

# Become an Investor

As one of the largest stock exchanges globally and one of the three leading emerging market exchanges, the Saudi Exchange offers an unrivalled ability for investors to grow their capital with confidence. We offer access to a range of different asset classes including Equities, Sukuk & Bonds, Exchange-Traded Funds (ETFs), Real Estate Investment Trusts (REITs), Closed-End Investment Funds (CEFs), and Derivatives.

## How To Become an Investor

### **Assessing your attitude to risk**

Before making any investment decisions, you should make sure that you are fully aware of the risks and potential returns from investing in different types of securities. For more information, please visit our Knowledge Center.

### **How to trade on the Saudi Exchange**

Are you interested in trading on one of the world's premier stock exchanges?

To trade on the Saudi Exchange, eligible investors who are Saudi or GCC nationals or Saudi residents should visit a member of the Exchange to open an investment portfolio. Please contact one of our member firms for more information, details of which can be found in our Member Directory.

Individual investors who are accessing the stock market for the first time or investors looking to enhance their knowledge can benefit from a wide range of educational resources and information provided by the Saudi Exchange under its Invest Wisely program. Further information can be found in the Invest Wisely section of our website.

## Eligibility

The member firm will verify an investor's eligibility for opening a portfolio. The investor will need to be a Saudi or GCC national or a registered Saudi Arabian resident and will also need to meet conditions set out by the Securities Depository Center Company ("Edaa"). The following investors are eligible to open investment portfolios:

- Natural persons
- Joint stock and limited liability companies
- Authorized persons
- Charitable and social institutions and associations
- Endowments
- Licensed mutual funds
- Public institutions
- Government funds
- Any other person authorized by Capital Market Law and its implementing regulations to own and trade securities.

## Documents Required

Saudi / GCC nationals and Saudi Arabian residents meeting the above criteria will need to provide identification documents to access the depository and settlement system. The identification documents required are:

### Individuals

- For Saudis and GCC nationals: a copy of the identification card or family card.
- For non-GCC nationals: a copy of a valid residency license card (Iqama) and the passport.

### Companies

- A copy of the commercial register.
- A copy of the company's by-laws or articles of association, its annexes, and any amendment thereof.

- A copy of the board of directors' resolution approving the opening of an Investment Portfolio for the company and granting the power to those who will sign on behalf of the company.
- Copies of the identification cards of members of the board of directors of the listed joint stock company.

#### Authorized Persons

Copies of the commercial register, license and letter of engagement in business submitted to Saudi Exchange.

#### Charitable, Social Associations and Institutions

- A copy of both license and by-laws of charitable and social associations and institutions.
- A copy of the resolution of the relevant public entity approving the investment.
- A copy of the resolution of the charitable or social association or institution appointing the person who manages the Investment Portfolio and the Cash Account.
- A copy of the identification card of the person appointed to manage the Investment Portfolio and Cash Account.
- A copy of the Authority's letter of approval issued for the charitable and social institutions and associations.

#### Endowment

- A copy of both the title deeds of endowment and appointment of trustee.
- A copy of the identification card of the trustee of the endowment.

#### Mutual Funds

- A copy of the license issued to establish the mutual fund.
- A letter from the manager of the mutual fund stating the name of the person authorized to manage the Investment Portfolio of the fund.
- A copy of the identification card of the person appointed to manage the Investment Portfolio of the fund.

## Public Institutions or Government Funds

- A copy of the statute or by-laws of the public institution or government fund.
- A copy of the resolution issued by the public institution or government fund stating the name of the person authorized to manage its Investment Portfolio.
- A copy of the identification card of Saudis and GCC nationals or copy of residence permit (Iqama) and the passport of the non-GCC nationals authorized to manage the Investment Portfolio and Cash Account of the public institution or government fund.
- A copy of the Authority's letter of approval issued for the public institution or government fund.

## Additional Requirements For Nomu – Parallel Market

The Saudi Exchange's Nomu – Parallel Market is an alternative platform for companies to go public featuring lighter listing requirements. As a result, investment in the market is restricted to Qualified Investors who meet at least one of the following criterias:

1. Capital Market Institutions trading on their own account.
2. Clients of a person authorized by the Authority to conduct managing activities provided that this Authorized Person has been appointed as an investment manager on terms which enable him/her to make decisions concerning the acceptance of an offer and investment in Nomu - Parallel Market on the client's behalf without obtaining prior approval from the client.
3. The Government of the Kingdom, any government body, any supranational authority recognized by the Authority or the Exchange, and any other stock exchange recognized by the Authority or Securities Depository Center Company ("Edaa")
4. Government-owned companies either directly or through a portfolio managed by a person authorized to carry out managing activities.
5. Companies and funds established in a GCC member state.

6. Investment Funds.

7. Non-resident foreigners permitted to invest in the Parallel Market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.

8. Qualified foreign financial institutions.

9. Any other legal persons allowed to open an investment account in the Kingdom and an account at Securities Depository Center Company ("Edaa").

10. Natural persons allowed to open an investment account in the Kingdom and an account at Securities Depository Center Company ("Edaa"), and fulfill any of the following criterias:

Has conducted transactions in security markets of not less than 40 million Saudi Riyals in total, and not less than ten transactions in each quarter during the last twelve months.

His/Her net assets are not less than 5 million Saudi Riyals.

Works or has worked for at least three years in the financial sector.

Holds the General Securities Qualification Certificate which is recognized by the Authority "CME-1".

