



## CRA Authorisation Application Guidance Notes – Authorisation Department

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Each note below relates to a question or a statement in the CRA Authorisation Application. These guidance notes provide explanations only to the questions/statements that are not self-explanatory and require further clarification.

The content of this document shall not prejudice the provisions of the Capital Market Law and its Implementing Regulations and any other relevant laws.

### Note: Licensing Fees:

A Licensing Application Fee of SAR 60,000 is to be paid in favour of CMA on the following CMA bank account details:

- Beneficiary: Capital Market Authority
- Bank Name: Saudi British Bank (SABB)
- Bank Account Number: 154051114001
- IBAN: SA33 4500 0000 1540 5111 4001
- SWIFT: SABBSARI
- Address: Riyadh , Saudi Arabia



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### Section I: Applicant Details

#### I.1. Applicant Name and Address:

**Full Name:** Provide the full name of the firm applying to be licensed as a Credit Rating Agency as it appears in its commercial registration or Ministry of Commerce and Industry official approved name reservation.

**Current Address:** Provide details of the applicant's office inside the Kingdom of Saudi Arabia. If the applicant does not have a physical address in the Kingdom at the time of filling the Application for Authorisation, provide one of the following:

- If the applicant is a foreign CRA, provide the address of the applicant in the foreign jurisdiction where the headquarter is located.
- If the Applicant is a local CRA, provide the address of the applicant's controller.

**Mailing address:** Provide details of the applicant's mailing address within the Kingdom of Saudi Arabia. If the applicant does not have a mailing address in the Kingdom at the time of filling the Application for Authorisation, provide one of the following:

- If the applicant is a foreign CRA, provide the mailing address of the applicant in the foreign jurisdiction where the headquarter is located and provide a brief explanation including the reasons for which a premises in the Kingdom hasn't been established yet.
- If the Applicant is a local CRA, provide mailing address where the applicant would like use to receive communications from CMA.

**E-mail Address:** Provide the official e-mail address of the applicant or the applicant's designated contact person.

**Website:** Provide the Applicant's website.

**Telephone Number:** Provide the applicant's telephone number.

**Facsimile Number:** Provide the applicant's facsimile number.

**Commercial Registration Number:** Provide the commercial registration number of the applicant (If any).



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<b>1.2. Contact Person Details:</b>
<b>Full Name:</b> The full name of the applicant’s designated contact person as it appears on their ID/ Passport/ Residence Permit.
<b>Job Title:</b> the job title of the applicant’s designated contact person.
<b>Address:</b> Provide the office address of the applicant’s designated contact person if it’s different from the applicant’s official address. Otherwise, write “Same as applicant”.
<b>E-mail Address:</b> Provide the official e-mail address of the applicant’s designated contact person.
<b>Telephone Number:</b> Provide the office telephone number of the applicant’s designated contact person.
<b>Mobile Number:</b> Provide the mobile number of the applicant’s designated contact person.
<b>Facsimile Number:</b> Provide the Facsimile number of the applicant’s designated contact person.
<b>1.4</b> If the answer is “Yes”, the details required are the name of the agency and jurisdiction under which the agency operates.
<b>1.6</b> Refer to the definition of “Controller” and “Close Links” in the “Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority” document available on the following link: <a href="http://cma.org.sa/En/Documents/GLOSSARY%20OF%20DEFINED.22X28-26-8-009.pdf">http://cma.org.sa/En/Documents/GLOSSARY%20OF%20DEFINED.22X28-26-8-009.pdf</a>



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**1.9** As part of the projected financial statements, the applicant should also provide form of an objective analysis/forecast, on the 3 months working capital requirements and consequently deposit the HIGHER of SAR 2 million or the 3 months working capital requirement, as the paid-up capital, as part of the document submission for license requirement, and supported by a certificate of deposit from a local bank. The analysis of the working capital requirement should include the following:

- Forecasted balance sheet and income statement for the first 3 months of business.
- Assumptions adopted to arrive at the forecasted results.

**1.10** If the answer is “yes”, provide the subject jurisdiction and services.

**1.11** If the answer is “Yes”, provide the name of the subject CRA, the number of shares owned, and the percentage of ownership in the subject CRA.

**1.12** If the answer is “Yes”, provide the name of the subject company, type of business, the jurisdiction under which it operates, the number of shares owned, and the percentage of ownership.

**1.13** If the answer is “Yes” to any of the questions included in this section, provide the following details:

- Date of the incident.
- Name of the person responsible for the incident.
- Position of the person responsible for the incident within the organisation of the applicant.
- Brief explanation of the incident.

**1.14** If the answer is “Yes” to any of the questions included in this section, provide the following details:

- Date of the incident.
- Name of the person responsible for the incident.
- Details of court decision, if applicable.
- Location and type of the court, if applicable.
- Position of the person responsible for the incident within the organisation of the applicant.
- Brief explanation of the incident.



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**1.15** If the applicant believes that the applicant, or any other person directly or indirectly controls the applicant, maybe, in the foreseeable future, in a situation that would result in a “Yes” answer to any of the questions included in sections 1.13 and 1.14, as a result of a certain incident, provide the following details:

- Date of the incident.
- Name of the person responsible for the incident.
- Details of court decision, if applicable.
- Location and type of the court, if applicable.
- Position of the person responsible for the incident within the organisation of the applicant.
- Brief explanation of the incident.

