

The Draft Regulatory Framework for Debt Instruments Offering Platforms and Investing in Them

A) Preamble:

As part of the Capital Market Authority's ("CMA") strategic objectives to develop the capital market, and based on the Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424H, the CMA Board issued its resolution to publish the Draft Regulatory Framework for Debt Instruments Offering Platforms and Investing in Them (the "Draft") for public consultation for a period of (30) calendar days.

B) Objectives of the Draft Regulatory Framework and its Main Elements:

The Draft aims to develop the regulatory framework for debt instruments offering and investing platforms in them by defining the regulatory requirements for conducting the activity and specifying the licensing requirements to align with relevant developments in the regulatory environment in the Kingdom.

The main elements of the Draft are as follows:

1. Regulating the offering of debt instruments through Capital Market Institutions authorised to carry out arranging activities in the course of securities crowdfunding.
2. Developing the requirements for registrable functions and amending the maximum limit of clients' money kept by Capital Market Institutions authorised to carry out arranging activities in the course of securities crowdfunding.

C) Proposed amendments to the Rules on the Offer of Securities and Continuing Obligations compared with the current provisions:

Rules on the Offer of Securities and Continuing Obligations		
Current Provision	Proposed Amendments	Explanation
Part 2: Exempt Offer Article 6: Exempt Offer a) Without prejudice to the Securities Business Regulations and the Capital Market Institutions Regulations, an offer shall be exempt from the requirements of these Rules in any of the following cases: ... 10) If the offering is made through a capital market institution authorised to carry out arranging activities in the course of carrying out securities crowdfunding, in	Part 2: Exempt Offer Article 6: Exempt Offer a) Without prejudice to the Securities Business Regulations and the Capital Market Institutions Regulations, an offer shall be exempt from the requirements of these Rules in any of the following cases: ... 10) If the offering is for new shares of the issuer and is made through a capital market institution authorised to carry out arranging activities in the course of carrying out securities	The proposed amendments include provisions aimed at regulating the offering of debt instruments by Capital Market Institutions authorised to carry out arranging activities in the course of securities crowdfunding, including the following: <ol style="list-style-type: none"> 1. Including the offering of debt instruments through securities crowdfunding platforms as an exempt offering case. 2. Specifying the requirement to obtain a license for crowdfunding platforms through which debt instruments are offered.



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<p>accordance with the following requirements and condition arranging s:</p> <p>a. The offering shall be for new shares in the issuer, and the issuer shall not use the proceeds of the offering to provide loans or invest in other entities or companies or in investment funds.</p>	<p>crowdfunding, in accordance with the following requirements and conditions:</p> <p>a. The issuer shall not use the proceeds of the offering to provide loans or invest in other entities or companies or in investment funds.</p> <p>...</p> <p>11) If the offering is for debt instruments and is made through a Capital Market Institution authorised to carry out arranging activities in the course of carrying out securities crowdfunding, in accordance with the following requirements and conditions:</p> <p>a. The issuer or must be a special purposes entity.</p> <p>b. The issuer, or the sponsor shall not use the proceeds of the offering to provide loans or invest in other entities or companies or in investment funds, or to acquire and merge with other entities, or to repay its debts.</p> <p>c. In the event of offering debt-based recourse debt instruments or asset-linked recourse debt instruments, the total outstanding financing for the sponsor through all securities crowdfunding platforms or a limited offering shall not exceed twenty million Saudi Riyals or its equivalent.</p>	<p>3. Imposing restrictions on the use of offering proceeds, including prohibiting their use for lending, investment, or debt repayment.</p> <p>4. Regulating the subscription process through the following:</p> <ul style="list-style-type: none"> • Limiting participation in debt instrument subscriptions through securities crowdfunding platforms to registered clients. • Setting maximum subscription limits for retail clients. <p>5. Requiring the Capital Market Institution to establish policies and procedures for evaluating debt instruments and to obtain acknowledgment from registered clients confirming their review of such policies and procedures.</p> <p>6. Requiring the Capital Market Institution to verify the sponsor's credit record to ensure its financial solvency and to enter into a credit information exchange agreement with a credit information company.</p> <p>7. Obligating the Capital Market Institution to disclose the status of each issuance and the payment schedule through its website, in addition to disclosing overdue cases and the actions taken in response.</p>



