



فنتك السعودية  
FintechSaudi

# FINTECH ACCESS GUIDE

Version 3.0

## What's New:

- ◆ An update to the regulatory environment
- ◆ An updated framework for local entrepreneurs that want to launch a fintech idea



info@FintechSaudi.com



@fintechSaudi



fintechsaudi.com



# A Letter from Fintech Saudi team

Dear Reader,

Welcome to Fintech Access Guide Version 3.0!

The Fintech Access Guide has been developed by Fintech Saudi to support fintech entrepreneurs at every stage of their development. Since the launch of Fintech Saudi, we are pleased to have seen the fintech industry in Saudi Arabia advance forward. The Fintech Access Guide has been updated to reflect the development of the fintech industry so that it continues to support fintech entrepreneurs at every stage of their development.

Fintech Saudi continues to play a role in supporting local and international fintechs in areas such as navigating the regulations, developing their fintech solution or entering the Saudi market. Our aim is to support the agenda of regulators, government's entities, and entrepreneurs with respect to the Kingdom's Vision 2030. We see ourselves as an advocate for fintech companies to support their agenda with regulators and government entities and we hope that this is reflected in the Fintech Access Guide.

The Fintech Access Guide includes:

**Part 1: Regulation Clarity for Conducting Fintech Activities in Saudi Arabia**

**Part 2: Framework for Local Entrepreneurs to Launch a Fintech Idea**

**Part 3: Options for International Fintechs Interested in Entering the Saudi Market**

In addition to everything from the previous versions of the Fintech Access Guide, Version 3.0 provides an update to the regulatory environment and an updated framework for local entrepreneurs that want to launch a fintech idea.

The goal of Fintech Access Guide is to support your enquiries to initiate your fintech in Saudi. As the market continues to develop, the Fintech Access Guide will be developed to support the industry. We hope the Fintech Access Guide is useful and we would love to hear your feedback on how it can be improved.

Sincerely,

The Fintech Saudi Team

# CONTENTS



## **PART 1**

Regulation Clarity for Conducting Fintech Activities in Saudi Arabia



## **PART 2**

Framework for Local Entrepreneurs to Launch a Fintech Idea



## **PART 3**

Options for International Fintechs Interested in Entering the Saudi Market



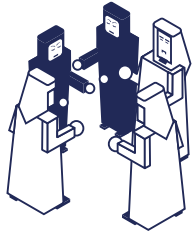
Disclaimer and Final Remarks



## **PART 1**

# Regulation Clarity for Conducting Fintech Activities in Saudi Arabia

# Introduction



Fintech Saudi has prepared the Fintech Access Guide for fintech companies wishing to enter the Saudi market.

This section provides clarification on the current status of the regulatory environment in the Kingdom.

It includes an overview of the existing regulations and provides guidance on the current options for fintech companies wishing to operate in the Kingdom. It also provides an overview of the relevant government entities that fintech companies should be aware of based on publicly available information.

This guide should not be considered as a change to the official regulations issued. In the event of any inconsistency between this guide and the official regulations, the official regulations must be considered.

# Who are the Relevant Financial Regulators?

The financial sector in Saudi Arabia is governed by two regulators, The Saudi Central Bank (formerly the Saudi Arabian Monetary Authority) and the Capital Market Authority, each with a set of financial services under their jurisdiction.



**SAMA supervises all activities that include:**

- **Banking services:** includes the business of receiving money, opening current accounts, issuing debts, foreign exchange transactions, etc.
- **Finance:** including real estate finance, microfinancing, financing production assets, financing small and medium businesses, finance lease, credit cards finance, and consumer finance
- **Insurance:** including insurance companies, reinsurance companies, and insurance services providers
- **Credit Bureaus**
- **Payments:** including Payment Systems, Payment Service Providers, Money Exchange Houses and Cash Centers

## Saudi Central Bank (SAMA)

SAMA, the Saudi Central Bank of the Kingdom of Saudi Arabia, was established in 1372H (1952). change to: It has been entrusted with performing many functions pursuant to several laws and regulations. The most important functions are the following:

- To deal with the banking affairs of the Government;
- Minting and printing the national currency (the Saudi Riyal), strengthening the Saudi currency and stabilizing its external and internal value, in addition to strengthening the currency's cover;
- Managing the Kingdom's foreign exchange reserves;
- Managing the monetary policy for maintaining the stability of prices and exchange rate;
- Promoting the growth of the financial system and ensuring its soundness;
- Supervising commercial banks and exchange dealers;
- Supervising cooperative insurance companies and the self-employment professions relating to the insurance activity;
- Supervising finance companies;
- Supervising credit information companies.

Saudi Central Bank remains the regulator for any activity that falls under its supervision even if the regulations for the activity have not been issued by SAMA. Examples of fintech activities that fall under SAMA's jurisdiction include the following (non-comprehensive list):

- Intelligent cash management
- Buy Now Pay Later
- Insurance aggregation
- Debt Based Crowdfunding
- Finance support activities
- Digital Consumer Microfinance



**CMA mainly regulates the following capital market activities (as per Article 2 of CMA's Securities Business Regulation):**

- **Dealing:** a person deals in a security as principal or as agent, and dealing includes to sell, buy, manage the subscription or underwrite securities.
- **Arranging:** a person introduces parties in relation to securities business, advises on corporate finance business or otherwise acts to bring about a deal in a security.
- **Managing:** a person manages a security belonging to another person in circumstances involving the exercise of discretion.
- **Advising:** a person advises a person on the merits of that person dealing in a security or exercising any right to deal conferred by a security.
- **Custody:** a person safeguards assets belonging to another person which include a security, or arranges for another person to do so, and custody includes taking the necessary administrative measures.

Even if the entity is not regulated/ licensed by CMA, the nature of the financial activities may still be regulated by CMA if the activity is related to the capital market. Examples of fintech activities that fall under CMA's jurisdiction include the following (non-comprehensive list):

- Equity Crowd Funding
- Robo-Advisory
- Offering and Investment in Debt Instruments
- Distributed Ledger Technology (DLT) to Arrange and Offer of Securities and Custody Services
- Social Trading
- Investment And Real Estate Funds Distribution Platform

**Capital Market Authority (CMA)**

The current Capital Market Law is promulgated and pursuant to Royal Decree No. (M/30) dated 2/6/1424H, which formally brought the Capital Market Authority (CMA) into existence. The CMA's functions are to regulate and develop securities business activities by issuing required rules and regulations for implementing the provisions of Capital Market Law. The basic objectives are to create an appropriate investment environment, boost confidence, reinforce transparency and disclosure standards in all listed companies, and protect the investors and dealers from illegal acts in the market.

# Who are the Other Regulators / Authorities that Fintechs Should be Aware of?



## Ministry of Commerce (MCI)

MCI governs the commercial sector in the Kingdom, by setting policy, issuing commercial regulation, supervising the market, and issuing licenses. MCI also regulates e-commerce activities in the Kingdom.

[MCI Website](#)



## Ministry of Investment of Saudi Arabia (MISA)

Ministry of Investment of Saudi Arabia (formerly SAGIA) is responsible for providing investment licenses to international investors, and has a one-stop shop which supports international investors in completing required governmental procedures to establish a company in KSA.

[MISA Website](#)



## Ministry of Communications and Information Technology (MCIT)

MCIT is responsible for the communication and information technology sector in the Kingdom. Their objective is to maximize the effectiveness and performance of the public and private sectors by enabling digital transformation.

[MCIT Website](#)



## Small and Medium Enterprises General Authority (Monshaat)

Monshaat regulates the entrepreneurial ecosystem and supports, develops and caters for it as per the best practices.

[Monshaat Website](#)





### **Communications, Space & Technology Commission (CST)**

Communications, Space & Technology Commission (CST) is the information and communications technology sector (ICT) regulator in KSA. CST is responsible for regulating cloud computing in the Kingdom.

[CST Website](#)



### **National Cybersecurity Authority (NCA)**

The National Cybersecurity Authority is a government entity in charge of cybersecurity in the Kingdom. NCA has both regulatory and operational functions related to cybersecurity.

[NCA Website](#)



### **Saudi Data and Artificial Intelligence Authority (SDAIA)**

SDAIA has been mandated to lead the Kingdom's data and artificial intelligence (AI) agenda. SDAIA is defining the national data and AI strategy for the Kingdom.

[SDAIA Website](#)

# Are you Providing Regulated Services?

Based on the definitions above, the first question a fintech company founder should ask themselves is whether they are providing any services that may fall under CMA or SAMA regulation. The full list of regulated activities can be found on the respective regulators websites:



SAMA Regulation  
Documents: [Here](#)



CMA Regulation  
Documents: [Here](#)

If your business conducts an activity that is mentioned in the regulation documents above, then your fintech is regulated under the respective regulator.

It is worth mentioning that if you are involved in multiple regulated activities, your activities may fall under both CMA and SAMA.

Even if the activity is not explicitly mentioned in the regulation, the nature of the activities could still be regulated as previously mentioned in the section introducing financial regulators.

# Examples of Fintech Activities that Can Get to Market Directly

(Activities that do not Need to be Regulated at the moment by SAMA or CMA)



**Not all fintech companies provide regulated services. It is therefore possible that you may NOT need to be regulated at the moment**

Whilst many fintechs will be planning to provide services that need to be regulated, there are also many fintechs that provide services that do not need to be regulated at the moment by CMA or SAMA and therefore can get to market directly. Below we have identified 8 fintech activities that as standalone services do not require regulatory approval at the moment as they do not implicitly or explicitly involve regulated activities. (This is not a comprehensive list and there maybe others).

