



## **Draft Amendments to the Rules on the Offer of Securities and Continuing Obligations**

### **A) Introduction:**

Based on the Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424H, the CMA Board issued its resolution to publish the draft amendments to the Rules on the Offer of Securities and Continuing Obligations and the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority (“Draft Amendments”) for public consultation for a period of (60) calendar days, ending on 22/12/1441H corresponding with 12/8/2020G.

### **B) Objectives of the Draft Amendments and its main elements:**

The Draft Amendments comes in line with a number of proposed amendments to the Authorised Persons Regulations and the Rules for Special Purposes Entities, as follows:

- The proposed amendments in light of the proposed amendments to the Authorised Persons Regulations: aim at developing the client classification categories, Know Your Client requirements, client understanding of risks, client suitability, and determining the suitability of some offering of securities to investors. The main elements of the Draft Amendments are as follows:
  - a) Replacing the term “Sophisticated Investors” with the terms “Institutional Client” and “Qualified Clients”.
  - b) Restricting the offer of unlisted contractually based securities to the cases where all offerees are investors under the categories of Institutional and Qualified Clients, or employees of the issuer or any of its affiliates.
  - c) Amending the minimum requirements for the amount paid by each offeree (other than Investors under the categories of Institutional and Qualified Clients) in limited offers.
- The proposed amendments in light of the proposed amendments to the Rules for Special Purposes Entities: aim at amending the structure of the special purpose entity that offers debt instruments to have its shares under the name of a trustee, taking into consideration the international best practices. The Draft Amendments comes in an alignment with aforementioned proposed amendments to the structure of the special purpose entity, and number of amendments were also proposed in relation to the offering of debt instruments by the special purpose entity.

### **C) Receiving public views:**

The CMA, with full gratitude, would receive the opinions and comments of relevant and interested persons through the prescribed form via the following email (Laws.Regulations@cma.org.sa).

All comments will be taken into full consideration for the purpose of finalizing the Draft Amendments.



## Draft Amendments to the Rules on the Offer of Securities and Continuing Obligations

### D) Proposed amendments to the Rules on the Offer of Securities and Continuing Obligations in light of the proposed amendments to the Authorised Persons Regulations compared with the current text:

Rules on the Offer of Securities and Continuing Obligations		
S	Current Text	Text after Proposed Amendments
1	<p><b>Article 6: Exempt offer</b></p> <p>a) Without prejudice to the Securities Business Regulations and the Authorised Persons Regulations, an offer shall be exempt from the requirements of these Rules in any of the following cases:</p> <p>...</p> <p>2) offers of contractually based securities;</p> <p>...</p> <p>8) where the subscription in total value for the securities being offered is less than 10 million SR or an equivalent amount, in accordance to the following conditions:</p> <p>a. The offer shall be not made more than one time during the twelve months after the completion of the offer.</p> <p>b. Subscription in the offered securities shall be limited to (50) offerees or less (excluding <b>sophisticated</b> investors) provided that the amount payable per offeree (excluding <b>sophisticated</b> investors) shall not exceed two hundred thousand SR or an equivalent amount.</p> <p>c. Declaration by the offeree who participate in the subscription for such offered securities (excluding <b>sophisticated</b> investors) to the</p>	<p><b>Article 6: Exempt offer</b></p> <p>a) Without prejudice to the Securities Business Regulations and the Authorised Persons Regulations, an offer shall be exempt from the requirements of these Rules in any of the following cases:</p> <p>...</p> <p>2) offers of contractually based securities, provided that the offer of unlisted contractually based securities shall be limited to any of the following cases:</p> <p>a. Where all offerees are investors under the categories of Institutional and Qualified Clients.</p> <p>b. Where all offerees are employees of the issuer or of any of its affiliates.</p> <p>...</p> <p>8) where the subscription in total value for the securities being offered is less than 10 million SR or an equivalent amount, in accordance to the following conditions:</p> <p>a. The offer shall be not made more than one time during the twelve months after the completion of the offer.</p> <p>b. Subscription in the offered securities shall be limited to (50) offerees or less (excluding investors under the categories of Institutional and Qualified Clients) provided that the amount payable per offeree (excluding investors under the categories of Institutional and Qualified Clients) shall not exceed two hundred thousand SR or an equivalent amount.</p> <p>c. Declaration by the offeree who participate in the subscription for</p>



