and the unitholders as soon as the suspension ends;
- 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 65: 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 shall be disclosed in full in the terms and conditions and the information memorandum of the relevant public fund.

Article 66: Borrowing to Meet Redemption Requests

- a. 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.

- b. Borrowing to meet redemption requests pursuant to this Article shall not be subject to the [10]% limit set out in paragraph (h) of Article (42) of these Regulations.
- c. A fund manager of a public fund shall use its best efforts to manage the fund to retain sufficient liquidity to meet redemption requests.

Article 67: 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 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 (10) days following the first communication of such securities advertisement.

Article 68: 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 shall be valued each dealing day at such time as specified in the terms and conditions of such public fund.
- c. The fund manager shall in the terms and conditions and the information memorandum document the basis of the valuation of units and, where appropriate, the basis of any valuation methodology, and shall ensure that the valuation methodology and procedures are applied in a fair and consistent manner.
- d. The fund manager shall 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 shall adopt a consistent approach to the valuation of units for the purposes of the issue of units, the transfer of units and the redemption of units.
- e. The fund manager shall comply with the provisions of Annex 6 of these Regulations in relation to investments in the types of securities specified in Annex 6 of these Regulations.

Article 69: 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.

Article 70: Incorrect Valuation / Pricing

- a. The fund manager shall 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 shall immediately report to the Authority any valuation or pricing error of 0.5% or more of the price of a unit.
- c. The fund manager, in its reports to the Authority pursuant to Article (74) of these Regulations, shall provide a summary of all valuation and pricing errors.
- d. The fund manager shall reimburse all affected unitholders (including former unitholders) as soon as reasonably practicable for all valuation or pricing errors.

Article 71 : Audit Requirements

- a. The fund manager shall appoint an auditor prior to the establishment of a public fund. 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. 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.
- b. The auditor of the public fund shall be certified in the Kingdom and shall be an independent from the fund manager according to the independence standard stated in (Certified Public Accountants Regulations).
- c. The appointment of any auditor must be approved by the fund board.
- d. The fund board shall 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.
- e. The audit fees of the auditor shall be determined by the fund manager with the approval of the fund board.

Article 72: Meetings of Unitholders

- a. The fund manager may call for a meeting of unitholders on its own initiative.
- b. The fund manager shall call for a meeting of unitholders within (10) days of receiving a written request by the custodian or unitholders holding together at least 25% in value of the units in the public fund.
- c. The fund manager shall call for a meeting of unitholders by sending a notice in writing to all unitholders and the custodian giving (1) not less than (10) days' notice of the meeting (excluding the day on which the notice is sent and the day of the meeting); (2) and no more than [(30)] calendar days' notice before the meeting. The notice must specify the date, place and time of the meeting and the resolutions proposed. The fund manager shall 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.
- d. 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 public fund or, if specified, such greater percentage as specified in the terms and conditions of the public fund.
- e. If the quorum requirements set out in paragraph (d) of this Article are not met, the fund manager shall call for a second meeting 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.
- f. Every unitholder shall be entitled to appoint a proxy to represent such unitholder at a meeting of the unitholders.
- g. 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.

Article 73: 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. Annual reports should be made available to the public no later than (90) calendar 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 interim reports should be prepared and made available to the public within (45) calendar days from the end of the period to which the report relates. A feeder fund or fund of funds shall make its fund reports available within (30) calendar days after the release of the fund reports of the fund(s) in which it invests.

- b. The fund manager shall publish the net asset value per unit of the public fund on a weekly basis on the Exchange's website and the fund manager's website.
- c. 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 and all historical net asset value figures at the registered offices of the fund manager and the custodian.
- d. The fund manager shall send unitholders the unitholder's details of the net asset value of the units owned by each unitholder and the record of transactions in fund units made by each unitholder within (15) days of each transaction in units of the public fund by the relevant unitholder. The fund manager shall also send unitholders an annual statement summarising their transactions in units in the public fund during the course of a financial year within (15) days of the end of the financial year.
- e. The fund manager shall publish at least weekly public fund information via the Exchange in the format specified from time to time by the Authority.

