



**KINGDOM OF SAUDI ARABIA**

**Capital Market Authority**

**Glossary of Defined Terms Used in The Regulations and  
Rules of The Capital Market Authority**

English Translation of the Official Arabic Text

**Issued by the Board of the Capital Market Authority**

**Pursuant to its Resolution Number 4-11-2004**

**Dated 20/8/1425 H. Corresponding to 4/10/2004 G.**

**Based on the Capital Market Law**

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**Note: The official text is in Arabic. This document is an unofficial translation and is provided for information purposes only**

**Important Notice:**

The current version of these Regulations, as may be amended, can be found at the Authority website: [www.cma.org.sa](http://www.cma.org.sa)



## GLOSSARY OF DEFINED TERMS USED IN THE REGULATIONS AND RULES OF THE CAPITAL MARKET AUTHORITY

Unless the context indicates otherwise, the words and expressions in this Glossary shall have the meaning herein specified:

- **Accredited Valuer:** A legal or natural person licensed to carry out the valuation profession in accordance with the Accredited Valuers Law issued by Royal Decree no.(M/43) dated 9/7/1433H. and its implementing regulation (Real-Estate Valuation Sector).
- **Acting in Concert:** means, at the sole discretion of the Authority, actively co-operating, pursuant to an agreement (whether binding or non-binding) or an understanding (whether formal or informal) between persons, to be controllers (whether directly or indirectly, excluding indirect ownership of shares through swap agreements or through an investment fund whose unit owner have no discretion in its investment decisions) of a company, through the acquisition by any of them (through direct or indirect ownership) of voting shares in that company. Moreover, “concert parties” shall be construed accordingly.

Without prejudice to the general application of this definition, the following persons, shall be presumed to be acting in concert with other persons of the same class unless the contrary is established, including but not be limited to:

- 1) Members of the same group;
- 2) a person's relatives;
- 3) Person(s) who provided financial assistance to the offeror or offeree or members of the group with such person (other than a bank in the ordinary course of business) in order to purchase shares that carry voting rights or convertible debt instruments.

- **Acting in Concert:** means in the Rules on the Offer of Securities and Continuing Obligations, actively co-operating, pursuant to an agreement or understanding (whether formal or informal) between persons, to acquire interest in or exercise voting right in the shares or in the convertible debt instruments of the issuer.



- **Advising:** advising a person in relation to a security, including advising on the merits of dealing in it, exercising any right to deal conferred by it or financial planning and wealth management in it.
- **Affiliate:** a person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.
- **Alternative trading system:** An Exchange authorized by the Authority to carry out trading in specific types of securities, for specific categories of investors.
- **Anti-Money Laundering Law:** the Anti-Money Laundering Law issued by Royal Decree No. M/20 dated 5/2/1439 H.
- **Application for Listing:** means in the Rules on the Offer of Securities and Continuing Obligations, any application submitted to the Exchange to list securities of any type.
- **Application for Registration:** the registration of shares with the Authority or, where the context permits, submitting an application for the registration of shares for direct listing on the Parallel Market.
- **Application for Registration and Offer:** the registration of securities with the Authority, or where the context permits, the application to the Authority for registration and offer of securities.
- **Arranging:** introducing parties in relation to offering of securities, arrangement of its underwriting, or advising on corporate finance business.
- **Asset-Backed Debt Instrument:** means a debt instrument issued by a special purposes entity under whose terms:
  - (a) the entitlement of holders of the debt instrument to a return is wholly dependent on the returns generated by the special purposes entity's assets; and
  - (b) the sponsor is not obliged to the holders of the debt instrument (whether by guarantee or otherwise) to pay any amounts due on the debt instrument.
- **Asset-Linked Recourse Debt Instrument:** means a debt instrument issued by a special purposes entity under whose terms:



- (a) the entitlement of holders of the debt instrument to a return is defined by a percentage of the returns generated by the special purposes entity's assets; and
- (b) the sponsor is obliged to the holders of the debt instrument (whether by guarantee or otherwise) to pay all amounts due on the debt instrument.

- **Associate:**

- 1) in relation to the senior executives or a director or to a substantial shareholder who is an individual any of the following:
  - (a) that individual's spouse or minor children (together "the individual's family"); and
  - (b) any company in whose equity shares the individual or any member or members (taken together) of the individual's family or the individual and any such member or members (taken together) are directly or indirectly interested so that they are able:
    - to exercise or control the exercise of 30% or more of the votes at the general meeting on all, or substantially all, matters; or
    - to appoint or remove directors holding a majority of voting rights at board meetings on all, or substantially all, matters; and
- 2) in relation to a substantial shareholder which is a company:
  - (a) any other company which is its subsidiary or parent or fellow of the parent;
  - (b) any company whose directors are accustomed to act in accordance with the substantial shareholder's directions or instructions; and
  - (c) any company in the capital of which the substantial shareholder, and any other company under (a) or (b) taken together, are directly or indirectly interested so that they are able:
    - to exercise or control the exercise of 30% or more of the votes at the general meeting on all, or substantially all, matters; or
    - to appoint or remove directors holding a majority of voting rights at board meetings on all, or substantially all, matters.

- **Authorised Credit Rating Agency:** a legal person which is incorporated, and authorised, in the Kingdom to carry out rating activities in accordance with the Credit Rating Agencies Regulations or an authorised foreign credit rating agency.



- **Authorised Foreign Credit Rating Agency:** a foreign credit rating agency authorised to carry out rating activities in the Kingdom in accordance with the Credit Rating Agencies Regulations.
- **Authorised Person:** means a Capital Market Institution.
- **Authorised Persons Regulations:** means the Capital Market Institutions Regulations issued by the Board of the Capital Market Authority.
- **Authority:** the Capital Market Authority, including where the context permits any committee, sub-committee, employee or agent to whom any function of the Authority may be delegated.
- **Bankruptcy Regulations:** the Bankruptcy Law issued by Royal Decree No. M/50 dated 28/5/1439H. or any applicable provisions relating to insolvency or bankruptcy under the Companies Regulations, or any other legislation dealing with bankruptcy issues in the Kingdom.
- **Beneficiary:** for the purposes of the Rules for the Special Purposes Entities, means; the person for which the special purposes entity is established to provide such a person with the necessary financing by issuing debt instruments, in accordance with the provisions of the Rules for the Special Purposes Entities.
- **Brokerage Professional:** an employee of a Capital Market Institution who performs the activity of dealing on behalf of a Capital Market Institution.
- **Buys or Buying:** includes buying a security or commodity for consideration.
- **Calendar Day:** any day, whether or not such day is a business day.
- **Capital Market Institution:** a person authorised by the Authority to carry out securities business.
- **Capital Market Institutions Regulations:** the Capital Market Institutions Regulations issued by the Board of the Capital Market Authority.
- **Capital Market Law:** the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.



- **Capital Protected Fund:** an investment fund whose primary investment objective is to protect the capital invested by unitholders.
- **Capitalisation Issue:** an offer of further shares to existing shareholders, fully paid up out of the issuer's reserves, in proportion to existing shareholders holdings.
- **CCP:** a central counterparty authorised in carrying out Securities Clearing activities in the Kingdom in accordance with the Capital Market Law and the Securities Central Counterparties Regulations.
- **CCP Rules:** the regulations, rules, procedures and instructions proposed by the Board of Directors of the CCP and approved by the Board of the Authority.
- **Center or Depository Center:** A Depository Center authorised to carry out operations of deposit, transfer, settlement, and registration of ownership of Securities, in accordance with the Law and the Securities Exchanges and Depository Centers Regulations.
- **Central Bank:** the Saudi Central Bank.
- **CEO:** the chief executive officer, being any individual who heads the operations of any person and includes the managing director, the chief executive, the president of the company or equivalent.
- **Certificates:** certificates or other instruments which confer contractual or property rights:
  - 1) in respect of any shares, debt instruments, warrants, being a security held by a person (other than the person on whom the rights are conferred by the certificate or instrument); and
  - 2) the transfer of which may be effected without the consent of that person; but excluding any certificates or instruments which confer contractual or ownership rights of the type of the options, futures or the contracts for differences, and excluding any certificate or instrument which confers rights in respect of two or more securities issued by different persons.



