

Offering Securities in the Kingdom of Saudi Arabia

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Background

On 31 December 2017, the Capital Market Authority (the “**CMA**”) published the Rules on the Offer of Securities and Continuing Obligations (“**ROSCO**”), which were approved by CMA Board Resolution No. 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017). In the same Board Resolution, the CMA Board also approved the Listing Rules (the “**Listing Rules**”) of the Saudi Stock Exchange (“**Tadawul**”).

The ROSCO and the Listing Rules are effective as of 1 April 2018 and have replaced:

- the Offer of Securities Regulations approved by CMA Board Resolution No. 2-11-2004 dated 20/8/1425H (corresponding to 4 October 2004), as amended;
- the Listing Rules approved by CMA Board Resolution No. 3-11-2004 dated 20/8/1425H (corresponding to 4 October 2004), as amended; and
- the Parallel Market Listing Rules approved by CMA Board Resolution No. 3-151-2016 dated 22/3/1438H (corresponding to 21 December 2016).

This article sets out a high-level overview of the new legal framework governing the offering of securities in the Kingdom of Saudi Arabia (the “**Kingdom**”).

Legal Framework

The primary legislation regulating the offering of securities in the Kingdom is the Capital Market Law (issued by Royal Decree No. M/30 dated 2/6/1424H corresponding to 31 July 2003), under which the CMA is tasked with the implementation and enforcement of the Capital Market Law, including by way of issuing implementation regulations.

The ROSCO contains a detailed legal framework governing the offering of securities in the Kingdom and must be read in conjunction with the Listing Rules and other implementing regulations issued by the CMA such as:

- the Authorised Persons Regulations approved by CMA Board Resolution No. 1-83-2005 dated 21/05/1426H (corresponding to 28 June 2005), as amended;
- the Corporate Governance Regulations approved by CMA Board Resolution No. 8-16-2017 dated 16/5/1438H (corresponding to 13 February 2017), as amended; and

- the Instructions of Book Building Process and Allocation Method in Initial Public Offerings approved by CMA Board Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20 July 2016), as amended (the “**Book Building Rules**”).

What Constitutes an Offering of Securities?

Securities are defined broadly and include:¹

- shares;
- debt instruments;
- warrants;
- certificates;
- units;
- options;
- futures;
- contracts for differences;
- long-term insurance contracts; and
- any right to or interest in any of the foregoing.

Article 1(b) of the ROSCO states that offering securities means:

- issuing securities;
- inviting the public to subscribe in securities or the direct or indirect marketing of securities; or
- any statement, announcement or communication that has the effect of selling, issuing or offering securities.

Preliminary negotiations or contracts entered into with or among underwriters do not constitute an offering of securities for the purposes of the ROSCO. In addition, the ROSCO do not apply to the offering of units in investment funds. The latter are regulated by:

- the Investment Funds Regulations approved by CMA Board Resolution No. 1-219-2006 dated 3/12/1427H (corresponding to 24 December 2006), as amended;

¹ Glossary of Defined Terms Used in the Regulation and Rules of the Capital Market Authority approved by CMA Board Resolution No. 4-11-2004 dated 20/8/1424H (corresponding to 4 October 2004), as amended.

- the Real Estate Investment Funds Regulations approved by CMA Board Resolution No. 1-193-2006 dated 19/6/1427 (corresponding to 15 July 2006); and
- the Real Estate Investment Traded Funds Instructions approved by CMA Board Resolution No. 6-130-2016 dated 23/1/1438H (corresponding to 24 October 2016).

Types of Offers of Securities

Securities may be offered in the Kingdom by way of:

- an exempt offer;
- a private placement offer;
- a public offer; or
- a Parallel Market Offer.

Exempt Offer

Article 6 of the ROSCO lists eight cases that qualify as exempt offers, meaning such cases are not subject to the requirements of the ROSCO (e.g., approval of the CMA or publication of a prospectus). The only legal requirement is for the offeror or the authorised person² (if the offer is carried out through an authorised person), when making an exempt offer, to notify the CMA by providing the information set out in Articles 6(b)³ and 6(c)⁴ of the ROSCO.