Article 74: Reporting to the Authority

- a. The fund manager must submit to the Authority the annual fund reports provided pursuant to Article (73) of these Regulations (including the annual audited financial statements) of the public fund, no later than (90) calendar days from the end of the financial year of the public fund.
- b. The fund manager must submit to the Authority the interim fund reports in accordance with Article (73) of these regulations (including the reviewed interim financial statements) of the fund at a minimum on a semi-annual basis within (45) calendar days of the end of the period.

PART 5: PRIVATE FUNDS

Article 75: Offer 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 in the Kingdom. Any such application must be in the form specified in Annex 7 of these Regulations
- b. Units in a private fund may only be offered in the Kingdom by way of private placement in accordance with Article (76) of these Regulations.

Article 76: 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 the 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 Depositary Center.
 - 4) Institutions acting for their own account;
 - 5) Professional investors; or
 - 6) Any other person 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.

Article 77: 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) pays such registration fees as the Authority may prescribe.
 - 5) Any other information that the Authority requires.
- 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 in the interest of investors in the Kingdom 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 is not in the interest of investors in the Kingdom 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 and publish a “notice” prohibiting the offer.
- d. Where the Authority has not objected to a private placement pursuant to paragraph (c) of this Article, the Authority shall, on the request of the authorised person, issue a certificate of registration to the authorised person 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 in such form as the Authority may prescribe.

- f. Where the offer is not completed by the proposed offer end date specified in the private placement notification provided to the Authority in accordance with subparagraph (1) of paragraph (a) of this Article, the authorised person must provide the Authority within (15) days with a notification in writing signed by the authorised person confirming that the offer has failed to complete.

Article 78: Structure of a Private Fund

- a. A private fund shall be established after terms and conditions have been entered into between the fund manager and the unitholders.
- b. 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.
- c. The terms and conditions referred to in paragraph (a) of this Article shall be considered as satisfying the terms of business requirements in the Authorised Persons Regulations.

Article 79: Units

- a. As soon as a potential unitholder has signed 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. The fund manager shall update the register of units and register of unitholders.
- d. A unitholder's liability for the debts and obligations of a private fund shall be limited to the value of its investment in the relevant private fund.

Article 80: 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 81: General Rules and Restrictions

- a. The investments of a private fund may consist of assets of any types and description; however, the authorised person 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, investment objective, investment policies and any investment restrictions or limitations of the relevant private fund.

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 should 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 directed solely at persons to whom a private placement of a private fund may be made in accordance with Article (76) of these Regulations; and
- 2) the securities advertisement is complies with the applicable provisions of the Securities Business Regulations and the Authorised Persons Regulations.

Article 84: General Provisions

The fund manager shall develop, maintain and disclose in the offering documents of the private fund a clear policy covering valuation, pricing and dealing in units. The fund manager shall also keep unitholders informed of any amendments to this policy immediately. The fund manager shall 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.

Article 86: 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 87: Consent of Unitholders to Changes

The fund manager shall include in the terms and conditions of the private fund any requirements for the unitholders to consent to proposed changes to the private fund or a statement that no such consent is required.

Article 88: Reporting to Unitholders

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. The fund manager shall report to unitholders not less than every (12) months. Annual reports should be made available to unitholders no later than (90) calendar days from the end of the period to which it relates by such means as specified in the fund's terms and conditions.

Article 89: Reporting to the Authority

- a. The fund manager must submit to the Authority the annual fund reports (including the annual audited financial statements) of the private fund, no later than (90) calendar days from the end of the period to which it relates.
- b. The fund manager must submit to the Authority any information regarding the subscription or redemption of units in a private fund in such format as the Authority may prescribe and no later than 10 days following the day of which the information request was made.

Article 90: Restriction on Secondary Market Activity

In the Kingdom, subsequent transfers of units in a private fund may only be made:

- 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 91: 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 makes such offer by way of private placement in accordance with the requirements set out in Article (92) of these Regulations.
- c. 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.