- **Saudi Depositary Receipts:** Securities issued for the purpose of listing in the Exchange for shares issued in a foreign country and are listed in such country's exchange or the necessary arrangements for such listing were made by its issuer.
- **CFO:** any natural person who manages the financial affairs of any person, whether under the name of chief financial officer or finance manager or equivalent.
- **Class Tests:** the tests set out in Annex 28 of the Rules on the Offer of Securities and Continuing Obligations, which are used to determine whether a transaction constitutes a significant transaction requiring shareholders' approval.
- **Client:** a person for whom a Capital Market Institution executes securities transactions.
- **Client Account:** an account at a local bank which is in the name of a Capital Market Institution and fulfils the conditions required by the Client Money Rules.
- **Client Assets:** assets treated as client assets as specified in Part 7 of the Capital Market Institution Regulations.
- **Client Asset Rules:** the rules relating to client assets contained in Part 7 of the Capital Market Institutions Regulations.
- **Client Money:** money treated as client money as specified in Part 7 of the Capital Market Institutions Regulations.
- **Client Money Rules:** the rules relating to client money contained in Part 7 of the Capital Market Institutions Regulations.
- **Close Links:** in the Capital Market Institutions Regulations, the Credit Rating Agencies Regulations, the Securities Central Counterparties Regulations, and Securities Exchanges and Depository Centers Regulations means the relationship between a person (who is an applicant for authorisation, a Capital Market Institution, authorised credit rating agency, CCP, Exchange, or Depository Center) and any of the following persons:
  - 1) a controller of that person;
  - 2) a company controlled by that person;
  - 3) a company controlled by a controller of that person; or



- 4) a company controlled by any combination of the persons described in (1), (2) or (3) above.
- **Closed-Ended Investment Fund:** any investment fund which is not an open-ended investment fund.
  - **Closed-Ended Investment Traded Fund:** a closed-ended investment fund, the units of which are traded on the Main Market or the Parallel Market.
  - **Collateral:** for the purposes of the Client Money Rules and Client Asset Rules, means money or an asset which has been paid for in full by a client and which is held by the Capital Market Institution or under its charge, either for its own account or under the terms of a deposit, pledge or other pledge arrangement.
  - **Combating-Terrorism Crimes and its Financing Law:** The Combating-Terrorism Crimes and its Financing Law issued by the Royal Decree No. M/21 dated 12/2/1439H.
  - **Commercial Paper:** a debt instrument creating or acknowledging indebtedness that has a maturity of less than one year from the date of issue.
  - **Competition Law:** The Competition Law issued by Royal Decree No. M/75 dated 29/6/1440H.
  - **Compliance Committee:** the committee that is set up by a Capital Market Institution to monitor the securities business that it carries on.
  - **Compliance Officer:** the compliance officer of the Capital Market Institution appointed in accordance with paragraph (a) of Article 57 of the Capital Market Institutions Regulations, or the compliance officer of the external party delegated by the Capital Market Institution to function as a compliance officer, appointed in accordance with paragraph (e) of Article (20) of the Capital Market Institutions Regulations.
  - **Connected Advisor:** means in the Merger & Acquisition Regulations:
    - 1) an advisor that is advising the offeror or the offeree company in relation to an acquisition (whether through a private transaction or an offer);
    - 2) a Capital Market Institution acting for the benefit of the offeror or the offeree company; and
    - 3) an advisor that is advising a person who is acting in concert with the offeror or



the offeree company in relation to an offer or in relation to the matter which is the reason for that person being a member of the relevant concert party.

- **Connected Fund Manager:** a fund manager of an investment fund who normally is connected with the offeror or the offeree company, as the case may be, if it is controlled by, controls or is under the same control as:
  - 1) an offeror or any person acting in concert with it;
  - 2) the offeree company or any person acting in concert with it; or
  - 3) any connected advisor to any person above mentioned in (1) or (2).
- **Connected Person:** the managing director, a director, the senior executives, any shareholder who owns a substantial percentage of shares of a company with a listed securities, or any associate of any such persons to whom this definition applies.
- **Constructionally Developed Real Estate:** the real estates that are developed and ready for use and which fulfills the regulatory requirements, including residential, commercial, industrial, agricultural real estates and other types of real estates.
- **Contingent Liability Security:** a derivative under the terms of which the client will or may be liable to make further payments when the instrument expires or the position is closed out.
- **Contingent Liability Transaction:** a transaction in a contingent liability security.
- **Contract for Differences:** any contract for differences or any other contracts the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in:
  - 1) the value or price of property of any description; or
  - 2) an index or other factor designated for that purpose in the contract;but excluding:
  - 1) rights under a contract if the parties intend that the profit is to be secured or the loss avoided by one or more of the parties taking delivery of any property to which the contract relates;
  - 2) rights under a contract under which money is received by way of deposit on terms that any return to be paid on the sum deposited will be calculated by reference to a specific index or other factor; and
  - 3) rights under a contract of insurance.



- **Contractually Based Security:** any of the following:
  - 1) options;
  - 2) futures;
  - 3) contracts for differences;
  - 4) long term insurance contracts;
  - 5) any right to or interest in anything which is specified by any of the previous subparagraphs.
- **Control:** the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate (a) holding 30% or more of the voting rights in a company, or (b) having the right to appoint 30% or more of the members of the governing body; “controller” shall be construed accordingly.
- **Control:** means in the Merger & Acquisition regulations, in the ability to influence the actions or decisions of another person, whether directly or indirectly (excluding indirect ownership of shares through swap arrangements or through an investment fund whose unit owner have no discretion in its investment decisions), individually or collectively with a person or persons acting in concert, through holding (directly or indirectly) 30% or more of the voting rights in a company. moreover, “controller” shall be construed accordingly.
- **Convertible Debt Instrument:** A debt instrument whose holder has the right to convert it into shares of the company issuing that instrument.
- **Corporate Actions:** actions taken by an issuer which lead to increasing or decreasing the number of its securities or changing its nominal value including, for example, increasing or decreasing its capital.
- **Corporate Finance Business:** securities business carried on by a Capital Market Institution connection with:
  - 1) the offer, issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, those securities, or any related matter;
  - 2) the manner in which, or the terms on which, or the persons by whom, any business activity is to be financed, structured, managed, controlled, regulated or reported upon;



- 3) an actual or proposed takeover or related operations; or
  - 4) a merger, de-merger or reorganisation.
- **Corporate Finance Professional:** an employee of a Capital Market Institution who engages in corporate finance business.
  - **Corporate Governance Regulations:** Corporate Governance Regulations issued by the Board of the Authority.
  - **General Authority for Competition:** the General Authority for Competition as constituted under the Competition Law.
  - **Counterparty:** means in the Capital Market Institutions Regulations and in the definition of the term “institutional client” stipulated in the Glossary, any of the following:
    - 1) SAMA;
    - 2) The Exchange, or any other exchange recognized by the Authority;
    - 3) The depository center;
    - 4) The CCP;
    - 5) A Capital Market Institution;
    - 6) A Local Bank;
    - 7) A local insurance company;
    - 8) A qualified foreign investor; and
    - 9) A non-Saudi financial services firm.and otherwise, counterparty means a counterparty to a transaction.
  - **Credit Rating:** an opinion regarding the creditworthiness of an entity, or the creditworthiness of a security expressed in symbols, letters, numbers or any other form.
  - **Credit Rating Agencies Regulations:** the Credit Rating Agencies Regulations issued by the Board of the Capital Market Authority.
  - **Custodian:** a person who is authorised under the Capital Market Institutions Regulations to conduct the securities activity of custody.