However, if the fintech company is seeking to provide any regulated activities in addition to the fintech activities identified below, then it is likely that the fintech company will need to be regulated.

If the fintech company is in doubt as to whether the activities they are looking to conduct are regulated, they can use the “Fintech Regulatory Assessment Tool” developed by Fintech Saudi to understand the regulatory pathways for different fintech activities. This can be accessed by [clicking here](#). If the fintech is still unsure, they can consult with Fintech Saudi, who will co-ordinate with the appropriate regulator on their behalf.

The benefits of a fintech considering one of the fintech activities below is that they can start activities in the market directly without the need to enter a regulatory testing environment or partner with a regulated entity.

**Depending on their strategy, there are a number of options for fintech companies that conduct fintech activities that are not regulated at the moment:**

## **1. Aggregation of Publicly Available Financial Information**

There is a lot of publicly available financial services information. This could be:

- Market data such as exchange rates, stock prices etc.
- Banks and financial company information such as locations of ATMs, bank branches, information on different products (mortgage, car financing, savings, bank account products)
- Insurance information (names of insurance companies, what they insure, different terms of insurance etc.)

The fintech activity can focus on aggregating or analyzing publically available information and making it easier for consumers to compare and access. Examples of fintech solutions that could be developed using publicly available financial information include:

- An app that helps consumer find the nearest ATM
- Website that compares different bank or insurance products (without providing any regulated services such as receiving client's documents or payments)
- Tool that analyzes stock market information (without providing any advisory services such as the recommendation of buying and selling shares)

### **Key Considerations**

Analyzing and presenting publically available information is not considered a regulated activity. However, the information should not be used to mislead the consumer. Further, providing advice on different regulated products (for example: stocks, funds and other financial products), allowing consumers to transact through the application, providing biased information that favors particular companies or the use of private financial information would be considered a regulated activity.

## **2. Business Tools**

Businesses particularly startups, freelancers and SMEs can use fintech products to help manage their businesses better. Fintechs can help businesses with reducing costs, solving pain points or time spent on admin activities, accounting etc. This allows the business owners to focus on their business activities.

Examples of fintech business tools include:

- Expense trackers
- Accounting software that automates bookkeeping function
- VAT tax return tool that simplifies VAT filing
- Automated invoice issuance software

## Key Considerations

Business tools would not be considered regulated if they are focused on providing operational support to management without providing any regulated or banking services related to financial transactions such as transferring funds, foreign exchange dealing, making payments etc.

## 3. Back-office Bank Operations

Banks require fintech solutions to improve their internal processes. Fintechs could develop non-regulated back-office fintech solutions that help banks with reducing costs, speeding up operations and providing a better service to their customers.

Examples of back-office fintech solutions include:

- Internal messaging services
- Tools that automate loan processing applications
- API developments that allow banks to communicate with third party applications
- Software that structures the sharing of documentation between different banking teams

## Key Considerations

As banks are regulated by SAMA, they will be held accountable for any service providers that they work with including fintechs. This includes fintechs that are conducting regulated activities. Further information on how fintechs conducting regulated activities can partner with banks can be found in Part 1 of the Fintech Access Guide. Back office bank solutions would not be regulated provided that they do not carry out regulated activities (such as approve the issuance of loans or make decisions on the transfer of customer funds). The solutions also would need to comply with customer data protection. Currently banks are not allowed to share customer and transactions data with third parties and therefore any back-office bank solutions should be developed with this in mind. The bank will also need to ensure that any service is compliant with SAMA regulations and guidelines for new products and services.<sup>1</sup>

## 4. Enhancing Bank's Customer Experience

Banks are keen to enhance their customer's banking experience, whilst also increasing revenue and reducing costs. Fintech companies can provide banks with technical solutions and services that are not currently subject to regulation. Examples of such solutions include:

- Customer service chatbots
- Vouchers, rewards or geo-location deals for bank's customers
- Apps to enhance front end user experience
- Virtual reality / augmented reality software

### Key Considerations

Fintech solutions that enhance the bank's customer experience would not be regulated if they do not undertake regulated activities such as conduct transactions on behalf of customers. The bank will be accountable for any such solutions that are implemented and therefore will want to ensure that an enhanced customer experience does not increase the risk to the customer. The solutions will also need to comply with customer data protection regulation and the regulated entities regulations and guidelines for new products and services.<sup>2</sup>

## 5. Personal Management

Customers have different financial needs, goals and require different levels of support at different times in their life. Fintechs could develop personal management solutions that support customers but do not involve regulated activities.

Examples of personal management fintech solutions include:

- Budgeting apps to help budget large expenses such as buying a house or retirement
- Inheritance planning tools
- Personal expenses overview
- Charity donations overview (without banks having to share the customer data and without the solution making customer transfers)

### Key Considerations

Personal Management tools will not need to be regulated as long as they do not carry out any regulated activities such as transferring funds, making payments or advisory services on financial products (such as recommending buying and selling of shares or linking with the user's bank accounts)

## 6. Regtech

Regulation Tech (“Regtech”) involves the use of technology to support financial organizations to remain compliant with financial services regulations. Fintechs can develop regtech solutions that do not conduct regulated activities but support financial organizations to remain compliant.

Examples of regtech solutions include:

- Software that uses external databases to automate the checks required for KYC / AML activities
- Data analytic tools that are operated by the financial institutions, which automate the analysis of data to find patterns to detect financial crime / fraud
- Software that automatically updates compliance officers on new regulatory requirements that need to be met by financial institutions and prepares compliance officers for upcoming regulation changes
- Tools that can automate the audit of operational data as parts of the internal audit process

### Key Considerations

Regtech solutions are unlikely to be regulated at the moment if they are not involved in providing regulated activities. However, they would still need to be compliant with existing regulation such as regulation related to the use and transfer of financial data. As most companies that are likely to use regtech solutions will be regulated, the financial company using the solution will be held accountable and therefore will need to comply with the relevant regulations related to this area.<sup>3</sup>

## 7. Gamification

Gamification is the technique of using elements of games to encourage greater engagement from users into a particular subject. Gamification can be used to simulate financial activities to engage or educate individuals. As no actual financial activities are carried out, gamification would not be considered to be regulated. Fintechs could develop gamification solutions to help support greater financial literacy and increase financial inclusion. They can be considered as standalone services or as an add-on service to increase engagement in a regulated product provided by a regulated entity.

Examples of gamification solutions fintechs could develop include:

- Stock market simulation trading that does not give recommendations
- Apps that encourage customers to save for particular goals (without transacting on their behalf)
- Virtual reality tools that teach young people about how banking works

## Key Considerations

Even though gamification is focused on supporting education and awareness, the solutions must not promote anything that is in contraction to the regulators' regulation (such as promoting illegal or inaccurate practices).

If a fintech company is not involved in any activities that need to be regulated, the company is able to apply for a Commercial Registration (CR) with the Ministry of Commerce and begin operations once a CR is received. Otherwise, if a fintech company is involved in activities that need to be regulated, the following section discusses the three options that can be considered.

## 8. Reward Based Crowdfunding

Reward based crowdfunding platforms enable individuals to donate relatively small amounts of money to companies or projects in return for non-equity based rewards (e.g. funding the development of a new toy in exchange for receiving one of the first toys that are produced). This is often compared to e-commerce as it can be used by companies to forward sell new to fund the development of the products.

### Key Considerations

Reward based crowdfunding platforms are not regulated by SAMA and CMA, provided that the platforms are not associated with the exchange of securities or providing any financial return. However they may need to comply with regulation from the Ministry of Commerce. They may also need to comply with regulation from other Ministries. For example reward based crowdfunding platforms related to donations should comply with regulation from the Ministry of Human Resources and Social Development.

Please note that such activities require obtaining a collection account from a bank, which is subject to the regulations of SAMA, in order to comply with Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT) regulations.

If the fintech company is in doubt as to whether they are conducting regulated activities, they should first use the Fintech Regulatory Assessment Tool and if they are still unsure, they should consult with Fintech Saudi



# What if you are Providing Regulated Services?

## Step 1: Verify if your Fintech is Covered by an Existing Fintech Activity License?

Below are the current fintech activity regulations / guidelines that have been released:

### Payments

#### Payment Services Providers

SAMA has released Payment Services Provider Regulations for companies that are involved payment activities including the execution / acquiring of payment transactions, issuing payment instruments, issuing e-wallets, money remittance, withdrawal of cash, payment initiation services and account information services.

There are 4 different licenses that fintech companies can apply for:

- **Micro Payment Institution** – Enables all payment activities listed in the regulations other than cross-border remittance and issuing e-wallets (with limits on transaction values)
- **Major Payment Institution** – Enables all payment activities listed in the regulations other than issuing e-wallets (with no limits on transaction values)
- **Micro Electronic Money Institution (E-Wallet)** – Enables all payment activities listed in the regulations including issuing e-wallets (with limits on transaction values)
- **Major Electronic Money Institution (E-Wallet)** – Enables all payment activities listed in the regulations including issuing e-wallets (with limits on some services including international transfers)

The full Payment Services Provider Regulations can be accessed [here](#)

#### Payment Processors

Any fintech solutions that only process payments and do not hold money can apply to be certified by Saudi Payments without the need to apply for a license under the Payment Services Provider Regulations. This will allow the solution to process all mada payments. However if the solution wants to process payments using an international scheme (such as mastercard or Visa), the fintech will need to contact the international schemes to receive the relevant approvals and certification. Fintechs can apply to Saudi Payments through [Onboarding@SaudiPayments.com](mailto:Onboarding@SaudiPayments.com)

## Insurance

### Insurance Aggregation Activities

SAMA has released rules related to online insurance aggregation activities. The rules apply to any company seeking to conduct insurance aggregation activities and the steps for applying for a license to conduct the activities.