Article 92: Private Placement of a Foreign Fund and Eligibility of Investors

- a. An offer of units in a foreign fund is a private placement where the offerees are sophisticated investors which is specified in paragraph (b) of Article (76) of these regulations or the minimum amount payable per offeree is not less than one million Saudi Riyals 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 93: 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 instructions 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) pays such registration fees as the Authority may prescribe.
 - 5) Any other 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 the Authority considers that the proposed offer of units may not be in the interest of investors in the Kingdom 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;
 - 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; or
- c. Where the Authority determines that the private placement is not in the interest of investors in the Kingdom 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 and publish a “notice” prohibiting the offer.
- d. The fund manager must provide the Authority within (10) days of the end of the initial offer period with the results of the offer in such form as the Authority may prescribe, when applicable.
- e. 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 certificate of registration 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.
- f. Where the offer is not completed by the proposed offer end date specified in the private placement notification provided to the Authority in accordance with subparagraph (1) of paragraph (a) of this Article, the authorised person must provide the Authority within (15) days with a notification in writing signed by the authorised person confirming that the offer has failed to complete.

Article 94: Information to Unitholders and Offering Documentation

- a. The distributor shall make available to unitholders in the Kingdom the same documentation which is made available by the foreign fund manager to unitholders in other jurisdictions.
- b. The distributor 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 fair, clear 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 95 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 directed solely at 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 96: 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 securities business 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 97: Reporting to Unitholders

The distributor of units in a foreign fund to unitholders in the Kingdom shall be under an obligation to ensure that all reports and documentation from the foreign fund manager are disseminated to unitholders in the Kingdom. In addition, the distributor shall be responsible for ensuring that all unitholders within the Kingdom in a foreign fund shall be directly entitled to the rights prescribed in the fund documentation.

Article 98 Reporting to the Authority

- a. The distributor 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 a foreign fund must submit to the Authority any information regarding the subscription or redemption of units in a foreign fund in such format as the Authority may prescribe and no later than [10] days following the day of which the information request was made.

Article 99. Restriction on Secondary Market Activity

In the Kingdom, subsequent transfers of units in a foreign fund 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 Saudi Riyals one million, or an equivalent amount.

PART 7: PUBLICATION AND ENTRY INTO FORCE

Article 100: Publication and Entry into Force

These Regulations shall become effective upon their publication.

Draft

ANNEX 1

REQUIREMENTS OF THE FUND'S TERMS AND CONDITIONS

Each investment fund's terms and conditions must comprise at least the following:

General Information:

- a. Name of the fund manager and the 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 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.
- f. Name of investment fund.
- g. A statement that the fund's terms and conditions and all other documentation comply with the Investment Funds Regulations and contain clear, accurate, not misleading and kept up-to-date information on the investment fund.
- h. 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.
- i. 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.
- j. Issue date of the fund's terms and conditions and last updated, if any.

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.
- b. A statement that the investment fund and the fund manager are regulated by the Capital Market Authority.

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.

Duration of the Investment Fund

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

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.

Currency

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

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.

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. Actions to be taken in case of mis-valuation or mis-pricing.
- d. A description of the method for calculating the unit price.

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 shows any restrictions on dealing in units of the fund.
- d. Statement shows the circumstances in which dealing in units may be deferred or suspended.
- e. Statement of 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.

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.

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.

Unitholders' Register

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

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 shows the manner in which unitholders' cast their votes and their voting rights at meetings.

Unitholders' Rights

list of unitholders' rights.

Unitholders' Liability

A statement that unitholders liability for the debts and obligations of the investment fund shall be limited to the value of their investment.

Changes to the fund's terms and conditions

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

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.

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.

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.

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.

The 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 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.

ANNEX 2

INFORMATION MEMORANDUM

Each investment fund's information memorandum must comprise at least the following:

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.”

Inside 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 confirm 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, 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.”

- 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.”