- **Custody:** safeguarding assets belonging to another person which include securities, or arranging for another person to do so, and custody includes taking the necessary administrative measures.
- **Customer:** in the Authorised Persons Regulations, means a client who is not a counterparty, whether it is an individual or a juristic person.
- **Day:** a business day in the Kingdom in accordance with the official working days of the Authority.
- **Deal:** to buy, sell, subscribe for or underwrite a security.
- **Dealing:** to deal in a security, whether as principal or agent, and dealing include the sale, purchase, manage the subscription for or underwriting securities.
- **Dealing Day:** any day on which the units of an investment fund may be subscribed for and redeemed.
- **Debt Instrument:** tradeable instrument creating or acknowledging indebtedness issued by companies, the government, public institutions or public organisations, but excluding:
  - 1) an instrument creating or acknowledging indebtedness for the consideration payable under a contract for the supply of goods or services, or for money borrowed to defray the consideration payable under a contract for the supply of goods or services;
  - 2) a cheque, a bill of exchange, a banker's draft or a letter of credit;
  - 3) a banknote, a statement showing a balance on a bank account, or a lease contract or any other evidence of disposition of property; and
  - 4) a contract of insurance.
- **Debt-Based Recourse Debt Instrument:** means a debt instrument issued by a special purposes entity under whose terms:
  - (a) the entitlement of holders of the debt instrument to a return is not based on the returns generated by the special purposes entity's assets;
  - (b) the sponsor is obliged to the holders of the debt instrument (whether by guarantee or otherwise) to pay all amounts due on the debt instrument; and



(c) repayment of the nominal value of the debt instrument is to be made to the holders of the debt instrument at or before the maturity of such debt instrument.

- **Demerged Entity:** the entity that is the subject of a Demerger.
- **Demerger:** a process through which a listed company is demerged into two or more companies in according with the Companies Law. A Demerger could take the form of a Spin-Off or a Split-Off.
- **Depository Center Rules:** the regulations, rules, procedures and instructions proposed by the Board of Directors of Depository Center and approved by the Board of the Authority.
- **Derivative:** a contract for differences, a future or an option.
- **Developer:** a person nominated by the fund manager to be responsible for executing the technical aspects to achieve the fund's purposes.
- **Direct Access to Exchange Systems:** In the Securities Exchanges and Depository Centers Regulations, it means a technical mechanism by which a person can enter orders directly into the Exchange systems -without handling or re-entering by another person - for the execution of transactions.
- **Director:** in relation to a joint stock company, includes a member of the board of directors and in relation to any other company includes any manager or other senior executive who makes and implements the company's strategic decisions.
- **Discretionary Account:** means in the Merger and Acquisition Regulations, an account with a Capital Market Institution who is authorised to carry on managing activities, with the power to make investment decisions without prior reference to the holder of the account.
- **Distributor:** for the purposes of the Investment Funds Regulations and the Real Estate Investment Funds Regulations, means; a person that is assigned to offer of units of an investment fund in the Kingdom.
- **Dual Unit Price:** A settlement of the unit price calculated, in accordance with the financial statements, to which the expected credit losses are registered in the financial



statements of the fund, against the unit price calculated for dealing purposes.

- **Employee:** in relation to a person, includes a director or manager of a company, a partner in a partnership or any other individual who is employed under a contract of service or contract for service and whose services are placed at the disposal of and under the control of that person.
- **Exchange:** The Primary Exchange or Alternative Trading System including where the context permits any committee, sub-committee, employee, officer, affiliate or agent to whom any function of the Exchange may for the time being be delegated, and "on Exchange" means any activity taking place through or by the facilities provided by the Exchange.
- **Exchange Rules:** the regulations, rules, procedures and instructions proposed by the Board of Directors of the Exchange and approved by the Board of the Authority.
- **Exchange Traded Fund:** an index fund that the units in which are traded on the Main Market or the Parallel Market.
- **Exchangeable Debt Instrument:** A debt instrument whose holder has the right to exchange it for shares in a company in which the issuer of that instrument owns a number of shares equal to or greater than the number of shares that can be exchanged for the exchangeable debt instrument.
- **Execution-Only Customer:** a customer for whom the authorised person only deals as agent in accordance with instructions provided by the customer and whom an authorised person does not advise.
- **Executive Board Member:** means in the Capital Market Institutions Regulations, a member of the board of directors who is full-time in the executive management of the Capital Market Institution and participates in its daily activities.
- **Exempt Person:** any of the persons specified in Annex 1 to the Securities Business Regulations.
- **Feeder Fund:** an investment fund whose primary investment objective is to invest all of its assets in another investment fund.



- **Finance Company:** a company licensed to engage in finance activities in accordance with the Laws of the Kingdom.
  
- **Financial Resources:** in relation to a Capital Market Institution are the sum of the following:
  - 1) shares other than cumulative preferences shares;
  - 2) any sums standing to the credit of a share premium account;
  - 3) audited reserves; and
  - 4) revaluation reserves;less:
  - 1) intangible assets;
  - 2) current year losses;
  - 3) holdings of shares in other Capital Market Institutions, banks or non-Saudi financial service firms unless held for trading purposes only; and
  - 4) illiquid assets.
  
- **Financial Sector Entities:** any of the following:
  - 1) banks;
  - 2) capital market institutions;
  - 3) legal persons engaged in the business of extending credit;
  - 4) insurance companies;
  - 5) finance companies;
  - 6) affiliates of any of the above; or
  - 7) any other entity which the Authority determines should be included or treated as a financial sector entity.
  
- **Financing Transaction:** means the transaction under which a special purposes entity raises finance by the issue of debt instruments, including the acquisition, transfer or other use of assets required to generate amounts due under the terms of those debt instruments, and the issue of the debt instruments itself.
  
- **Foreign Credit Rating Agency:** a credit rating agency incorporated in a jurisdiction other than the Kingdom and authorised or registered (as applicable) to conduct rating activities outside the Kingdom.



- **Foreign Fund:** an investment fund, which is established in a jurisdiction outside the Kingdom.
- **Foreign Fund Manager:** a person operating outside the Kingdom and working as a manager of a foreign fund.
- **Foreign Regulator:** in relation to a foreign credit rating agency, its principal regulator in the jurisdiction of its incorporation and/or establishment.
- **Fund Board:** the fund directors appointed by the fund manager in accordance with the Investment Funds Regulations and the Real Estate Investment Funds Regulations, to oversee and supervise the relevant fund manager's conduct.
- **Fund Director:** a natural person appointed as a member of a fund board of an investment fund in accordance with the Investment Funds Regulations and the Real Estate Investment Funds Regulations.
- **Fund Management Fee:** the remuneration, expenses and fees in relation to advisory services paid to the fund manager.
- **Fund Manager:** the capital market institution that carries out the management of the assets of an investment fund or a real estate investment fund, and the management of its business and offering of its units in accordance with the Investment Funds Regulations, the Real Estate Investment Funds Regulations and the Rules for Special Purposes Entities.
- **Fund of Funds:** an investment fund the main objective of which is to invest all of its assets in other investment funds.
- **Fund's Net Assets Value:** for the purposes of the Investment Funds Regulations and the Real Estate Investment Funds Regulations, means; the Fund's Total Assets Value minus its liabilities.
- **Fund's Net Profit:** for the purposes of the Real Estate Investment Funds Regulations, means the total revenues of the real estate investment fund after deducting the total expenses and fees incurred by the fund, except for the items of the other comprehensive income.



- **Fund Operator:** the fund manager licensed to carry out the activity of managing investments and operating funds or the capital market institution appointed in accordance with paragraph (b) of Article 8 of the Investment Funds Regulations; to operate investment funds.
- **Fund's Total Assets Value:** for the purposes of the Investment Funds Regulations and the Real Estate Investment Funds Regulations it means; the fund's assets value that are valued based on the method of assets valuation stipulated in the Fund's Terms and Conditions.
- **Fund Sub-Custodian:** A third party contracted by the custodian to perform some or all of the custodian's functions in relation to an investment fund.
- **Fund Sub-Manager:** a third party contracted by a fund manager, under a contract, in accordance with the Investment Funds Regulations and the Real Estate Investment Funds Regulations, and takes on the fund manager's behalf all or part of the investment decisions for an investment fund managed by the fund manager.
- **Future:** rights under contracts for the sale of a commodity or property of any other description under which delivery is to be made at a prospective date and at a price agreed on when the contract is made, but excluding rights under any contract which is made for commercial and not investment purposes.
- **Geared Security:** any of the following:
  - 1) a contingent liability security; or
  - 2) a vehicle which provides a return (or purports to provide a return) by gearing, whether by borrowing or by investing in contractually based securities.
- **General Business Risk Management:** the risks and potential losses arising from the Exchange or Depository Center's operation as a business, but excluding risks and losses related to an Exchange or Depository Center's default Member. General Business Risk includes any potential impairment of the Exchange or Depository Center's financial position as a consequence of a decline in its revenues or an increase in its expenses.
- **Glossary:** glossary of defined terms used in the Regulations and Rules of the Authority issued by the Board of the Authority.



