

**Resolution No. (52) of 2015**  
**on Issuance of the Capital Markets Authority Regulations No. (1) of 2015**  
**Regarding Competency and Integrity Principles for Licensed Persons**

**Having Perused:**

- Law No. (7) of 2010 regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities, and their amendments; and
- The Regulations Concerning Competency and Integrity Principles No. (CMA/S.S./C.G./1/2013) issued on 30/1/2013; and
- Based on the Capital Markets Authority Board of Commissioners Resolution passed in its meeting No. (24) of 2015 held on 14/7/2015 approving the amendments of the Regulations Concerning Competency and Integrity Principles No. (CMA/S.S./C.G./1/2013) issued on 30/1/2013.

**The Following Was Resolved**

**Article (1):** The Capital Markets Authority Regulations No. (1) of 2015 regarding Competency and Integrity Principles for Licensed Persons attached to this Resolution are hereby applied.

**Article (2):** The Regulations Concerning Competency and Integrity Principles No. (CMA/S.S./C.G./1/2013) issued on 30/1/2013 are hereby cancelled.

**Article (3):** This Resolution shall come into force from the date of its issuance.

*Dr. Nayef Falah Al-Hajraf*

**Issued on 23 / 7 / 2015**

## **Capital Markets Authority Regulations No. (1) of 2015**

### **Regarding Competency and Integrity Principles for Licensed Persons**

#### **Preamble**

Based on the provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its Executive Bylaws, and their amendments, along with the Board of Commissioners' competences it included as per the provision of Article (4) of the mentioned Law and its Executive Bylaws, in particular those related to setting standards for professional ethics, competency, and integrity for licensed persons; the CMA Board of Commissioners has decided to issue these Regulations regarding Competency and Integrity Principles for the Licensed Persons.

Board members and occupants of the positions which require registration with the licensed persons are responsible for ensuring financial soundness and performance effectiveness of the financial sector; therefore they must have educational qualifications, experience, and technical skills required for rational management, as well as possessing a range of personal qualities such as honesty, integrity, and trust, to ensure that the licensed person operates within a professional and ethical framework in line with the relevant regulatory and legislative requirements.

These Regulations aim to reduce the risks of assigning decision-making tasks and responsibilities to senior officers working at the licensed persons and not possessing good personal qualities nor integrity, educational qualifications, experience, or technical skills that ensure enhancing the institutional work. This can be achieved through setting the principles and standards that must be adopted in order to decide whether a person has the competency and integrity to undertake the tasks entrusted to him/her. Such Principles are highly crucial in the field of assessing the potentials and qualifications related to the ability of sound management, conduct of professional integrity, and sound financial

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performance at the level of the board members and positions requiring registration, in order to strengthen the role of sound and rational management at the licensed persons, which is considered one of the main pillars of successful institutional work. The principles and standards included in these Regulations represent the threshold of the requirements to be met by the licensed persons, as well as any other requirement that may be issued by the Authority in this regard, of which passing any of the aptitude tests.

### **Article 1: Definitions:**

Taking into consideration definitions contained in Law No. 7 of 2010 regarding the Establishment of Capital Markets Authority and Regulating Securities Activities and its Executive Bylaws, and their amendments, the following expressions and terms shall have the meaning they bear as follows, unless the contrary intention appears:

**The Authority:** The Capital Markets Authority.

**The Law and the Executive Bylaws:** Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its Executive Bylaws, and their amendments.

**Licensed Person:** A natural or corporate person who holds a license from the authority to practice one or more of the securities activities.

**Securities Activities:**

- 1) Brokerage for purchasing and selling of securities for the account of others in consideration of a commission (a securities broker who is registered in the securities exchange).
- 2) Brokerage for purchasing and selling of securities for the account of others in consideration of a commission (a securities broker who is not registered in the securities exchange).

- 3) Providing investment advice related to securities in consideration of a commission (Investment Advisor).
- 4) Managing investment portfolios (Investment Portfolio Manager).
- 5) Establishing and managing collective investment schemes (Collective Investment Scheme Manager).
- 6) Safeguarding the assets that constitute collective investment schemes (Custodian).
- 7) Supervising and overseeing collective investment schemes (Investment Controller).
- 8) Offering or selling securities for the interest of its issuer or its ally, or obtaining securities from the issuer or its ally for the purpose of remarketing (Subscription Agent).
- 9) Credit rating or the activity of rating credit information (Credit Rating Agency).
- 10) Any other activity defined by the Authority as securities activities.

**Board Member:**

A natural person or a representative of a corporate person chosen to be a member at the Licensed Person's board of directors.