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	<p>d. In the event of offering asset-backed recourse debt instruments, the total outstanding financing for the sponsor through all securities crowdfunding platforms or a private placement shall not exceed eighty million Saudi Riyals or its equivalent.</p> <p>e. The offering shall not coincide with any other offering for the same sponsor through another securities crowdfunding platform or a private placement.</p> <p>f. The offering shall be limited to clients registered with the securities crowdfunding platform, and the amount incurred by each retail client's subscription shall not exceed (SR 25,000) or its equivalent for each offering, with a maximum limit of (SR 100,000) for all outstanding debt instrument issuances on the securities crowdfunding platform.</p> <p>g. Retail clients' subscription through the securities crowdfunding platform shall be limited to debt-based recourse debt instruments and asset-linked recourse debt instruments.</p> <p>h. The issuer shall prepare an offering document in accordance with the</p>	<p>8. Granting retail subscribers the right to cancel their subscription within a specified period.</p> <p>9. Defining the requirements and information that must be included in the offering document for debt instruments offered through a securities crowdfunding platform.</p>



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	<p>requirements of Annex (2) of these rules, and that the offering document is available to clients registered with the securities crowdfunding platform through the website of the Capital Market Institution at least five days prior to the date specified to start the offering.</p> <p>i. The Capital Market Institution through which the offering is made shall have procedures and policies for evaluating the offered debt instruments and a mechanism for approving the evaluation. These shall be made available to clients registered with the securities crowdfunding platform through the website of the Capital Market Institution, and the Capital Market Institution shall notify the registered clients of any updates thereto.</p> <p>j. The Capital Market Institution through which the offering is made shall obtain a declaration from the client registered with the securities crowdfunding platform confirming his acknowledgment of reviewing the procedures and policies referred to in sub-</p>	



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	<p>paragraph (i/11) of paragraph (a) of this Article prior to subscribing to the offered debt instruments.</p> <p>k. The Capital Market Institution through which the offering is made shall verify the credit record of the sponsor to ensure its financial solvency and ability to fulfill the rights of debt instrument holders and shall document this in the financing file.</p> <p>l. The Capital Market Institution through which the offering is made shall enter into a credit information exchange agreement with at least one credit information to be provided with credit information about the sponsor in accordance with the relevant laws and regulations in the Kingdom.</p> <p>m. The offering period shall not exceed (45) days, and the total proceeds of the offering during that period shall not be less than (80%) of the total value of the offering that was disclosed in the offering document. In the event that the offering is not completed, the Capital Market Institution must return the subscription amounts to the subscribers –without</p>	



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	<p>imposing any fees—within a period not exceeding (5) days from the end of the offering period.</p> <p>n. The Capital Market Institution shall allow its retail client who has subscribed to cancel his subscription within (48) hours from the time of submitting the subscription application or until the end of the offering period (whichever comes first), and the Capital Market Institution shall inform its client who has subscribed to the offered debt instruments — immediately and without delay— of the completion of the offering or its cancellation.</p> <p>o. If a material change occurred to the offering document prior to the start of the offering or after the start of the offering and before its end, the issuer must notify the Capital Market Institution as soon as it becomes aware of such change. In this case, the Capital Market Institution may, at its discretion, request the issuer to resubmit the offering document, and it may also re-impose the five-day period stipulated in subparagraph (H/11) of paragraph (a) of this</p>	



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	<p>Article to allow for reviewing the offering document. The Capital Market Institution must notify its client who has subscribed to the offered debt instruments immediately and without delay of that change, and the client who subscribed before being notified of that change has the right to cancel or amend his subscription before the end of the offering period.</p> <p>p. The Capital Market Institution shall disclose to clients registered with the securities crowdfunding platform, through its website, the status of each debt instrument issuance made through it, and clarify the payment status in accordance with the issuance payment schedule.</p> <p>q. The Capital Market Institution shall disclose to clients registered with the securities crowdfunding platform, through its website, the percentage of overdue payment cases under debt instruments relative to the total debt instrument offerings on the platform, as well as the actions taken in this regard.</p>	



