Baker McKenzie.

Client Alert

January 2026

Saudi Arabia: The Evolution of Capital Markets Continues to Accelerate

In brief

Final barriers for foreign investors removed

On 6 January 2026, the Capital Market Authority (CMA) announced amendments to the Rules for Foreign Investment in Securities ("**FIS Rules**") to remove the Qualified Foreign Investor (QFI) regime and discontinue the CMA's regulatory framework for swap agreements. The amendments follow changes to the CMA's Investment Account Instructions to permit foreign individual investors currently residing in a Gulf Cooperation Council (GCC) country or who have previously resided in the Kingdom or in any GCC country to open investment accounts and invest directly in securities listed on the main market of the Saudi Exchange ("**Main Market**").

As a result, Saudi Arabia's capital markets will be open to all categories of foreign investors with direct investment in Saudi shares listed on the Main Market permitted from 1 February 2026, when the amendments become effective.

In parallel, the Securities Depository Center Company ("**Edaa**") has implemented a number of corresponding amendments to its Depository Centre Procedures to align with the changes by removing QFIs and Swap agreement counterparties as permitted investor categories. Other consequential changes have been made to the Securities Borrowing and Lending Regulations to remove references to QFIs.

The changes represent a watershed moment for the Saudi capital markets, marking the final chapter in a targeted campaign initiated by the CMA over a decade ago to introduce foreign investors into the Saudi market to deepen market liquidity, increase diversity and sophistication within the investor base and enhance the market.

The significance of this development warrants closer examination of the amendments to the FIS Rules, as well as the events that lead to the changes and key implications for the market.

Therefore, in this Briefing Note we:

- Recount the key developments leading to the full liberalization of foreign investment in the Saudi capital markets;
- Analyze the amendments to the FIS Rules to drill down and assess the extent to which the framework for foreign investment in the Saudi capital markets has actually changed; and
- Explore the practical implications for access to the Saudi capital markets with the launch of omnibus accounts for shares.

Contents

In brief

Background to the QFI regime: liberalization of foreign investment in the Saudi capital markets

Eligibility barriers removed but investment limits retained

New account structures: the launch of Omnibus Accounts for shares

Key considerations for market participants

Background to the QFI regime: liberalization of foreign investment in the Saudi capital markets

Historically only Saudi nationals, GCC nationals, non-Saudi/non-GCC residents of Saudi Arabia, majority Saudi or GCC owned companies incorporated in Saudi Arabia or the GCC, and Capital Market Institutions (CMIs) were permitted to trade in shares of Saudi listed companies.

This position was somewhat liberalized when the CMA issued the Swap Agreement Circular in 2008 to introduce a framework under which non-resident foreign investors ("**Swap Beneficiaries**") could obtain the economic benefit (and bear the corresponding economic risks) of owning shares in Saudi listed companies registered in the name of a CMI under the terms of a "Swap Agreement" signed by a counterparty on behalf of the Swap Beneficiaries.

In 2015, the CMA permitted QFIs to make direct investments in the Saudi capital markets through the introduction of the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares ("**QFI Rules**"). Subsequent amendments to the CMA's bookbuilding instructions permitted QFIs to participate in IPOs via the book building process from 2017.

At first, the initiative struggled to gain traction with only a select number of financial institutions achieving QFI status in 2015.

In response to the various concerns regarding the success of the QFI regime raised at the time, the CMA and Saudi Exchange were at pains to remind stakeholders that the introduction of foreign investors through the QFI regime was a focused initiative aimed at enhancing sophistication and accelerating development of the market whilst improving stability through reducing volatility; rather than simply adding liquidity or increasing capital flow. The CMA maintained that participation of experienced foreign institutions in the Saudi market would result in knowledge transfer, enhanced shareholder activism, a demand for better governance and improved research coverage, amongst other benefits.

The CMA equally stressed that joining global indices was a key objective and that the CMA would do all that is necessary to ensure that the Saudi market was well positioned for index membership.

Consequently, the CMA progressively reduced barriers to direct foreign investment by relaxing the conditions to obtaining QFI status from 2015 to 2018, including significant reductions in asset under management (AUM) thresholds and expansions to eligible categories of investors for QFI status, as well as lowering investments limits. These measures proved successful with the Saudi Exchange joining the MSCI Emerging Market Index and the S&P Dow Jones Indices (S&P DJI) Emerging Market Index in 2018 and 2019, following which the Saudi Exchange launched its own MSCI Tadawul 30 Index (MT30).