Holds a professional certificate that is related to securities business and accredited by an internationally recognized entity.

11. Any other persons prescribed by the Authority.

## Additional Requirements For Swap Agreements

Authorized Persons (APs) must submit the following documents to the Capital Market Authority (CMA) for approval before entering into swap agreements:

- A copy of the swap standard agreement to be signed, and evidence of its adherence to the conditions and requirements of the swap agreement.
- Declaration from the AP ensuring the enforcement and performance of all the conditions and requirements of the swap agreement.
- Any other document that might be requested by the CMA.

## Additional Requirements For The Derivatives Market

The launch of the Saudi Exchange's Derivatives Market was a key milestone in the Financial Sector Development Program (FSDP). Before opening a derivatives account, investors should be aware of the risks and returns associated with trading derivatives. For more information, you can visit our Knowledge Center page.

To trade, the investor should open an account through a broker who is a Derivatives member of the Exchange. For more information, please visit our Member Directory.

If the investor has an existing equities trading account, they may need to sign an additional agreement with their broker to trade derivatives.

Additional eligibility requirements apply to investors looking to trade derivatives as follows:

- Institutions  
All institutional and corporate clients as well as Individual DPMs.
- Individual DPMs  
Saudi individual investment account in which the manager (Authorized Person) makes the buy/sell decisions for its client without referring to the account owner (based on to the agreed terms between them)
- Level 1 Individuals  
Individual Qualified Client is a natural person who fulfills any of the following criterias:
  - Conducted transactions not less than SAR 40m, and not less than 10 transactions in each quarter during the last 12 months.
  - Has an average portfolio size of SAR 5m for the preceding 12 months.
  - Worked for at least 3 years in financial sectors in a job related to securities' investments.
  - Hold General Securities Qualification Certificate which is recognized by the Authority.
  - Hold professional certificate that is related to securities business and accredited by an internationally recognized entity.
- Level 2 Individual  
Clients who are not under any of the other categories defined above.

For more information on how to trade in the derivatives market, please call us at +966 92000 1919. You may also contact us via email at [csc@saudiexchange.sa](mailto:csc@saudiexchange.sa).

## Qualified Foreign Investors (QFIs)

Through the Qualified Foreign Investor (QFI) program, international investors have direct and consistent access to the Saudi capital market. The program was introduced in June 2015 and has been amended as recently as June 2019 to ease registration requirements and expand the range of eligible institutional investors.

Each QFI may not own 10% or more of the shares of any issuer whose shares are listed or a convertible debt instrument of the issuer. No more than 49% of an issuer may be owned in aggregate by foreign investors, except for foreign strategic investors. Entities eligible for QFI status include banks, brokerages and securities firms, insurance companies, investment funds and government and government-related entities. Prospective QFIs must be licensed or subject to regulatory oversight. Except for government-related entities, applicants must have assets under management of at least \$500 million.

## Investment Opportunities

Our key objective is to become an active player in global capital markets, both as a source of capital and as an investment destination. The Saudi Exchange continues to build on its commitment to creating new opportunities for issuers and investors and to reinforcing its position as a global market leader and an advanced capital market.

As a major player in the Kingdom's Financial Sector Development Program (FSDP), the Saudi Exchange aims to support the development of a diversified and effective financial sector, diversify its sources of income and stimulate savings, finance and investment.

Saudi Arabia is also the largest economy in the Gulf Cooperation Council, and with a GDP of \$805 billion, Saudi Arabia's economy represents approximately 25 percent of Middle East and North Africa (MENA)'s total output. Saudi Arabia has a long and distinguished track record of growth, high rates of investment and stable monetary and exchange rate policies. The Kingdom's global influence is recognized in its membership of the G20.

The Saudi Exchange has worked closely with the Capital Market Authority to make the Saudi market even more attractive to international investors. This has been done by improving market function and efficiency, expanding access, improving corporate governance and increasing transparency. These far-reaching measures have enhanced liquidity, bolstered investor security, mitigated risk, reduced price volatility and brought market practices in line with international standards.

As a result of the successful reforms and enhancements made by the Saudi Exchange, the Saudi market has been included in global benchmark indices such as MSCI, FTSE Russell and S&P Dow Jones. With an average weight of around 2.8%, Saudi Arabia was on MSCI's watch list for less than one year before being included in the MSCI Emerging Markets Index – the shortest period any country has spent in the watch list in the history of the index.

## Eligibility & Rules

### How To Become A Qualified Foreign Investor

To become a registered QFI and begin trading, investors must be assessed and approved by an authorized person and open an investment account with one of the Saudi Exchange's member firms.

When applying for QFI status with an assessing authorized person, the applicant should, where applicable:

- Complete a QFI details form.
- Provide a copy of its certificate of incorporation or commercial register or an equivalent document.
- Provide evidence of its regulatory status and a copy of its most recent annual report and accounts, audited financial statements and details of any suspension or revocation by a regulator of any license or permission held by the entity.



- Provide a list of the QFI's affiliates or foreign portfolio managers.
- Disclose the QFI's investments in listed companies.

## Further Information

For more information on the investment opportunities available for international investors through the QFI Program, go to

<https://www.saudiexchange.sa/wps/wcm/connect/0ed67d7e-5eda-4bbd-bf7e-b5581b02bcae/QFI%2BMemo%2BOct%2B2019.pdf?MOD=AJPERES&CVID=o6N6CAr&attachment=true&id=1656533717988>.