The following constitute exempt offers:

- where the securities are issued by the government of the Kingdom;
- offers of contractually based securities;⁵
- where an issuer whose shares are not listed on Tadawul increases its capital by offering new shares to existing shareholders;

² A person authorised by the CMA to carry on securities business (e.g., dealing, managing, arranging, advising or custody) in the Kingdom in accordance with the Authorised Persons Regulations issued by CMA Board Resolution No. 1-83-2005 dated 21/05/1426H (corresponding to 28 June 2005), as amended. The list of the authorised persons can be found at <https://cma.org.sa/en/Market/AuthorisedPersons/Pages/default.aspx>

³ This includes: type of exempt offer, categories of the offerees, amount paid by each offeree category in Saudi Riyals, the start and end dates of the offering, names and nationality of the offeror, price paid for each security, type of security and total size of the offering.

⁴ In relation to ongoing offerings, the notification needs to state the expected date of completion of the offering.

⁵ These are options, futures, contracts for differences, long-term insurance contracts and any right to or interest in any of the foregoing.

- where the offeree is an affiliate of the issuer, unless it is an offer of a class of shares that is listed on Tadawul;
- where all of the offerees are employees of the issuer or of any of its affiliates, unless it is an offer of a class of shares that is listed on Tadawul;⁶
- offers in an insolvency situation where shares are offered to creditors;
- where an issuer whose shares are not listed on Tadawul increases its capital by way of debt conversion;⁷ and
- where the subscription is limited to sophisticated investors⁸ and the total value of the securities being offered is less than SAR 10 million or an equivalent amount, provided that the offer is not made more than once during the twelve months after the completion of the offer.

⁶ This will cover an offering of shares pursuant to an employee share plan by a Saudi unlisted joint stock company or by a foreign listed parent company to the employees of its Saudi subsidiary.

⁷ This will, for example, apply to a capitalisation of a debt by a Saudi unlisted joint stock company.

⁸ Article 9 of the ROSCO provides that the offering of securities to the following persons will qualify as an offer of securities to **sophisticated investors**: (i) the Government of the Kingdom, any supranational authority recognised by the CMA, Tadawul (and any other stock exchange recognised by the CMA) or the Securities Depository Center (which is the sole entity in the Kingdom responsible for providing securities deposit, settlement, clearing and registering ownership of securities traded on Tadawul); (ii) institutions acting for their own account (**institutions** are defined as: (1) any company which owns, or which is a member of a group which owns, net assets of not less than SAR 10 million; (2) any unincorporated body, partnership or other organisation which has net assets of not less than SAR 10 million; and (3) any person ("A") whilst acting in the capacity of director, officer or employee of a person ("B") falling within items (1) or (2) above where A is responsible for B undertaking any securities activity); (iii) authorised persons acting for their own account; (iv) clients of an authorised person licensed to carry out management activities, provided that the offer is made to that authorised person and all relevant communications are made through the authorised person and the authorised person has been engaged on terms which enable it to make decisions concerning the acceptance of private offers of securities on the client's behalf without reference to the client; (v) registered persons (i.e., persons who are registered with the CMA to perform a registrable function (e.g., CEO, finance manager, director or senior officers/managers)) of an authorised person (if the offer was carried out through that authorised person itself); (vi) professional investors; or (vii) any other persons prescribed by the CMA. A **professional investor** is defined as any individual who fulfils at least one of the following conditions: (i) he/she has carried out at least 10 transactions per quarter over the last 12 months of a minimum total amount of SAR 40 million on securities markets; (ii) his/her net assets are not less than SAR 5 million; (iii) he/she works or has worked for at least three years in the financial sector in a professional position which requires knowledge of securities investment; (iv) he/she holds a professional certificate that is related to securities business and accredited by an internationally recognised entity; or (v) he/she holds the General Securities Qualification Certificate that is recognised by the CMA and has an annual income of not less than SAR 600,000 in the last two years.