- **Group:** in relation to a person, means that person and each affiliate of it.
- **Governing Body:** the body of individuals which makes a person's strategic decisions, and the board of directors of a joint-stock company, or the board of managers of a limited liability company is considered its governing body.
- **Illiquid Assets:** means any of the following:
  - 1) fixed assets;
  - 2) financial resources which are not readily realisable; or
  - 3) deposits not available for withdrawal within three months or less.
- **Implementing Regulations:** any regulations, rules, instructions, procedures and orders issued by the Authority relating to the implementation of the Capital Market Law.
- **Independent Financial Advisor:** means in the Merger & Acquisition Regulations, a financial advisor who is authorized by the Authority and is independent of its appointor (whether it is the offeror, offeree company or any other person obligated to appoint an independent financial advisor in accordance with the Merger & Acquisition Regulations). Circumstances under which the financial advisor shall not be considered independent of its appointor include, but are not limited to the following:
  - 1) the financial advisor or any of its subsidiaries is a substantial shareholder in the appointor or any of its subsidiaries;
  - 2) the financial advisor or any of its subsidiaries is a substantial shareholder in a controller of the appointor or any of its subsidiaries;
  - 3) an employee of the financial advisor who is involved in the provision of financial advice to the person, is a substantial shareholder in the appointor or any of its subsidiaries;
  - 4) any of the financial advisor's substantial shareholders or board member or in any of its subsidiaries is a substantial shareholders or board member with the appointor or in any of its subsidiaries;
  - 5) any of the appointor's shareholders or board member or in any of its subsidiaries is a substantial shareholders or board member with the financial advisor or in any of its subsidiaries;
  - 6) the appointor or any of its subsidiaries is a substantial shareholder in the financial advisor or any of its subsidiaries; or



- 7) the appointer or any of its subsidiaries is a substantial shareholder in a controller of the financial advisor or any of its subsidiaries.
- **Independent Fund Director:** an independent fund director who enjoys complete independence by way of example, the following shall constitute an infringement of such independence:
    - 1) he is an employee of the fund manager or any of its affiliates, or any sub-manager or custodian for a fund or have a material business, or contractual relationship with the fund manager or any sub-manager or custodian for such fund.
    - 2) he, during the preceding two years, has been a senior executive of the fund manager or any of its affiliates.
    - 3) he is a first-degree relative of any board member or any senior executives of the fund manager or of any its affiliates.
    - 4) he is a controlling shareholder of the fund manager or any of its affiliates, during the preceding two years.
  - **Independent Investment Advisor:** the Capital Market Institution authorised to carry out advising business that holds itself out as an independent investment advisor in accordance with paragraph (f) of Article 41 of the Capital Market Institutions Regulations.
  - **Independent Legal Advisor:** means in the Merger & Acquisition Regulations, a legal advisor who is licensed to practice law in Saudi Arabia and is independent of its appointor (whether the offeror, offeree company or any other person obligated to appoint an independent legal advisor in accordance with the merger & acquisition regulations) and independent of the appointor's financial advisor. circumstances under which the legal advisor shall not be considered independent of its appointor include, but are not limited to the following:
    - 1) the legal advisor or any of its subsidiaries is a substantial shareholder or board member in the appointor or in the financial advisor or any of their subsidiaries;
    - 2) a partner of the legal advisor is a substantial shareholder or board member in a controller of the appointor or in the financial advisor or any of their subsidiaries;



- 3) an employee of the legal advisor, who is involved in the provision of legal advice and service to the person, is a substantial shareholder or board member in the appointor or in the financial advisor or any of their subsidiaries;
  - 4) any partner or board member of the legal advisor or any of its subsidiaries is a substantial shareholder or board member in the appointor or in the financial advisor or any of their subsidiaries;
  - 5) any of the appointer's substantial shareholders or board member or in any of its subsidiaries is a substantial shareholders or board member in the legal advisor or any of its subsidiaries;
  - 6) the appointer of the legal or financial advisor or any of their subsidiaries is a substantial shareholders or board member in the legal advisor or any of its subsidiaries; or
  - 7) the appointer or any of its subsidiaries is a substantial shareholder in a controller of the legal advisor or any of its subsidiaries;
- **Independent Member:** means in the Securities Exchanges and Depository Centers Regulations, a non-executive member of the Board of Directors who enjoys full independence in his position and decisions, including any business, kinship, or any other relation that may lead to a conflict of interests regarding the Exchange or Depository Center, their management, or their members. In addition to the absence of any of these relations during the two years prior to his membership in the Board of Directors.
  - **Independent Board Member:** means in the Capital Market Institutions Regulations, a non-executive member of the board of directors who enjoys full independence in his position and decisions, and none of the negation of independence issues stipulated in paragraph (c) of Article 53 of the Capital Market Institutions Regulations, applies to him.
  - **Index Fund:** an investment fund whose primary investment objective is to track the performance of a specified index.



- **Inside Information:** has the meaning specified at Article 4(c) of the Market Conduct Regulations.
- **Insider:** has the meaning specified at Article 4(b) of the Market Conduct Regulations.
- **Insolvency or Bankruptcy:** actual insolvency or bankruptcy, or the commencement of any proceedings in respect of insolvency or bankruptcy under the Bankruptcy Regulations, or the commencement of any equivalent procedures in the Kingdom or in any other jurisdiction outside the Kingdom.
- **Insolvent:** a person to whom an insolvency event has occurred.
- **Institution:**
  - 1) any company which owns, or which is a member of a group which owns, net assets of not less than 10 million Saudi Riyals;
  - 2) any unincorporated body, partnership or other organisation which has net assets of not less than 10 million Saudi Riyals;
  - 3) a person acting in the capacity of director, officer or employee of a legal person and responsible for its securities activity, where that legal person falls within the definition of paragraphs (1) or (2).
- **Institutional Client:** means any of the following:
  - a. the Government of the Kingdom or any supranational authority recognised by the Authority.
  - b. companies fully owned by the government or any government entity, either directly or through a portfolio managed by a Capital Market Institution authorised to carry on managing business.
  - c. any legal person acting for its own account and be any of the following:
    - 1) a company which owns, or is a member of a group which owns, net assets of more than 50 million Saudi Riyals;
    - 2) an unincorporated body, partnership company or other organisation which has net assets of more than 50 million Saudi riyals.