**Positions Requiring Registration:**

- 1) Chief Executive Officer (CEO)
- 2) Senior Executives
- 3) Chief Financial Officer (CFO)
- 4) Compliance Officer
- 5) Reporting Officer for Money-Laundering and Terrorism Financing
- 6) Risk Management Officer

- 7) Internal Auditing Officer
- 8) Sharia Auditing Officer
- 9) Securities Activities Representatives:
  - a. Representative of securities broker activity who is registered in the securities exchange.
  - b. Representative of securities broker activity who is not registered in the securities exchange.
  - c. Representative of Investment Advisor activity.
  - d. Representative of Investment Portfolio Manager activity.
  - e. Representative of Collective Investment Scheme activity.
  - f. Representative of Custodian activity.
  - g. Representative of Investment Controller activity.
  - h. Representative of Subscription Agent activity.
  - i. Representative of Credit Rating Agency activity.
- 10) Any other positions deemed by the CMA as Positions Requiring Registration.

**Chief Executive Officer (CEO):** A person appointed by the board of directors chosen from the Board Members or from others, and reports directly to the board of directors. He/she is entitled to manage all the essential activities of the Licensed Person according to the responsibilities and authorities he/she is granted.

**Senior Executive:** Persons who occupy the executive positions, and carry out important and essential tasks related to securities activities which are practiced by the Licensed Person.

**Chief Financial Officer (CFO):** A person in charge of the oversight of the accounting and financial systems at the Licensed Person.

**Compliance Officer:** An executive officer in charge of assuring the Licensed Person's compliance with all the laws and legislations issued by the concerned supervisory bodies, and assuring his/her compliance with all the rules specified by the securities exchange, the clearing agencies, and clients' contracts. He/she is also responsible for preparing and executing plans related to compliance position to ensure meeting all the supervisory requirements, and reviewing all the contractual obligations of the Licensed Person.

**Reporting Officer for Money-Laundering and Terrorism Financing:** A Senior officer responsible for assuring the Licensed Person's compliance with the rules and regulations of the money-laundering and terrorist financing, as well as reporting any suspicious transactions according to the CMA's regulations, or the regulations of any other concerned supervisory body. He/she is also responsible for preparing programs and arrangements which shall raise the awareness of the employees of the Licensed Person regarding money-laundering and terrorist financing issues.

**Risk Management Officer:** A person responsible for identifying, evaluating, and classifying the risks according to the strategic goals of the

Licensed Person, in addition to monitoring the efficiency and competency systems, and the Licensed Person's capability of facing the risks, and updating the record of the Licensed Person on a regular and ongoing basis.

**Internal Auditing Officer:** A person in charge of evaluating and inspecting the internal operational systems of the Licensed Person independently, in addition to identifying and analyzing the potential transactions' risks of the Licensed Person based on the rules and professional standards of the internal auditing, and submitting recommendations and reports to the senior management and the auditing committee or the board of directors.

**Sharia Auditing Officer:** A person responsible for monitoring the financial transactions of the Licensed Person to ensure their compliance with the Islamic Sharia provisions and the resolutions and Sharia standards issued by the Authority.

**Securities Activities Representatives:** Employees of the Licensed Person who practice one or more of the securities activities licensed by the Authority for the interest of the Licensed Person and for the service of its clients.

**Executive Positions:** Positions whose competency is related to the essential activities of the financial or banking institutions, and reports directly to the CEO as shall be set in the approved organizational structure of the institution such as deputies or



assistants of the CEO.

**Middle Management Key Positions:** Positions whose competency is related to the essential activities of the financial or banking institution. They report directly to the executive positions as shall be set in the approved organizational structure of the institution.

**Financial or Banking Institution:** Local or foreign financial institutions or banks, or government entities working in activities related to the financial or banking sector, or their supervision, except the financial institutions which work for their own account.

**The Candidate** Every person subject to the application of the Competency and Integrity Principles.

**Article 2: Scope of Application:**

These Regulations are applied on the Licensed Persons whether they are operating according to the conventional system or Islamic Sharia provisions, on the Board Members, and on the occupants of Positions Requiring Registration at the Licensed Persons.

**Article 3: General provisions regarding the responsibilities of the Licensed Person:**

The Licensed Person has to achieve due diligence throughout the recruitment process in order to recruit competent personnel who possess appropriate qualifications and

experiences, as well as integrity and good reputation. The Licensed Person must comply with the following as minimum:

- 1) Set a clear organizational structure with clearly defined duties and responsibilities of the board of directors, its committees, as well as the executive management in order to allow for the following:
  - Correlation between the organizational structure and the goals of the licensed entity.
  - No conflict of interests, and sound segregation of competences.
- 2) Develop clear job descriptions of tasks and responsibilities related to the Positions Requiring Registrations.
- 3) Establish clear policies and procedures – approved by the board of directors –that cover Competency and Integrity Principles in order to ensure that the Candidate meets the requirements mentioned in these Regulations, before submitting the application form to the Authority for approval.
- 4) Develop clear policies and procedures – approved by the board of directors – ensuring that the Candidate will meet the Competency and Integrity Principles in an ongoing basis.
- 5) Make all the data and documents which support the Candidate available when implementing the Competency and Integrity Principles, provided that such data and documents are checked, verified, and completed.
- 6) Develop clear policies based on accurate academic and professional criteria that clearly set the qualifications and experiences required for occupying any of the Positions Requiring Registrations.