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.
- f. Investment Policies and Practices:
- 1) A statement of the following:
 - a) the investment objectives of the investment fund;
 - b) the investment fund’s policies and practises to meet its objectives, including the types of assets that the investment fund will invest in, any intended concentration or specialization (e.g. asset type, geography, maturity, industries), specific techniques and instruments that may be used in the management of the investment fund, use of leverage, the markets in which the fund intends to invest in, investment limits and restrictions;
 - c) any waivers approved by the Capital Market Authority for any investment limits and restrictions;
 - d) (for feeder funds) the criteria applied by the fund manager in selecting the target funds; and
 - e) (for shariah-compliant funds) details of criteria used to determine eligibility of assets or instruments for investments, frequency of eligibility review and actions taken when an asset or instrument becomes not eligible.
 - 2) 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).
 - 3) 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.
 - 4) A statement that neither the past performance of the investment fund nor the past performance of the index is an indication of how the investment fund will perform in the future; and

- 5) 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.
- g. Statement shows the Risks of investing in the investment fund, including:
- 1) 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
 - 2) A prominent statement that warns investors on the following:
 - a) the risk of loss of money when investing in the investment fund; and
 - b) that investment in the investment fund is not a deposit with a local bank sponsoring, selling or otherwise affiliated with the investment fund.
- h. Profile of investors most suited to invest in the relevant investment fund.
- i. Details on any minimum amount to be raised by the investment fund and the effect if the minimum amount is not raised, on the fund (if any).
- j. Distribution policy, including details for unclaimed distributions and information on payment method.
- k. Historical performance (if applicable)
- 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.
- l. Rights and Liabilities of a unitholder.
- m. Circumstances in which the investment fund may be terminated and procedures for termination under the Investment Funds Regulations.

Fees, charges and Expenses

- a. Disclosure of all types of payments out of the investment fund's assets.
- b. How the fees, charges and expenses are calculated and when it is paid by the investment fund.
- c. A table showing all fees and expenses.

- d. any charges made to the unitholders on subscription in or redemption of units and the way such charges calculated.

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.

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.
- d. Information on unitholders' register (e.g. location of the register where it can be obtained by unitholders).
- e. If applicable, the minimum amount that must be raised through investors' contributions before the investment fund may be launched. If applicable, a statement that subscription monies are to be invested in money market funds or bank deposits, pending such a minimum amount being achieved.
- f. Circumstances in which dealing in units may be deferred or suspended.
- g. Any entitlement of the fund manager to defer or suspends subscription or redemption requests.

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.

Fund Board

- a. Names of Fund Board members, clearly indicating independent members.
- b. Description of the roles and responsibilities of the Fund Board.

- c. Details on the remuneration of fund board members.

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.

Fund Manager

- a. Name of fund manager.
- b. CMA authorization number.
- c. Registered address and business address of fund manager.
- d. Date of incorporation.
- e. Summary of financial information, highlighting the paid-up capital, substantial shareholders, revenues and profits in the preceding financial year.
- f. 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.
- g. Description of the primary roles, responsibilities and duties of the fund manager in relation to the investment fund.
- h. Functions that have been delegated to a third party by the fund manager in relation to the investment fund.
- i. any other business activities or interests of the fund manager that are of significance or could potentially conflict with those of the investment fund.

Custodian

- a. Name of custodian.
- b. CMA 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.

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.

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.

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 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.

Additional Information Requirements for Certain Types of Funds

- a. In the case of a money market fund, 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, 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.
- b. In the case of a feeder 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.
- 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
- 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.
- 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” shall be prepared in a concise and non-technical manner and 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) A short description of the investment fund’s investment objectives;
 - 2) A short description of the investment policies and practices of the investment fund;
 - 3) Risks associated with investments in the investment fund; and
 - 4) 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.

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. A letter stating clearly the purpose of the application and signed by the Chairman or the Chief Executive Officer of the fund manager
- b. Submission Checklist of the provided documents.
- c. Form (1) of this annex.
- d. Draft of the fund's Terms and Conditions (with the fund's terms and conditions Checklist).
- e. Draft Information Memorandum (with the Disclosure Checklist).
- f. Draft Key fact sheet.
- g. Compact disk comprising soft copies of documents (d), (e) and (f) of this annex.
- h. Subscription and Redemption Forms.
- 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, procedures and processes; and
- k. a detailed information on administrative systems to be adopted in respect of operational matters relating to investment funds.
- l. Any other supporting documents.
- m. fees.