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	<p>r. The Capital Market Institution must update the data referred to in subparagraphs (p/11) and (q/11) of paragraph (a) of this Article at least on a monthly basis.</p> <p>s. The Capital Market Institution shall immediately notify the Authority without delay of any overdue payment cases under the debt instruments offered through it, including the actions to be taken.</p>	
<p style="text-align: center;">Part 2: Exempt Offer</p> <p>Article 6: Exempt Offer</p> <p>a) Without prejudice to the Securities Business Regulations and the Capital Market Institutions Regulations, an offer shall be exempt from the requirements of these Rules in any of the following cases:</p> <p>...</p> <p>10) If the offering is made through a capital market institution authorised to carry out arranging activities in the course of carrying out securities crowdfunding, in accordance with the following requirements and conditions:</p> <p>a. The offering shall be for new shares in the issuer, and the issuer shall not use the proceeds of the</p>	<p style="text-align: center;">Part 2: Exempt Offer</p> <p>Article 6: Exempt Offer</p> <p>a) Without prejudice to the Securities Business Regulations and the Capital Market Institutions Regulations, an offer shall be exempt from the requirements of these Rules in any of the following cases:</p> <p>...</p> <p>10) If the offering is for new shares of the issuer and is made through a capital market institution authorised to carry out arranging activities in the course of carrying out securities crowdfunding, in accordance with the following requirements and conditions:</p> <p>...</p> <p>g. The Capital Market Institution through which the offering is made shall have</p>	<p>The proposed amendments include provisions aimed at regulating the offering of shares by Capital Market Institutions authorised to carry out arranging activities in the course of securities crowdfunding. These amendments encompass the following:</p> <ol style="list-style-type: none"> 1. Requiring the Capital Market Institution to establish policies and procedures for evaluating shares and to obtain acknowledgment from registered clients confirming their review of such policies and procedures. 2. Requiring the Capital Market Institution to verify the issuer's credit record to ensure its financial solvency and to enter into a credit information exchange agreement with a



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<p>offering to provide loans or invest in other entities or companies or in investment funds.</p>	<p>procedures and policies for evaluating the offered shares instruments and a mechanism for approving the evaluation. These shall be made available to clients registered with the securities crowdfunding platform through the website of the Capital Market Institution, and the Capital Market Institution shall notify the registered clients of any updates thereto.</p> <p>h. The Capital Market Institution through which the offering is made shall obtain a declaration from the client registered with the securities crowdfunding platform confirming his acknowledgment of reviewing the procedures and policies referred to in subparagraph (g/10) of paragraph (a) of this Article prior to subscribing to the offered shares.</p> <p>i. The Capital Market Institution through which the offering is made shall verify the credit record of the issuer to ensure its financial solvency and ability to fulfill the rights of shareholders and shall document this in the financing file.</p>	<p>credit information company.</p>