- 7) Develop a system aimed at assessing the KPIs (Key Performance Indicators) that identify and evaluate the competency and efficiency of the accomplished tasks to achieve the institution's objectives.
- 8) Ensure that the Human Recourses department has the policies and procedures that address any default or gap in the organizational structure and tables of authorities. The training procedures at the Licensed Persons must guarantee providing their human resources with training programs to ensure keeping up with and remaining constantly informed of the technical and professional developments of the financial sector.
- 9) Adopt a clear policy which includes work procedures aimed at reporting to the Authority any violation of the regulations concerning Competency and Integrity Principles; such policy must also contain the necessary procedures for protecting the employees who report and disclose such violations.

#### **Article 4: Principles of Competency**

The Candidate's possession of professional experience and technical capabilities, as well as good reputations and personal qualities, is one of the key pillars for a sound financial sector, which avoid and limit potential risks facing financial institutions. Therefore, there became a need to apply a set of standards related to the Competency and Integrity Principles, in order to assess the Candidates nominated for the board of director's membership and Positions Requiring Registration in financial institutions. Competency and Integrity Principles include three standards as follows:

**First:** Professional Competence and Technical Capability;

**Second:** Integrity and Honesty;

**Third:** Financial Soundness.

They are detailed as follows:

**First: Professional Competence and Technical Capability:**

This criterion includes a set of requirements that Candidates must possess, such as academic qualifications, and technical and professional experiences, in order to assess the Candidate's competency to carry out the assigned tasks, as well as the ability to bear the responsibilities of the position, and work to achieve the financial soundness of the institution for which he/she is nominated; therefore, Candidates must have as minimum the following:

- Academic qualifications that match the position for which he/she is nominated – for example, academic qualifications in the fields of economic, financial, legal, or business administration.
- Appropriate professional experiences that match the nature of work at the institution for which he/she is nominated.
- Technical, leadership, and managerial capabilities that allow the Candidate to be independent, make sound decisions, and understand all technical requirements and updates related to the course of work.
- Commitment to undertake all assigned tasks and responsibilities, and work towards achieving the goals of the institution.
- Assuring continuous perusal of all professional and administrative updates and developments.

We would like in this regard to point out that such academic qualifications and professional experiences vary from one Candidate to another as per the nature of the position for which he/she is nominated, according to the following:

**A) Board Member:**

The person chosen for the board of director's membership should satisfy one of the following conditions:

1) Hold a university degree, or a degree obtained from one of the applied education institutes specialized in the field of economics, financial, banking, legal, or administrative studies, or any other field of study, and should have the appropriate professional experience, as follows:

- Holders of PhD or Master's degrees in economics, legal, administrative or financial majors, or an internationally accredited professional certificate in financial or administrative fields, in addition to a university degree in mentioned majors (e.g Certified Public Accountant CPA, Chartered Financial Analyst CFA): minimum of three years of experience in the said areas, or in the banking or financial field.
- Holders of PhD or Master's degrees in other majors: minimum of four years of experience in the financial or banking field.
- Holders of university degrees in economics, legal, administrative, or financial majors: minimum of four years of experience in the said areas, or in the financial or banking field.
- Holders of university degrees in other majors: minimum of five years of experience in the financial or banking field.
- Holders of degrees/certificates from one of the specialized applied education institutions in the fields of economics, financial, legal, or administrative studies: minimum of seven years of experience in the financial or banking field.
- Holders of degrees/certificates from one of the specialized applied institutions in other fields of study: minimum of eight years of experience in the financial or banking field.

**Or:**

2) Previously held board membership for a minimum of three years in a recognized local or foreign financial or banking institution.

**Or:**

- 3) Held for a minimum of three years, key positions in financial or banking institutions, with functions related to the core activities of the institution.

**Or:**

- 4) In case the Candidate does not meet the conditions under items 2 and 3, then the total years of experience in board membership as mentioned in item 2, and experience in occupying key positions in financial or banking institutions together may be considered, so that the total experience in the said areas would be a minimum of three years.

**Or:**

- 5) Has occupied for at least three years the position of a minister or its equivalent, or the position of ambassador in diplomatic body, or the position of a secretary or assistant secretary or similar, as per the law and the system of civil service. The Authority shall decide whether the position occupied by the candidate has provided him/her with sufficient experience for his/her work as a board member at the Licensed Person.