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.

THE FUND MANAGER

Information on the Authorized Person managing the investment fund

1. Name of the Authorized Person (the fund manger)

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	
Phone No	
Email	

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

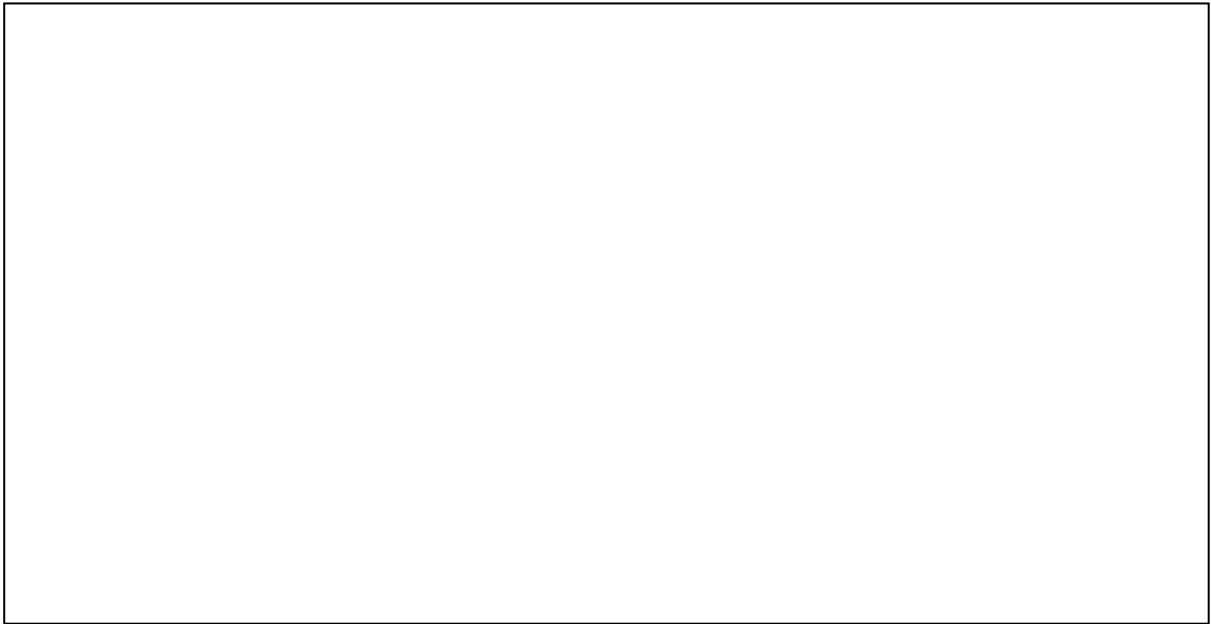
11. Will there be any other functions of the fund manager that are delegated to service providers?

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).



Draft

3

THE CUSTODIAN

Information on the Authorized Person that carries out the custody activity

1. Name of the Authorized 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.

Draft

4

DECLARATION

Declaration by, the Fund Manager and Custodian

For and on behalf of the Authorized 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 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.

The bases for calculating the performance data and any assumption made must be consistently applied.

If there were material changes that occurred during the period that affected the performance of the fund, these must be clearly disclosed.

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.

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) Investment Funds, last published Net Asset Value per unit;
 - 5) Deposit, nominal value and accrued interest/profit; and
 - 6) 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 =
$$\frac{(\text{Total Assets} - \text{Liabilities} - \text{Accrued Expenses})}{\text{Outstanding unit at the valuation time}}$$

Draft

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 Authorized Person offering units in the investment fund

1. Name and address of the Authorized 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.

--

DRAFT

3

THE CUSTODIAN

Information on the Authorized Person that carries out the custody activity

1. *(For private fund)* Name of the Authorized 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 authorised 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 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.”