

# Rules of Engaging in Microfinance Activity - Updated

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البنك المركزي السعودي  
SAMA  
Saudi Central Bank



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## Chapter I. Definitions and General Provisions

### Article 1

1. The terms and phrases used in these Rules shall have the same meaning as defined in the Finance Companies Control Law and its Implementing Regulations.
2. For the purpose of applying the provisions of these Rules, the following terms and phrases, wherever mentioned in this document, shall have the meanings assigned to them, unless the context otherwise requires:
  - Rules: The Rules of Engaging in Microfinance Activity.
  - SAMA Instructions: Any regulations, rules, instructions and circulars issued by SAMA.
  - Microfinance Company: A company licensed to finance productive activities and assets of small businesses, craftsmen and the like under the Finance Companies Control Law and its Implementing Regulation as well as any rules or instructions issued by SAMA.

### Article 2

These Rules set the requirements of engaging in microfinance activity and apply to companies licensed by SAMA to engage in microfinance activities, taking into account the Finance Companies Control Law issued by Royal Decree No. (M/51) dated 13/8/1433H and its Implementing Regulations issued on 14/4/1434H (24/2/2013).

## Chapter II. Licensing Provisions

### Article 3

Microfinance companies shall be subject to the licensing provisions mentioned in the Finance Companies Control Law and its Implementing Regulations in accordance with the nature and size of their activities and type of their operations.

### Article 4

As an exception to Paragraph (2) of Article (12) of the Implementing Regulations of the Finance Companies Control Law, the candidate for a position in the senior management of the microfinance company shall be professionally qualified and shall have at least two years of relevant experience.

## Chapter III. Management and Supervision

### Article 5

SAMA sets the requirements to be met by microfinance companies regarding information security, corporate governance, internal regulation, outsourcing, risk management, compliance and internal audit according to the nature and size of the company's activities as well as the type of operations.

### Article 6

SAMA sets the provisions that must be allocated by microfinance companies for potential losses and risks.

### Article 7

SAMA specifies the requirements to be met by microfinance companies regarding combating financial crimes, especially the crimes of money laundering, terrorist financing and financial fraud, in a manner consistent with the potential risks that microfinance companies may be exposed to.

### Article 8

The microfinance company shall establish internal controls and procedures to ensure compliance with these Rules and all relevant laws, regulations and instructions. In the case of outsourcing, the microfinance company shall ensure the compliance of all parties and that they do not violate the provisions of these Rules or any relevant laws, regulations and instructions.

### Article 9

The microfinance company shall keep sufficient records to confirm compliance with these Rules and other relevant laws, regulations and instructions, and take the necessary measures to prevent any violation of their provisions.

### Article 10

The board of directors of the microfinance company shall form an audit committee, and it may also form specialized committees to expand its scope of work in the areas requiring special expertise. In addition, the board shall specify the powers of these committees and monitor their performance.

## Article 11

The microfinance company shall set written policies, rules and procedures for financing, in line with the nature of its activity, and verify their implementation, provided that this includes at least the following:

- a. Rules, conditions and procedures for granting finance.
- b. Criteria and procedures for evaluating the economic feasibility of the productive activity or asset to be financed and the beneficiary's ability to repay.
- c. Procedures for verifying that the finance amount is used for the purpose specified in the contract.
- d. Procedures for following up the finance performance and providing advice and guidance to finance beneficiaries, as the case may be.
- e. Procedures and controls for collecting due payments and procedures for handling cases of default.
- f. Method of calculating finance cost.

## Article 12

The microfinance company shall develop a Code of Conduct approved by its board and provide SAMA with a copy of this Code. In addition, this Code shall include clear principles, policies and controls for professional behavior with beneficiaries, especially with regard to credit granting and payment collection practices. The microfinance company shall also take all necessary actions to ensure compliance with its Code of Conduct in accordance with the relevant laws, regulations and instructions.

## Chapter IV. Activity Provisions

### Article 13

A microfinance activity shall be limited to financing productive activities and assets of small business owners, craftsmen and the like. Additionally, the microfinance company shall not provide consumer finance or engage in any other financing activities.

### Article 14

The amount of finance granted to a beneficiary of microfinance shall not exceed (100,000) one hundred thousand Saudi riyals. SAMA may raise the amount to (200,000) two hundred thousand Saudi riyals, whenever deemed necessary.

#### Article 15

Subject to Article (61) of the Implementing Regulations of the Finance Companies Control Law, the microfinance company may grant finance without collateral, or with collateral that is determined according to the type and nature of the finance in line with the risk management policies and procedures approved by the microfinance company's board.

#### Article 16

Without prejudice to the provisions of the Finance Companies Control Law and its Implementing Regulations, the microfinance company shall not:

- a. Practice any activity other than microfinance.
- b. Provide finance to any of the related parties mentioned in Paragraph (1) of Article (56) of the Implementing Regulations.

### Chapter V. Concluding Provisions

#### Article 17

SAMA may take the necessary actions to ensure the compliance of microfinance companies with these Rules, relevant laws, regulations and instructions. These actions include requesting information and documents from the company, making supervisory or inspection visits to the company headquarters, meeting its staff and reviewing its systems, procedures and records. The company shall cooperate with SAMA's employees and facilitate their work.

#### Article 18

Non-compliance with the requirements of these Rules shall be deemed a violation of the Finance Companies Control Law and its Implementing Regulations, and the violating company shall be subject to regulatory penalties.

#### Article 19

These Rules shall enter into force on the date of their publication on SAMA's website.

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