The full rules governing insurance aggregation activities can be accessed [here](#)

### Insurtech Rules

SAMA has released the draft of insurtech rules to receive public opinions and to strengthen the principle of transparency. The rules aim to enable insurtech companies to execute their work in accordance with a regulatory framework.

Visit [SAMA's website](#) to confirm the issuance of the final version of these rules.

## Banking

### Digital-Only Banks

SAMA has provided guidance on the licensing criteria for digital-only Banks that should be considered in addition to meeting the Banking Licensing Guidelines and Minimum Criteria.

The Additional Licensing Guidelines and Criteria for Digital-Only Banks in Saudi Arabia can be accessed [here](#)

The Banking Licensing Guidelines and Minimum Criteria can be accessed [here](#)

## Finance

### Consumer Microfinancing Companies

SAMA has released rules regulating Consumer Microfinance Companies. The rules cover companies that want to provide consumer microfinance activity using financial technology.

The rules governing consumer microfinance companies can be accessed [here](#)

### Debt-Based Crowdfunding / Crowd lending

SAMA has released rules regulating Debt-Based Crowdfunding / Crowd lending activities. The rules cover companies that want to develop digital platforms that raise funds from qualified investors that are lent to companies through the platform. The updated rules governing Debt-Based Crowdfunding / Crowd lending can be accessed [here](#)

### Rules for Finance Support Activities

SAMA has released rules related to companies conducting finance aggregator activities and finance support activities (e.g. finance brokerage support). The rules can be accessed [here](#)

### **Buy Now Pay Later (BNPL)**

SAMA has released guidelines for applying for permission to engage in Buy Now Pay Later (BNPL). The guidelines can be accessed [here](#)

### **Regulatory Framework for Equity Crowdfunding**

CMA Board issued its resolution approving the amended Capital Market Institutions Regulations, the amended Investment Accounts Instructions, the amended Rules on the Offer of Securities and Continuing Obligations, and amending the Glossary of Defined Terms Used in The Regulations and Rules of the Capital Market Authority. For more details click [here](#)

### **Open Banking Lab**

SAMA announced the launch of the Open Banking Lab according to the Open Banking Framework. The lab will provide banks and fintechs with a technical testing environment to enable them to develop, test, and certify their open banking services to ensure compatibility with the Open Banking Framework. The Lab aims to enable innovation and accelerate the development of open banking services in the Kingdom. The first version of the open banking services focused on the Account Information Service (AIS), and the second version will focus on the Payment Initiation Service (PIS).

You can visit the Open Banking Program website [here](#) for more information or contact the program team at [ob@sama.gov.sa](mailto:ob@sama.gov.sa)

#### **Who does this option apply to?**

This option is available to fintech companies:

- Whose activities are mentioned in the regulations / guidelines

## **Step 2: Other Options for Fintech Companies Involved in Regulated Activities**

We highlight below a number of options that fintech companies that are planning to conduct regulated activities can consider. The options are listed in an order to help the fintech company get to market directly.

Whilst not all options will be viable for all fintech companies, we hope that this provides some ideas for fintech companies to consider.

### **Option 1: Alter business model to conduct only activities which do not require SAMA/CMA approval at the moment**

Some fintech products and services may include activities that are regulated and other activities that are not currently regulated. If possible, the applicant may consider altering the business model to stop conducting the regulated activities and launch the company initially with only activities which do not require regulation at the moment, which will allow the fintech to start operating in the market (i.e. without the need for SAMA / CMA approval at the moment).

Subsequently, the applicant may consider expanding the business model to include licensed activities when they are able to comply with the regulatory requirements for the same activity.

### How to Change the Business Model?

1. Segment your business model into the different activities intended to be carried out
2. Determine which of the activities carried out need to be regulated
3. For the activities that are regulated, determine whether could they be outsourced to a regulated entity (see Option 2) or stopped.

#### Example

A personal finance app provides users the ability to use a gamification function that encourages savings and investment into their own fund.

##### 1. Segment the business model into different activities

Gamification to encourage saving

Savings into fintech owned investment funds

##### 2. Determine which of the activities need to be regulated

Gamification activities to encourage saving (does not need to be regulated)

Savings into their own investment funds (needs to be regulated)

##### 3. Alter the business model to outsource or stop regulated activities

Stop the savings into own investment funds. Instead, license gamification activity to banks or investment funds to encourage greater saving or investment into the third party funds.

This may also be considered as a short-term solution whilst applying for the relevant regulations for the regulated activities.

This option may not be viable for all fintech companies but could be a useful approach for fintechs looking for a way to start some operations quickly and then adapt their model as the regulations change.

#### Who does this option apply to?

This option is available to fintech companies that:

- Can segment their business model across activities that need to be regulated and activities that do not need to be regulated and change their business model to stop or outsource regulated activities

## Option 2: Partner with a Regulated Entity or Outsource Regulated Activities to a Regulated Entity

If a fintech company wants to conduct regulated activities that are explicitly mentioned in the existing regulation, they could seek to partner with one or more regulated entities (the “Partner”), which will conduct the regulated activities on behalf of the fintech company, taking into account the obligations and responsibilities contained in the regulatory requirements issued by the relevant regulators, whilst the fintech company shall provide the activities that do not need to be regulated.

Regulated entities include:



Regulated by  
SAMA: [Here](#)



Regulated by  
CMA: [Here](#)



**It is important to note when partnering with a regulated entity, the activities conducted should be related to the Partner's specific license. For example, a remittance fintech would not be able to partner with a financial leasing company as the financial leasing company will not be regulated to conduct remittance activities.**

It is also likely that the prospective Partner will need to conduct extensive due diligence before they agree to a partnership as they will be liable for the product or service conducted.

Once an agreement in principle has been reached by the fintech and the Partner, the Partner may need to seek non-objection from the relevant regulatory authority and should contact the regulator to follow any approval process required.

### Example

A peer to peer lending fintech that provides loans to SMEs would be considered a regulated activity. However, if the peer to peer lending fintech partners with a financial leasing company or a bank (which are both authorized to conduct lending activities) and the regulated entity carries out the lending activities whilst the fintech provides support with loan origination and management, such a partnership would allow the fintech to operate in Saudi Arabia subject to SAMA's approval on the partnership.

### Partnering with SAMA licensed entities

SAMA has prepared guidelines on activities that can be outsourced by banks to third party organizations such as fintechs. These guidelines are available by clicking [here](#)

SAMA released outsourcing regulation for insurance and reinsurance companies and insurance service providers. The regulations can be found by clicking [here](#)

SAMA also released rules on outsourcing for finance companies. The rules can be found by clicking [here](#)

If a fintech is providing services that are covered under these guidelines, the SAMA regulated entities are permitted to outsource these requirements to the fintech, subject to approval from SAMA's authorization department. However as mentioned above, the Partner is likely to conduct extensive due diligence on the fintech before outsourcing the services, as the Partner will be accountable if there are any issues which require regulatory review.

### Partnering with CMA licensed entities

According to the Article 59 of CMA's Capital Market Institutions Regulations, a capital market institution (i.e. Authorized Person) may delegate other functions to an external party, provided that appropriate safeguards are put in place. These safeguards can be found by clicking [here](#)



**It is important to note that if the fintech company intends to partner with a regulated entity to conduct a regulated activity but the regulated activity is not explicitly mentioned in the regulations, the fintech company and the regulated entity would need to apply to the regulatory testing environment (Option 3).**

### Fintech Ecosystem Directory

The Fintech Ecosystem Directory includes a number of financial services organizations that are interested in hearing from fintech companies. You can access the Fintech Ecosystem Directory for free by clicking [here](#)

#### Who does this option apply to?

This option is available to fintech companies that:

- Can segment their business model across activities that need to be regulated and activities that do not need to be regulated
- Conduct activities that need to be regulated and are explicitly mentioned in the existing regulations
- Can partner with a regulated Partner to conduct the regulated activities

### Option 3: Enter a Regulatory Testing Environment

Both SAMA and CMA have developed their own regulatory testing frameworks, which provide an environment for fintechs to test innovative products.

The regulatory testing environment is designed to support the deployment of new technology / activities that are not explicitly mentioned in the regulation, but are of a nature which may be regulated by SAMA or CMA. Examples include social trading, security tokenization, digital assets etc.

#### SAMA's Regulatory Sandbox

The Sandbox can be described as a regulatory process that acts as a 'safe space' in which applicants are given conditional consent (no objection) to test new fintech solutions under a set of conditions and limitations designed to protect consumers.