- 3) a person acting in the capacity of director, officer or employee of a legal person and responsible for its securities activity, where that legal person falls within the definition of paragraph (c/1) or (c/2).
  - d. a company fully owned by a legal person who meets the criteria of paragraph (b) or (c).
  - e. an investment fund.
  - f. a counterparty.
- **Instruction:** any instruction, election, acceptance or any other message of any kind sent or received by way of the Tadawul Trading System or the Tadawul Depository System.
  - **Insurance Company:** an insurance company which is regulated by SAMA.
  - **Intangible Assets:** non cash assets, without physical substance, capable of providing the firm with services or benefits in the future, and in which the firm has acquired the right as a result of events that have occurred or operations that have been completed in the past. Intangible assets could be separately identifiable (could be separated from other assets), such as formation costs, trademarks, copyrights, industrial samples and designs, franchises and licenses. Intangible assets could also be unidentifiable in a separate manner such as goodwill, management skills and qualifications, and other factors which constitute the reputation.
  - **Intermediate Broker:** a person through whom a Capital Market Institution undertakes a margined transaction for a client.
  - **Investment Advisor:** an employee of a Capital Market Institution who performs the activity of advising on behalf of a Capital Market Institution with or for a client.
  - **Investment Fund:** a collective investment scheme aimed at providing investors therein with an opportunity to participate collectively in the profits of the scheme which is managed by a fund manager for specified fees.
  - **Investment Funds Regulations:** the Investment Funds Regulations issued by the Board of the Authority.
  - **Investment Fund Distribution Platform:** It refers to any of the following:



- 1) Distribution platforms established by market infrastructure institutions.
  - 2) Distribution platforms established by financial market institutions that hold the required license in accordance with the regulations and instructions issued by the Authority.
  - 3) Distribution platforms that hold a financial technology Experimental Permit to engage in the distribution of investment funds and Real Estate Investment Funds.
- **Investment Grade:** for the purposes of the Investment Funds Regulations, means; the rating category associated with relatively low default risks granted by recognized credit rating agencies.
  - **In Writing:** or other similar term, wherever it appears, in relation to a communication, notice, approval, agreement or other document, means in legible form and capable of being reproduced on paper, irrespective of the medium used.
  - **Issuance Programme:** a programme under which a single prospectus under the Rules on the Offer of Securities and Continuing Obligations is produced pursuant to which a number of debt instruments or convertible debt instruments may be issued in the future, as stated in the prospectus.
  - **Issuer:** a person issuing or intending to issue securities.
  - **Joint Enterprise:** an arrangement between two or more persons for commercial purposes related to a business which they carry on or are to carry on jointly.
  - **Kingdom:** the Kingdom of Saudi Arabia.
  - **Lead Rating Analyst:** a rating analyst with primary responsibility for elaborating a credit rating or for communicating with the rated entity or the issuer of the security which is rated or to be rated.
  - **Liability:** any liability, loss, damage, claim or expense of any kind or nature, whether direct, indirect, consequential or otherwise.
  - **Limited Offer:** has the meaning specified in Article 9 of the Rules on Offers of Securities and Continuing Obligations.



- **Liquid Net Assets:** assets funded by equity (common stock, disclosed reserves or other retained earnings) which are not otherwise pledged and freely available to cover General Business Risk.
- **Liquidation of the Fund:** means wherever mentioned in the Investment Funds Regulations and the Real Estate Investment Funds Regulations, a maximum period of 12 months from the next day of the date for the Termination of the Fund, during which the assets of fund must be fully liquidated in accordance with the provisions of the Investment Funds Regulations and the Real Estate Investment Funds Regulations.
- **Listed:** in relation to any type of securities, means the securities admitted to listing on the Exchange.
- **Listed Company:** any company with securities of any kind listed on the Exchange.
- **Listing:** listing securities on the Exchange either on the Main Market or on the Parallel Market, or, where the context permits, the application for listing.
- **Listing Rules:** the Listing Rules proposed by the Board of the Exchange and approved by the Board of the Authority.
- **Local Bank:** an institution that has received a license to engage in banking business in accordance with the Laws of the Kingdom.
- **Long Term Insurance Contract:** any long term insurance contract specified by the Authority.
- **Main Market:** the market of Exchange where securities, that have been registered and offered pursuant to Part 4 of the Rules on the Offer of Securities and Continuing Obligations, are traded.
- **Managing:** managing securities belonging to another person in circumstances involving the exercise of discretion, or operating investment funds.
- **Managing Investments:** making investment decisions for non-real-estate investment funds and clients' portfolios in circumstances involving the exercise of discretion.



- **Managing Investments and Operating Funds:** making investment decisions for investment funds and clients' portfolios in circumstances involving the exercise of discretion, and operating investment funds.
- **Margin Transaction:** a transaction where a Capital Market Institution makes a loan to a client of a portion of the cost of the transaction.
- **Market Conduct Regulations:** the Market Conduct Regulations issued by the Board of the Capital Market Authority.
- **Market Maker:** A capital market institution that is authorised to carry out dealing activity where it enters continuous orders, of buying and selling securities for the purpose of providing liquidity to those securities in accordance with Regulations, rules or procedures that the Authority or the Exchange issues.
- **Merger:** a transaction, however its nature, involving an offeree company listed on the exchange and resulting in any of the following:
  - 1) the absorption of that offeree company by another company listed on the exchange.
  - 2) the absorption of that offeree company by a company that is not listed on the exchange.
  - 3) the formation of a new legal entity by merging two companies or more (including the offeree company).
- **Merger and Acquisition Regulations:** the Merger and Acquisition Regulations issued by the Board of the Capital Market Authority.
- **Minimum Authorisation Requirements:** means in the Credit Rating Agency Regulations, the authorisation requirements specified in Article 8, Article 9 and Article 10 (as applicable in the Credit Rating Agencies Regulations).
- **MLRO:** the Money Laundering and Terrorism Financing Reporting Officer of the Capital Market Institution, appointed in accordance with Article 64 of the Capital Market Institutions Regulations, or the Money Laundering and Terrorism Financing Reporting Officer of the external party delegated by the Capital Market Institution to function as a Money Laundering and Terrorism Financing Reporting Officer, appointed



in accordance with paragraph (e) of Article (20) of the Capital Market Institutions Regulations.

- **Money Market Fund:** an investment fund the sole objective of which is to invest in short-term securities and money market transactions in accordance with the Investment Funds Regulations.
- **Money Market Transactions:** means short-term deposits and trade finance contracts.
- **Net Assets Value:** for the purposes of the Investment Funds Regulations and the Real Estate Investment Funds Regulations, means; the Fund's Net Assets Value divided by the number of units outstanding.
- **Non-Executive Board Member:** means in the Capital Market Institutions Regulations, a member of the board of directors who is not full-time managing the Capital Market Institution and does not participate in its daily activities.
- **Non-Saudi Financial Services Firm:** a person who engages in securities business in the course of his profession or trade outside the Kingdom.
- **Offer:** means in the Merger & Acquisition Regulations, a general tender offer, other than the offers provided by the offeree company itself, that is subject to the Merger & Acquisition Regulations, made to all holders of the shares carrying voting rights in the offeree company for any of the following purposes:

- 1) purchase shares carrying Voting Rights in the offeree company or
- 2) to effect a merger of the offeree company.

Any reference in the Merger & Acquisition Regulations to the term "offer" or "potential offer" shall be construed as the following:

- 1) a merger or potential merger;
- 2) an offer or partial offer for takeover, or a potential offer or partial offer for takeover;  
or
- 3) partial offer or potential partial offer, not intended for takeover.



- **Offer Document:** the offer document that the offeror is required to prepare and publish in relation to an offer, in accordance with Article 38 of the Merger & Acquisition Regulations.
- **Offeree Company:** a company listed on the Exchange in respect of which an Offer has been made, or whose shares is the subject of a Private Transaction. Moreover, “potential offeree company” shall be construed accordingly.
- **Offeror:** means in the Rules on the Offer of Securities and Continuing Obligations, a person who makes an offer or invites a person to make an offer which, if accepted, would give rise to the issue or sale of securities by him or by another person with whom he has made arrangements for the issue or sale of the securities; and in the Merger and Acquisition Regulations, a person who makes or intends to make a takeover offer that is subject to the Merger and Acquisition Regulations.
- **Offeror:** a person who makes or intends to make an Offer. The term also includes (where found in the Merger & Acquisition Regulations) any person(s) whom the offeror is acting in concert with. Moreover, "potential offeror" shall be construed accordingly.
- **Offer Period:** the period from announcing a confirmed intention to provide an offer until the offer becomes unconditional as to acceptance, or until the extraordinary general assembly issues a decision to the offeror, as the case may be, and the offeree company in case of acquisition by an offer to exchange securities against the total shares of the offeree company.
- **Open-Ended Investment Fund:** an investment fund with changing capital, the units of which would increase with the issuance of new units, and decrease with redemption by unitholders of some or all of their units. Unitholders are entitled to redeem the value of their units at their net asset value on dealing days set in the Fund’s Terms And Conditions in accordance with the Investment Funds Regulations.
- **Operating Investment Funds:** performing operations related to investment funds, including the calculation of its net assets value and the management of subscription and redemption for its units.