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	<p>j. The Capital Market Institution through which the offering is made shall enter into a credit information exchange agreement with at least one credit information company to be provided with credit information about the issuer in accordance with the relevant laws and regulations in the Kingdom.</p>	
<p style="text-align: center;">Part 2: Exempt Offer</p> <p>Article 6: Exempt Offer</p> <p>...</p> <p>b) Except for the Kingdom's development funds and banks and the Kingdom's sovereign funds, the offeror or the Capital Market Institution (if the offer is carried out through a Capital Market Institution) shall, when making an exempt offer, notify the Authority on a quarterly basis of the total number and value of the exempt offers the Capital Market Institution has made. In addition, the following information must be submitted to the Authority in respect of each exempt offer:</p> <p>...</p> <p>11) Information of clients who subscribed in shares if the offering was in accordance with subparagraph (10) of paragraph (a) of this Article, with a statement of any contravention of the requirements and conditions imposed therein (if any).</p>	<p style="text-align: center;">Part 2: Exempt Offer</p> <p>Article 6: Exempt Offer</p> <p>...</p> <p>b) Except for the Kingdom's development funds and banks and the Kingdom's sovereign funds, the offeror or the Capital Market Institution (if the offer is carried out through a Capital Market Institution) shall, when making an exempt offer, notify the Authority on a quarterly basis of the total number and value of the exempt offers the Capital Market Institution has made. In addition, the following information must be submitted to the Authority in respect of each exempt offer:</p> <p>...</p> <p>11) Information of clients who subscribed in securities if the offering was in accordance with subparagraphs (10) and (11) of paragraph (a) of this Article, with a statement of any contravention of the requirements and conditions imposed therein (if any).</p>	<p>The proposed amendments aim to outline the requirements for the quarterly notification submitted to the Authority regarding offerings conducted through securities crowdfunding platforms.</p>



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	<p>12) The status of debt instrument issuances offered by a Capital Market Institution authorised to carry out arranging activities in the course of carrying out securities crowdfunding.</p>	
<p style="text-align: center;">Part 2: Exempt Offer Article 6: Exempt Offer</p> <p>...</p> <p>d) A person (referred to as a “transferor”) who has acquired shares pursuant to subparagraph (10) of paragraph (a) of this article, may not offer or sell such shares to any person (referred to as a “transferee”) unless the offer or sale is made through a Capital Market Institution and where one of the following requirements is met:</p> <ol style="list-style-type: none"> 1) the price to be paid for the shares does not exceed (25) thousand SR or an equivalent amount; 2) the shares are offered or sold to an investor under the categories of Institutional and Qualified Clients; 3) the shares are being offered or sold in such other circumstances as the Authority may prescribe for these purposes. <p>e) If the requirement in subparagraph (1) of paragraph (d) of this Article cannot be fulfilled because the price of the shares being offered or sold to the transferee has increased since the date of the original</p>	<p style="text-align: center;">Part 2: Exempt Offer Article 6: Exempt Offer</p> <p>...</p> <p>d) A person (referred to as a “transferor”) who has acquired securities pursuant to subparagraphs (10) and (11) of paragraph (a) of this article, may not offer or sell such securities to any person (referred to as a “transferee”) unless the offer or sale is made through a Capital Market Institution and where one of the following requirements is met:</p> <ol style="list-style-type: none"> 1) the price to be paid for the securities does not exceed (25) thousand SR or an equivalent amount; 2) the securities are offered or sold to an investor under the categories of Institutional and Qualified Clients; 3) the securities are being offered or sold in such other circumstances as the Authority may prescribe for these purposes. <p>e) If the requirement in subparagraph (1) of paragraph (d) of this Article cannot be fulfilled because the price of the shares being offered or sold to</p>	<p>The proposed amendments aim to regulate the secondary market activity for securities, including shares and debt instruments, offered through securities crowdfunding platforms.</p>



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<p>offering, the transferor may offer or sell shares to the transferee if their purchase price during the period of the original offering did not exceed 25 thousand SR or an equivalent amount.</p> <p>f) If the requirement in paragraph (e) of this Article cannot be fulfilled, a transferor may offer or sell the shares if he sells his entire holding of such shares to one transferee.</p> <p>g) The provisions of paragraphs (d), (e) and (f) of this Article shall apply to all subsequent transferees of such shares.</p> <p>h) The restrictions in paragraphs (d), (e), (f), and (g) of this Article shall cease to apply upon approval of listing on the Exchange of shares of the same class as the shares that are subject to such restrictions.</p>	<p>the transferee has increased since the date of the original offering, the transferor may offer or sell securities to the transferee if their purchase price during the period of the original offering did not exceed 25 thousand SR or an equivalent amount.</p> <p>f) If the requirement in paragraph (e) of this Article cannot be fulfilled, a transferor may offer or sell the securities if he sells his entire holding of such shares to one transferee.</p> <p>g) The provisions of paragraphs (d), (e) and (f) of this Article shall apply to all subsequent transferees of such securities.</p> <p>h) The restrictions in paragraphs (d), (e), (f), and (g) of this Article shall cease to apply upon approval of listing on the Exchange of securities of the same class as the securities that are subject to such restrictions.</p>	
	<p style="text-align: center;">ANNEX 2 CONTENTS OF THE OFFERING DOCUMENT FOR OFFERING DEBT INSTRUMENTS THROUGH SECURITIES CROWDFUNDING PLATFORM</p> <p>An offering document for offering debt instruments through securities crowdfunding platform must contain all material information related to the issuer, and disclose the same in a fair and non-misleading manner, in a way that enables the investor to understand the nature of the offering and arrive at an</p>	<p>The proposed annex aims to set out the minimum information that must be included in the offering document for debt instruments offered through securities crowdfunding platforms.</p>