**B) Chief Executive Officer:**

The Chief Executive Officer at the Licensed Person must fulfill the following conditions:

- 1) Holds a university degree, or has an internationally accredited professional certificate in the financial or administrative field (e.g CPA, CFA).
- 2) Has a professional experience that matches his/her academic qualifications, as per the following:

- Holders of PhD or Master's degrees in economics, legal, administrative, or financial majors, or an internationally accredited professional certificate in the financial or administrative field, in addition to a university degree in the mentioned majors: minimum of seven years of experience, at least five years of which were in a financial or banking institution, provided that a minimum of three years were in executive positions whose functions were related to the core activities of the institution.
  - Holders of university degrees in economics, legal, or administrative majors: minimum of nine years of experience, at least seven years of which were in a financial or banking institution, provided that a minimum of three years were in executive positions whose functions were related to the core activities of the institution.
  - Holders of university, Master's, or PhD degrees in other majors: minimum of eleven years of experience, at least nine years of which were in a financial or banking institution, provided that a minimum of five years were in executive positions whose functions were related to the core activities of the institution.
- 3) Have the technical and leadership capabilities up to the level of the position for which he/she is nominated.
  - 4) Pass the personal interview which will be arranged by the Authority if deemed necessary.

**C) Senior Executives:**

Senior Executives at the Licensed Person must fulfill the following conditions:

- 1) Holds a university degree, or has an internationally accredited professional certificate in the financial or administrative field (e.g CPA, CFA).

2) Has a professional experience that matches his/her academic qualification, as per the following:

- Holders of PhD or Master's degrees in economics, legal, or administrative majors, or an internationally accredited professional certificate in financial or administrative field and a university degree in the mentioned majors: minimum of seven years of experience, at least four of which were in a financial or banking institution, provided that at least two years of which were in Middle Management Key Positions whose functions were related to the core activities of the institution.
- Holders of university degrees in economics, legal, or administrative majors: minimum of seven years of experience, at least five years of which were in a financial or banking institution, provided that a minimum of two years were in Middle Management Key positions whose functions were related to the core activities of the institution.
- Holders of university, Master's, or PhD degrees in other majors: minimum of nine years of experience, at least seven years of which were in a financial or banking institution, provided that a minimum of four years were in Middle Management Key positions whose functions were related to the core activities of the institution.

3) Have the technical and leadership capabilities up to the level of the position for which he/she is nominated.

4) Pass the personal interview which will be arranged by the Authority if deemed necessary.

**D) Chief Financial Officer (CFO)**

The Chief Financial Officer at the Licensed Person should have the experience, and the technical and professional qualifications according to the following conditions and criteria:



- 1) Holders of PhD or Master's degrees in economics, administrative or financial majors, or holders of an internationally accredited professional certificate as mentioned in annex (1-a), in addition to university degrees in economics, administrative or financial majors: minimum experience of six years in the field of financial administration, or in similar professional fields as mentioned in annex (1-a), provided that at least two years of which were in a financial or banking institution.
- 2) Holders of PhD or Master's degrees in the economics, administrative or financial majors, or holders of an internationally accredited professional certificate as mentioned in annex (1-a), in addition to university degrees in other majors: minimum experience of eight years in the financial administration field or similar professional fields as mentioned in annex (1-a), provided that at least two years of which were in a financial or banking institution.
- 3) Holders of university degrees in economics, administrative or financial majors: minimum experience of eight years in the financial administration field, or in similar professional fields as mentioned in annex (1-a), provided that at least two years of which were in a financial or banking institution.
- 4) Holders of university degrees in other majors: minimum experience of ten years in the field of financial administration, or in similar professional fields as mentioned in annex (1-a), provided that at least two years of which were in a financial or banking institution.
- 5) Holders of an internationally accredited professional certificate as mentioned in annex (1-a): minimum experience of ten years in the field of financial administration, or in similar professional fields as mentioned in annex (1-a), provided that at least two years of which were in a financial or banking institution.
- 6) Pass the personal interview which will be arranged by the Authority if deemed necessary.

#### **E) Compliance Officer**

The Compliance Officer at the Licensed Person should have the experience, and the technical and professional qualifications according to the following conditions and criteria:

- 1) Holders of PhD or Master's degrees in economics, administrative, financial, or legal majors, or holders of an internationally accredited professional certificate as mentioned in annex (1-b), in addition to a university degree in economics, administrative, financial or legal majors: minimum experience of five years in the field of compliance, or similar professional fields as mentioned in annex (1-b), provided that at least two years of which were in a financial or banking institution.
- 2) Holders of PhD or Master's degrees in economics, administrative or legal majors, or holders of an internationally accredited professional certificate as mentioned in annex (1-b), in addition to university degrees in other majors: minimum experience of seven years in the field of compliance, or similar professional fields as mentioned in annex (1-b), provided that at least two years of which were in a financial or banking institution.
- 3) Holders of university degrees in economics, administrative, financial or legal majors: minimum experience of seven years in the field of compliance, or in other similar fields as mentioned in annex (1-b), provided that at least two years of which were in a financial or banking institution.
- 4) Holders of university degrees in other majors: minimum experience of nine years in the field of compliance or other similar professional fields as mentioned in annex (1-b), provided that at least two years of which were in a financial or banking institution.
- 5) Holders of an internationally accredited professional certificate as mentioned in annex (1-b): minimum experience of nine years in the field of compliance, or the similar professional fields as mentioned in annex (1-b), provided that at least two years of which were in a financial or banking institution.

