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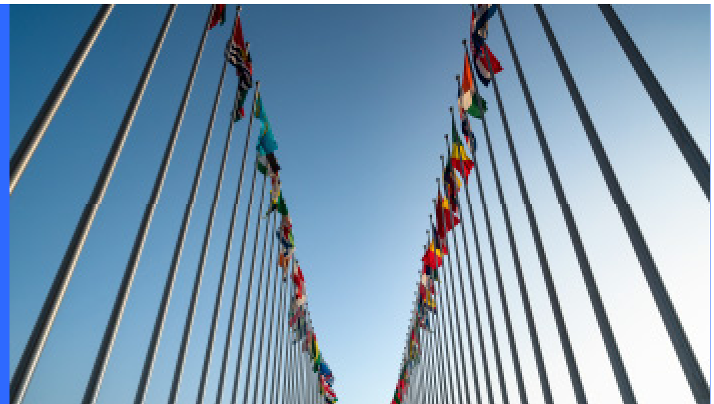

Capital Markets Update January 29, 2026

Saudi CMA Liberalizes Foreign Investment Access and Regulates Real Estate Ownership by Listed Companies and Funds

Effective 1 February 2026, the Saudi Capital Market Authority (CMA) will open the Saudi capital market to all categories of foreign investors, eliminating the Qualified Foreign Investor (QFI) and swap-based access frameworks. These reforms, together with updated controls on real estate ownership by listed vehicles, mark a significant step in the continued liberalization and international integration of the Saudi capital markets.

The Capital Market Authority of the Kingdom of Saudi Arabia (CMA) has announced amended Rules for Foreign Investment in Listed Securities (the Rules) that will take effect on 1 February 2026, and will open the Saudi capital market to all categories of foreign investors and enable them to invest directly in listed securities. The amended Rules eliminate the Qualified Foreign Investor (QFI) construct for the Main Market and remove the swap-agreement framework previously used to provide synthetic economic exposure to Saudi listed securities, replacing these mechanisms with a unified regime for direct foreign participation.

Historical Background

Saudi Arabia has moved steadily from a tightly controlled foreign participation model toward broader market access, with foreign investment expanding in a phased and deliberately calibrated manner since the introduction of the QFI framework in 2015. Early inflows were modest, reflecting stringent eligibility requirements, foreign ownership caps and reliance on indirect exposure mechanisms (swap agreements), which together kept foreign ownership levels below those of global peers despite the size of the Saudi market. Foreign investor participation gained momentum following Saudi equities' inclusion in major global indices (including MSCI, FTSE Russell and S&P Dow Jones), anchoring more durable, index-linked foreign allocations, particularly into large-cap, liquid issuers. In recent years, the CMA continued to ease access through incremental regulatory and operational reforms, supporting steady growth in foreign ownership; by end of Q3-2025, foreign investors held over SAR 590 billion (approximately USD 157 billion) of Saudi equities.

Opening the Market: Key Features of the Amended Foreign Investment Rules

Pursuant to the amended Rules, the CMA has eliminated the QFI framework and removed the swap-based access model, allowing a broader category of foreign investors to hold listed securities directly. Under the QFI framework, foreign investors had to go through an assessment by a licensed capital market institution to ensure eligibility and compliance on an ongoing basis with eligibility requirements, which included having a minimum of SAR 1.875 billion (US$500 million) of assets under management. The previous reliance on status-based access channels has been replaced by a unified framework under which all foreign investors may participate directly, subject to certain continuing ownership limits, while preserving a separate route for Foreign Strategic Investors (FSIs).

Existing foreign ownership limits remain in force, including the following:

- Non-resident foreign investors (other than FSIs) may not own 10% or more of any listed issuer’s shares or convertible debt instruments.
- Aggregate foreign ownership (all categories of resident and non-resident foreign investors, excluding FSIs) of any listed issuer’s shares or convertible debt instruments may not exceed 49%.
- Company constitutional limits, sector-specific restrictions and other regulatory caps continue to apply.

The Rules preserve a distinct regime for FSIs, but still condition the FSI’s investment in a listed company’s shares by a longer-term investment horizon (i.e., minimum of two years with a corresponding lock-up period) with the purpose of contributing in promoting the company’s financial or operational performance. However, the Rules do not set any minimum or maximum targeted ownership thresholds for FSIs.