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	<p>offeror or the Authorised persons (if the offer is carried out through an Authorised person) of its acknowledgment to the risks associated with the investment, including what may result in loss of the full amount of the investment, and the that the Authority shall not give any assurance as to the accuracy and completeness of the documents related to the Offering or its completeness, and expressly disclaim any liability whatsoever for any loss arising from or incurred in reliance upon any part of these documents, and its acknowledgment that the offeror or the Authorised person (if the offer is carried out through an Authorised person) does not have to notify the Authority of the suitability of such an investment.</p>	<p>such offered securities (excluding investors <b>under the categories of Institutional and Qualified Clients</b>) to the offeror or the Authorised persons (if the offer is carried out through an Authorised person) of its acknowledgment to the risks associated with the investment, including what may result in loss of the full amount of the investment, and the that the Authority shall not give any assurance as to the accuracy and completeness of the documents related to the Offering or its completeness, and expressly disclaim any liability whatsoever for any loss arising from or incurred in reliance upon any part of these documents, and its acknowledgment that the offeror or the Authorised person (if the offer is carried out through an Authorised person) does not have to notify the Authority of the suitability of such an investment.</p>
2	<p><b>Article 8: Types of private placement offer</b></p> <p>a) 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 cases:</p> <ol style="list-style-type: none"> <li>1) the subscription is restricted to <b>sophisticated</b> investors; or</li> <li>2) the offer is a limited offer.</li> </ol>	<p><b>Article 8: Types of private placement offer</b></p> <p>a) 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 cases:</p> <ol style="list-style-type: none"> <li>1) the subscription is restricted to investors <b>under the categories of Institutional and Qualified clients</b>; or</li> <li>2) the offer is a limited offer.</li> </ol>
3	<p><b>Article 9: Offers to Sophisticated Investors</b></p> <p>An offer of securities is made to sophisticated investors where the subscription is limited to any of the following:</p> <ol style="list-style-type: none"> <li>1) the government of the Kingdom, any supranational authority recognised by the Authority, the Exchange and any other stock exchange recognised by the Authority or the Depository Center;</li> </ol>	<p>Removing Article (9) in light of the proposed amendment of replacing the term “Sophisticated Investors” with the terms “Institutional Client” and “Qualified Clients”.</p>



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	<p>2) institutions acting for their own account;</p> <p>3) authorised persons acting for their own account;</p> <p>4) clients of an authorised person licensed to carry out management activities, provided that:</p> <p style="padding-left: 20px;">a. the offer is made to that authorised person and all relevant communications are made through the authorised person; and</p> <p style="padding-left: 20px;">b. 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;</p> <p>5) registered persons of an authorised person. If the offer was carried out through that authorised person itself);</p> <p>6) sophisticated investors; or</p> <p>7) any other persons prescribed by the Authority.</p>	
4	<p><b>Article 10: Limited Offers</b></p> <p>a) An offer of securities is a limited offer if at the subscription is limited to no more than 100 offerees (excluding sophisticated investors) and the minimum amount payable per offeree is not less than one million SR or an equivalent amount. The minimum amount payable per offeree may be less than one million SR where the total value for the offered securities does not exceed five million SR.</p>	<p><b>Article 10: Limited Offers</b></p> <p>a) An offer of securities is a limited offer if at the subscription is limited to no more than 100 offerees (excluding investors under the categories of Institutional and Qualified Clients) and the minimum amount payable per offeree does not exceed 200 thousand SR or an equivalent amount.</p>
5	<p><b>Article 15: Secondary market activity</b></p> <p>a) A person (referred to as a “transferor”) who has acquired securities pursuant to a private placement may not offer or sell such securities to any person (referred to as a “transferee”) unless the offer or sale is made through an authorised person and where one of the following requirements is met:</p>	<p><b>Article 15: Secondary market activity</b></p> <p>a) A person (referred to as a “transferor”) who has acquired securities pursuant to a private placement may not offer or sell such securities to any person (referred to as a “transferee”) unless the offer or sale is made through an authorised person and where one of the following requirements is met:</p>



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	... 2) the securities are offered or sold to a <b>sophisticated</b> investor; or	... 2) the securities are offered or sold to investors <b>under the categories of Institutional and Qualified Clients</b> ; or



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### E) Proposed amendments to the Rules on the Offer of Securities and Continuing in light of the proposed amendments to the Rules for Special Purposes Entities compared with current text:

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1	<p><b>Article 29: Supporting documents</b></p> <p>a) The issuer, or the sponsor if the issuer is a special purposes entity, must submit to the Authority with its application for registration and offer electronic copies of the following documents(it shall maintain original copies of such documents and submit it to the Authority at its request):</p> <p>....</p> <p>28) in case the issuer is a special purposes entity, the agreement with the custodian (if any);</p> <p>29) in case the issuer is a special purposes entity, the agreement or any provision to appoint a delegate or agent;</p>	<p><b>Article 29: Supporting documents</b></p> <p>a) The issuer, or the sponsor if the issuer is a special purposes entity, must submit to the Authority with its application for registration and offer electronic copies of the following documents(it shall maintain original copies of such documents and submit it to the Authority at its request):</p> <p>....</p> <p>28) in case the issuer is a special purposes entity, the agreement with the custodian (where applicable);</p>
2	<p><b>Article 43: Appointment of a custodian</b></p> <p>a) The special purposes entity shall appoint a custodian in accordance with Article 32 of the Rules for Special Purposes Entities.</p> <p>b) The special purposes entity shall be provide the custodian with all necessary information and data to enable it to perform its functions under the Rules for Special Purposes Entities.</p> <p>c) The special purposes entity may terminate the custodian at its request, or in accordance to the provisions of the special purposes entity's bylaws.</p>	<p><b>Article 43: Appointment of a custodian</b></p> <p>a) The special purposes entity must have a custodian in accordance with the Rules for Special Purposes Entities.</p>
3	<p><b>Article 44: Investor protection</b></p> <p>The documentation associated with the financing transaction shall include appropriate arrangements to protect the interests of investors in accordance with Article 51 of these Rules, including the appointment of an agent or trustee.</p>	<p><b>Article 44: Investor protection</b></p> <p>The documentation associated with the financing transaction shall include appropriate arrangements to protect the interests of investors in accordance with Article 51 of these Rules.</p>



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4	<p><b>Article 49: Financing transactions involving the issue of asset-linked recourse debt instruments or asset backed debt instruments</b></p> <p>Financing transaction involving the issue of asset-linked recourse debt instruments or asset backed debt instruments is subject to the following requirements:</p> <ol style="list-style-type: none"> <li>1) the sponsor shall be an authorised person, a local bank or a finance company in accordance with sub-paragraph (2) of paragraph (a) of <b>Article 29</b> of the Rules for Special Purposes Entities.</li> <li>2) the custodian shall hold custody of the securities <b>held</b> by the special purposes entity in accordance with <b>Article 33</b> of the Rules for Special Purposes Entities.</li> </ol>	<p><b>Article 49: Financing transactions involving the issue of asset-linked recourse debt instruments or asset backed debt instruments</b></p> <p>Financing transaction involving the issue of asset-linked recourse debt instruments or asset backed debt instruments is subject to the following requirements:</p> <ol style="list-style-type: none"> <li>1) <b>In relation to issuing debt-linked debt instruments</b>, the sponsor shall be a <b>Saudi listed company</b>, an authorised person licensed to carry on securities business related to the business of special purposes entities, a local bank or a finance company with the required licenses to carry on their business and activities from the relevant government entities, in accordance with sub-paragraph (1) of paragraph (a) of <b>Article 11</b> of the Rules for Special Purposes Entities.</li> <li>2) <b>In relation to issuing debt-backed debt instruments</b>, the sponsor shall be a <b>Saudi listed company</b>, an authorised person licensed to carry on securities business related to the business of special purposes entities, a local bank or a finance company, or a limited liability Saudi company in accordance with the Companies Law if the special purposes entity has issued or intends to issue debt-backed debt instruments, with the required licenses to carry on their business and activities from the relevant government entities, in accordance with sub-paragraph (2) of paragraph (a) of <b>Article 11</b> of the Rules for Special Purposes Entities.</li> <li>3) the custodian shall hold custody of the <b>real-estate assets and securities owned</b> by the special purposes entity in accordance with <b>Article 30</b> of the Rules for Special Purposes Entities.</li> </ol>