- **Option:** any option to acquire or dispose of any of the following:
  - 1) a security;
  - 2) currency;
  - 3) oil, silver, gold, platinum and palladium; or
  - 4) an option to acquire or dispose of an option specified by this sub-paragraph by virtue of (1), (2) or (3).
  
- **Order:** in relation to an order from a client:
  - 1) an order to a Capital Market Institution from a client to execute a transaction as agent; or
  - 2) any other order to a Capital Market Institution from a client to execute a transaction in circumstances giving rise to similar duties as those arising from an order to execute a transaction as agent.

"order" shall include any decision by a Capital Market Institution to execute a transaction in exercise of discretion for a client, an investment fund that it manages or for the purpose of aggregating orders for its clients in accordance with the Market Conduct Regulations. The definition of order shall not include any requests for purchasing a new securities issue.
  
- **Ordinary Course of Business:** a usual activity that is normal to the day to day operations of the business. Occasional or infrequent activities do not constitute an ordinary course of business.
  
- **Ordinary Fund Resolution:** means a resolution requiring an affirmative vote of the unitholders of more than 50% of the units in the investment fund present or represented by proxy at a meeting of unitholders or by modern means of technology.
  
- **Overseas Custodian:** any of the following:
  - 1) a bank that provides custody services and that is licensed as a commercial bank in a jurisdiction recognised by the Authority;
  - 2) a securities depository licensed as such by an authority outside the Kingdom recognised by the Authority; or
  - 3) an investment firm that is licensed to provide custody services and that is a member of a securities or futures exchange that is recognised by the Authority.



- **Parallel Market:** the market of Exchange where shares, that have been registered and offered pursuant to Part 8 of the Rules on the Offer of Securities and Continuing Obligations, are traded.
- **Partial Offer:** an offer (except for offers made by the same offeree company) subject to the Merger & Acquisition Regulations, made to all holders of the shares carrying voting rights in the offeree company to purchase a certain percentage of shares in the offeree company.
- **Percentage Ratio:** in relation to a transaction, the figure, expressed as a percentage, that results from applying a calculation under a Class Test to the transaction.
- **Permitted Business Profile:** the permitted business profile of a Capital Market Institution.
- **Person:** any natural or legal person recognised as such under the laws of the Kingdom.
- **Pledge:** any form of a security interest recognised under the laws of the Kingdom capable of taking effect in relation to a security.
- **Portfolio Manager:** an employee of a Capital Market Institution who performs the activity of managing on behalf of a Capital Market Institution with or for a client.
- **Prepared Securities Advertisements:** has the meaning given to it in the Capital Market Institutions Regulations.
- **Pricing Supplement:** a document which contains the final terms of each debt instruments or convertible debt instruments issue which is intended to be listed.
- **Principles:** the principles specified in Part 2 of the Capital Market Institutions Regulations.
- **Primary Exchange:** An exchange authorised to carry out trading in Securities in the Kingdom.
- **Principles for Financial Market Infrastructures:** the international standards for financial market infrastructures issued by the Committee on Payments and Market



Infrastructures (CPMI) and the Technical Committee of the International Organization of Securities Commissions (IOSCO).

- **Private Fund:** an investment fund which is established in the Kingdom and which is not a public fund, and the units in which may be offered by the fund manager, in accordance with Part Five of the Investment Funds Regulations, to investors in the Kingdom.
- **Private Placement:** for the purpose of the Rules on the Offer of Securities and Continuing Obligations, means an offer of securities which falls within one of the categories of offers listed in Article 8 of the Rules on the Offer of Securities and Continuing Obligations; and for the purposes of the Investment Funds Regulations, means:
  - 1) for private funds, the offer of units in accordance with paragraph (a) of Article 82 of the Investment Funds Regulations; and
  - 2) for foreign funds, the offer of securities in accordance with paragraph (a) of Article 100 of the Investment Funds Regulations; and for the purpose of the Instructions on the Offering of Real Estate Contributions Certificates means offering real estate contribution certificates in accordance with the private placement requirements stipulated in Paragraph (2) of Part (3) of the Instructions on the Offering of Real Estate Contributions Certificates.
- **Private Placement Notification:** the notification required to be made to the Authority under sub-paragraph (2) of paragraph (a) of Article 10 of the Rules on the Offer of Securities and Continuing Obligations. For the purposes of the Investment funds regulations, means the notification required to be made to the Authority under sub-paragraphs (1,2 and 3) of paragraph (a) of Article 83 of the Investment Funds Regulations in relation to private funds or under sub-paragraphs (1,2 and 3) of paragraph (a) of Article 101 of the Investment Funds Regulation in relation to foreign funds.
- **Private Real Estate Fund:** a private fund the objective of which is to invest in real estate.
- **Private Transaction:** transaction involving the purchase and/or sale of shares carrying Voting Rights in any company listed on the Exchange, negotiated between the Offeror



and selling shareholder(s) of the Offeree Company without making an Offer or involving the other shareholders or directors of the Offeree Company.

- **Professional Investors:** any natural person who fulfils at least one of the following criteria:
  - 1) has carried out at least 10 transactions per quarter over the last 12 months of a minimum total amount of 40 million Saudi Riyals on securities markets;
  - 2) his net assets is not less than 5 million Saudi Riyals;
  - 3) works or has worked for at least three years in the financial sector in a professional position which requires knowledge of securities investment;
  - 4) holds professional certificate that is related to securities business and accredited by an internationally recognised entity; or
  - 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 two most recent years.
  
- **Prospectus:** the document required to offer securities in the Main Market or in the Parallel Market in accordance with the Capital Market Law and the Rules on the Offer of Securities and Continuing Obligations.
  
- **Public:** means in the Rules on the Offer of Securities and Continuing Obligations, the Instructions on the Price Stabilisation Mechanism In Initial Public Offerings and the Instructions on Issuing Depositary Receipts Out of the Kingdom, persons other than the following:
  - 1) affiliates of the issuer;
  - 2) substantial shareholders of the issuer;
  - 3) directors and senior executives of the issuer;
  - 4) directors and senior executives of affiliates of the issuer;
  - 5) directors and senior executives of substantial shareholders of the issuer;
  - 6) any relative of persons described at (1), (2), (3), (4) or (5) above;
  - 7) any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above; or
  - 8) persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.



- **Public Fund:** an investment fund which is established in the Kingdom and the units in which may be offered by the fund manager, in accordance with Part Four of the Investment Funds Regulations, to investors in the Kingdom otherwise than by way of a private placement.
  
- **Public Unitholders:** means in the Investment Funds Regulations and the Real Estate Investment Funds Regulations, any unitholder who own a unit or units in the closed-ended investment traded fund or the real estate investment traded fund other than the following:
  - 1) Substantial Unitholder;
  - 2) the fund manager and its affiliates; or
  - 3) the fund's board of directors' members.
  
- **Qualified Client:** means any of the following:-
  - A) a natural person who meets at least one of the following criteria:
    - 1) has carried out at least 10 transactions per quarter over the last 12 months of a minimum total amount of 40 million Saudi Riyals on securities markets;
    - 2) his net assets is not less than 5 million Saudi Riyals.
    - 3) Works or has worked for at least three years in the financial sector in a professional position related to investment in securities.
    - 4) holds a professional certificate in securities business and accredited by an internationally recognised entity.
    - 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.
    - 6) being a client of a Capital Market Institution authorised by the Authority to conduct managing activities, provided that the following is fulfilled:
      - a. the offer shall be made to the Capital Market Institution, and that all related communications be made by it.
      - b. the Capital Market Institution has been appointed on terms which enable it to make investment decisions on the client's behalf without obtaining prior approval from the client.