Private Placement Offer

An offer of securities is a private placement where it is not an exempt offer, public offer or a Parallel Market Offer and falls under any of the following categories:

- the subscription is restricted to sophisticated investors⁹; or
- the offer is a limited offer.

An offer of securities is a **limited offer** if the subscription is limited to no more than 100 offerees (excluding sophisticated investors) and the minimum amount payable per offeree is not less than SAR 1 million or an equivalent amount in other currencies. The minimum amount payable per offeree may be less than SAR 1 million where the total value for the offered securities does not exceed SAR 5 million.

The ROSCO requires that any private placement must be made through an authorised person licensed to carry out arranging activity and the offeror notifies the CMA at least ten days prior to the proposed offer date and submits a private placement notification¹⁰ and the declarations by the offeror¹¹ and the authorised person¹² prescribed by Article 11(a)(2) of the ROSCO and copies of any offering documents to be used in the advertising the offer.

The offeror is also required to make a post-closing filing within ten days of closing of the offer period informing the CMA of the persons who have acquired the securities and the total proceeds of the offer.

⁹ See footnote 8 above.

¹⁰ The private placement notification must state, among others: (i) the names of the issuer and the offeror, their principal place of registration and the address of their principal place of the business; (ii) the name and address of the authorised person whom the offer is made through; (iii) the proposed start and end dates of the offer; (iv) the class of securities to be offered; (v) the offer price for each security offered in Saudi Riyals; (vi) the total size of the offer in Saudi Riyals; and (vii) the minimum amount (if any) to be paid by each offeree.

¹¹ The offeror must submit a declaration in the form set out in Annex 3 of the ROSCO, which essentially contains the offeror's confirmation that all the relevant conditions for the intended private placement have been satisfied and that the information contained in the private placement notification and the offering documents is fair, accurate and not misleading.

¹² The authorised person must submit a declaration in the form set out in Annex 4 of the ROSCO, which essentially contains the authorised person's confirmation that the offeror has satisfied all the relevant conditions for making the intended private placement and has submitted or will submit all the information and documentation required to be provided to the CMA under the ROSCO in connection with the private placement.

Public Offer

Below is a summary of key provisions of the ROSCO, the Listing Rules and the Book Building Rules regarding an initial public offering of shares (IPO) on the Main Market of Tadawul.¹³

Conditions for a public offer of shares	<ul style="list-style-type: none"> • The issuer must be a joint stock company.¹⁴ • The issuer must prepare a prospectus. • The issuer must have been carrying on, either by itself or through one or more of its subsidiaries, the same activity for at least the previous three financial years. • The issuer must have audited financial statements that cover at least the previous three financial years which were prepared in accordance with the accounting standards adopted by the Saudi Organisation of Certified Public Accountants (SOCPA).¹⁵ If the period covered by the most recent audited financial statements has ended more than six months prior to the expected date of approval of the IPO, the CMA will likely to require audited financial statements¹⁶ covering any period that it deems appropriate from the date of the latest audited financial statements until the expected date of approval of the IPO. • Where the issuer has undergone a material restructuring, an IPO application may not be submitted until one full financial year¹⁷ has passed from the date of completion of such material restructuring. Material restructuring means: <ul style="list-style-type: none"> • disposing any of the issuer’s assets that generated 30% or more of the issuer’s revenue or net income as per the most recent audited annual financial statements; • acquiring assets with a value exceeding 30% or more of the net asset value of the issuer as per the most recent audited annual financial statements; or
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¹³ The ROSCO and the Listing Rules contain detailed provisions regarding the offering of debt instruments and financing transactions using Special Purpose Entities. These are beyond the scope of this article.

¹⁴ If the issuer is a limited liability company or a sole proprietorship (establishment), it must be converted to a joint stock company prior to the IPO application.