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5	<p><b>Article 51: Investors protection</b></p> <p>...</p> <p>b) The documentation associated with the financing transaction shall include a valid, legally binding and irrevocable arrangement preventing a holder of the shares issued by the special purposes entity from:</p> <p>1) exercising any of its rights as shareholder without the consent of a majority of the holders of the debt instruments relating to the financing transaction; or</p> <p>2) disposing of its shares other than as expressly contemplated by the terms of the debt instruments and disclosed under the prospectus or private placement offering document, as applicable.</p> <p>...</p> <p>e) The by-laws of the special purposes entity shall include provision for the appointment of an agent or trustee to represent the interests of holders of debt instruments.</p>	<p>Removing subparagraph (b) and (e) of Article (51) in light of the proposed amendments to the Rules for Special Purposes Entities.</p>
6	<p><b>Article 60: Scope and application</b></p> <p>a) The purpose of this Part is to regulate the continuing obligations of issuers whose securities are listed on the Main Market.</p> <p>b) Provisions of Article 61, paragraphs (1), (2), (3), (6), (10), (11), (12),(13), (14), (15), (16), (17), (18), (19) and (20) of Article 63, paragraphs (a) and (e) of Article 64, and Articles 65, 67 and 69 of these rules shall apply to the sponsor.</p> <p>c) Provisions of paragraphs (4), (21) and (22) of Article 63 of these rules shall only apply to the sponsor, in case the issuer is a special purposes entity.</p>	<p><b>Article 60: Scope and application</b></p> <p>a) The purpose of this Part is to regulate the continuing obligations of issuers whose securities are listed on the Main Market.</p> <p>b) Provisions of Article 61, paragraphs (1), (2), (3), (6), (10), (11), (12),(13), (14), (15), (16), (26), (27), (28) and (29) of Article 63, paragraphs (a) and (e) of Article 64, and Articles 65, 67 and 69 of these rules shall apply to the sponsor.</p> <p>c) Provisions of paragraphs (4), (30) and (31) of Article 63 of these rules shall only apply to the sponsor, in case the issuer is a special purposes entity.</p>





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7	<p><b>Article 63: Disclosure of specific events</b></p> <p>The issuer must immediately and without delay disclose to the Authority and the public any of the following developments (regardless of whether or not they qualify as "material" under Article 62 of these Rules):</p> <p>...</p> <p>27) the call for convening a general or special assembly and its agenda;</p> <p>28) the outcome of the general or special assembly;</p> <p>29) any proposed change in the capital of the issuer;</p>	<p><b>Article 63: Disclosure of specific events</b></p> <p>The issuer must immediately and without delay disclose to the Authority and the public any of the following developments (regardless of whether or not they qualify as "material" under Article 62 of these Rules):</p> <p>...</p> <p>27) the call for convening a general or special assembly and its agenda;</p> <p>28) the outcome of the general or special assembly;</p> <p>29) any proposed change in the capital of the issuer;</p> <p>...</p> <p>37) paragraphs (27), (28) and (29) shall not apply where the issuer is a special purposes entity.</p>
8	<p><b>Article 64: Disclosure of financial information</b></p> <p>a) The annual financial statements and the first, second, and third interim financial statements of an issuer must be disclosed to the Authority and the public upon their approval and prior to their publication to shareholders or third parties. For the purposes of this Article:</p> <p>1) interim financial statements are deemed approved when they are (a) agreed by the board of directors and (b) signed by (i) a director authorised by the board of directors, (ii) by the CEO and (iii) the CFO; and</p> <p>2) annual financial statements are deemed approved when they comply with any applicable requirements under the Companies Law.</p>	<p><b>Article 64: Disclosure of financial information</b></p> <p>a) The annual financial statements and the first, second, and third interim financial statements of an issuer must be disclosed to the Authority and the public upon their approval and prior to their publication to shareholders or third parties. <b>Where the issuer is a special purposes entity, such entity must disclose its annual financial statements to the Authority and the public upon their approval and prior to publishing it to third parties.</b> For the purposes of this Article:</p> <p>1) interim financial statements are deemed approved when they are (a) agreed by the board of directors and (b) signed by (i) a director authorised by the board of directors, (ii) by the CEO and (iii) the CFO; and</p> <p>2) annual financial statements are deemed approved when they comply with any applicable requirements under the Companies Law. <b>Where the issuer is a special purposes entity, the financial statements of such entity are approved</b></p>