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	<p>informed investment decision, and must contain the following information at a minimum:</p> <p>1. Offer summary This section must include a disclaimer to the targeted investors on the importance of reading the offering document prior to making an investment decision and include the following information at a minimum:</p> <ol style="list-style-type: none"> 1) a summary of the offer including particulars of the debt instruments and rights; 2) establishment licensing for a special purposes entity; 3) nominal value of the debt instruments offered; 4) number and classes of debt instruments to be offered; 5) the total value of the offer; (SR) 6) use of proceeds of the offering of the debt instruments; 7) the number and categories of offerees; 8) the minimum amount (if any) to be paid by each offeree; 9) the number and types of securities previously issued by the special purposes entity and the sponsor; 10) a description of breaches of the terms and conditions of the debt instruments that affect the rights of the debt holders, and the procedures that will be taken in these cases; 11) details of the early redemption of the debt instruments (if any); 12) the names and addresses of the paying agents; 13) the holders of the debt instruments representatives' 	



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	<p>contact information, including address, telephone number, website, and e-mail address;</p> <p>14) details of repayment related dates including the final maturity date and early repayment dates, specifying whether exercisable at the sponsor or the holder of debt instruments' request and the date from which payments are due; and</p> <p>15) include details of any guarantees related to the debt instruments offered (if any).</p> <p>2. Debt instruments pricing mechanism This section must include the mechanism by which the price of the debt instruments that are the subject of this offering document was determined.</p> <p>3. The issuer's and the sponsor's audited financial statements for the last fiscal year –if any–.</p> <p>4. The special purposes entity background, business nature This section must include the following information:</p> <ol style="list-style-type: none"> 1) the official name, commercial registration number and the address shown in the commercial registration and, if different, the principal address of the special purposes entity; 2) the date of incorporation of the special purposes entity; 3) the purpose of the special purposes entity; 4) the board of the special purposes entity; and 5) the dates of appointment of all the directors or proposed directors of the special purposes entity. 	



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	<p>5. Sponsor background, business nature</p> <p>This section must include the following information:</p> <ol style="list-style-type: none"> 1) the official name, commercial registration number and the address shown in the commercial registration and, if different, the principal address of the sponsor; 2) the date of incorporation of the sponsor; 3) Organisational structure; 4) a summary of key financial information, including operational performance, financial condition, cash flows, and key performance indicators for the sponsor and overall strategy; 5) the general nature of the business of the sponsor and the sponsor's subsidiaries (if applicable) and details of the main products sold or services performed and an indication of any significant new products or activities; 6) if the sponsor or the sponsor's subsidiaries (if applicable) trades outside the Kingdom, a statement showing the location of such trading operations must be provided. Where a material portion of the sponsor or the sponsor's subsidiaries assets are outside the Kingdom, the value and location of such assets and the value of the assets located in the Kingdom; 7) particulars of any interruption in the business of the sponsor and the sponsor's subsidiaries (if applicable) which may have 	