SAMA's Regulatory Sandbox framework can be found [here](#)

#### The Regulatory Sandbox has a structured selection process:

- Applications for the Regulatory Sandbox are open all year round. Applicants conducting any of the following activities can apply to SAMA's Regulatory Sandbox:
  1. Innovators whose proposed solution involves a digital business model or concept that is not currently covered whether explicitly or implicitly under any existing SAMA regulations.
  2. Innovators whose proposed solution involves technologies, which are currently, not covered under existing SAMA regulations.
- Upon completing the application form, SAMA will assess the application form against the eligibility criteria set and revert back within 60 days.
- If accepted, SAMA will issue a temporary permission and the applicant will have 120 days to get operationally ready for live testing.
- Once the applicant is operationally ready, it will be able to test its solution in a live testing environment for upto 12 months during which SAMA will evaluate the solution and if approved, SAMA will issue new regulations and / or amend existing regulations.
- Upon meeting the testing objective, the applicant will graduate and exit the regulatory sandbox and either apply for a full license and / or amend their existing license or execute the exit plan without pursuing a license.

To see the activities currently being tested in the Regulatory Sandbox please [click here](#)

**Applicants for SAMA's Regulatory Sandbox must meet the following eligibility criteria:**

- Demonstrate the products and services provide genuine innovation for Saudi Arabia (differs from existing offerings, uses new technology, etc.)
- Ensure the products and services benefit consumers (and also ensure the risks to consumers have been considered)
- Ensure alignment to Saudi Vision 2030 and the Financial Sector Development Program
- Ensure the products and services are ready to be tested in the sandbox
- Have an exit plan in place out of the Regulatory Sandbox

**In addition to meeting the eligibility criteria, it is important for applicants to consider:**

- If regulations for an activity have been issued, the Sandbox will not accept any applications related to the activity
- Applicants need to demonstrate clear risk management procedures including details on their compliance with local cybersecurity regulations, risk management processes related to data, consumer protection, AML / KYC etc.
- Applications should be focused on a specific activity, develop a well thoughtout and structured business plan and if invited for an interview, the applicants should have an organized presentation

**The Regulatory Sandbox is open to:**

- SAMA licensed entities such as banks, remittance companies, insurance companies, etc. that want to test an innovation solution that is not explicitly mentioned in the existing regulation or in an area not covered by their existing permissions
- Fintech companies based in Saudi Arabia or international fintech companies with proven technology that can setup a local presence in Saudi Arabia by the time that they begin testing.

Companies that meet the above criteria can apply to the Regulatory Sandbox by completing the Regulatory Sandbox Application Form by clicking [here](#)



## CMA's Fintech Lab

The CMA had issued the Financial Technology Experimental Permit Instructions ('the Instructions') on 10/01/2018, which aim to provide a regulatory framework that is conducive for the innovation of Fintech in the Saudi capital market within the Kingdom.

Based on the Instructions, CMA will grant a Fintech Lab Permit ('Fintech Experimental Permit') to applicants who pass the criteria and requirements. Once obtaining a permit, the fintech solution is able to deploy and experiment their innovative fintech products related to capital market within a 2-year period and specified parameters. Upon the Expiration of the Fintech Expermit, the applicant can either

1. Execute the exit strategy
2. Proceed to deploy the Fintech product on a wider scale, if the fintech company proves its ability to do so and can fully comply with CMA Laws and Regulations (including any updates made to accommodate the fintech activity)

The requirements for CMA's Fintech Lab can be found by clicking [here](#)

The Fintech Lab receives innovative fintech business models related to securities activity, for example:

- Robo-Advisory
- Social trading
- Arranging securities using distributed ledger technologies
- Security token-based fintech business models

Generally, the product must meet with the following main eligibility criteria:

- The proposed Fintech product will develop Fintech products or services involved in security activities (i.e. within the scope of CMA)
- The proposed Fintech product will promote Fintech innovation and promote significant growth in the capital market
- The proposed Fintech product is at a sufficiently advanced stage of development to mount a live experiment with real customers during the Fintech Expermit.

The CMA Fintech Lab receives applicants from inside and outside the Kingdom to submit applications for obtaining a Fintech Experimental Permit for fintech products and services related to securities activities.

Applications for the FinTech Lab are open all year round but evaluation is carried out on a cohort basis.

Any entity seeking to apply to the CMA's Fintech Lab can do so by downloading the application form by clicking [here](#)

Once the application form is completed, the applicant can submit the form to the email: [FinTech.ExPermit@cma.org.sa](mailto:FinTech.ExPermit@cma.org.sa)



**There may be certain applicants that have activities which are applicable to both the SAMA Regulatory Sandbox and the CMA Fintech Lab. SAMA and CMA work closely together and will be able to provide guidance on which regulatory testing environment should be considered by such an applicant.**

#### **Who does this option apply to?**

This option is available to fintech companies that:

- Are conducting activities that are not explicitly mentioned in the existing regulation but the nature of the activities means they should still be regulated
- Meet the criteria set by SAMA's Regulatory Sandbox or CMA's Fintech Lab

# Fintech Regulatory Assessment Tool

Fintech Saudi has released a beta version of the Fintech Regulatory Assessment Tool. The Assessment Tool is designed to provide entrepreneurs with a clearer understanding about the regulatory pathway for their activities.

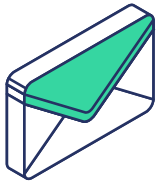
The tool will provide a high level indication on:

1. Whether the fintech activity proposed is regulated
2. If it is regulated, who is it regulated by
3. What are the current options available for bringing the activity to market
4. What are the regulations related to different technologies that maybe employed

The Fintech Regulatory Assessment Tool is free to use and does not require any personal information to be added. [Click here](#) to access the the tool.

# How to Get in Touch with the Regulators?

SAMA and CMA have specific channels of communication for anyone that want to check whether their business model needs to be regulated. These are below:



## Fintech Saudi

In the first instance, you should contact Fintech Saudi who will consult on your behalf with the appropriate regulators.

[info@fintechsaudi.com](mailto:info@fintechsaudi.com)



## SAMA

For any queries related to the Regulatory Sandbox, you can contact SAMA on the following email:

[Sandbox@sama.gov.sa](mailto:Sandbox@sama.gov.sa)



## CMA

For any queries related specifically to the Fintech Lab, you can contact CMA on the following email:

[FinTech.ExPermit@cma.org.sa](mailto:FinTech.ExPermit@cma.org.sa)

# Other Regulations that Fintechs need to consider

## Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT)

The Kingdom's Council of Ministers has issued laws related to AML and CFT and authorized the formation of an Anti-Money Laundering Permanent Committee to enforce the law. Fintech companies should comply with the issued AML and CFT laws.

Aligned to the law, both SAMA and CMA have issued rules related to their particular areas of activities including Know Your Client (KYC) standards. The current AML and CFT laws together with the rules issued by SAMA and CMA can be accessed [here](#)

## Cybersecurity

Fintech companies should consider the cybersecurity principles related to confidentiality, integrity and availability.

The National Cybersecurity Authority (NCA) is responsible for all matters related to cybersecurity in Saudi Arabia. NCA has released essential cybersecurity controls that all private companies providing critical national infrastructure need to comply with. This includes private companies that are involved in activities that provide basic services, national security, national defense or areas of critical importance to the Saudi economy.

Aligned with the NCA guidelines, SAMA and CMA have issued cybersecurity guidelines for companies that are regulated by SAMA or CMA. CMA cybersecurity guidelines for Fintech Lab applicants are shared as part of the Fintech Experimental Permit requirements. To access the Cybersecurity guidelines for Capital Market Institutions click [here](#). A link to the SAMA Cyber Security Framework can be found [here](#).

## Data Storage on Cloud Computing

Communications, Space & Technology Commission (CST) is the Saudi Communications Authority. They have released the Cloud Computing Regulatory Framework which applies to any cloud service provided to cloud customers having a residence or customer address in Saudi Arabia. The Regulatory Framework categorizes data into four information security categories and provides guidance as to how each category should be treated. A link to the Cloud Computing Regulatory Framework can be found [here](#)

Aligned with the Cloud Computing Regulatory Framework, SAMA and CMA have issued guidelines on the use of Cloud Computing. SAMA's guidelines can be found in the Cyber Security Framework. The framework states that companies regulated by SAMA should in principle only use cloud services that are located in Saudi Arabia and when the company wants to use cloud services outside of Saudi Arabia, they should obtain explicit approval from SAMA. A link to the SAMA Cyber Security Framework can be found [here](#)

CMA's guidelines can be found in the Cybersecurity guidelines for Capital Market Institutions. [Click here](#) to view it.

## Processing Payments Through mada

mada is the Saudi payment network that connects all ATMs, POS terminals and e-commerce payment gateways through a central payment switch. The mada network accounts for the majority of payments in the Kingdom including all debit card payments. Fintech companies that are seeking to develop a fintech activity that involves processing payments through the mada network can either apply to Saudi Payments to be certified to use the mada network or partner with a payment processor that is certified by Saudi Payments. Fintechs can apply to Saudi Payments by sending an email to [Onboarding@SaudiPayments.com](mailto:Onboarding@SaudiPayments.com)

## Fit and Proper Rules

SAMA and CMA both require regulated fintech companies to appoint senior positions that meet fit and proper rules highlighted by them. For certain senior positions, SAMA's written non-objection is required to change individuals appointed to those positions. A full list of senior positions in payment and fintech companies that require SAMA's written approval can be found in Appendix 6 of the Fit and Proper Rules. For all other positions, the fintech is expected to have clear standards and procedures in place to ensure the candidates appointed meet the fit and proper requirements. A link to SAMA's Fit and Proper Rules can be found by [clicking here](#). \*Please note that SAMA has released an updated Arabic version of the requirements for appointments to senior positions. Please check SAMA's website for the updated English version as it hasn't been released at the date of publication of this guide.