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	<p>....</p> <p>d) The issuer must prepare its annual financial statements in accordance with the accounting and auditing standards adopted by SOCPA, and disclose them to the public within a period not exceeding three months after the end of the annual financial period included in such financial statements. The issuer must disclose these annual financial statements not less than 21 calendar days before the date of convening the issuer's annual general assembly.</p> <p>e) <b>An</b> issuer must ensure that the <b>external auditor</b> that audits its financial statements and any of <b>its</b> partners comply with the SOCPA rules and regulations in relation to the ownership of shares or securities of the issuer or any of its subsidiaries in order to ensure the <b>audit firm's</b> independence and the independence of any partner or employee of that firm.</p>	<p>after being approved by the entity's board of directors.</p> <p>....</p> <p>d) The issuer must prepare its annual financial statements in accordance with the accounting and auditing standards adopted by SOCPA, and disclose them to the public within a period not exceeding three months after the end of the annual financial period included in such financial statements. The issuer must disclose these annual financial statements not less than 21 calendar days before the date of convening the issuer's annual general assembly. <b>Where the issuer is a special purposes entity, the disclosure to the public shall be within a maximum period of 3 months after the end of the annual financial period included in the financial statements.</b></p> <p>e) <b>The Certified Public Accountant or the Accounting Firm that audits the issuer's financial statements must be registered with the Authority in accordance with the Rules for Registering Auditors of Entity Subject to the Authority's supervision, and the issuer must ensure that the Certified Public Accountant or the Accounting Firm that audits its financial statements and any of their partners comply with the SOCPA rules and regulations in relation to the ownership of shares or securities of the issuer or any of its subsidiaries in order to ensure the Certified Public accountant or the Accounting Firm's independence and the independence of any partner or employee of that firm.</b></p>
9	<p><b>ANNEX 11(A)</b> <b>CONTENTS OF A PROSPECTUS FOR DEBT-BASED RECOURSE DEBT INSTRUMENTS</b></p> <p><b>1. Cover page</b> This section must include the following information (where applicable):</p>	<p><b>ANNEX 11(A)</b> <b>CONTENTS OF A PROSPECTUS FOR DEBT-BASED RECOURSE DEBT INSTRUMENTS</b></p> <p><b>1. Cover page</b> This section must include the following information (where applicable):</p>



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	<p>1) the special purposes entity's <b>and the sponsor's formation, incorporation and commercial registration information;</b></p> <p>2) capital <b>and number of shares of the special purposes entity and</b> the sponsor;</p> <p>3) a summary of the offer including debt instruments details and rights;</p> <p>4) substantial shareholders of <b>the special purposes entity and</b> the sponsor;</p> <p>...</p> <p><b>3. Corporate directory</b></p> <p>This section must include the following:</p> <p>...</p> <p>2) the contact information, including addresses, telephone and fax numbers, and website and e-mail addresses, for each of the parties listed below, and any other expert to whom a statement or report included in the prospectus has been attributed:</p> <p>...</p> <p>f) the custodian <b>(if any); and</b></p> <p>g) <b>the agent or the trustee</b></p> <p>...</p> <p><b>4. Offer summary</b></p> <p>This section must include a disclaimer to the target investors on the importance of reading the prospectus prior to making an investment decision. This section must include the following information (where applicable):</p> <p>...</p> <p>3) substantial shareholders of <b>the special purposes entity and</b> the sponsor showing their ownership percentages and number of shares.</p> <p>4) the capital of <b>the special purposes entity and</b> the sponsor;</p> <p>5) <b>the special purposes entity's and the sponsor's total number of shares;</b></p>	<p>1) A license to incorporate the special purposes entity</p> <p>2) commercial registry of the sponsor;</p> <p>3) capital of the sponsor;</p> <p>4) a summary of the offer including debt instruments details and rights;</p> <p>5) substantial shareholders of the sponsor;</p> <p>...</p> <p><b>3. Corporate directory</b></p> <p>This section must include the following:</p> <p>...</p> <p>2) the contact information, including addresses, telephone and fax numbers, and website and e-mail addresses, for each of the parties listed below, and any other expert to whom a statement or report included in the prospectus has been attributed:</p> <p>...</p> <p>f) the custodian (where applicable) ; and</p> <p>g) the special purposes entity's board members.</p> <p>...</p> <p><b>4. Offer summary</b></p> <p>This section must include a disclaimer to the target investors on the importance of reading the prospectus prior to making an investment decision. This section must include the following information (where applicable):</p> <p>...</p> <p>3) substantial shareholders of the sponsor showing their ownership percentages and number of shares.</p> <p>4) the capital of the sponsor;</p> <p>22) names and addresses of the board members of the special purposes entity.</p>