Further expansions to the direct investment channels available to foreign investors followed.

In 2019, the CMA introduced the Instructions for Foreign Strategic Investors which permitted foreign investors with strategic investment objectives to invest in Saudi listed companies beyond the investment limits applicable to QFIs.

In 2020, the CMA announced that foreign investors (both legal and natural person) were permitted to invest directly in listed non-convertible debt instruments without applying for QFI status.

In March 2023, the FIS Rules were introduced, replacing the QFI Rules, the SWAP Agreement Circular and the Instructions for the Foreign Strategic Ownership in Listed Companies. The FIS Rules consolidated and simplified the rules around available channels for foreign investment in Saudi listed securities. Key changes included removing the requirement for QFIs to apply for QFI qualification status and eliminating the QFI assessment agreement, such that any legal entity was permitted to invest in Saudi listed securities as QFI, provided that it had assets of SAR 1.875 billion (USD 500 million) under its own or its group's ownership, management or custody.

Set out below is a chart which demonstrates the progressive relaxation of regulatory conditions and expansion of eligible investors for QFI status.

Criteria*

Criteria	2015	2016	2018	2023
Eligible Institutions	Banks, brokerage/securities firms, fund manager; insurance companies, QFI Clients	Banks, brokerage/securities firms, insurance companies, Portfolio managers Investment Funds Govt/Govt Related Entities Any other entity approved by CMA	Banks, brokerage/securities firms, insurance companies Portfolio managers Investment Funds Govt/Govt Related Entities QFI's affiliates and managed funds Foreign Portfolio Manager's affiliates and managed funds Any other entity approved by CMA	A Legal Entity
AUM	SAR 18.75 billion (USD 5 billion) With discretion to reduce to SAR 11.2 billion (USD 3 billion)	SAR 3.75 billion (USD 1 billion)	SAR 1.875 billion (USD 500 million)	SAR 1.875 billion (USD 500 million) No AUM test for pension funds, endowments and certain Govt institutions
Experience	engaged in securities activities for at least five years	Same	Removed	
Regulation	Licenced in "home state" Equivalent to/acceptable by the CMA	Same	Same	Removed

Approvals	CMA approval required upon recommendation of AAP** Sign QFI Assessment Agreement	Same	Approval by AAP only (not CMA) Sign QFI Assessment Agreement	No approvals required and no QFI Assessment Agreement

*the QFI Rules were also amended in 2019 but there were no significant changes to eligibility

** AAP refers to Authorized Assessing Person

This measured approach has supported the continued growth of foreign investment in the Saudi capital markets.

According to the CMA's recent announcement which stated that "International investors' ownership in the capital market exceeded SAR 590 billion by the end of the third quarter of 2025, while international investments in the main market reached approximately SAR 519 billion during the same period".

Eligibility barriers removed but investment limits retained

The amendments to the FIS Rules remove all eligibility barriers to foreign investors seeking to invest directly in the Saudi market, but retain the current investment limits.

With the elimination of the QFI and Swap counterparty categories from 1 February 2026, the new rules will now permit any foreign legal entity or any foreign individual (currently residing in the GCC or previously resided in the Saudi Arabia or the GCC) to invest directly in listed securities. Citizens of the GCC (which includes legal entities which are domiciled in the GCC and majority owned by GCC individual or governments) continue to be excluded from the application of the FIS Rules.

Foreign Strategic Investors are still recognized and continue to be exempt from the investment limits in the FIS Rules, as noted below.

As a result of the amendments, foreign institutions are relieved from complying with the eligibility, registration, and ongoing compliance requirements, including the minimum AUM threshold (SAR 1.875 billion/USD 500 million) and operational/regulatory criteria associated with QFI status and those who were not eligible for QFI status may now invest directly instead of having to access the market indirectly through the Swap regime without full shareholders rights (e.g., voting).

As noted above, current investment limits for foreign investors remain as follows:

- A non-resident foreign investor (excluding Foreign strategic investors) may not own 10% or more of the shares or convertible debt instruments of a listed issuer; and
- The aggregate ownership of foreign investors (whether resident or non-resident, excluding Foreign Strategic Investors) may not exceed 49% of the shares or convertible debt instruments of a listed issuer.

New account structures: the launch of Omnibus Accounts for shares

In October 2024, amendments were made to the Securities Depository Centre Rules (SDCRs) and The Depository Center Procedures to introduce Omnibus Accounts for "Tradeable Securities" and "Non-Convertible Debt Instruments" as new types of special accounts which may be opened with Edaa.