- 7) registered persons of a Capital Market Institution if the offer is carried out by the Capital Market Institution itself.
- B) a legal person, which meets at least one of the following criteria:
- 1) any legal person acting for its own account and be any of the following:
    - a. a company which owns, or which is a member of a group which owns, net assets of not less than 10 million Saudi Riyals and not more than 50 million Saudi Riyals.
    - b. any unincorporated body, partnership company or other organisation which has net assets of not less than 10 million Saudi Riyals and not more than 50 million Saudi riyals.
    - c. a person acting in the capacity of director, officer or employee of a legal person and responsible for its securities activity, where that legal person falls within the definition of paragraph (1/a) or (1/b).
  - 2) clients of a Capital Market Institution authorised by the Authority to conduct managing activities, provided that the following is fulfilled:
    - a. the offer shall be made to the Capital Market Institution, and that all related communications be made by it; and
    - b. the Capital Market Institution has been appointed on terms which enable it to make investment decisions on the client's behalf without obtaining prior approval from the client.
- C) a company fully owned by a natural person who meets one of the criteria mentioned in paragraph (A) or a legal person who meets one of the criteria mentioned in paragraph (B).
- **Qualified Investor:** means in Part 8 of the Rules on the Offer of Securities and Continuing Obligations, Articles 48 and 49 of the Investment Funds Regulations and Article 46 of the Real Estate Investment Funds Regulations, any of the following:
- 1) Capital Market Institutions acting for their own account.
  - 2) Clients of a Capital Market Institution by the Authority to conduct managing activities provided that this Capital Market Institution 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.



- 3) The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Securities Depository Center.
  - 4) Government-owned companies, either directly or through a portfolio managed by a Capital Market Institution authorised to carry out managing activities.
  - 5) Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.
  - 6) Investment Funds.
  - 7) Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center.
  - 8) Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfil any of the following criteria:
    - a. Has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months
    - b. His net assets is not less than 5 million Saudi Riyals.
    - c. works or has worked for at least three years in the financial sector.
    - d. Holds the General Securities Qualification Certificate which is recognised by the Authority.
    - e. holds a professional certificate that is related to securities business and accredited by an internationally recognised entity.
  - 9) Any other persons prescribed by the Authority.
- **Rated Entity:** a legal person whose creditworthiness is explicitly or implicitly rated in the credit rating (including the issuer of the security to be rated), whether or not it has solicited that credit rating and whether or not it has provided information for that credit rating.
  - **Rating Activities:** any of the following activities: data and information analysis with a view to a credit rating; and the evaluation and approval and issue and review of a credit rating.
  - **Rating Analyst:** a person who performs analytical functions in connection with rating activities.



- **Rating Category:** a rating symbol, such as a letter or numerical symbol which might be accompanied by appending identifying characters, used in a credit rating to provide a relative measure of risk to distinguish the different risk characteristics of the types of rated entities, securities or other assets.
- **Ratio of Fund Costs to the Fund's Total Assets Value:** the ratio of total fund costs to the most recent Fund's Total Assets Value during the relevant half or quarter. Fund costs shall mean; all the expenses incurred by the fund, including fixed and variable expenses, beside the expenses associated with specific events.
- **Real Estate Investment Fund:** a collective real estate investment scheme aimed at providing investors therein with an opportunity to participate collectively in the profits of the scheme which is managed by a fund manager for specified fees.
- **Real Estate Investment Traded Fund (REIT):** a real estate investment fund, the units of which are traded on the Main Market or the Parallel Market, and whose primary investment objective is to invest in constructionally developed real estates, able to generate periodic and rental income, and distribute a specified percentage of the fund's net profit in cash to the unitholders in such fund during its operation period, at least annually.
- **Real Estate Investment Funds Regulation:** the Real Estate Investment Funds Regulation issued by the Board of the Authority.
- **Reconciliation:** the identification and explanation of individual items of difference between two sets of records, but does not include the processing of necessary adjustments.
- **Registered Person:** a person who is registered with the Authority to perform a registrable function.
- **Registrable Functions:** any of the functions that the Authority specifies must be performed by a person registered with the Authority.
- **Registration Document:** the document required for the registration of shares with the Authority for direct listing on the Parallel Market pursuant to the Rules on the Offer of Securities and Continuing Obligations



- **Regulatory Authority:** the Authority, SAMA or any other authority in the Kingdom or overseas which regulates or supervises the conduct of securities, banking, financial, insurance or investment business including any self-regulating organisation.
- **Regulatory Information Service Provider:** means the Exchange or an alternative communication channel or platform recognized by the Authority that replaces the Exchange in cases when it's not possible for persons to make public announcements through the exchange.
- **Related Parties:** mean, in the Investment Funds Regulations and the Real Estate Investment Funds Regulations, the following:
  - 1) Fund manager and fund sub-manager.
  - 2) Custodian and sub-custodian.
  - 3) The developer and engineering office.
  - 4) The property manager (where applicable).
  - 5) The accredited valuer.
  - 6) The auditor.
  - 7) fund's board of directors.
  - 8) Members of the board of directors, any of the executive managers or any employees of one of the above mentioned parties.
  - 9) Any unitholder who owns more than (5%) of the fund's net assets.
  - 10) Any person who controls or who is an affiliate of any of the above mentioned parties.
- **Related Party:** in the Rules on the Offer of Securities and Continuing Obligations, means:
  - 1) affiliates of the issuer except for wholly-owned companies;
  - 2) substantial shareholders of the issuer;
  - 3) directors and senior executives of the issuer;
  - 4) directors of affiliates of the issuer;
  - 5) directors and senior executives of substantial shareholders of the issuer;
  - 6) any relatives of persons described at (1), (2), (3) or (5) above;
  - 7) any company controlled by any person described at (1), (2), (3), (5) or (6) above.



For the purposes of paragraph (6) of this definition, the term “relatives” shall mean a parent, spouse, and children.

In the Merger and Acquisition Regulations, means a person who, in relation to each of the offeror (or any of its affiliates) and the offeree company (or any of its affiliates), satisfies one or more of the following conditions:

- 1) any person who has provided financial assistance (other than a bank in the ordinary course of business) to the offeror or the offeree company;
  - 2) the board members of the offeror or the offeree company (or any of their subsidiaries);
  - 3) a person owning 20% of the offeror and the offeree (weather individually or by acting in concert with other(s))
  - 4) a substantial shareholder with the offeror who in the same time is a board member in offeree company, or vice versa.
- **Relative:** means in the Capital Market Institutions Regulations, parents, husband, wife, and children.
  - **Relative:** husband, wife and minor children.
  - **Relative:** means in the Merger and Acquisition Regulations, husband, wife, children and parents.
  - **Remunerations and Compensations:** means in the Capital Market Institutions Regulations, amounts, allowances, profits and the like, periodic or annual bonuses linked to performance, long or short-term incentive plans and any other in-kind benefits, except for the actual reasonable expenses and fees incurred by the company to enable a board member to perform his duties.
  - **Restructuring:** a material merger or reorganisation, including a material restructuring as described in paragraph (6) of Article 41 of the Rules on the Offer of Securities and Continuing Obligations.
  - **Retail Client:** Any client who is not a qualified client or an institutional client.
  - **Reverse Takeover:** an arrangement where a listed company makes an offer of new shares in itself to the shareholders of an unlisted company in exchange for their shares



and these new shares will represent more than 50% of the listed company voting shares after the acquisition.

- **Rights Issue:** an offer of additional shares to existing shareholders which enables those shareholders to subscribe in proportion to their existing holdings.
- **Rules for Special Purposes Entities:** the Rules for Special Purposes Entities issued by the Board of the Authority.
- **Rules on the Offer of Securities and Continuing Obligations:** the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Authority.
- **Sales Professional:** an employee of a capital market institution who performs the activities of dealing or arranging on behalf of a capital market institution with or for a client.
- **SAMA:** the Saudi Central Bank.
- **Securities:** means any of the following:
  - 1) shares;
  - 2) debt instruments;
  - 3) warrants;
  - 4) certificates;
  - 5) units, and real estate contribution certificates;
  - 6) options;
  - 7) futures;
  - 8) contracts for differences;
  - 9) long term insurance contracts; and
  - 10) any right to or interest in anything which is specified by any of the paragraphs (1) through (9) above.
- **Securities Activity:** has the meaning specified at Article 2 of the Securities Business Regulations.
- **Securities Business:** has the meaning specified at Article 3 of the Securities Business Regulations.