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	<p>or has had a significant effect on the financial position in the last 12 months; and</p> <p>8) a statement that no material change in the nature of the business is contemplated or, if one is contemplated, a detailed description of that change and its impact on the sponsor's business and profitability.</p> <p>6. Summary of basic information This section must include a summary of the financial transaction provided to the special purposes entity and the sponsor shall ensure that the due payments are paid as per the debt instruments.</p> <p>7. Expenses This section must include details of the aggregate offer expenses.</p> <p>8. Businesses involving related parties or conflict of interest.</p> <p>9. The information that clarifies the key features of the securities and real estate assets to be registered under the name of the special purposes entity (as applicable).</p> <p>10. Investment risks and existing fundamental lawsuits and their impact on the issuer's and the sponsor's businesses.</p> <p>11. Official statements from the relevant authority regarding the approval for the planning or construction of the real estate assets (as applicable).</p> <p>12. Real estate asset valuation reports from at least two accredited valuers who hold a fellowship from the Saudi Authority for Accredited Valuers, provided that the valuation period does not</p>	



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	<p>exceed (3) months at the date of the start of the offering. If there are more than two accredited valuers, the Capital Market Authority must publish all valuation reports from the accredited valuers (as applicable).</p> <p>13. Capital Market Institutions Letter: The issuer must obtain a consent letter from the Capital Market Institution to the use of its name, logo, and statement in the offering document; the issuer must also enclose within the offering document a confirmation by the Capital Market Institution as follows (to be provided on the Capital Market Institution' letterhead): “We ____ (insert name of capital market institution) confirm, to the best of our knowledge, and through conducting due diligence and making enquiries of the issuer, the sponsor, and the members of the issuer’s governing body, that the issuer and the sponsor have satisfied all conditions required for the offering of debt instruments through securities crowdfunding platform in accordance with the requirements of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (the “Authority”). We further confirm that the issuer and the sponsor have –to the best of our knowledge and within our capacity– provided all required information and clarifications within this document in accordance with the requirements of the Rules on the Offer of Securities and Continuing Obligations. In particular, we confirm that we have taken reasonable steps to ensure that the</p>	



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	<p>members of the issuer’s governing body and sponsor’s understand the nature and extent of their responsibilities under the Capital Market Law and its Implementing Regulations, and that we have reached a reasonable opinion, based on due enquiry and professional experience, that the issuer and the sponsor have satisfied all relevant requirements and have disclosed all required information under the Rules on the Offer of Securities and Continuing Obligations.”</p> <p>The offering document must contain the following statement:</p> <p>“This document may only be distributed in the Kingdom to clients registered with the securities crowdfunding platform at the capital market institution. The members of the issuer’s governing body and the sponsor, whose names appear within this offering document, collectively and individually accept full responsibility for the accuracy of the information contained in this offering document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which from this document would make any statement herein misleading. 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 purchasers of the debt instruments offered hereby should conduct their own due diligence on the accuracy of the information relating to the offered debt instruments. If you do not understand the contents of this</p>	



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	document, you should consult an authorised financial advisor. Investment in the offered debt instruments entails high risks, and may only suit investors capable of assessing the benefits and risks of this investment and bear any losses that may result therefrom, which may extend to the loss of entire investment amount.”	

D) Proposed amendments to the Rules for Special Purposes Entities compared with the current provisions:

The Rules for Special Purposes Entities		
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Article 6: Scope and Application ...	Article 6: Scope and Application ... If a Special Purposes Entity offers asset-backed, asset-linked recourse, or debt-based recourse debt instruments through an exempt offering in the context of securities crowdfunding, the provisions of the Rules on the Offer of Securities and Continuing Obligations shall apply to such entity.	It is proposed to include the offering of debt instruments through securities crowdfunding platforms within the scope and application of the Rules for Special Purposes Entities.
Article 11: Statues of Sponsor (a) A sponsor of a special purposes entity that issued debt instruments shall fulfil the following conditions at all times: 1) if a special purposes entity issues, or intends to issue, debt-based recourse debt instruments, asset-linked recourse debt instruments, the sponsor shall be a Saudi joint stock company, a capital market institution licensed to carry on securities business related to the business of special purposes entity, a local bank or a finance company; ...	Article 11: Statues of Sponsor (a) A sponsor of a special purposes entity that issued debt instruments shall fulfil the following conditions at all times: 1) if a special purposes entity issues, or intends to issue, debt-based recourse debt instruments, asset-linked recourse debt instruments, the sponsor shall be a Saudi joint stock company, a capital market institution licensed to carry on securities business related to the business of special purposes entity, a local bank or a finance company; ...	It is proposed to amend the provisions governing the status of the sponsor in the event of offering debt instruments through securities crowdfunding platforms, as follows: 1. Allowing the sponsor of the Special Purposes Entity to be a Saudi limited liability company. 2. Requiring that the sponsor of the entity be its beneficiary.