- 6) Pass the personal interview which will be arranged by the Authority if deemed necessary.

**F) Reporting Officer for Money-Laundering and Terrorism Financing**

The Compliance Officer at the Licensed Person should have the experience, and the technical and professional qualifications according to the following conditions and criteria:

- 1) Holders of PhD or Master's degrees in economics, administrative, financial, or legal majors, or holders of an internationally accredited professional certificate as mentioned in annex (1-c), in addition to university degrees in economics, administrative, financial, or legal majors: minimum experience of two years in the field of anti-money laundering and combating the financing of terrorism, or in similar professional fields as mentioned in annex (1-c), provided that they were in a financial or banking institution.
- 2) Holders of PhD or Master's degrees in economics, administrative, financial, or legal majors, or holders of an internationally accredited professional certificate as mentioned in annex (1-c), in addition to university degrees in other majors: minimum experience of four years in the field of anti-money laundering and combating the financing of terrorism, or in similar professional fields as mentioned in annex (1-c), provided that at least two years of which were in a financial or banking institution.
- 3) Holders of university degrees in economics, administrative, financial, or legal majors: minimum experience of four years in the field of anti-money laundering and combating the financing of terrorism, or in similar professional fields as mentioned in annex (1-c), provided that at least two years of which were in a financial or banking institution.
- 4) Holders of university degrees in other majors: minimum experience of six years in the field of anti-money laundering and combating the financing of terrorism, or in similar professional fields as mentioned in annex (1-c), provided that at least two years of which were in a financial or banking institution.

- 5) Holders of an internationally accredited professional certificate as mentioned in annex (1-c): minimum experience of six years in the field of anti-money laundering and combating the financing of terrorism, or in similar professional fields as mentioned in annex (1-c), provided that at least two years of which were in a financial or banking institution.
- 6) Pass the personal interview which will be arranged by the Authority if deemed necessary.

**G) Risk Management Officer**

The Risk Management Officer at the Licensed Person should have the experience, and the technical and professional qualifications according to the following conditions and criteria:

- 1) Holders of PhD and Master's degrees in economics, administrative, financial, or legal majors, or holders of an internationally accredited professional certificate as mentioned in annex (1-d), in addition to university degrees in economics, administrative, financial, or legal majors: minimum experience of three years in the field of risk management, or in similar professional fields as mentioned in annex (1-d), provided that at least two years of which were in a financial or banking institution.
- 2) Holders of PhD or Master's degrees in economics, administrative, financial, or legal majors, or holders of an internationally accredited professional certificate as mentioned in annex (1-d), in addition to university degrees in other majors: minimum experience of five years in the field of risk management, or in similar fields as mentioned in annex (1-d), provided that at least two years of which were in a financial or banking institution.
- 3) Holders of university degrees in economics, administrative, financial, or legal majors: minimum experience of five years in the field of risk management, or similar professional fields as mentioned in annex (1-d), provided that at least two years of which were in a financial or banking institution.
- 4) Holders of university degrees in other majors: minimum experience of seven years in the field of risk management, or in similar professional fields as

mentioned in annex (1-d), provided that at least two years of which were in a financial or banking institutions.

- 5) Holders of an internationally accredited professional certificate as mentioned in annex (1-d): minimum experience of seven years in the field of risk management field, or in similar professional fields as mentioned in annex (1-d), provided that at least two years of which were a financial or banking institution.
- 6) Pass the personal interview which will be arranged by the Authority if deemed necessary.

#### **H) Internal Auditing Officer**

The Internal Auditing Officer at the Licensed Person should have the experience, and the technical and professional qualifications according to the following conditions and criteria:

- 1) Holders of PhD or Master's degrees in economics, administrative or financial majors, or holders of an internationally accredited professional certificate as mentioned in annex (1-e), in addition to university degrees in economics, administrative or financial majors: minimum experience of three years in the field of internal auditing, or in similar fields as mentioned in annex (1-e), provided that at least two years of which were in a financial or banking institution.
- 2) Holders of PhD or Master's degrees in economics, administrative or financial majors, or holders of an internationally accredited professional certificate as mentioned in annex (1-e), in addition to university degrees in other majors: minimum experience of five years in the field of internal auditing, or in similar professional fields as mentioned in annex (1-e), provided that at least two years of which were in a financial or banking institution.
- 3) Holders of university degrees in economics, administrative or financial majors: minimum experience of five years in the field of internal auditing, or in similar professional fields as mentioned in annex (1-e), provided that at least two years of which were in a financial or banking institution.

- 4) Holders of university degrees in other majors: minimum experience of seven years in the field of internal auditing, or in similar professional fields as mentioned in annex (1-e), provided that two years of which were in a financial or banking institution.
- 5) Holders of an internationally accredited certificate as mentioned in annex (1-e): minimum experience of at least seven years in the field of internal auditing, or in the similar professional fields as mentioned in annex (1-e), provided that two years of which were in a financial or banking institution.
- 6) Pass the personal interview which will be arranged by the Authority if deemed necessary.