¹⁵ SOCPA has adopted International Financial Reporting Standards (IFRS). All Saudi listed companies are required to apply IFRS for financial periods beginning on or after 1 January 2017, and all unlisted entities for financial periods beginning on or after 1 January 2018.

¹⁶ Including the balance sheet, statement of income, statement of cash flow and statement of changes in shareholders’ equity.

¹⁷ If, for example, the issuer completes a material restructuring in July 2018, it will have to wait two years (i.e., 2019 and 2020) until 2021 before making an IPO application.

	<ul style="list-style-type: none"> • acquiring a company with a shareholder equity constituting 30% or more of the issuer’s shareholders equity as per the most recent audited annual financial statements. • The senior executives of the issuer must have appropriate expertise and experience for the management of the issuer’s business. • The issuer must, on its own or with its subsidiaries (if any), hold sufficient working capital to continue operating for at least the twelve months immediately following the date of publication of the prospectus.¹⁸
<p>Listing conditions for shares</p>	<ul style="list-style-type: none"> • Shares must: <ul style="list-style-type: none"> • conform with the statutory conditions in the Kingdom;¹⁹ • be duly issued according to the requirements of the issuer’s bylaws or any other constitutional documents, as applicable; and • be freely transferable and tradable. • There must be a sufficiently liquid market for the shares that are the subject of the application for listing: <ul style="list-style-type: none"> • there are at least 200 public shareholders²⁰ at the time of listing; and • at least 30% of the class of shares that are the subject of the application must be owned by the public (i.e., public shareholders) at the time of listing. • Where none of the shares of a particular class are listed, the application for listing must relate to all shares of that class issued or proposed to be issued. • At the date of listing the expected aggregate market value of all shares to be listed must be at least SAR 300 million. • Shares whose listing has been approved, must be deposited with the Securities Depository Centre.²¹

¹⁸ The prospectus will contain a declaration by the issuer’s directors confirming that the issue (individually or jointly with its subsidiaries, if any) has a working capital sufficient for a period of at least 12 months immediately following the date of publication of the prospectus.

¹⁹ Meaning they comply with the Companies Law and other applicable regulations.

²⁰ Public shareholders exclude: (i) affiliates of the issuer; (ii) substantial shareholders of the issuer (see footnote 27 below); (iii) directors and senior executives of the issuer; (iv) directors and senior executives of affiliates of the issuer; (v) directors and senior executives of substantial shareholders of the issuer; (vi) any relative of any of the foregoing; (vii) any company controlled by any of the foregoing; or (viii) persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.

²¹ This means the listed shares must be uncertificated (electronic) and placed in the issuer’s account at the Securities Depository Centre. The electronic settlement of trades on Tadawul is done via the Securities Depository Centre.

Appointment of advisors	The issuer must appoint a financial advisor licensed by the CMA and a legal advisor licensed to practise law in the Kingdom.
Underwriting	The offer of securities must be fully underwritten by underwriter(s) licensed by the CMA. ²²
Application and supporting documents	The issuer must simultaneously submit an application to the CMA and Tadawul, together with a draft prospectus and the supporting documents ²³ required by the ROSCO and the Listing Rules, respectively.
Application review period and approval	<ul style="list-style-type: none"> • The CMA will review the application within 45 days of receiving all required information and documentation. • Tadawul will review the application within 10 days of receiving all required information and documentation. • Tadawul's approval of the application will be conditional on receiving the CMA's approval. Upon issuance of the CMA's approval, Tadawul's approval becomes unconditional and final.
Prospectus	<ul style="list-style-type: none"> • The prospectus must be prepared in Arabic. • The issuer must not publish the prospectus without obtaining the CMA's approval for the IPO. • The issuer must publish the prospectus and must ensure that it is made available to the public at least 14 days prior to the start of the offering period. • The issuer and its financial advisor may prior to the CMA's approval of the IPO provide information on the issuer and its financial statements to: <ul style="list-style-type: none"> • potential investors to ascertain investor appetite to invest in the issuer's shares provided that this does not result in the issuer taking binding undertakings or commitments from such investors to subscribe for its shares; and • authorised persons for the purpose of preparing research and financial reports on the issuer, provided that such reports must not be published before obtaining the CMA's approval for the IPO.

