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## CMA permits wider direct foreign investment in listed debt instruments

The Board of the Capital Market Authority (CMA) issued a resolution on 12 August 2020 permitting, amongst other things, the direct investment in listed and non-listed debt instruments by non-resident foreign investors (both legal and natural persons).

Previously, such foreign investors were only able to invest in listed Saudi securities either as: i) a Qualified Foreign Investor (QFI)<sup>1</sup>(which allows investment in all listed debt and equity securities); ii) an ultimate beneficiary in swap agreements with a Saudi capital market institution (allowing the investor to have economic exposure to listed securities); or iii) a foreign strategic investor, which permits certain investors to invest in listed companies' equity securities subject to a two year lock-in period.

Under the board's resolution, non-resident foreign investors can invest directly in Saudi listed debt instruments provided they all have an account with one of the capital market institutions licensed by the CMA.

The following conditions are also applicable to foreign investment in debt instruments:

- > The foreign investor cannot make such a direct investment if it is a QFI or the ultimate beneficiary under a swap agreement.
- > The debt instruments cannot be converted into shares listed in the Main Market, unless the investor is among the categories of foreigners permitted to invest directly in such shares, or becomes the beneficiary under a swap agreement in accordance with the relevant CMA instructions.

Although not expressly stated in the guidance issued by the CMA, there is also likely to a 10% cap on each foreigner's total investment in a single debt instrument, in line with the restrictions for other listed securities.

This development is an encouraging further opening up of the Saudi capital markets to foreign investment in line with goals of Vision 2030 of encouraging greater private sector participation in the economy. In addition to the implementation of the QFI and Strategic Investor regimes, it follows permission for foreigners to invest in listed investment funds and shares listed on the junior Parallel Market subject to separate regulatory requirements. Both foreign investors and local listed companies should carefully consider the additional investment strategies open to them as a consequence.

<sup>1</sup> Please see [our website](#) for further details of the requirements and restrictions on QFIs.



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