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The Rules for Special Purposes Entities		
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<p>(b) A sponsor, that is not a capital market institution, must submit to the Authority, at its request, a legal opinion that demonstrate that the business it carries on in relation to the special purposes entity does not require authorisation under the Capital Market Law. The legal opinion referred to in this Paragraph must be issued by an independent lawyer/law firm licensed in the Kingdom.</p>	<p>4) As an exception to subparagraph (1) of paragraph (a) of this Article, if a special purposes entity issues or intends to issue debt-based recourse or asset-linked recourse debt instruments through an exempt offering in the context of securities crowdfunding, the sponsor may be a Saudi limited liability company.</p> <p>...</p> <p>(b) If the offering of debt instruments is carried out through a Capital Market Institution authorised to carry out arranging activities in the course of carrying out securities crowdfunding, the sponsor of the special purposes entity must be the beneficiary.</p> <p>(c) A sponsor, that is not a capital market institution, must submit to the Authority, at its request, a legal opinion that demonstrate that the business it carries on in relation to the special purposes entity does not require authorisation under the Capital Market Law. The legal opinion referred to in this Paragraph must be issued by an independent lawyer/law firm licensed in the Kingdom.</p>	
<p>Article 15: Trustee of a Special Purposes Entity</p> <p>...</p> <p>(e) The registered office of the special purposes entity may not be transferred to any other place except after obtaining a written consent of the trustee of the special purposes entity.</p> <p>...</p>	<p>Article 15: Trustee of a Special Purposes Entity</p> <p>...</p> <p>(e) In the event that the special purposes entity issues debt instruments through a Capital Market Institution authorised to carry out arranging activities in the course of carrying out securities crowdfunding, the trustee of the special purposes entity must be the capital market</p>	<p>This section outlines the provisions governing the trustee of the Special Purposes Entity in the event of offering debt instruments through securities crowdfunding platforms, as follows:</p> <ol style="list-style-type: none"> 1. Requiring the crowdfunding platform to act as the trustee of the Special Purposes Entity.



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The Rules for Special Purposes Entities		
Current Provision	Proposed Amendments	Explanation
<p>Article 16: Responsibilities of the Trustee of a Special Purposes Entity ... (a) ... Article 17: Changing the Trustee of the Special Purposes Entity Other than the cases in which the sponsor is the trustee of the special purposes entity, the sponsor may change the trustee of the special purposes entity in the event of its failure to carry out its responsibilities in accordance with the provisions of these Rules, or upon its failure to fulfil any of its obligations toward the sponsor or the special purposes entity.</p>	<p style="color: blue;">institution through which the debt instruments were offered.</p> <p>(f) The registered office of the special purposes entity may not be transferred to any other place except after obtaining a written consent of the trustee of the special purposes entity. ... Article 16: Responsibilities of the Trustee of a Special Purposes Entity ... (d) The trustee of the special purposes entity must deposit all funds received in the context of securities crowdfunding and disburse them through a dedicated bank account of the special purposes entity at the designated bank. ... Article 17: Changing the Trustee of the Special Purposes Entity (a) Other than the cases in which the sponsor is the trustee of the special purposes entity, the sponsor may change the trustee of the special purposes entity in the event of its failure to carry out its responsibilities in accordance with the provisions of these Rules, or upon its failure to fulfil any of its obligations toward the sponsor or the special purposes entity. (b) As an exception to paragraph (a) of this Article, the sponsor may not change the trustee of the special purposes entity if the trustee is a capital market institution pursuant to paragraph (e) of Article 15 of these Rules.</p>	<p>2. Obligating the trustee to deposit and disburse all received amounts through a designated bank account in the name of the Special Purposes Entity.</p> <p>3. Prohibiting the sponsor from changing the trustee if the trustee of the Special Purposes Entity is the Capital Market Institution through which the debt instruments were offered.</p>
<p>Article 34: Appointment of an Auditor</p>	<p>Article 34: Appointment of an Auditor</p>	<p>It is proposed to exempt Special Purposes Entities established for the purpose of issuing debt instruments in the context of securities crowdfunding from</p>



