

**Administrative Resolution No. (3) of 2012 Regarding Rules of
Investments in Securities by Investment Funds**

Having perused:

- Law No. (7) of 2010 regarding the Establishment of Capital Markets Authority "CMA" and Regulating Securities Activity; and
- Resolution No. (1) of 2011 passed in the meeting of CMA Board of Commissioners No. (4) of 2011 regarding issuance of CMA Executive Bylaw dated 03.03.2011; and
- Resolution of CMA Board of Commissioners passed in its meeting No. (14) of 2011 held on 18.07.2011 regarding "extension of the time granted for settlement of positions of the existing investment funds"; and
- Resolution of CMA Board of Commissioners passed in its meeting No. (4) of 2012 held on 12.02.2012 regarding " Rules of Investments in Securities by Investment Funds"; and
- As required by the work interest;

We Resolved the Following

Article (1)

The investment fund investing in securities shall comply with the following rules:

- (1) Not to own more than 10% of securities of one issuer.
- (2) The investments made by the investment fund in securities issued by one issuer may not exceed 10% from the net asset value of the investment fund.
- (3) Not to borrow, or enter in operations resulting in liabilities of more than 10% of net asset value of the investment fund's assets.
- (4) The investment fund may invest up to 15% as a maximum percentage of its net asset value in any Sukuk or bonds issued by GCC governments or guaranteed by them without prejudice to the fund's Articles of Association.
- (5) Without prejudice to item (1) above, the investment fund may invest up to 15% as a maximum percentage of its net asset value in any other investment fund without prejudice to the fund's Articles of Association.
- (6) The investment fund, whose Articles of Association provide for investment in shares of KSE listed companies, may invest more than 10% of its net asset value in shares of any listed company, provided this shall not exceed the ratio of the company's market value to total market value.
- (7) The investment fund, whose Articles of Association provide for investment in a certain field or sector of KSE listed shares, may

invest more than 10% of its net asset value in the shares of any company operating in that field or sector, provided this shall not exceed the ratio of the company's market value to the total market value of that specific field or sector and without prejudice to the fund's Articles of Association.

- (8) The open-ended investment fund may not invest more than 10% of its net asset value in securities, which are unrealizable within 5 business days.
- (9) The investment fund that follows a published index shall invest its net asset value in all companies composing such index as per the relative weight each company represents therein.
- (10) The fund manager that follows his private index shall get that index approved and authenticated by the investment advisor, provided that such approval and authentication shall be quarterly renewed, and shall inform CMA of the same.

Article (2)

The concerned authorities shall implement this Resolution, each in its competence, effective from the date of issuance. All resolutions, which contravene this Resolution, shall be cancelled.

Saleh Mubarak Al-Falah

Chairman, CMA Board of Commissioners

Issued on 12/02/2012

