

Client Alert

Corporate, Finance and Investments

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Saudi Capital Market Authority Calls for Public Consultation on the Draft to Develop the Provisions for Offering Private and Foreign Funds to Retail Clients

As part of the Saudi Arabian Capital Market Authority's ("CMA") ongoing commitment to enhance investor protection and market transparency, on 21 October 2024, the CMA issued draft amendments to the Saudi Investment Funds Regulations for public consultation.

Prior to 2021, retail clients were unable to invest in Saudi Arabian domiciled private funds and foreign funds marketed in Saudi Arabia. In 2021, the CMA permitted retail clients to subscribe to such funds in an amount up to SAR 200,000 (or its foreign currency equivalent) per client. Pursuant to the draft amendments, retail clients would only be permitted to invest in a Saudi Arabian domiciled private fund or a foreign fund marketed in Saudi Arabia provided that (1) qualified or institutional clients are admitted into the fund and (2) the total subscriptions raised from qualified and/or institutional clients are equal to or greater than the total subscriptions raised from retail clients. The proposed amendments would restrict fund managers from establishing a private fund under a less onerous regulatory regime than that applicable to public funds, and then targeting such fund at retail clients with minimal or no participation from qualified or institutional clients. Similarly under the draft amendments, foreign fund managers will not be able to offer a foreign fund to retail clients in Saudi Arabia with minimal or no participation from Saudi Arabian qualified or institutional clients.

Considering that foreign funds and Saudi Arabian private funds generally have fewer regulatory constraints than Saudi Arabian public funds, the aim of the draft amendments is to continue to allow retail clients to



participate in foreign funds and Saudi Arabian private funds whilst ensuring equivalent participation by qualified or institutional clients. Although the draft amendments are seen as an attempt to further regulate the participation of retail investors in private funds and foreign funds, the Saudi Arabian regime remains one of the most flexible and amenable regimes in the world for retail investors.

The deadline for feedback from the public is 5 November 2024. Comments on the draft amendments may be submitted via the Saudi Public Consultation Platform, or through the CMA's official email channels.

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