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	<p>23) the names and addresses of the agent or the trustee;</p> <p>...</p> <p><b>11. The special purposes entity background, business nature</b></p> <p>...</p> <p>3) the authorised shares of the special purposes entity, the number of shares issued or agreed to be issued, the value paid up, the nominal value and a description of the shares;</p> <p>...</p> <p><b>18. Legal information</b> This section must include the following legal information, as relevant:</p> <p>...</p> <p>3) a summary of the provisions of the special purposes entity and the sponsor's by-laws and other constitutional documents, including:</p> <p>(c) provisions relating to the rights and restrictions attached to the special purposes entity's securities and the financing transaction. including;</p> <p>...</p> <p>2. any control rights granted in favour of investors by the <b>shareholder</b>;</p> <p>3. any <b>shareholders rights which could be exercised against the investors</b>;</p> <p>4. <b>the investors powers to enforce the rights of the special purposes entity under the financing arrangement, and any limitation on those rights; and</b></p> <p>5. any <b>arrangements with a trustee or an agent relating to the debt instruments.</b></p> <p>...</p> <p>(e) <b>provisions governing the conduct of general assembly meetings of the special purposes entity, where applicable, and the sponsor;</b></p>	<p>...</p> <p><b>11. The special purposes entity background, business nature</b></p> <p>...</p> <p><b>18. Legal information</b> This section must include the following legal information, as relevant:</p> <p>...</p> <p>3) a summary of the provisions of the special purposes entity and the sponsor's by-laws and other constitutional documents, including:</p> <p>(c) provisions relating to the rights and restrictions attached to the special purposes entity's securities and the financing transaction. including;</p> <p>...</p> <p>2. any control rights granted in favour of investors by the <b>special purposes entity</b>;</p> <p>...</p>



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10	<p><b>ANNEX 11(B)</b> <b>CONTENTS OF A PROSPECTUS FOR DEBT-BASED RECOURSE DEBT INSTRUMENTS</b></p> <p><b>1. Cover page</b> This section must include the following information (where applicable):</p> <ol style="list-style-type: none"> <li>1) the special purposes entity's <b>and the sponsor's formation, incorporation and commercial registration information;</b></li> <li>2) <b>capital and number of shares of the special purposes entity and</b> the sponsor;</li> <li>3) a summary of the offer including debt instruments details and rights;</li> <li>4) substantial shareholders of <b>the special purposes entity and</b> the sponsor;</li> </ol> <p>...</p> <p><b>3. Corporate directory</b> This section must include the following:</p> <p>...</p> <ol style="list-style-type: none"> <li>2) the contact information, including addresses, telephone and fax numbers, and website and e-mail addresses, for each of the parties listed below, and any other expert to whom a statement or report included in the prospectus has been attributed:</li> </ol> <p>...</p> <ol style="list-style-type: none"> <li>f) the custodian (if any); and</li> <li>g) <b>the agent or the trustee</b></li> </ol> <p>...</p> <p><b>4. Offer summary</b> This section must include a disclaimer to the target investors on the importance of reading the prospectus prior to making an investment decision. This section must include the following information (where applicable):</p> <p>...</p> <ol style="list-style-type: none"> <li>3) substantial shareholders of <b>the special purposes entity and</b> the sponsor showing</li> </ol>	<p><b>ANNEX 11(B)</b> <b>CONTENTS OF A PROSPECTUS FOR DEBT-BASED RECOURSE DEBT INSTRUMENTS</b></p> <p><b>1. Cover page</b> This section must include the following information (where applicable):</p> <ol style="list-style-type: none"> <li>1) <b>A license to incorporate</b> the special purposes entity</li> <li>2) <b>commercial registry of the sponsor;</b></li> <li>3) capital of the sponsor;</li> <li>4) a summary of the offer including debt instruments details and rights;</li> <li>5) substantial shareholders of the sponsor;</li> </ol> <p>...</p> <p><b>3. Corporate directory</b> This section must include the following:</p> <p>...</p> <ol style="list-style-type: none"> <li>2) the contact information, including addresses, telephone and fax numbers, and website and e-mail addresses, for each of the parties listed below, and any other expert to whom a statement or report included in the prospectus has been attributed:</li> </ol> <p>...</p> <ol style="list-style-type: none"> <li>f) the custodian; and</li> <li>g) <b>the special purposes entity's board members</b></li> </ol> <p>...</p> <p><b>4. Offer summary</b> This section must include a disclaimer to the target investors on the importance of reading the prospectus prior to making an investment decision. This section must include the following information (where applicable):</p> <p>...</p>