However, it is understood that to date Omnibus Accounts for shares have not been available and that the practical launch of Omnibus Accounts for shares will coincide with the removal of foreign investment restrictions.

Why is this?

As noted above, historically only Saudi and GCC investors, foreign residents of Saudi Arabia and CMIs were permitted to engage in trading in the shares of Saudi listed companies. Accordingly, the structure of accounts opened with Edaa has traditionally been driven by the need to monitor beneficial ownership in order to ensure that foreign ownership restrictions were not breached. Therefore, with the exception of accounts for Swap Beneficiaries, "nominee" accounts have not featured in the Saudi market.

The "beneficial owner" concept has been a hallmark of the Saudi market from inception and is effectively coded into the market infrastructure through the SDCRs which provide that (i) securities accounts must be opened in the name of "Investors" (being the persons who own the securities); and (ii) the electronic register maintained by Edaa is conclusive evidence of ownership. Therefore, the CMA has not recognized any split of beneficial and legal ownership through a nominee arrangement other than where a form of nominee ownership is specifically provided for in the regulations.

In recent years, the expansion of the categories of foreign investors not previously eligible to hold Saudi listed securities has led to the introduction of additional specific account structures which recognize the distinction between legal and beneficial ownership to facilitate new channels for foreign investors. In addition to the Swap account, other examples of this are reflected in: (i) the

Instructions on Issuing Depositary Receipts out of the Kingdom ("**DR Regulations**") under which a CMA "Depositary Bank" may issue financial instruments that are listed on a foreign market against underlying Saudi listed shares; (ii) the Instructions for International Central Securities Depositories ("**ICSD Instructions**") which introduced OFN (Omnibus Foreign Nominee) Accounts that permit debt securities held in the OFN Account opened in the ICSD's name to be beneficially owned by the ultimate beneficial owners.

With the market now open to all categories of foreign investors, concerns around monitoring beneficial ownership in nominee accounts to ensure that foreign ownership restrictions have abated.

Accordingly, CMA licensed portfolio managers and investment fund managers will now be able to open Omnibus Accounts with CMA licensed custodians to hold shares on behalf of multiple clients subject to custodians ensuring compliance with applicable regulations (which presumably includes the continuing investment limits noted above) and maintaining segregated records for each "End Beneficiary" participating in the Omnibus Account.

Key considerations for market participants

Whilst key investment limits remain in place, the removal of eligibility restrictions under the QFI regime is expected to further increase foreign participation in the market.

These reforms also carry wider implications for market participants.

Issuers are likely to benefit from a more diversified and sophisticated investor base including through IPOs. Custodians will need to adjust their systems and processes to accommodate the new Omnibus Account structures and the anticipated increase in foreign investor onboarding and activity. Omnibus Accounts will enable asset managers to trade through one account on behalf of managed portfolios and investment funds who share the same investment objectives or risk profile.

Contact Us

Nadine Nassar
Senior Counsel
nadine.nassar@bakermckenzie.com

Robert Eastwood
Partner
robert.eastwood@bakermckenzie.com

© 2026 Baker & McKenzie. **Ownership:** This site (Site) is a proprietary resource owned exclusively by Baker McKenzie (meaning Baker & McKenzie International and its member firms, including Baker & McKenzie LLP). Use of this site does not of itself create a contractual relationship, nor any attorney/client relationship, between Baker McKenzie and any person. **Non-reliance and exclusion:** All information on this Site is of general comment and for informational purposes only and may not reflect the most current legal and regulatory developments. All summaries of the laws, regulation and practice are subject to change. The information on this Site is not offered as legal or any other advice on any particular matter, whether it be legal, procedural or otherwise. It is not intended to be a substitute for reference to (and compliance with) the detailed provisions of applicable laws, rules, regulations or forms. Legal advice should always be sought before taking any action or refraining from taking any action based on any information provided in this Site. Baker McKenzie, the editors and the contributing authors do not guarantee the accuracy of the contents and expressly disclaim any and all liability to any person in respect of the consequences of anything done or permitted to be done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents of this Site. **Attorney Advertising:** This Site may qualify as "Attorney Advertising" requiring notice in some jurisdictions. To the extent that this Site may qualify as Attorney Advertising, PRIOR RESULTS DO NOT GUARANTEE A SIMILAR OUTCOME. All rights reserved. The content of the this Site is protected under international copyright conventions. Reproduction of the content of this Site without express written authorization is strictly prohibited.