You can also view the requirements for positions of the companies that have been licensed by the Capital Market Authority in the Capital Market Institutions Regulations [linked here](#).

As for the requirements for positions of the Fintech ExPermit Companies, it will be shared by CMA in the additional regulatory requirements after eligibility verification.

## Commercial Registration

To conduct any business, your entity must be issued a commercial register from Ministry of Commerce (MCI) through the online portal [linked here](#) Or the Saudi Business Center [linked here](#).

# Frequently Asked Questions

## 1. What is the Minimum Capital Balance Required and How can it be used?

For fintechs in SAMA's Regulatory Sandbox and CMA's FinTech Lab, the minimum capital balance is determined according to the business model of the fintech company and will be discussed in the advanced stages of the application.

However, for every activity specific fintech license (e.g. PSP, crowdlending, insurance aggregation etc.), the fintech applying for the license will be required to provide a certain percentage of the bank guarantee amount when applying for a fintech company license (20% of the guarantee value), provided that the full amount of the bank guarantee is met before the final license. Each activity has a different minimum capital balance requirement based on the level of risk related to conducting the activity. Therefore it is important to check the activity specific fintech regulations to understand what are the minimum capital balance requirements.

For most activity specific fintech regulations, the minimum capital balance is made up of paid up capital and retained earnings and in most cases a small percentage of the minimum capital balance needs to be kept liquid but the remainder can be used for business purposes. It is important to check the specific details in the regulations for the fintech activity license to understand what is required.

## 2. Who can apply to the Regulatory Sandbox / FinTech Lab?

Both SAMA's Regulatory Sandbox and CMA's FinTech Lab are open to fintech companies that are conducting fintech activities that should be regulated by SAMA or CMA but the regulations have not yet been released by SAMA or CMA. Once regulations for a specific fintech activity are released by the regulator, the activity will no longer be eligible for the regulatory testing environment and fintech companies conducting the activity will need to apply directly for the fintech activity license.

## 3. How can I apply to the Regulatory Sandbox / Fintech lab?

- SAMA's Regulatory Sandbox is open all year round. Upon submitting an application, SAMA will review the application and revert back within 60 days.
- CMA's FinTech Lab is open all year round for applications. However evaluation and entry into the FinTech Lab is carried out on a cohort basis.



## 4. What positions require Saudi Appointments?

For fintechs that are regulated by SAMA or CMA there is a requirement for certain positions to have Saudi appointments. The full list of positions that require Saudi appointments can be found below:

For SAMA [Click here](#) \*Please note that SAMA has released an updated Arabic version of the requirements for appointments to senior positions. Please check SAMA's website for the updated English version as it hasn't been released at the date of publication of this guide.

As for CMA's requirements for certain positions to have Saudi appointments, it will be shared with the companies during their license application. You can also view the list of the job roles and functions that should be registered with the CMA in Article 19 and the performance of the registrable functions in Article 20 of the Capital Market Institutions Regulations [here](#)

For fintechs that are in the Fintech Lab / Regulatory Sandbox, or are not regulated by SAMA or CMA, there are no specific requirements to have Saudi appointments.

## 5. How can I know if the activity is Regulated or Not?

- Use the Fintech [Regulatory Assessment Tool](#) to search for your activity/activities to get an indication
- If your activity is not there, you can write to [info@fintechsaudi.com](mailto:info@fintechsaudi.com) to check

## 6. Can a Non-Saudi Fintech Company Apply to be Licensed?

- Any Non-Saudi fintech company can apply to SAMA's Regulatory Sandbox or CMA's FinTech Lab without having a local entity in place. However if the application is successful, the fintech will need to setup a Saudi entity to operate in the testing environment.
- Fintechs that are applying for an activity specific license from SAMA or an activity under the Capital Markets Law will need to have a local entity setup as part of their application process.

# Summary of Key Resources

## Saudi Central Bank (SAMA)



SAMA Regulated Activities	Full list of SAMA Regulated Activities	<a href="#">Click Here</a>
Payment Services Providers	Details of the Payment Services Providers Regulations	<a href="#">Click Here</a>
Insurance Aggregation Activities	Rules Governing Insurance Aggregation Activities	<a href="#">Click Here</a>
Licensing Guidelines and Criteria for Digital-Only Banks	The Additional Licensing Guidelines and Criteria for Digital-Only Banks in Saudi Arabia	<a href="#">Click Here</a>
The Banking Licensing Guidelines and Minimum Criteria		<a href="#">Click Here</a>
Microfinancing Activity	Rules of Engaging in Microfinance Activity	<a href="#">Click Here</a>
Consumer Microfinance Companies	Rules Regulating Consumer Microfinance Companies	<a href="#">Click Here</a>
Debt-Based Crowdfunding / Crowd Lending Activities	Updated Rules Regulating Debt-Based Crowdfunding / Crowd Lending Activities	<a href="#">Click Here</a>
Rules of Licensing Finance Support Activities	Rules Related to Companies Conducting Finance Support Activities	<a href="#">Click Here</a>
Partnering with SAMA Licensed Entities		<a href="#">Click Here</a>
SAMA's Regulatory Sandbox	Regulatory Sandbox Framework	<a href="#">Click Here</a>
SAMA Cyber Security Framework	Cyber Security Framework for SAMA's Companies	<a href="#">Click Here</a>
Regulatory Sandbox Application Form		<a href="#">Click Here</a>
Requirements for Appointments to Senior Positions		<a href="#">Click Here</a>
Buy Now Pay Later (BNPL) Activity	Guidelines for Applying for permission to Engage in BNPL	<a href="#">Click Here</a>
Outsourcing Regulation for Insurance and Reinsurance Companies and Insurance Service Providers		<a href="#">Click Here</a>
Rules on Outsourcing for Finance Companies		<a href="#">Click Here</a>
Open Banking	Open Banking Framework and Lab	<a href="#">Click Here</a>

# Summary of Key Resources

## Capital Market Authority (CMA)

هيئة السوق المالية  
Capital Market Authority



CMA Regulated Activities - Securities Business Regulations	Full list of CMA Regulated Activities - Article 2: Securities Activity	<a href="#">Click Here</a>
CMA's Fintech Lab	Requirements for CMA's Fintech Lab	<a href="#">Click Here</a>
CMA's Fintech Lab Application Form		<a href="#">Click Here</a>
Partnering with CMA Licensed Entities - Capital Market Institutions Regulations	Article 59: Outsourcing	<a href="#">Click Here</a>
Cybersecurity Guidelines for Capital Market Institutions		<a href="#">Click Here</a>
Regulatory Framework for Equity Crowdfunding		<a href="#">Click Here</a>

## Fintech Saudi

فنتك السعودية  
FintechSaudi



Fintech Regulatory Assessment Tool	Provides a Clearer Understanding of The Regulatory Pathway for your Activities	<a href="#">Click Here</a>
Fintech Ecosystem Directory	Includes Service Providers That Fintech Companies Can Work With	<a href="#">Click Here</a>

## Other

CST Cloud Computing Regulatory Framework	Cloud Computing Regulatory Framework	<a href="#">Click Here</a>
AML and CFT laws together with the rules issued by SAMA and CMA		<a href="#">Click Here</a>