²² This will be a firm commitment (hard) underwriting, whereby the underwriter guarantees to purchase all of the securities being offered by the issuer regardless of whether or not the issuer can sell them to investors.

²³ These include, among others, the constitutional documents of the issuer, its audited financial statements for the last three years, legal and financial due diligence reports prepared in connection with the IPO application, due care letters from the legal advisor and reporting accountants of the issuer and underwriting commitment letters. The full list of the supporting documents required to be submitted by the issuer is contained in Article 29 of the ROSCO and Article 16 of the Listing Rules.

Book building	<ul style="list-style-type: none"> • The book-building process is run by the financial advisor. Institutional investors (including Qualified Foreign Investors)²⁴ are eligible to participate as bidders in the book-building process. • IPO shares may only be offered to institutional investors during the book-building process. The book-building process begins after the CMA approves the prospectus. The duration of the book-building process cannot exceed 14 calendar days, during which time the issuer and financial advisor are expected to set a price range, conduct investor roadshows, complete the book building and set the offer price. • The CMA-approved prospectus will set out the proportions of the overall offering that are reserved for retail and institutional investors, respectively. The previous version of the Book Building Rules required the entire offering to be covered by institutional investors with subscription money pre-paid. The current version of the Book Building Rules removed this requirement and leaves it to the financial advisor (in coordination with the issuer) to determine the allocation between the retail and institutional offering.²⁵
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²⁴ The following persons (defined as “Participating Parties” in the Book Building Rules) are eligible to participate in book-building: (i) public and private funds that invest in securities listed on Tadawul as permitted by the fund’s terms and conditions and in accordance with the Investment Funds Regulations; (ii) authorised persons who are licensed to deal as a principle; (iii) clients of an authorised person who is licensed to conduct managing activities provided that (1) the authorised person has been appointed on terms which enable it to make decisions concerning the acceptance of the participation in the offering and investing in Tadawul listed securities on the client’s behalf without reference to the client and (2) the participation in book building and all related communication must be directed through the authorised person; (iv) any legal persons allowed to open an investment account in the Kingdom (an **investment account** is an accounting record created by the authorised person for the purpose of the deposited client’s money in a client account opened by the authorised person to fund the client’s transactions in the securities and reflects all details of the client account) and an account with the Securities Depository Center, except for non-resident foreign investors (excluding Qualified Foreign Investors); (v) Government entities, any supranational authority recognized by the CMA, Tadawul (or any other stock exchange recognised by the CMA) and the Depository Center; (vi) Government-owned companies (i.e., companies fully owned by the government or any government entity (including legal persons affiliated to one of the GCC countries)), whether investing directly or through a portfolio manager; (viii) GCC companies (i.e., companies that have the nationality of one of the GCC countries, and are incorporated according to the companies law of such country, and which the majority of its capital is owned by citizens of the GCC countries or their governments), and GCC funds (i.e., the investment funds which have legal personality that are established in one of the GCC countries, and their units are publicly or privately offered to investors in these countries according to the regulations in these countries, and the majority of their capital is owned by citizens of GCC countries or their governments) if the terms and conditions of the fund permit that; (ix) Qualified Foreign Investors authorised in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities (approved by CMA Board Resolution No 1-42-2015 dated 15/7/1436H (corresponding to 4 May 2015), as amended); and (x) an ultimate beneficial owner of a legal person in a swap agreement with an authorised person in accordance with the terms and conditions of such swap agreement. A **swap agreement**, which creates a type of nominee relationship between the swap purchaser (foreign investor) as principal and the authorised person as nominee, provides the swap purchaser with an ability to obtain economic exposure to an underlying listed security, without legal ownership.

