



UNPACKING THE OFFSHORE SECURITIES BUSINESS LICENSE IN THE KINGDOM OF SAUDI ARABIA

INTRODUCTION

In line with Vision 2030, the Capital Market Authority ("**CMA**") is working to implement a new license called the "*Offshore Securities Business License*". This license will allow firms to engage in activities such as securities dealing, brokerage, custody, and investment management in relation to offshore clients. On 25 May 2025, the framework remains under public consultation, and the CMA's final form may differ materially from the draft; there is no official timeline for when they will be published.

SCOPE OF THE LICENSE

The name "*Offshore Securities Business License*" is derived from the primary client category that the licensed capital market institution serves in conducting securities business, as the primary clients are foreign clients outside the Kingdom.

Permitted activities may include:

- Conduct securities business activities outside the Kingdom in issued or listed securities outside the Kingdom;
- Manage investment funds and portfolios that invest in securities issued or listed in the Kingdom; and
- Establish private investment funds in the Kingdom with structures of higher flexibility.

However, a licensed firm must not use this license to solicit or conduct business with Saudi-based investors unless it holds the appropriate domestic license. This restriction ensures that the offshore securities business remains distinct from activities directed at the Kingdom's onshore market.

Permitted clients include:

- Foreigners who are not residents in the Kingdom.
- The Government of the Kingdom, government entities and any entity which has a public legal personality in accordance with statutory provisions.
- Capital market institutions, local banks, and insurance companies.

REQUIREMENTS & PROCESS

Those applying for this type of license would be foreign capital market institutions that incorporate a Saudi entity, secure a Regional Headquarters License from MISA, and appoint CMA-approved key personnel (CEO, CFO, Compliance Officer, Money Laundering Reporting Officer (MLRO)) may apply,

submitting a business plan, ownership charts, financials, and Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) policies to the CMA.

An application for authorisation may be submitted by the founders or controlling shareholders of an applicant if the applicant is not yet established in the Kingdom.

The Authority shall, upon receipt of all information and documents required, notify the applicant in writing of the same, and shall take any of the following decisions within a maximum period of 30 days from the date of the notice:

1. Approve the application in whole or in part;
2. Approve the application subject to such conditions and limitations as it considers appropriate;
3. Refuse the application, giving reasons.

If the Authority resolves to authorise the applicant, it will inform the applicant of this in writing and of its permitted business profile, including any limitations that the Authority may consider appropriate. The capital market institution must commence its business within twelve months from the date of the Authority's authorisation decision.



KEY BENEFITS

1. Access to the Region's Largest Capital Market

Licensed firms gain a foothold in Saudi Arabia's capital market, the largest in the Middle East and one of the most dynamic emerging markets globally.

2. Clear and Structured Licensing Process

The CMA has emphasised its commitment to regulatory clarity and efficiency. Applicants can expect licensing decisions within 30 days of submitting complete documentation.

3. Long-Term Stability Through a Renewable 10-Year License

The license provides regulatory stability, being valid for 10 years and renewable upon expiry.



4. Flexible Cross-Border Operations

The framework permits firms to provide a wide range of securities services, including dealing, arranging, advising, managing, and custody.

5. Alignment with International Standards

The regulatory framework is explicitly aligned with global best practices. Licensed firms must comply with obligations relating to:

- Anti-Money Laundering and Counter-Terrorist Financing.
- Risk management and corporate governance.
- Fiduciary duties and client protection.
- Maintenance of “Ethical Walls” to prevent conflicts of interest.

6. Compatibility with Global Business Models

Recognizing the needs of multinational institutions, the framework enables the outsourcing of certain key functions, including the roles of Compliance Officer and MLRO, to qualified law or audit firms based in Saudi Arabia.

REGULATORY AND OPERATIONAL CONSIDERATIONS

While the Offshore Securities Business License offers significant opportunities, the framework also introduces strict obligations to ensure investor protection, regulatory oversight, and financial stability.

1. Regulatory Engagement Required

Despite its designation as an “offshore” license, firms must maintain full engagement with the CMA. This includes compliance with audits, inspections, and robust reporting obligations.

2. Limited Market Scope

The license is designed for a restricted client base. Eligible clients include:

- Non-resident foreign investors.
- Saudi government entities.
- Local financial institutions.

Retail investors are expressly excluded from the scope of the offshore securities business. This limitation underscores the framework’s focus on professional and institutional clients, rather than the domestic retail market.

3. Currency and Capital Constraints

Licensees must comply with currency and capital adequacy requirements designed to safeguard clients and maintain financial resilience:

- Client funds must be held in non-Saudi Riyal currencies.
- Firms are required to maintain capital reserves sufficient to cover one year’s expenses.
- Additional prudential obligations apply, including indemnity insurance to mitigate operational risks.



4. Operational Oversight

To ensure accountability, the framework mandates:

- Local incorporation in Saudi Arabia.
- A Saudi-based headquarters.
- Appointment of CMA-approved individuals to key roles, ensuring that governance and compliance functions are anchored within the Kingdom.
- Offer documentation, even if the institution is located abroad, must comply with disclosure requirements in Saudi Arabia.
- Investors must be chosen carefully as only qualified investors can be targeted.
- Sharia compliance is important to consider, as this may arise based on the investor base or product type.

5. Exit Limitations

The CMA retains authority over the withdrawal of licenses. For enforcement purposes, the regulator may delay or deny an exit request. Furthermore, firms remain subject to the CMA's jurisdiction for up to two years after license termination, ensuring accountability for outstanding obligations and safeguarding market integrity.

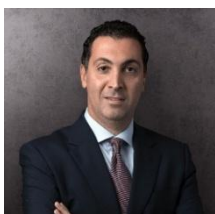
CONCLUSION

The Offshore Securities Business License represents a significant opportunity for firms looking to expand their cross-border securities activities while establishing a base in one of the region's most dynamic economies.

By obtaining this license, institutions gain not only regulatory legitimacy but also access to a rapidly growing, sophisticated, and globally recognised financial ecosystem. At the same time, firms must be prepared to meet the CMA's rigorous standards and carefully navigate the distinction between offshore and domestic activities.

As Saudi Arabia continues to strengthen its position as a financial hub, the Offshore Securities Business License will remain a vital instrument for connecting international capital with the Kingdom's evolving marketplace, balancing opportunity with accountability.

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