**I) Representatives of "Investment Portfolio Manager" activity and "Collective Investment Scheme Manager" activity**

Representatives of "Investment Portfolio Manager" activity and "Investment Scheme Manager" activity at the Licensed Person should have the experience, and the technical and professional qualifications according to the following conditions and criteria:

- 1) Holders of PhD and Master's degrees in economics, administrative or financial majors, or holders of an internationally accredited professional certificate as mentioned in annex (1-f), in addition to universities degrees in economics, administrative or financial majors: minimum experience of three years in the field of investment portfolios management or collective investment schemes management, or in similar professional fields as mentioned in annex (1-f), provided that at least two years of which were in a financial or banking institution.
- 2) Holders of PhD or Master's degrees in economics, administrative or financial majors, or holders of an internationally accredited certificate as mentioned in annex (1-f), in addition to university degrees in other majors: minimum experience of five years in the field of investment portfolios management or collective investment schemes management, or in similar professional fields

as mentioned in annex (1-f), provided that at least two years of which were in a financial or banking institution.

- 3) Holders of university degrees in economics, administrative or financial majors: minimum experience of five years in the field of investment portfolios management or collective investment schemes management, or in similar professional fields as mentioned in annex (1-f), provided that at least two years of which were in a financial or banking institution.
- 4) Holders of university degrees in other majors: minimum experience of seven in the field of investment portfolios management or collective investment schemes management, or in similar professional fields as mentioned in annex (1-f), provided that at least two years of which were in a financial or banking institution.
- 5) Holders of an internationally accredited professional certificate as mentioned in annex (1-f): minimum experience of seven years the field of investment portfolios management or collective investment schemes management, or in similar professional fields as mentioned in annex (1-f), provided that at least two years of which were in a financial or banking institution.
- 6) Holders of a degree/certificate obtained from one of the specialized applied education institutions in the field of economics, financial or administrative studies: minimum experience of nine years in the field of investment portfolios management or collective investment schemes management, or in similar professional fields as mentioned in annex (1-f), provided that at least two years of which were in a financial or banking institution.
- 7) Pass the personal interview which will be arranged by the Authority if deemed necessary.

**J) Representatives of "Investment Advisor" activity and "Subscription Agent" activity**

Representatives of "Investment Advisor" activity and "Subscription Agent" activity should have the experience, and the technical and professional qualifications according to the following conditions and criteria:

- 1) Holders of PhD, Master's or a university degree in economics, administrative or financial majors, or holders of an internationally accredited professional certificate in economics, administrative or financial majors, or holders of an internationally accredited professional certificate as mentioned in annex (1-g), in addition to any university degree: no prior experience is required.
- 2) Holders of university degrees in other majors: minimum experience of two years in the field of investment advisory or financial analysis, or in similar professional fields as mentioned in annex (1-g).
- 3) Holders of an internationally accredited professional certificate as mentioned in annex (1-g) without obtaining a university degree: minimum experience of two years in the field of investment advisory or financial analysis, or in similar professional fields as mentioned in annex (1-g).
- 4) Holders of a degree obtained from one of the specialized applied education institutions in the field of economics, financial or administrative studies: minimum experience of five years in the field of investment advisory or financial analysis, or in similar professional fields as mentioned in annex (1-g).
- 5) Pass the personal interview which will be arranged by the Authority if deemed necessary.

**Additional conditions and determinants to be met by occupants of Positions Requiring Registration at the Licensed Persons who work in accordance with Islamic Sharia provisions:**

Occupants of Positions Requiring Registrations at the Licensed Persons who work in accordance with Islamic Sharia provisions must comply with all the above mentioned conditions and are listed under item "First: Professional Competence and Technical Capability" in "Article 4: Principles of Competency", as well as fulfilling the following conditions:



**a) Sharia Auditing Officer:**

- 1) The Candidate for Sharia Auditing Officer position must hold a university degree or a professional certificate in the fields of fiqh of financial transactions according to Islamic Sharia provisions from a competent party, or has taken a course in the fiqh of financial transactions, which shall not be less than two semesters from an Islamic Sharia college or a private education institution.
- 2) He/she must have a minimum experience of two years in the field Sharia Auditing.

**b) Other Positions Requiring Registration:**

- 1) The Candidate for such positions must have participated within the three years preceding the nomination application in training programmes in fiqh of financial transactions according to Islamic Sharia provisions from a competent party.

Or

- 2) The Candidate participates in such programmes within maximum a year from the date of registering in the Positions Requiring Registration, in case he/she did not participate in such programmes before applying for nomination.

Or

- 3) He/she have worked for at least three years in positions related to the Islamic financial field in Islamic financial or banking institutions.