²⁵ The most recent IPO on the Main Market was that of Leejam Sports Company. We note that in its red herring prospectus it was stated that the offering of IPO shares to retail investors was conditional on institutional investors covering 100% of the IPO shares during the book-building process. Institutional investors will be initially allocated 100% of the IPO shares. If there is a sufficient demand by retail investors, the financial advisor may reduce the allocation to institutional investors to 90% of the IPO shares and

	<ul style="list-style-type: none"> • Before any shares are offered to retail investors, the offer price is set by reference to the institutional book-building process. Retail investors may participate in the IPO at the offer price. • Price stabilisation and market making, which are widely used in Europe and the U.S. to help stabilise the after-market share price and maintain liquidity in the issuer's shares, are not currently permitted in the Kingdom.²⁶
Offering timetable	<p>A typical offering timetable will include the following milestones:</p> <ul style="list-style-type: none"> • Book building period for institutional investors which usually lasts seven to ten days. • Offering period for retail investors which usually lasts seven days. • Deadline for submission of subscription application forms based on the provisionally allocated IPO shares for institutional investors. • Deadline for payment of the subscription monies by institutional investors based on their provisionally allocated IPO shares. • Deadline for submission of subscription application forms and payment of the subscription monies by retail investors. • Announcement of the final allocation of IPO shares. • Refund of excess subscription monies (if any). • Expected trading commencement date for the issuer's shares on Tadawul.
Lock-up period	<ul style="list-style-type: none"> • The substantial shareholders²⁷ of the issuer stated in the prospectus will not be permitted to dispose of any of their shares during a period of six months from the date on which the issuers' shares start trading on Tadawul, except where the prospectus states a longer lock-up period. • If the substantial shareholders have beneficial owners, then they will be required to provide an undertaking that they will procure that the registered

refund the subscription money to institutional investors in respect of 10% allocated to retail investors. It seems that the previous practice of requiring the entire offering to be covered by institutional investors is still followed despite the Book Building Rules removing the legal requirement to do so. It remains to be seen if this practice is going to continue in the future.

²⁶ On 10 June 2018, the CMA launched a public consultation regarding draft Instructions on the Price Stabilisation Mechanism for Initial Public Offerings. The Instruction regulates the price stabilisation of newly listed shares on Tadawul and the activities of the price stabilisation manager, clarifies the relevant disclosures, the price stabilisation period and the maximum percentage of the total number of shares allowed for over-allotment option. The consultation closed on 9 July 2018.

²⁷ A substantial shareholder is a person who holds 5% or more of any of the class of shares of the issuer.

	holders of the relevant shares will not dispose of such shares during the lock-up period.
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Public Offer of Securities Not Requiring a Prospectus

A prospectus is not required for the issue of further securities by an issuer whose securities are already listed on the Main Market of Tadawul in the following situations:

- the securities to be issued would increase the securities of a class already listed by no more than 10% in any 12-month period;
- shares issued as a result of a capitalisation issue;²⁸
- an employee share scheme;
- shares issued as a result of a capital increase by conversion of debt, provided that a shareholders' circular must be produced in accordance with the ROSCO requirements;
- shares issued as a result of a capital increase that is made to acquire a company or purchase an asset provided that a shareholders' circular must be produced in accordance with the ROSCO requirements; or
- the split of shares already issued.

Parallel Market Offer

The Parallel Market (Nomu) of Tadawul caters for small- and medium-sized companies and family businesses with a minimum capitalisation of SAR 10 million and has relatively lighter listing conditions. Only Qualified Investors²⁹ are allowed to invest in securities listed on the Parallel Market.

²⁸ A capitalisation issue is an issue of new shares to existing shareholders, fully paid up out of the issuer's reserves, on a pro rata basis.