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The Rules for Special Purposes Entities		
Current Provision	Proposed Amendments	Explanation
<p>(a) The special purposes entity's by-laws must provide provisions for the following:</p> <p>1) the appointment of an auditor registered with the Authority in accordance with the Rules for Registering Auditors of Entities Subject to the Authority's Supervision;</p> <p>2) the auditor's remuneration and term of office; and procedures for removal of an auditor.</p>	<p>(a) The special purposes entity's by-laws must provide provisions for the following:</p> <p>1) the appointment of an auditor registered with the Authority in accordance with the Rules for Registering Auditors of Entities Subject to the Authority's Supervision;</p> <p>2) the auditor's remuneration and term of office;</p> <p>3) procedures for removal of an auditor; and</p> <p>4) Sub-paragraph (1) of paragraph (a) of this Article does not apply if the purpose of the special purposes entity is to issue debt instruments in the context of securities crowdfunding, provided that an auditor licensed to practice auditing in accordance with the Law of the Profession of Accounting and Auditing is appointed.</p>	<p>the requirement to appoint an auditor registered with the Authority in accordance with the Rules for Registering Auditors of Entities Subject to the Authority's Supervision, while requiring them to appoint a licensed auditor in accordance with the Law of the Profession of Accounting and Auditing.</p>

E) Proposed amendments to the Capital Market Institutions Regulations compared with the current provisions:

Capital Market Institutions Regulations		
Current Provision	Proposed Amendments	Explanation
<p>Article 19: Registrable Functions</p> <p>...</p> <p>b) The following functions are considered functions that must be performed by registered persons:</p> <p>...</p>	<p>Article 19: Registrable Functions</p> <p>...</p> <p>b) The following functions are considered functions that must be performed by registered persons:</p> <p>...</p> <p>8) Information Technology officer in a capital market institution authorised to carry out arranging activities in the course of carrying out securities crowdfunding.</p>	<p>The proposal to add sub-paragraph (8) to paragraph (b) of Article 19 of the Capital Market Institutions Regulations aims to include the position of Information Technology Officer in a Capital Market Institution authorised to carry out arranging activities in the course of securities crowdfunding as a registrable function.</p>



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Capital Market Institutions Regulations		
Current Provision	Proposed Amendments	Explanation
<p>Article 69: Purpose and Scope ...</p> <p>d) As an exception from paragraph (c) of this Article, a capital market institution authorised to carry out arranging activity may keep, in accordance with the provisions of this section, clients' money in the course of carrying out securities crowdfunding, provided that it satisfies the two following additional requirements:</p> <ol style="list-style-type: none"> 1) Clients' money kept must not exceed SR 40 million. 2) Retail client's money kept must not exceed SR 100,000. 	<p>Article 69: Purpose and Scope ...</p> <p>d) As an exception from paragraph (c) of this Article, a capital market institution authorised to carry out arranging activity may keep, in accordance with the provisions of this section, clients' money in the course of carrying out securities crowdfunding, provided that it satisfies the two following additional requirements:</p> <ol style="list-style-type: none"> 1) Clients' money kept must not exceed SR 80 million. 2) Retail client's money kept must not exceed SR 100,000. 	<p>The proposal to amend subparagraph (1) of paragraph (d) of Article 69 of the Capital Market Institutions Regulations aims to revise the maximum limit of clients' money kept.</p>