**Additional requirements to be met by occupants of Positions Requiring Registration at the Licensed Persons whether operating their activities under the conventional system or Islamic Sharia provisions:**

The Authority may take the necessary actions to ensure that the Candidate possesses the technical and professional capabilities that qualify him/her to the Position Requiring Registrations, including setting the required principles and determinants, and passing the aptitude tests set by the Authority, as a minimum, with the possibility of conducting a personal interview with the Candidate if deemed necessary.

**Second: Integrity and Honesty:**

The Integrity and Honesty Standard addresses the ethical values and good personal qualities for the Candidate, such as honesty, trustworthiness, and the ability to act in a fair and ethical manner ; these qualities require continuous compliance and discipline as they represent main pillars for maintaining good reputation, trust, and the soundness of the financial sector in general, and the employees of the sector in particular. Additionally, they are fundamental and necessary to maintain the soundness and trust in the financial sector of the State of Kuwait.

The Capital Markets Authority, in this regard, takes into consideration a range of factors to determine whether a person has the ethical values and good personal qualities or not, and to what extent that person is appropriate to the proposed position. The most important factors are whether such a person has been convicted with a crime of immorality, dishonesty, money-laundering and terrorism financing, robbery or financial crime, unless his/her reputation was restored. The Authority considers such factors as indicators of a person's lack of integrity, and thus ineligible and inappropriate for the proposed position.

**The Candidate has to prove the following to the Authority:**

- 1) Has not been convicted with a crime of dishonesty and immorality;

- 2) Has not been convicted with money-laundering and terrorism financing crimes;
- 3) Has not been convicted with corruption crimes;
- 4) Has good reputation and manner;
- 5) Does not lack eligibility;
- 6) Has not been dismissed from a position or prevented from applying for a position at any entity.

In addition to what has been mentioned above, and upon reviewing the nomination applications, the Authority will take into consideration whether a person has been dismissed from a position due to reasons connected to honesty, integrity, morality, or due to noncompliance with the provisions of the law and the regulatory requirements, or clogging of the procedures, misleading or dishonest in cooperating with the supervisory authorities.

The Authority may take all the measures it deems appropriate to ensure that the Candidate has sufficiently fulfilled the requirements included in the Integrity and Honesty Standard inside Kuwait or abroad.

### **Third: Financial Soundness**

Financial soundness tackles a person's solvency, the ability to meet the obligations upon maturity, as well as the ability to manage the financial risks that the institution might face. Therefore, the financial soundness of the Candidate determines his/her merit/eligibility and appropriateness to be appointed to the proposed position. In this regard, the Authority takes into account some indicators to assess the Candidate's financial soundness, such as the following:

- A. The Candidate has not been announced bankrupt, unless his/her reputation was restored.
- B. No order of travel ban or imprisonment due to insolvency has been issued against him/her.

In this regard the Authority may reassess the conditions of restoring reputation, and how recent it was, in case it took place within the last three years.

#### **Article 5: Mechanism of Candidate Application and Registration**

##### **a) Board of Directors Membership:**

- 1) All nomination applications for Board of Directors Membership at the Licensed Person shall be submitted according to the attached application form for positions at the Licensed Person, provided that the Authority shall be provided with all the documents and information required when submitting the application, along with a letter which include the following:
  - Reasons behind the Licensed Person's will for opening the nomination process.
  - A table showing the number and names of Candidates, and the name of the corporate person representing it, if any.
  - Acknowledgement that the Licensed Person has received all the nomination applications within the announcement period.
- 2) The Authority shall give its decision on the nomination applications for Board of Directors Membership which are submitted according to the approved form for the Candidates, and after providing all the required documents and information within 30 days from submitting the application. Moreover, the Licensed Persons must consider obtaining the Authority's approval of the nomination applications before determining the date of the general assembly's meeting to avoid any delay of the meeting time.
- 3) The Licensed Person shall request amending the information mentioned in the Licensed Persons' register after completing the specified procedures, and attaching the certificates and documents from the concerned bodies.

##### **b) Positions Requiring Registration:**

- 1) The nomination application for Positions Requiring Registration shall be submitted to the Capital Markets Authority according to the attached

application form for positions at the Licensed Person, provided that the Authority shall be provided with all the documents and information required when submitting the application, along with a letter which include the number of Candidates, their names, their job titles, and the desired position from the Positions Requiring Registration.

- 2) The Authority shall give its decision on the nomination applications which are submitted according to the approved form for Candidates, and after providing all the required documents and information within 30 days from submitting the application. Moreover, the Licensed Persons must consider obtaining the Authority's prior approval of the nomination applications before any employee practices the Position Requiring Registration.
- 3) The Licensed Person shall request amending the information mentioned in the Licensed Persons' register at the Authority when registering the Candidate, and specifying the date of registration in the position approved to be nominated for by the Authority.