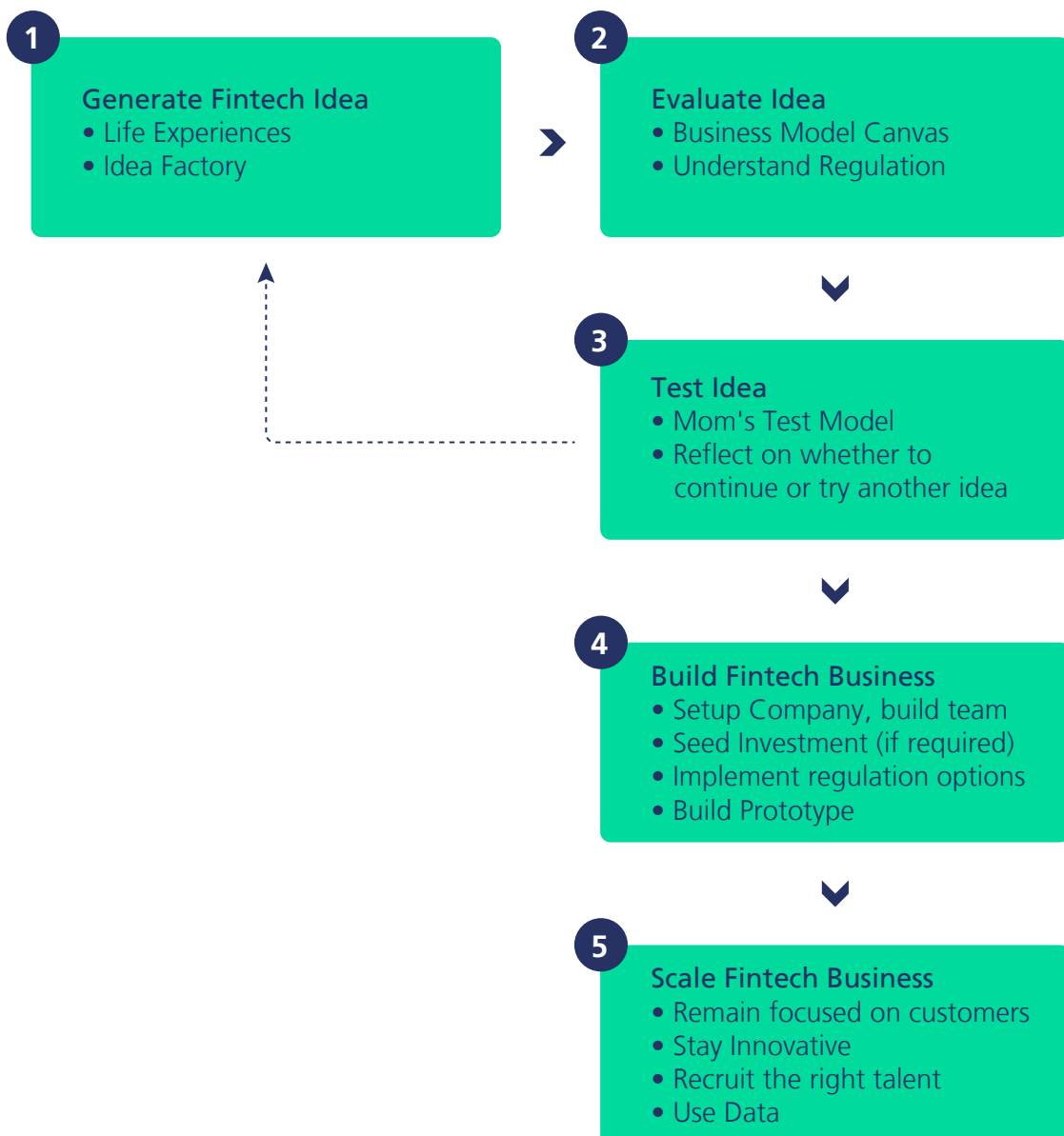
## **PART 2**

# Framework for Local Entrepreneurs to Launch a Fintech Idea

# Framework for Local Entrepreneurs to Launch a Fintech Idea

One of Fintech Saudi's key objectives is to support fintech entrepreneurship in the Kingdom. We therefore wanted to offer local entrepreneurs a framework on how to develop a fintech business. The framework is broken down into 5 steps and designed to help entrepreneurs to generate a fintech idea, validate and test the idea, start build a fintech business and then scaling the fintech business.

Whilst the framework may not answer every question that an entrepreneur has, we hope it provides a good starting point for entrepreneurs to evaluate and build their fintech business ideas.



# 1. Generate a Fintech Idea

Many people may already have a fintech idea that they want to evaluate. However, if you do not have an idea, below are a few things that you could do to come up with a fintech idea

## **Some of the Best Ideas Come from Life Experience**

Think about financial situations you have come across that could be improved through technology. This could be related to buying a house, shopping, budgeting, investing, getting a business loan etc.

Think about the pain points of the process and how technology could be used to improve that process.

## **Still Struggling to Come Up with an Idea? Try These Resources:**

### **Idea Factory**

The Idea Factory is a great resource for coming up with multiple ideas not just related to fintech. The exercise will take about 20 minutes and looks at your interests, experience and network to come up with new ideas to validate. A link to get the Idea Factory tool for free can be found [here](#)

### **IDEO Method Cards**

IDEO have developed 51 design thinking methods to help inspire creativity and collaboration between a team. Each card describes one method and includes a brief story about how and when to use it. The cards are divided into four categories: Learn, Look, Ask, and Try, making it easy to reference, browse, sort, and share the cards. A link to purchase the IDEO Method Cards can be found [here](#)

## **What are you Passionate About?**

If you proceed with an idea, you will be dedicating the majority of your time to developing the idea. It is therefore important to focus on something that you are passionate about and believe in. The life of an entrepreneur is not always easy. Your passion will therefore keep you motivated during times when things are difficult.

## 2. Validate Your Fintech Idea

Once you have an idea to work on, the first step is to validate the idea and come up with a viable business model.

### Research the Fintech Area

The first stage of validating a fintech idea is to carry out research in the area that you would like to focus on. An entrepreneur will spend time learning about the fintech trends, analyzing competitors' business models and the key drivers that may need to be considered such as regulation, technology and customer / partner readiness. Developing a good understanding of the fintech area is important to be able to effectively validate the fintech idea.

Fintech Saudi has developed the Fintech Cheat Sheets which provide an overview of the fintech trends in 9 key areas of financial services. This is a good place to start in understanding the fintech area. The Fintech Cheat Sheets can be accessed through [here](#)

Fintech Saudi has also conducted a number of webinars on different areas of fintech. They can be accessed [here](#)

Once you have carried out some research, the next stage is to come up with a business model that is right for you. There are a number of techniques that can be used. We would suggest using the Business Model Canvas.

### Business Model Canvas

The Business Model Canvas allows you to look at all aspects of your business including customers, suppliers, revenue streams, costs, marketing etc. and to play around with each part until you come up with a business model that works for you. More information on the Business Model Canvas can be found [here](#).

The Business Model Canvas is a good way for sensor checking your fintech idea and ensuring all parts of the business have been thought through.

It is important to remember that this is only the start of developing your business model. As you go through the following steps and beyond, the business model is likely to change as you position your business to take advantage of opportunities that you see.

### Regulation Check Point

For fintech, it is also important to consider the regulations. You should check whether your idea involves regulated activities and if so, the options that are available. Part 1 of this guide provides clarity on the current regulations for fintech businesses. The different options available should be considered when validating your business fintech idea.

## 3. How to Test your Fintech Idea

So far we have come up with an idea, validated it and created a viable business model. Now it is time to test the fintech idea with potential customers. You should try to approach customers from the customer segments identified when validating your fintech idea. Try to use your network to get in touch with potential customers. If your customer segments are organizations such as banks, you can use the Fintech Saudi directory by [clicking here](#) to access the right people in the organizations.

### **Mom's Test**

Once you have managed to get hold of potential customers, it is important to structure the discussion with the customer to ensure that you get most information out of it. One well proven method is the "Mom Test" developed by Rob Fitzpatrick. The Mom Test is based on the idea that when you tell your mom (or any other friends or family) your idea, they are likely to always say it is a great idea because they do not want to hurt your feelings.

Therefore the Mom's Test is based on not telling the potential customer about your idea but instead asking them pointed questions about their activities related to the fintech idea that you have come up with to determine whether the idea actually meets a need or pain point that they have. It is also important to understand how big the need or pain point is and whether someone would be willing to pay to solve the need / pain point.

By asking about their activities related to the fintech idea, it may also trigger other things that you have not thought about or allow you to think about how to improve your fintech idea.

Rob Fitzpatrick – [The Mom Test Website](#)

### **Regulation Check Point**

Even if the fintech idea involves regulated activities, it is still possible to speak to the customer base to test the level of interest in the fintech idea and check whether there is interest (as long as you do not conduct the regulated activities). The information collected from potential customers will be useful should you choose to proceed with the regulated activities and need to find a regulated partner or prepare an application for the Regulatory Testing Environment.



Once you have validated and tested your fintech idea it is important to reflect on your results. Reflecting will allow you to stop, take a breather and decide on what is the best way to proceed. You may conclude that the fintech idea does not work and you need to go back to generating a new idea. This is still a great outcome as you can use what you have learnt to validate your next fintech idea and you would have managed to reach this conclusion without having made a large investment. Many entrepreneurs go through tens if not hundreds of ideas before they decide on the one that they want to move forward with.

## 4. Start Building your Fintech Business

After you have successfully completed all the steps above and if you are happy to proceed, it is time to start building your fintech idea. Each startup story is unique and will depend on your own circumstances. However, below are some of the milestones to consider. They can be completed simultaneously or in any order. However throughout the process it is important to stay focused on your fintech product.

### Putting a Team Together

It is important to have co-founders that can have the right skills required to develop the business and are fully committed. Entrepreneurs can develop fintech ideas on their own but research has shown startups with more than one co-founder are more successful. It can take time to find the right partners but here are a few tips to consider:

1. Try using your existing network – you may have already met the right partner and have them in your network
2. Find partners that fill the gaps in your skill set – Understand your core skills and what skills the fintech idea require and then try to find partners that can fill the skill gaps. For example if you are a strategic thinker from a finance background and the idea has a heavy tech part, it is worth bringing on a technical partner
3. Find partners in the community – By attending fintech events, you can network with others in the community that have an interest in fintech and may find a partner that shares your passion for your fintech idea. Register for the Fintech Saudi newsletter through our website to keep up to date on all our fintech events.

### Setting up a Company

Fairly early in the process it will be important to set up a company for the fintech business. This will include applying for a commercial registration related to the activities you are involved in. If you are conducting a regulated activity, this will need to be done before applying to the regulatory authority. Please refer to Ministry of Commerce website to understand how to apply for a commercial registration.

## The New Companies Law

The New Companies Law was approved by the Council of Ministers. It aims to address all challenges facing the business sector. The new Companies law will regulate all provisions related to companies, whether commercial, non-profit or professional.

It enables the following types of company formation in Saudi Arabia:

- Joint Liability Company
- Limited Partnership Company
- Joint Stock Company
- Simple Joint Stock Company
- Limited Liability Company

[Click here](#) to view more details. (Arabic)

As you go through the process of setting up a company you may also need to look at a lot of different things such as finding an accountant, looking for a space to work from, developing a website etc. It is important to choose service providers that are cost effective and have experience working with startups.

When looking for an office, co-working spaces are a good starting point as you are able to pay per desk used with limited lock in periods. This therefore provides you with the flexibility to increase the number of desks you rent as your team grows.

## Building a Prototype

A Prototype is a sample of the look and feel of the solution that you would like to develop. Depending on the type of prototype, it may have some very basic functionality (such as clickable buttons) but it is not usually a fully working model.