The CMA has also clarified that capital market institutions holding the portfolio accounts of foreign investors, as well as foreign investors share responsibility for monitoring compliance with lock-up periods and ownership limits, and that breaches may result in corrective measures and sanctions under the Capital Market Law, including orders to remedy or unwind non-compliant holdings.

Real Estate Controls: Parameters for Foreign Ownership by Listed companies, Funds, and Special Purpose Entities (SPEs)

Saudi Arabia has recently enacted a new Law of Real Estate Ownership by Non-Saudis, modernizing and liberalizing the framework for foreign ownership of real estate in the Kingdom by permitting non-Saudi individuals and entities to own property subject to defined conditions and regulatory oversight. This represents a notable shift from historically restrictive ownership regimes.

Against this backdrop, the CMA has approved Controls on the Ownership of Real Estate in the Kingdom by Listed Companies, Investment Funds and Special Purpose Entities (the Controls). The Controls establish the conditions under which listed companies, investment funds and special purpose entities may own real estate or other rights in real estate in the Kingdom, including in Makkah and Madinah, subject to specific safeguards. In particular:

- As a general rule, where listed companies own real estate in Makkah or Madinah, such properties must be used as the company's headquarters or branch headquarters.
- Exceptionally, listed companies may own such properties for other purposes provided that (i) no FSI holds any shares or convertible debt instruments at any time, and (ii) aggregate ownership by non-Saudi natural and legal persons does not exceed 49% of the company's shares or convertible debt instruments.

The Controls also permit capital market institutions to accept subscriptions from non-Saudis in investment funds that invest partly or wholly in Saudi real estate, including in Makkah and Madinah, subject to compliance with the Real Estate Ownership by Non-Saudis Law and its implementing regulations, including upon in-kind redemptions, termination or liquidation.

Expected Effect on the Saudi Capital Market

The CMA's recent reforms form part of a broader, long-term program to attract international capital, enhance global index inclusion and deepen liquidity in the Saudi capital markets. In particular:

- **Strategic policy alignment:** The market opening closely aligns with Vision 2030's objective of positioning Saudi Arabia as a global investment hub, strengthening the depth, competitiveness and international integration of the Saudi Exchange.
- **Improved market liquidity:** Broader direct access is intended to expand the investable foreign base, supporting increased capital inflows, enhanced liquidity and greater market depth, with potential positive effects on price discovery and execution efficiency.
- **Simplified market access:** By removing the QFI gateway and swap-based access models, the CMA has materially simplified foreign entry into the market, reducing operational, regulatory and compliance hurdles for global asset managers, custodians and intermediaries.
- **Greater index and institutional appeal:** The simplified access framework is expected to improve the market's "indexability" and attractiveness to large institutional and benchmark-driven investors, reinforcing Saudi Arabia's standing within global equity indices and facilitating more scalable, stable and durable foreign participation over time.

In parallel, the CMA has continued to expand the range of investable products available in the Kingdom. In July 2025, the CMA approved a framework for the issuance of Saudi Depositary Receipts (SDRs), enabling foreign companies to register and offer depositary receipts representing shares listed abroad on the Saudi Exchange. SDR issuers are subject to ongoing disclosure and continuing obligations, creating a regulated mechanism for international issuers to access Saudi capital without pursuing a primary listing in the Kingdom. Together with the January 2026 market-opening reforms, the SDR framework supports deeper capital markets, diversified product offerings and enhanced cross-border investment flows.

Looking Ahead

The CMA has also publicly indicated that the foreign ownership limits will be reviewed in 2026, signaling the potential for further liberalization following the initial market opening. We expect these measures to continue enhancing Saudi Arabia's capital formation environment, while preserving safeguards designed to protect market integrity and national regulatory priorities.

The following Gibson Dunn lawyers prepared this update: Najla Al-Gadi, Ibrahim Soumrany, and Sara Almahayni.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding these developments. If you wish to discuss any of the matters set out above, please contact the Gibson Dunn lawyer with whom you work or any member of Gibson Dunn's Capital Markets team, including the following members in Riyadh:

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