**General Guidelines:**

- a) Any application lacking any information or documents as required in the attached application form for positions at the Licensed Person shall not be considered.
- b) Any data, information, or document which is required in the form but is inapplicable, then the "inapplicable" box shall be ticked.
- c) Data provided in the form shall conform to the attached documents.
- d) The Authority may verify the validity of all documents and information submitted by any person in the way it deems appropriate. It may request any additional documents or information to insure meeting the requirements of Competency and Integrity Principles.

- e) The Authority may conduct a personal interview and/ or an aptitude test in order to verify the technical and professional capabilities that qualify the Candidate to practice his/her duties.

#### **Article 6: Continuous compliance with Competency and Integrity Principles**

All persons subject to these Regulations have to continually comply with the Competency and Integrity Principles. The Capital Markets Authority must also be informed of any case or practice that violates the Competency and Integrity Principles.

#### **Article 7: Noncompliance**

Noncompliance with these Regulations would make the violator subject to disciplinary accountability according to Law No. 7 of 2010 and its Executive Bylaws, and their amendments.

Issued on 23/7/2015.

## **Annex No. (1)**

### **Reference for the Positions of the Officials and the Representatives of Securities Activities**

For the purposes of the implementation of these Regulations, some terms mentioned in the Professional Competence and Technical Capability are clarified for the positions mentioned below:

#### **a) Chief Financial Officer (CFO) or similar:**

**Similar Professional Fields:** Financial Control, Internal Audit, Risk Management, Financial Administration, Accounting or any other professional fields specified by the Authority.

#### **Accredited Professional Certificates:**

- Certified Public Accountant (CPA)
- Chartered Accountant (CA)
- Certified Internal Auditor (CIA)
- Any other professional certificates specified by the Authority.

**b) Compliance Officer:**

**Similar Professional Fields:** Financial Control, Internal Audit, Risk Management, Financial Administration, Accounting, Operations Management, Legal Advice in financial matters, Supervision or any other professional fields specified by the Authority.

**Accredited Professional Certificates:**

- Certified Public Accountant (CPA)
- Certified Internal Auditor (CIA)
- Financial Risk Manager (FRM)
- ICA Advanced Certificate in Compliance
- Any other professional certificates specified by the Authority.



**c) Reporting Officer for Money-Laundering and Terrorism Financing:**

**Similar Professional Fields:** Financial Control, Internal Audit, Risk Management, Financial Administration, Accounting, Operations Management, Compliance, Supervision or any other professional fields specified by the Authority.

**Accredited Professional Certificates:**

- Certified Public Accountant (CPA)
- Certified Internal Auditor (CIA)
- Financial Risk Manager (FRM)
- Certified Anti-Money Laundering Specialist (CAMS)
- ICA Advanced Certificate in Anti Money Laundering
- Any other professional certificates specified by the Authority.

**d) Risk Management Officer:**

**Similar Professional Fields:** Financial Control, Internal Audit, Risk Management, Financial Administration, Accounting, Operations Management, Compliance, Financial Analysis, Investment Management, Supervision or any other professional fields specified by the Authority.

**Accredited Professional Certificates:**

- \*Chartered Financial Analyst (CFA)
  - \* Passing the first and second level of the aptitude test may be considered as equivalence to a one year experience in similar professional fields, and passing the third level of the aptitude test as equivalence to two years of experience in similar professional fields.
- Certified Internal Auditor (CIA)
- Financial Risk Manager (FRM)
- Any other professional certificates specified by the Authority.

**e) Internal Auditing Officer:**

**Similar Professional Fields:** Financial Control, Internal Audit, Risk Management, Financial Administration, Accounting, Operations Management, Compliance, Supervision or any other professional fields specified by the Authority.

**Accredited Professional Certificates:**

- Certified Public Accountant (CPA)
- Certified Internal Auditor (CIA)
- Financial Risk Manager (FRM)
- Any other professional certificates specified by the Authority.

**f) Representatives of "Investment Portfolio Manager" activity and "Collective Investment Scheme Manager" activity**

**Similar Professional Fields:** Financial Control, Investment Advisory or any other professional fields specified by the Authority.

**Accredited Professional Certificates:**

- \*Chartered Financial Analyst (CFA)  
\*Passing the first and second level of the aptitude test may be considered as equivalence to a one year experience in similar professional fields, and passing the third level of the aptitude test as equivalence to two years of experience in similar professional fields.
- Financial Risk Manager (FRM)
- Any other professional certificates specified by the Authority.

**g) Representatives of "Investment Advisor" activity or "Subscription Agent" activity**

**Similar Professional Fields:** Investment Portfolios Management, Collective Investment Scheme Management, or any other professional fields specified by the Authority.

**Accredited Professional Certificates:**

- \*Chartered Financial Analyst (CFA)  
\*Passing the first and second level of the aptitude test may be considered as equivalence to a one year experience in similar professional fields, and passing the third level of the aptitude test as equivalence to two years of experience in similar professional fields.
- Financial Risk Manager (FRM)
- Any other professional certificates specified by the Authority