Prototyping is a key part of the design process as it helps you map out the solution and the user experience. It is also a low cost way of getting feedback from friends and family on the design of your solution. We would recommend using a wireframes software to develop your prototype. There are a number of free options available online to start prototyping.

## Developing a Pitch Document

A pitch document is a focused way of communicating your fintech business model effectively and efficiently. This can be used when speaking to prospective customers, potential investors or to new recruits. Pitch documents can vary but they tend to have some basic underlying themes:

1. Start with the need – start with explaining the need / pain point that you are trying to solve and if possible communicate the size of the need
2. Introduce the solution – how does your fintech solution solve the need identified? Your answer should be concise and easy to understand.
3. What is different / unique about your solution when compared to other solutions?
4. What are your milestones? This could include key fundraises, any key customers, programs you have been a part of etc.
5. Information on the team and their prior experience
6. You can also include the prototype you have developed as part of a pitch document / presentation to provide additional insight to your audience
7. If you are using the pitch document to raise investment, you may also want to include some financial information such as how much investment you are looking to raise and what the funds will be used for

## Seed Investment

At this stage if you do not have the capital to fund the development of the Minimum Viable Product (MVP), you may need to raise some seed investment. The investment is considered high risk as the business has not yet been proven. However there are a few different sources of funding that entrepreneurs may look to use:

- Family and Friends or investors in your network
- Angel Investors – These are high net worth individuals that support early stage / startup ideas. They may also offer mentorship to the startup
- Crowdfunding – Crowdfunding is a method used to raise investment from a large number of people. Crowdfunding platforms can help with aggregating and structuring the investment
- Grants / Government Funding – There are a number of different grants / sources of government funding available. Monshaat has a number of dedicated programs for funding SME's and Startups. Please visit [Monshaat website](#) for more information on the following programs:
  - Indirect lending
  - Grants and CSR

- **Government Venture Capital** - Saudi Venture Capital is established as a Government VC as part of the Private Sector Stimulus Office (PSS), to stimulate venture investments in funds along with angel investors and institutional investors. [Click here](#) to find out more
- **Social Lending** – The Social Development Bank is focused on providing social loans including loans for startups. [Click here](#) to find out more
- **Competitions** – There are a number of startup competitions that are run by different organizations. These programs encourage startups to apply with the winners receiving funding

Whichever method you choose, following the steps above will demonstrate to investors that your idea has been thoroughly researched and tested, which therefore de-risks their investment.

### **Incubators / Accelerators**

You may want to consider joining an incubator or accelerator program. Incubators and accelerators specialize in providing funding to early stage businesses. However they also provide mentorship, office space, structured training etc. to help the business grow faster. Incubators tend to help startups over a longer period. Accelerators are structured 3 – 6 month programs that help startups to accelerate their business. A list of incubators can be found [here](#)

### **Building a Minimum Viable Product (MVP)**

What you build as your Minimum Viable Product (MVP) will depend on your idea. However, we would recommend starting small, focused and remaining flexible. If you are able to, we would suggest considering the [Lean Startup](#) methodology. This is a philosophy developed by Eric Reis who argued that in order to build a great company, one must research from customers, build a minimum viable product, test with the customers and iterate quickly to reduce waste and develop a better product market fit. For example, if you are looking to develop an app, it does not need to be the best app in the world. Start with a minimal viable product, enough to add value to customers, get it out to customers, listen to feedback and then re-iterate the app to make it better.

Through this process you will be able to adapt / modify the product quickly and once you have developed a product that is well received by customers and continues to gain traction, the business will be ready to scale!

## Identifying Early Adopters

Even if your solution is applicable to a lot of different customer segments in the market, it is important to start with identifying one customer segment that could be your early adopters. Early adopters help with testing your product and providing you with feedback in order to help you develop an even better solution.

The customer segment should be as specific as possible as this will help you to market to them effectively. For example if your core customers are students, consider who you are likely to be. If your early adopters are likely to be final year medical students, it is much easier developing a targeted marketing campaign to final year medical students than a campaign for all students.

### Regulation Check Point

It is important to read Part 1 of this Guide to determine whether your fintech business involves regulated activities and if so, what your options are. If you are seeking to partner with a regulated entity or enter a regulatory testing environment, this is the stage when you should contact potential partners or make an application to the Regulatory Sandbox / Fintech Lab

## 5. Scaling Your Fintech Business

If you have reached this far, congratulations! 90% of startups do not make it to this stage. You have a fintech business that has some traction with customers and now it is time to scale. Different businesses can scale in different ways depending on their product – market fit. For some scaling may mean targeting a wider customer base or moving into a new geographic area. Whichever approach you take, we have highlighted below some key considerations that you should consider as you scale.

### **Set a Clear Vision of What You Want to Achieve**

Scaling can take you in different directions. It is important to set a clear vision of where you want to go and set smart targets that you want to achieve. Discuss the vision with your co-founders to ensure that you are aligned and the vision should be communicated internally throughout the company and externally to key stakeholders.

### **Identify the Right Advisors / Mentors**

The right advisors and mentors can make a huge difference to your fintech business. They can give your business credibility, keep you focused on your goals and make the right introductions to help you to grow your business. Identify individuals that can enrich your business and have experience that can help you to grow.

Some advisors may provide you with guidance without requiring any financial incentives. Others may want a more formal structure in which they receive some of the upside from your success. This could either be the ability to invest in the business or receive a small equity share (such as 0.5% - 1%) as a fee for being an advisor. Where there is a more formal arrangement, it is important to have the right governance structure in place.

### **Remain Focused on Your Customers**

Your customers have got you this far and your success whilst scaling will be dependent on staying focused on them. Scaling will mean looking at new customer communities. It is important to understand their specific needs and adapt the solution / key messages to meet their needs. It is also important to remain connected with your early adopters that will continue to provide you with valuable input to keep improving your solution.

## **Continue to Stay Innovative**

As you grow, one of the key challenges you will face is to remain as agile and innovative as when you were a start-up. Continue to keep challenging the status quo and keep challenging the team to improve your fintech solution. Your internal culture should continue to encourage new innovation and new ideas. Not all innovation will be successful, which is fine. It is more important to keep learning and keep the momentum moving forward.

## **Recruit the Right Talent**

Another major challenge you will face will be to recruit and retain the right talent. Your talent strategy should consider what skills you need now and what skills you will require in the future. Keep re-assessing the gaps in your business to determine the right people to recruit.

Growth fintech companies also need to get the right balance between giving team members the autonomy to support the company to scale quickly and maintaining internal communications to ensure team members are embedded into the culture of the company and buy into the vision set.

Find the right team players, nurture them and empower them to scale your fintech business.

Fintech Saudi has a career portal that you can use to list employment opportunities for free. These will be shared with the community to assist you in recruiting the right talent. [Click here](#) to post a job on the portal.

## **Use Data**

The use of data is at the heart of every successful fintech business. Data driven businesses use data to ensure they are making the best possible decisions whether this is related to operational efficiency, identifying new customer markets or determining the best way to reach customers. Making the full use of data requires both the systems to capture data effectively and data analytic tools and talent to be able to analyse the data in order to inform decision making.

Collecting and using data whilst scaling will be fundamental to determining your success.



## Growth Investment

To scale, fintech companies often raise growth investment. This investment is usually at Series A or above and will be used predominately to help execute the growth strategy developed. Such funding usually comes with high expectations. Fintechs raising growth investment should be clear with investors on what the funds will be used for and how they will meet the targets expected. Growth investment is typically provided by venture capital partners.

### Fintech Ecosystem Directory

Fintech Saudi has launched a Fintech Ecosystem Directory which includes financial services organizations, investors and other service providers that fintech companies can work with. [Click Here](#) access the Fintech Ecosystem Directory



## **PART 3**

# Options for International Fintechs Interested in Entering the Saudi Market

# Why Saudi Arabia?

The Financial Sector Development Program was launched as part of Saudi Arabia's Vision 2030, in order to enable financial institutions to support the growth of the private sector, develop an advanced capital market and to boost and enable financial planning. FSDP aims to support the development of Saudi Arabia's economy, diversify its sources of income, and stimulate savings, finances and investments

The Financial Sector Development Program launched the Fintech Strategy Implementation Plan, aimed to situate the Kingdom among the leading countries in the field of Fintech, with Riyadh becoming a global FinTech hub. The strategy also aims at enhancing the economic empowerment for individuals and communities. The strategy will contribute to realizing the strategic objectives of Saudi Vision 2030 through: enhancing ease of doing business, increasing private sector's contribution to economy, attracting foreign direct investment, developing the digital economy, nurturing and supporting innovation & entrepreneurship culture, increasing SME contribution to the economy, and developing the e-government, in addition to realizing the 22 indirect objectives. Key reasons to invest in Saudi Arabia's fintech sector include:



Leading financial sector



Regulation reform to promote ease of doing business



Young, tech savvy and skilled workforce



Improving quality of life



New market with room for growth and limited competition



Strategic location linking three different continents



100% foreign ownership with no minimum capital required in certain sectors



Existence of Fintech Saudi, to provide support and guidance in the fintech sector



Government initiatives such as the Financial Sector Development Program to support the fintech industry

For detailed information on Saudi Arabia's foreign investment reform efforts, support systems and success stories, please refer to [Invest Saudi website](#).

# Overview of Four Scenarios

Four different ways to enter the Saudi market have been identified.