²⁹ **Qualified Investors** means any of the following: (i) authorised persons acting for their own account; (ii) clients of an authorised person licensed to conduct managing activities provided that such authorised person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client; (iii) the Government of the Kingdom, any government body, any supranational authority recognised by the CMA or Tadawul, and any other stock exchange recognised by the CMA or the Securities Depository Centre; (iv) Government-owned companies, either directly or through a portfolio managed by a person authorised to carry out managing activities; (v) companies and funds established in a GCC member state (**Note:** Neither the ROSCO nor the Listing Rules nor the Glossary of Defined Terms clarifies whether such companies and funds must be wholly or majority owned by GCC nationals. It is assumed that they must be majority owned by GCC nationals and this will be consistent with the definition of Participating Parties in the Book Building Rules – see item (viii) at footnote 24 above); (vi) Investment Funds authorised by the CMA; (vii) non-resident foreigners permitted to invest in the parallel market and who meet the requirements stipulated in the Guidance Note for the Investment of Non-Resident Foreigners in the Parallel Market (approved by CMA Board Resolution No. 4-95-2017 dated 26/01/1439H (corresponding to 16 October 2017), as amended); (viii) qualified foreign financial

Below is a summary of key provisions of the ROSCO and the Listing Rules regarding an initial public offering of shares (IPO) on the Parallel Market.

<p>Conditions for a public offer of shares</p>	<ul style="list-style-type: none"> • The issuer must be a joint stock company.³⁰ • The issuer must prepare a prospectus. • The issuer must have been carrying on, either by itself or through one or more of its subsidiaries, a main activity for at least one financial year. • The issuer must have audited financial statements that cover at least the previous financial year which were prepared in accordance with the accounting standards adopted by SOCPA. If the period covered by the most recent audited financial statements has ended more than 6 months prior to the expected date of approval of the IPO, the CMA may require audited financial statements covering any period that it deems appropriate from the date of the end of the period covered by the latest audited financial statements until the expected date of approval of the IPO.
<p>Listing conditions for shares</p>	<ul style="list-style-type: none"> • Shares must: <ul style="list-style-type: none"> • conform with the statutory conditions in the Kingdom;³¹ • be duly issued according to the requirements of the issuer’s bylaws or any other constitutional documents, as applicable; and • be freely transferable and tradable. • There must be a sufficiently liquid market for the shares that are the subject of the application for listing: <ul style="list-style-type: none"> • there are at least 50 public shareholders³² at the time of listing; and • at least 20% of the class of shares that are the subject of the application must be owned by the public (i.e., public shareholders) at the

institutions; (ix) any other legal persons allowed to open an investment account in the Kingdom and an account at the Securities Depository Centre; (x) natural persons allowed to open an investment account in the Kingdom and an account at the Securities Depository Centre, and fulfil any of the following criteria: (1) he/she has conducted transactions in security markets of not less than SAR 40 million in total, and not less than ten transactions in each quarter during the last twelve months; (2) he/she has net assets is not less than SAR 5 million; (3) he/she works or has worked for at least three years in the financial sector; (4) he/she holds the General Securities Qualification Certificate which is recognised by the CMA; or (5) he/she holds a professional certificate that is related to securities business and accredited by an internationally recognised entity; or (xi) any other persons prescribed by the CMA.

³⁰ See footnote 14 above.

³¹ See footnote 19 above.

³² See footnote 20 above.

