

CLIENT ALERT | April 7, 2026

Saudi Arabia Regulator Approves the Establishment of Simplified Investment Funds

New regulatory framework introduces flexible fund structures with reduced establishment and management costs for institutional investors.

Key Points:

- The CMA has introduced a new regulatory framework for Simplified Investment Funds, which operate outside the standard Investment Funds Regulations and offer greater flexibility in fund structuring and management.
- Fund units may only be offered via private placement to institutional clients, with secondary market transfers limited to such clients.
- The CMA has removed the requirement for review of offering applications within 15 days; fund managers need only notify the CMA prior to the proposed offering date.
- Funds structured as Special Purpose Entities are exempt from appointing a custodian.

On March 2, 2026, the Board of the Capital Market Authority (CMA) issued the Instructions of Simplified Investment Funds (the Instructions) pursuant to Board Resolution No. 1-26-2026, establishing a new regulatory framework for the formation and operation of Simplified Investment Funds in the Kingdom of Saudi Arabia. These funds are subject to the Instructions rather than to the existing Investment Funds Regulations, unless otherwise stated. The Instructions aim to regulate the registration, management, and operations of Simplified Investment Funds and the offering of their units, as well as the supervision of all associated activities in the Kingdom.

Eligibility Requirements

A fund manager must be a capital market institution licensed by the CMA to carry out either (i) the activity of managing investments and operating funds or (ii) the activity of managing investments. However, if a fund manager is licensed only for managing investments (without fund operation authority), the fund may not be a real estate fund or invest in real estate assets.

Offering and Investor Eligibility

Units of Simplified Investment Funds may only be offered through a private placement limited to institutional clients, and ownership of fund units may only be transferred in the secondary market to such

clients. The CMA may, upon request from a capital market institution, approve private offerings to other investor categories, subject to compliance with additional requirements imposed by the Authority.

The Instructions remove the requirement that the CMA must review an offering application within 15 days, which was required under the Investment Funds Regulations. Instead, a fund manager must notify the CMA in writing prior to the proposed date of an offering, submit a declaration in the prescribed form, provide copies of the fund's Terms and Conditions and offering documents, and pay a registration fee.

Custody Requirements and Exemptions

A fund manager must generally appoint one or more custodians in the Kingdom to take custody of the fund's assets pursuant to a written agreement, and such custodian must be a capital market institution licensed to carry out custody activities. The custodian may not be a fund's manager, a sub-fund manager of the relevant fund, or an affiliate of either.

Importantly, the manager of a fund that takes the form of a Special Purpose Entity is exempt from the requirement to appoint a custodian. Additionally, if the Simplified Fund is a feeder fund, the fund's custodian is exempt from the prohibition on being an affiliate of the fund manager, provided the criteria set out in Article 25 of the Investment Funds Regulations are satisfied.

Flexible Contractual Framework

The Instructions provide significant flexibility in tailoring the contractual relationship between the fund manager and unitholders. Under the Investment Fund Regulations, the CMA must review in detail a fund's Terms and Conditions to ensure compliance with the Investment Fund Regulations. The Instructions now only require that a fund's Terms and Conditions satisfy certain information and threshold requirements rather than a strict adherence to the form and content previously required under the various annexes of the Investment Fund Regulations. Under the Instructions, a fund's Terms and Conditions must include certain required elements, such as the proposed offering period, target capital, fund strategy and objectives, details of services and fees, and investment risks.

Notification Process

To establish and launch an eligible fund under the Instructions, a simplified notification, rather than a detailed review and prior approval process, is permitted. However, under the Instructions, the CMA reserves the right to raise objections, post notification, to any aspect of a fund's documentation. The rules permit a fund manager to seek the CMA's prior non-objection before launch for added assurance. While this approach potentially provides a fund manager a much quicker route to operationalization, a manager will need greater clarity as to how to address the risk of the CMA retroactively raising objections post fund launch and operationalization.

Fund Manager Duties and Delegation

A fund manager must act for the benefit of unitholders and is responsible toward them for losses incurred by the fund caused by fraud, willful negligence, misconduct, or default. Key responsibilities include fund

management and offering units, ensuring the accuracy of disclosures, valuing fund assets, developing risk management policies, and implementing a compliance monitoring program.

The Instructions permit a fund manager to delegate various functions, including appointing sub-fund managers, fund operators, and distributors, subject to specified requirements. Sub-fund managers operating outside the Kingdom may be appointed to manage foreign investments, provided the sub-fund managers are subject to regulatory standards at least equivalent to those of the CMA.

Books, Records, and Financial Statements

A fund manager must maintain the books and records of the fund for a period of 10 years (or longer if related to pending litigation, claims, or investigations). Annual financial statements must be prepared in accordance with accounting standards approved by the Saudi Organization for Chartered and Professional Accountants, and audited accordingly. The auditor must be registered with the CMA and independent in accordance with applicable professional standards.

Outlook

The Instructions of Simplified Investment Funds represent a significant development in the Saudi capital market regulatory framework. By introducing a more flexible fund structure with reduced regulatory requirements, the CMA aims to diversify investment products and support the needs of institutional clients, particularly in the private equity and venture capital space. Before implementing the approach outlined in the Instructions, market participants will likely need to seek further guidance from the CMA as to the notification process, as well as whether certain types of specialist funds, such as direct financing (private credit) and real estate funds are eligible to benefit from the new framework.

Official Documents

- [Instructions of Simplified Investment Funds](#)
- [Amended Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority](#)

The authors would like to thank Ghada AIDkhail for her contribution to this Client Alert.

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