## Scenario 1

### **Establish a subsidiary of an existing fintech company**

Company A (you) has been operational in a foreign country (other than KSA) for at least one year and would like to establish a subsidiary in KSA. This subsidiary would carry the same name and branding as the mother company and would offer its products/services in the KSA market with established offices and a team, as if it were a branch of the mother company.

## Scenario 2

### **Start a new fintech company through MISA's entrepreneurship license**

Entrepreneur A (you) has either been operational in a foreign country (other than KSA) for less than one year OR would like to create a completely new, independent company in KSA to offer fintech products/services. The new company would have a new name and branding, and would not be associated with any other company internationally. The company would be a standalone entity operating in KSA and would offer its products/services in the KSA market with established offices and a team.

## Scenario 3

### **Licensing technology to a KSA-based startup**

International Company A (you) is not interested in entering the KSA market with full-fledged operations. Rather, Company A has a technology and is willing to license use rights to a startup based in KSA (Company B). It is likely that Company B would be looking for such an arrangement in cases where it lacks the required technology expertise to develop a technology in-house. Company A would provide Company B with the technology (white label), without a product or service, and Company B would then build a product or service using the licensed technology.

## Scenario 4

### **Appoint a sales agent**

International Company A (you) is not interested in entering the KSA market with full-fledged operations. Rather, Company A would like to introduce its products/services into the KSA market without establishing offices and a team locally. In this case, Company A would sign a distribution agreement with Company B (KSA-based company), who would act as a sales agent for Company A's products/services, and would be responsible for marketing and selling the products/services. No dedicated offices will be established in KSA. Company B would be responsible for obtaining all required licenses and registrations.

## scenario 1

# Establishing a Subsidiary of an Existing Fintech Company

### Overview

This option is for operational international fintech companies looking to establish, grow and scale a fully operational subsidiary in KSA. Depending on whether you are offering activities which SAMA/CMA regulate, and whether you will be partnering with an already regulated entity, there are three options available under this scenario:

1. Alter your business model to conduct only activities which do not require SAMA/CMA regulation
2. Partner with a regulated entity
3. Enter testing environment through Sandbox/Fintech Lab

### Who does it apply to?

- Companies that are already operational and have at least 1 year of financials.
- Companies looking to operate a full subsidiary in KSA, without the need for an agent or partner.

### What is the process?

The process will differ based on whether you are offering activities which SAMA/CMA regulate, and whether you will be partnering with an already regulated entity or seeking regulation yourself. The main requirements are:

1. Obtaining a MISA license
2. Getting a commercial registration
3. Obtaining a testing permit from SAMA, CMA, or both, if needed.

You also need to set up a bank account, register with the municipality, social insurance, and Zakat, Tax and Customs Authority.

### Benefits

- No local partner is required (100% foreign ownership is permitted)
- No minimum investment is required across all business structures
- Your subsidiary will have complete brand presence in KSA
- SMEs that have been operational for 3 years or less are eligible for reimbursement of visa fees paid for bringing employees from abroad

### Key Considerations

- Will need to submit 1 year of financials and a copy of your commercial registration, attested by the Saudi embassy in your home country
- Will require a MISA license and KSA commercial registration, and depending on the activity, may require a testing license from SAMA, CMA or both
- Residency visa is required for all foreign staff based in KSA
- Physical offices in KSA are required

For more information on establishing a subsidiary in Saudi Arabia, please refer to the MISA Services Manual that can be accessed [here](#)

## scenario 2

# Starting a New Fintech Company (Entrepreneur License)

### Overview

This is a license launched by MISA to support international entrepreneurs looking to establish a new fintech company in KSA (with no history or existing offices). Depending on whether you are offering activities which SAMA/CMA regulate, and whether you will be partnering with an already regulated entity, there are 3 options:

1. Alter your business model to conduct only activities which do not require SAMA/CMA regulation
2. Partner with a regulated entity
3. Enter testing environment through Sandbox/Fintech Lab

### Who does it apply to?

- International entrepreneurs looking to establish a new fintech company in KSA with no previous history or existing offices.
- International entrepreneurs backed by a local Saudi university or approved incubator.
- The program applies only to international entrepreneurs and foreign KSA residents (excluding Saudi nationals).

### What is the process?

The process will differ based on whether you are offering activities which SAMA/CMA regulate, and whether you will be partnering with an already regulated entity or seeking regulation yourself. The main requirements are:

1. Obtaining backing from an incubator/university and an entrepreneurship license from MISA
2. Getting a commercial registration
3. Obtaining a testing permit from SAMA, CMA, or both, if needed.

You also need to set up a bank account, register with the municipality, social insurance, and Zakat, Tax and Customs Authority.

### Benefits

- No local partner required (100% foreign ownership)
- No minimum investment is required across all business structures
- No prior financial history is required
- MISA services fees are waived for the first five years of operation
- Startup companies and SMEs that have been operational for 3 years or less are eligible for reimbursement of visa fees paid for bringing employees from abroad

### Key Considerations

- An endorsement letter from a KSA university or approved business incubator/co-working space is required (focus areas differ and endorsements will be determined on a case by case basis)
- This option will still require a license from MISA, a KSA commercial registration and depending on the activity, may require a testing license from SAMA, CMA or both
- A physical office must be established in KSA
- Services fees will be applicable beginning the 6th year of operation

For more information on the MISA Entrepreneur License please refer to the MISA Services Manual that can be accessed [here](#)

## scenario 3

# Licensing Technology to a KSA-Based Startup

### Overview

Licensing proprietary technology to a startup in KSA is a suitable option for international fintech companies that aren't focused on establishing a branch in the Kingdom. This operation will license only the technology and the licensee will be responsible for building, marketing and selling a product using the technology. This arrangement will not require the international party to be licensed; a contract with a local company which has the required permits will suffice.

### Who does it apply to?

Companies that aren't looking to establish a branch in the Kingdom but would like to license technology to a startup in KSA.

### What is the process?

The process of licensing a technology to a licensed entity in KSA will be considered a standard business decision through an unregulated contract. Depending on the use of the technology, the licensee may be required to obtain approvals from SAMA, CMA or both.

### Benefits

- Avoid time and cost required to establish a branch in KSA
- Avoid burden of obtaining special approvals for the technology (local licensee will be responsible for this)
- Avoid time and cost required to access and recruit local staff

### Key Considerations

- Will require sourcing a local partner interested in a licensing agreement
- You will have minimal oversight as to how your technology is being used
- The technology may be licensed as a white label technology
- Profit taking will be dictated by the licensing agreement
- A valid commercial registration for the local company is required
- This option may still require a the local company to obtain a permit or license from SAMA, CMA or both depending on the activity

## scenario 4

# Appointing a Sales Agent to Sell a Product or Service

### Overview

Appointing a sales agent to sell a fintech product or service is another suitable option for international fintech companies that are not focused on establishing a branch in the Kingdom. International companies do not require a license to operate under this arrangement; a distribution agreement with a local sales representative will suffice (provided the local company complies with all rules and regulations).

### Who does it apply to?

Companies that aren't looking to establish a branch or license technology in the Kingdom but will appoint a sales agent to sell a finished product or service directly to a customer in KSA.

### What is the process?

The process of partnering with a local sales agent will be considered a standard business decision. If a partnership with a local sales agent is formed, the sales agent will be responsible for obtaining any approvals required from SAMA / CMA.

If the international fintech company seeks to establish their own sales office, the scenario of establishing a subsidiary should be considered.

### Benefits

- Avoid time and cost required to establish a branch in KSA
- Avoid burden of obtaining special approvals for the technology (sales agent will be responsible for this)
- Avoid time and cost required to access and recruit talent
- Brand presence in KSA

### Key Considerations

- This option will require sourcing a local sales agent with a strong understanding of the fintech product or service to then market the offering in a compelling manner to interested companies
- Profit taking will be limited by the stipulations in the sales agreement
- A valid commercial registration for the local company is required
- This option may still require a the local company to obtain a permit or license from SAMA, CMA or both depending on the activity





# Disclaimer and Final Remarks

# Disclaimer and Final Remarks

This guide was prepared by the Fintech Saudi team to provide the community with clarity on the existing options available to local and international fintech companies. Whilst we have consulted with representatives from various regulators and government entities, the Fintech Access Guide was not written by the regulators or government entities and should not be considered as a change from the official regulations issued by any of the mentioned entities. If there is a discrepancy between the Guide and the official regulation, the official regulation will always prevail.

Fintech Saudi is a community centric initiative, and we appreciate feedback in all forms. If there is inaccurate information, outdated facts, unclear process, or broken links throughout this guide, or if you have a suggestion to be make it better, kindly reach out to us through [info@fintechsaudi.com](mailto:info@fintechsaudi.com) with an email kindly titled "Fintech Access Guide Feedback".



For additional information or if you have any questions, please do not hesitate to contact us at [info@fintechsaudi.com](mailto:info@fintechsaudi.com)



## About Fintech Saudi

Fintech Saudi is an initiative launched by the Saudi Central Bank (SAMA) in partnership with the Capital Market Authority (CMA) under the Financial Sector Development Program to support the development of the Fintech Industry in Saudi Arabia. Fintech Saudi's ambition is to transform Saudi Arabia into an innovative fintech hub with a thriving and responsible fintech ecosystem.

We seek to achieve this by supporting the development of the infrastructure required for the growth of the fintech industry, building capabilities and talent required by fintech companies and supporting fintech entrepreneurs at every stage of their development.