

Resolution No. (2) of 2014
of CMA Board of Commissioners

Regarding

Controls for Practice of Sharia Review & Audit Profession for Investment Funds Licensed to Operate in accordance with the provisions of Islamic Sharia

Having perused:

- Law No. (7) of 2010 regarding the Establishment of Capital Markets Authority (CMA) and Regulating Securities' Activity, and the Executive Bylaw thereof and its amendments; and
- Regulations on Practice of External Sharia Review & Audit Profession for Licensed Persons to Operate in accordance with the provisions of Islamic Sharia dated 20/2/2013 ; and
- Resolution No. (28) of 2013 of CMA Board of Commissioners passed in its meeting on 17/7/2013 regarding Controls for Practice of External Sharia Review & Audit Profession for Investment Funds Licensed to Operate in accordance with the provisions of Islamic Sharia; and
- Based on CMA Board of Commissioners Resolution passed in its meeting No. (1) of 2014 held on 22/1/2014 concerning amending Resolution No. (28) of 2013 issued on 17/7/2013 regarding Controls for Practice of External Sharia Review & Audit Profession for Investment Funds Licensed to Operate in accordance with the provisions of Islamic Sharia.

The Following Was Resolved

Article (1)

1. The Fund Manager licensed to operate in accordance with the provisions of Islamic Sharia shall be granted the right to appoint the external Sharia audit office for the first fiscal year of the Fund provided that the Articles of Association provides for the same.

After the end of the first fiscal year, the Unit Holders' Assembly, in its annual meeting, shall select the external Sharia audit office.

2. Investment funds that have external Sharia audit offices before the issuance of the Controls for Practice of External Sharia Review & Audit Profession for Investment Funds Licensed to Operate in accordance with the provisions of Islamic Sharia, which have not been appointed by the unit holders of investment funds' Assembly whether or not their appointment term exceeded four fiscal years, may continue with such offices until the end of the current fiscal year; provided that the Unit Holders Assembly shall appoint a new external Sharia audit Office or reappoint the same office without prejudice to the provisions of Item "Fourth" of Article (3) of the Controls for Practice of External Sharia Review & Audit Profession for Persons Licensed to Operate in accordance with the provisions of Islamic Sharia.

Article (2)

When managing an investment fund operating in accordance with the provisions of Islamic Sharia, all licensed investment funds' managers shall have an internal Sharia auditor whose fees shall be borne by the Fund manager, in addition to the external Sharia audit office whose fees are borne by the Fund. The investment funds' manager who is not licensed to operate in accordance with the provisions of Islamic Sharia may, when managing an investment fund operating in accordance with the provisions of Islamic Sharia, appoint an external party to perform the task of internal Sharia auditing whose fees shall be borne by the fund manager, provided that the fund's manager receives a prior written consent from the CMA, and the fund's manager shall remain responsible in front of the CMA for such task. An External Sharia audit office whose fees shall be borne by the fund shall also be appointed.

Article (3) Resolution No. (28) of 2013 issued on 17/7/2013 regarding Controls for Practice of External Sharia Review & Audit Profession for Investment Funds Licensed to Operate in accordance with the provisions of Islamic Sharia shall be canceled.

Article (4) The concerned bodies, each within its capacity, shall implement this resolution, which comes into force from the date of issuance thereof, and any contradicting order shall be canceled.

Saleh Mubarak Al-Falah

Chairman, CMA Board of Commissioners

Issued on 4/2/2014