	<p>time of listing.</p> <ul style="list-style-type: none"> • Where none of the shares of a particular class are listed, the application for listing must relate to all shares of that class issued or proposed to be issued. • At the date of listing the expected aggregate market value of all shares to be listed must be at least SAR 10 million. • Shares whose listing has been approved, must be deposited with the Securities Depository Centre.³³
Appointment of advisors	The issuer must appoint a financial advisor licensed by the CMA. Unless required by the CMA, the issuer is not obliged to appoint a legal advisor.
Underwriting	The offer of securities is not required to be underwritten.
Application review period and approval	<ul style="list-style-type: none"> • The CMA will review the application within 30 days of receiving all required information and documentation. • Tadawul will review the application within 10 days of receiving all required information and documentation. • Tadawul’s approval of the application will be conditional on receiving the CMA’s approval. Upon issuance of the CMA’s approval, Tadawul’s approval becomes unconditional and final.
Prospectus	<ul style="list-style-type: none"> • The prospectus must be prepared in Arabic. • The issuer must not publish the prospectus without obtaining the CMA’s approval for the IPO. • The issuer must publish the prospectus and must ensure that it is made available to the public at least 14 days prior to the start of the offering period. • The issuer and its financial advisor may prior to the CMA’s approval of the IPO provide information on the issuer and its financial statements: <ul style="list-style-type: none"> • potential investors to ascertain investor appetite to invest in the issuer’s shares provided that this does not result in the issuer taking binding undertakings or commitments from such investors to subscribe for its shares; and • authorised persons for the purpose of preparing research and financial reports on the issuer, provided that such reports must not be published before obtaining the CMA’s approval for the IPO.
Book building	<ul style="list-style-type: none"> • The Book Building Rules do not apply to Parallel Market IPOs. • The book-building process is run by the financial

³³ See footnote 21 above.

	<p>advisor.</p> <ul style="list-style-type: none"> • The IPO shares are placed by the financial advisor on a best efforts basis during the book-building stage. There is no retail offering in a Parallel Market IPO.
<p>Lock-up period</p>	<ul style="list-style-type: none"> • The substantial shareholders of the issuer stated in the prospectus will not be permitted to dispose of any of their shares during a period of six months from the date on which the issuers shares' trading first commences on Tadawul, except where the prospectus states a longer lock-up period. • If the substantial shareholders have beneficial owners, then they will be required to provide an undertaking that they will procure that the registered holders of the relevant shares will not dispose of such shares during the lock-up period.

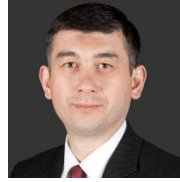
CONTACTS



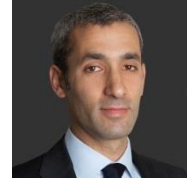
MARWAN ELARABY
EMEA Regional Managing
Partner
Dubai
T: +971.2.410.8123
[marwan.elaraby@
shearman.com](mailto:marwan.elaraby@shearman.com)



DR. SULTAN ALMASOUD
Partner
Saudi Arabia
T: +966.11.211.2000
[sultan.almasoud@
shearman.com](mailto:sultan.almasoud@shearman.com)



SANJARBEK ABDUKHALILOV
Partner
Saudi Arabia
T: +966.11.211.2000
[sanjarbek.abdukhalilov@
shearman.com](mailto:sanjarbek.abdukhalilov@shearman.com)



DAVID DIXTER
Head of EMEA Capital
Markets
London
T: +44.20.7655.5633
[david.dixter@
shearman.com](mailto:david.dixter@shearman.com)



PAWEŁ SZAJA
Partner
London
T: +44.20.7655.5013
[pawel.szaja@
shearman.com](mailto:pawel.szaja@shearman.com)



RODNEY CANNON
Partner
Abu Dhabi / Dubai
T: +971.2.410.8126
[rodney.cannon@
shearman.com](mailto:rodney.cannon@shearman.com)



MATTHEW POWELL
Partner
Abu Dhabi
T: +971.2.410.8125
[matthew.powell@
shearman.com](mailto:matthew.powell@shearman.com)



BRENDAN HUNDT
Counsel
Saudi Arabia
T: +966.11.211.2000
[brendan.hundt@
shearman.com](mailto:brendan.hundt@shearman.com)

ABU DHABI | AUSTIN | BEIJING | BRUSSELS | DUBAI | FRANKFURT | HONG KONG | HOUSTON | LONDON | MENLO PARK | MILAN | NEW YORK
PARIS | ROME | SAN FRANCISCO | SÃO PAULO | SAUDI ARABIA* | SHANGHAI | SINGAPORE | TOKYO | TORONTO | WASHINGTON, DC

This memorandum is intended only as a general discussion of these issues. It should not be regarded as legal advice. We would be pleased to provide additional details or advice about specific situations if desired.

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