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Rules on the Offer of Securities and Continuing Obligations		
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	<p>their ownership percentages and number of shares.</p> <p>4) the capital of <b>the special purposes entity and the sponsor;</b></p> <p>5) <b>the special purposes entity's and the sponsor's total number of shares;</b></p> <p>...</p> <p>23) <b>the names and addresses of the agent or the trustee;</b></p> <p><b>11. The special purposes entity background, business nature</b></p> <p>...</p> <p>3) <b>the authorised shares of the special purposes entity, the number of shares issued or agreed to be issued, the value paid up, the nominal value and a description of the shares;</b></p> <p>...</p> <p><b>18. Legal information</b></p> <p>This section must include the following legal information, as relevant:</p> <p>1) a summary of the provisions of the special purposes entity and the sponsor's by-laws and other constitutional documents, including:</p> <p>...</p> <p>(c) provisions relating to the rights and restrictions attached to the special purposes entity's securities and the financing transaction. including:</p> <p>1. any pledges not to apply for new loans which give privileges to new creditors;</p> <p>2. any control rights granted in favour of investors by the <b>shareholder;</b></p> <p>3. <b>any shareholders rights which could be exercised against the investors;</b></p> <p>4. <b>the investors powers to enforce the rights of the special purposes entity under the financing arrangement, and any limitation on those rights; and</b></p>	<p>3) substantial shareholders of the sponsor showing their ownership percentages and number of shares.</p> <p>4) the capital of the sponsor;</p> <p>...</p> <p>22) <b>names and addresses of the board members of the special purposes entity.</b></p> <p><b>11. The special purposes entity background, business nature</b></p> <p>...</p> <p><b>18. Legal information</b></p> <p>This section must include the following legal information, as relevant:</p> <p>1) a summary of the provisions of the special purposes entity and the sponsor's by-laws and other constitutional documents, including:</p> <p>...</p> <p>(c) provisions relating to the rights and restrictions attached to the special purposes entity's securities and the financing transaction. including:</p> <p>1. any pledges not to apply for new loans which give privileges to new creditors;</p> <p>2. any control rights granted in favour of investors by the <b>special purposes entity;</b></p> <p>...</p>



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	<p>5. any arrangements with a trustee or an agent relating to the debt instruments.</p> <p>...</p> <p>(e) provisions governing the conduct of general assembly meetings of the special purposes entity, where applicable, and the sponsor;</p>	



## Draft Amendments to the Rules on the Offer of Securities and Continuing Obligations

### F) Proposed amendments to the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority compared with the current text:

Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority		
S	Current Text	Text after Proposed Amendments
1	-	<p><b>Adding the term "Qualified Client", according to the following text:</b></p> <p>“Qualified Client: means any of the following:</p> <p>a) A natural person who meets at least one of the following criteria:</p> <ol style="list-style-type: none"> <li>1)has carried out at least 10 transactions per quarter over the last 12 months with a minimum total amount of 40 million Saudi Riyals on securities markets;</li> <li>2)The value of his net assets is not less than 5 million Saudi Riyals;</li> <li>3)Works or has worked for at least three years in the financial sector in a professional position which requires knowledge of securities investment;</li> <li>4)holds professional certificate that is related to securities business and accredited by an internationally recognised entity; or</li> <li>5)holds the General Securities Qualification Certificate that is recognised by the Authority, and has an annual income that is not less than 600,000 Saudi Riyals in the last two years.</li> </ol> <p>6) It is a Client of an authorised person licensed to carry out managing business. Provided that the following is fulfilled:</p> <ol style="list-style-type: none"> <li>a. the offer shall be made to the authorised person, and all related communications shall be made by it.</li> <li>b. The authorised person has been appointed on terms which enable it to make investment decisions on the client’s behalf without obtaining prior consent from the client.</li> <li>7) Persons registered with the authorised person if the offer is made by the authorised person itself.</li> </ol> <p>b) A legal person who fulfils at least one of the following criteria:</p>