**1.16** If the answer is “Yes” to any of the questions included in this section, provide the following details:

- Date of the incident on which the applicant/person was declared insolvent.
- Name of the person/applicant who has been declared insolvent.
- Position of the person who has been declared insolvent within the organisation of the applicant.
- The jurisdiction in which the applicant/person has been declared insolvent.
- Brief explanation of the incident.

## Section 2 : Compliance and Monitoring

**2.1** Does the applicant currently has in place a mechanism/framework to identify, measure, manage, monitor and report (internally to Board and externally to CMA) CRA-related compliance risks/issues.

**2.2** Is the applicant’s Compliance framework (organisational structure, policies, procedures, processes, committees, authorities, Compliance Program, etc...) documented and approved by the applicant’s Board of Directors.

**2.3** This question refers to the frequency of Compliance Reviews of the Rating activities. This should be documented in the applicant’s Compliance Program.

**2.7** This question refers to the Compliance Officer/ Head of Compliance or any other person performing an equivalent function.



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**2.7.1** This question refers to whether or not the Compliance Officer/ Head of Compliance or any other person performing an equivalent function, reports to the applicant's governing body.

Refer to the definition of "Governing Body" available in the "Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority" document available on the following link:

<http://cma.org.sa/En/Documents/GLOSSARY%20OF%20DEFINED.22X28-26-8-009.pdf>

**2.11-2.20** Refer to Article 26 – "Administrative or Supervisory Committee" of the CRA Regulations for details on the structure, requirements, roles and responsibilities of the subject Committee.

If the answer is "No" for 2.11, 2.11.1, and 2.11.2, the applicant is required to provide reasons for not having formed the Committee yet. In addition, the applicant must provide an action plan including, but not limited to, the following:

- Specified date for formation of the Committee
- Evidence of any efforts for Committee formation (e.g. governing body's minutes of meeting addressing the subject and the resulting resolutions, if any).
- Responsible party(ies) for Committee formation and recruitment. The responsible party must be a member in the governing body of the applicant or any person working in a control function that reports directly to the governing body.

**2.21 and 2.22** Those questions refer to whether or not the applicant has a Board-approved Conflict of Interest Policies and Procedures. Please refer to Article 16 – "Conflicts of Interest" of the CRA Regulations for details on Conflicts of Interest requirements.

**2.23** This question emphasizes on the fact that the processes of the issuance of credit ratings must reflect the CMA's requirements in this regard.

**2.24** The question refers to whether or not the applicant has the necessary controls for monitoring, updating, and discontinuation of credit ratings.



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**2.25** This question refers to whether or not the applicant has the necessary controls/processes required for disclosure as per CMA regulations.

**2.26** The applicant's Record-Keeping policy should include the information that will be kept at the premises of the applicant. Please refer to Article 23 – “Record Keeping” of the CRA Regulations for details on Conflicts of Interest requirements.

### **Section 3 : Registered or proposed registered persons who will perform registrable functions**

**3.1** The question refers to whether or not the applicant assesses its new registered persons against a set criteria that's compliant with the CMA relevant instructions.

**3.4** This question refers to whether or not the applicant has a mechanism to ensure the compliance of its registered persons or proposed registered persons with CMA Regulations.

**3.5** This question refers to whether or not the applicant has in place assessment criteria for the efficiency, competency, honesty and fairness of its registered persons or proposed registered persons in providing credit rating services.

### **Section 4 : Adequacy of Resources**

**4.1** This question refers to whether or not the applicant has required processes to assess the degree of compliance to the Capital Market Law and its Implementing Regulations.

**4.2** This question is to ensure that the Applicant's Compliance Program has accounted for meeting his financial obligations as part of its overall Compliance Framework.



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**4.3** This question refers to whether or not the applicant has in place clear reporting lines (to Board/Supervisory Committee) in its Compliance Framework .

**4.4** This question refers to whether or not the applicant regularly assesses the capacity and quality of the staff involved in rating activities and whether or not this is officially documented.

### Section 5 : Risk Management

**5.2** This question refers to whether or not the applicant has a functioning direct reporting line to the governing body

Refer to the definition of “Governing Body” available in the “Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority” document available on the following link:

<http://cma.org.sa/En/Documents/GLOSSARY%20OF%20DEFINED.22X28-26-8-009.pdf>

**5.2.1** The documentation may be in the form of procedures defining the type and frequency of information to be reported.

**5.3 - 5.8** Those questions refer to the several components of the applicant’s risk management framework. The purpose is to identify whether the applicant has accounted for each of these components.

### Section 7 : Attachments

The Applicant must provide all of the listed attachments including any supporting documents as detailed in ANNEX I in the Credit Rating Agencies Regulations and this section can be used as a reference.





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### Section 8 : Application Preparation

**8.1** If the application was prepared by an external service provider other than the applicant representative, all the fields in the table must be filled accordingly.

### Section 9 : Confirmation

This section is to be filled only if the applicant is a foreign CRA.

**9.1** This is to confirm that the Applicant has notified the concerned regulator in the jurisdiction where he operates about his intention to conduct rating activities in Saudi Arabia.

**9.2** This question is to ensure that the Applicant is aware of his regulatory compliance responsibility in his operating jurisdiction and to confirm his knowledge of the compliance requirements.