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Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority		
S	Current Text	Text after Proposed Amendments
		<p>1) any legal persons acting for its own account; where one of the following conditions is fulfilled:</p> <ol style="list-style-type: none"> <li>a. any company which owns, or which is a member of a group that owns, net assets of a value not less than 10 million Saudi Riyals and not more than 50 million Saudi Riyals.</li> <li>b. any unincorporated body, partnership or other organisation which has net assets of a value not less than 10 million Saudi Riyals; and not more than 50 million Saudi Riyals.</li> <li>c. any person (“A”) whilst acting in the capacity of director, officer or employee of person (“B”), where (B) falls within the definition in subparagraphs (1/a) or (2/b) and where (A) is responsible for any securities activity of (B).</li> </ol> <p>2) Clients of an authorised person licensed to carry out managing business. Provided that the following is fulfilled:</p> <ol style="list-style-type: none"> <li>a. The offer shall be made to the authorised person, and all related communications shall be made by it.</li> <li>b. The authorised person has been appointed on terms which enable it to make investment decisions on behalf of the client without obtaining prior consent from the client.</li> </ol> <p>c) A company fully owned by a natural person who meets any of the criteria mentioned in paragraph (a), or a legal person that meets any of the criteria mentioned in paragraph (b).”</p>



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Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority		
S	Current Text	Text after Proposed Amendments
2	-	<p><b>Adding the term "Institutional Client", according to the following text:</b></p> <p>“Institutional Clients: means any of the following:</p> <ul style="list-style-type: none"> <li>a. The Government of the Kingdom or any supranational authority recognised by the Authority.</li> <li>b. Government-owned companies, either directly or through a portfolio managed by an authorised person licensed to carry out managing business.</li> <li>c. any legal person acting for their own account; where one of the following conditions is fulfilled:- <ul style="list-style-type: none"> <li>1) any company which owns, or which is a member of a group that owns, net assets of value more than 50 million Saudi Riyals;</li> <li>2) any unincorporated body, partnership or other organisation which has net assets of value more than 50 million Saudi Riyals.</li> <li>3) any person (“A”) whilst acting in the capacity of director, officer or employee of a person (“B”), where (B) falls within the definition in sub-paragraphs (1) or (2) and where (A) is responsible for any securities activity of (B).</li> </ul> </li> <li>d. A company fully owned by a legal person that meets any of the criteria mentioned in paragraphs (b) or (c).</li> <li>e. Investment fund.</li> <li>f. A counterparty in accordance to Authorised person Regulations.”</li> </ul>
3	-	<p><b>Adding the term "Retail Client", according to the following text:</b></p> <p>“Retail Client: Any client who is not a qualified client or an institutional client.”</p>



## Draft Amendments to the Rules on the Offer of Securities and Continuing Obligations

Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority		
S	Current Text	Text after Proposed Amendments
4	<p><b>Counterparty:</b> in the Authorised Persons Regulations, means a client who is an authorised person, an exempt person, <b>an institution</b> or a non-Saudi financial services firm; and other than in the Authorised Persons Regulations, counterparty means a counterparty to a transaction.</p>	<p><b>Counterparty:</b> in the <b>Authorised Person Regulations</b>, means a client that is an <b>authorised person</b>, an exempt person, a <b>local bank</b>, an <b>insurance company</b>, a <b>qualified foreign investor</b>, a non-Saudi financial services firm or <b>any other stock exchange recognised by the Authority</b>; other than in the Authorised Persons Regulations, counterparty means a counterparty to a transaction.</p>
5	-	Removing the term “Professional Investors”.
6	<p><b>Asset-linked recourse debt instrument:</b> means a debt instrument issued by a special purposes entity under whose terms:</p> <p>(a) the entitlement of holders of the debt instrument to a return is defined by <b>reference to</b> the returns generated by the special purposes entity’s assets; and</p> <p>...</p>	<p><b>Asset-linked recourse debt instrument:</b> means a debt instrument issued by a special purposes entity under whose terms:</p> <p>(a) the entitlement of holders of the debt instrument to a return is defined by <b>percentage from</b> the returns generated by the special purposes entity’s assets; and</p> <p>...</p>
7	<p><b>Debt-based recourse debt instrument:</b> means a debt instrument issued by a special purposes entity under whose terms:</p> <p>(a) the entitlement of holders of the debt instrument to a return is not <b>defined by reference to</b> the returns generated by the special purposes entity’s assets;</p> <p>...</p> <p>(c) repayment of <b>all capital</b> is to be made to the holders of the debt instrument at or before the maturity of the security.</p>	<p><b>Debt-based recourse debt instrument:</b> means a debt instrument issued by a special purposes entity under whose terms:</p> <p>(a) the entitlement of holders of the debt instrument to a return is not <b>dependant on</b> the returns generated by the special purposes entity’s assets;</p> <p>...</p> <p>(c) repayment of <b>the nominal value of a debt instrument</b> is to be made to the holders of the debt instrument at or before the maturity of the security.</p>