- **Securities Business Regulations:** the Securities Business Regulations issued by the Board of the Capital Market Authority.
- **Securities Crowdfunding:** Offering securities through a securities crowdfunding platform to the subscribers of that platform, by a capital market institution authorised to carry out arranging activity.
- **Securities Crowdfunding Platform:** An electronic platform for securities crowdfunding at a capital market institution authorised to carry out arranging activity.
- **Sells or Selling:** in relation to a security, includes selling the security for consideration, surrendering, assigning or converting rights under a security or assuming a corresponding liability.
- **Senior Executives:** any natural person to whom the governing body of the firm, or a member of the governing body of the firm, has given responsibility, either alone or jointly with others, for management and supervision and either reports to:
  - 1) the governing body directly;
  - 2) a member of the governing body; or
  - 3) the CEO.
- **Settlement Agent:** a person with or through whom a capital market institution effects settlement of a transaction.
- **Settlement Risk:** the risk that the debt instrument or convertible debt instrument will be issued but will not be paid for by the subscriber of the instrument.
- **Share:** share of any company wherever incorporated. The definition of “share” includes every instrument having the characteristics of equity.
- **Share Issuance with the Suspension of Preemptive Rights:** an offer of additional shares through a capital increase with the suspension of existing shareholders’ preemptive rights in the additional shares.
- **Shareholder Circular:** means in the Rules on the Offer of Securities and Continuing Obligations the document required in the context of certain capital alterations of an



issuer to enable the shareholders to make an informed vote at the relevant general assembly.

- **Shares or Convertible Debt Instruments Exchange Offer:** means an offer in which the exchange includes shares or convertible debt instruments of the offeror.
- **Sophisticated Investor:** for the purposes of the Rules on the Offer of Securities and Continuing Obligations, has the meaning specified in Article 9 of the Rules on the Offer of Securities and Continuing Obligations issued pursuant to the Authority's Board Resolution no. (3-123-2017) dated 09/04/1439 H. corresponding to 27/12/2017 G. and amended by the Authority's Board Resolution no. (1-104-2019) dated 01/02/1441 H. corresponding to 30/09/2019 G.; and for the purposes of the Investment Funds Regulations and the Capital Market Institutions Regulations, has the meaning specified in paragraph (b) of Article 74 of the Investment Funds Regulations issued pursuant to the Authority's Board Resolution No. (1-219-2006) dated 03/12/1427 H. corresponding to 24/12/2006 G. and amended by the Authority's Board Resolution No. (1-61-2016) dated 16/08/1437H. corresponding to 23/05/2016 G.
- **Special Fund Resolution:** means a resolution requiring an affirmative vote of the unitholders of 75% or more of the units in the investment fund present or represented by proxy at a meeting of unitholders or by modern means of technology.
- **Special Purposes Entity:** means an entity established and licensed under the Rules for Special Purposes Entities.
- **Specialized Public Fund:** has the meaning specified in Article 55 of the Investment Funds Regulations.
- **Spin-Off:** a type of Demerger where all of the shares in the spun-off entity/new entity to be formed to hold the asset, are distributed on a pro-rata basis to the Listed Company's shareholders as dividend, resulting in a full separation of the two entities in a single process.
- **Split-Off:** a type of Demerger process where the Listed Company makes an offer to its shareholders to exchange their parent shares which will be acquired by the Listed



Company as treasury shares, in exchange for all or a portion of the shares of the spun-off entity/ new entity to be formed to hold the asset.

- **Sponsor:** The person responsible for sponsoring the special purposes entity in accordance with the provisions of the Rules for Special Purposes Entities.
- **Stress Testing:** For the purposes of the Investment Funds Regulations it means, preparing stress tests models and methods for analysing hypothetical cases of the risks facing the fund, and the fund manager's policy to address them. In addition to analysing the level of sensitivity to measure the level of fluctuation in the prices of investment funds units for the variables that affect them. Including, but not limited to, the fund manager carrying out a hypothetical simulation of the liquidity risks and the policy it will follow to address such risks, and the results of this hypothetical simulation, to assess the policy it followed in this regards and determine methods for its development.
- **Structured Product:** a security or other asset resulting from a securitisation transaction or scheme or similar structure.
- **Subsidiary:** in relation to a company, another company which it controls.
- **Substantial Shareholder:** a person holding (5%) or more of the class of shares of the issuer.
- **Substantial Unitholder:** means in the Investment Funds Regulations and the Real Estate Investment Funds Regulations, a person who owns 5% or more of the units of the closed-ended investment traded fund or the real estate investment traded fund.
- **Suitability Report:** The report prepared in accordance with the requirements of paragraph (c) of Article 43 of the Capital Market Institutions Regulations.
- **Tadawul:** the automated system for trading of Saudi shares.
- **Takeover:** the acquisition of control of a company listed on the Exchange.
- **Takeover Offer:** an offer (other than by the offeree company itself) made to the holders of the securities of the offeree company which has as its objective the acquisition of control of the offeree company.



- **Target:** the subject of a Reverse Takeover, consisting of either businesses, assets or an unlisted company.
- **Termination of the Fund:** means wherever mentioned in the Investment Funds Regulations and the Real Estate Investment Funds Regulations, the date on which the fund expires, as per its term end or the occurrence of the event determined on the fund's terms and conditions, including the stage of sale of assets and the distribution of the unitholders' dues among them.
- **Fund's Terms and Conditions:** the contracts containing those disclosures and provisions required under the Investment Funds Regulations and the Real Estate Investment Funds Regulations, signed between the fund manager and the unitholder.
- **Technical Procedures:** The mechanisms relevant to listing and trading securities to execute transactions including settlement, clearing, ownership registration, transfer and deposit of securities including, but not limited to, the following:
  - 1) Exchange procedures emerging from the Exchange Rules to regulate securities trading, listing and post-trade procedures including the registration, depositing and settlement of securities;
  - 2) The procedures of listed securities classification and the standards of market sectors identification, and setting up the necessary amendments in accordance with the practices used in this area;
  - 3) The procedures of continuously amending reference price of the cross listed securities;
  - 4) The procedures of cancelling the transmitted orders resulting from a technical error in the trading system;
  - 5) The procedures of trading suspension of a specific security in emergency situations and lifting the trading suspension in accordance with the provisions of the Trading and Membership Rules;



- 6) Providing and cancelling Market Maker status and specifying the maximum number of market makers on a specific security and apply requirements for all mechanisms relevant to market making;
  - 7) The procedures relevant to indices including implementing, amending and cancelling a new index and approving the calculation methodology of the relevant index and the standards of inclusion and exclusion of certain securities from the calculation of the index; and
  - 8) The procedures relevant to connection requirements to all the Exchange, Depository Centre and Clearing Centre systems for beneficiaries of its services, including information security requirements.
- **Terms of Business:** a written statement, provided to a client, of the terms on which a capital market institution will conduct securities business with or for the client.
  - **Traded:** traded on the Exchange.
  - **Traded Fund:** an investment fund the units of which are traded on the Main Market or the Parallel Market.
  - **Traded Security:** a security traded on the Exchange.
  - **Trading Halt:** the temporary suspension of trading in the securities during the trading period
  - **Trustee of the Special Purposes Entity:** the person under the name of which the shares of a special puposes entity that issues debt instruments are registered, and it shall not be considered an owner of such, in accordance with the provisions of the Rules for Special Purposes Entities.
  - **Treasury Units:** units bought-back which the fund manager keeps in accodance with the Investment Funds Regulations and the Real Estate Investment Funds Regulations.
  - **Unconditional as to Acceptances:** means in the Merger and Acquisition Regulations, that the offer is no longer conditional upon receipt by the offeror of acceptances from the shareholders of the offeree company.



- **Unit:** the share of any owner in any fund consisting of units or a part of it. Each unit shall be treated as a common share in the net assets of the Fund.
- **Unitholder:** a person who owns units in an investment fund or a real estate investment fund, which represents a common share in the net assets of the Fund.
- **Warrant:** warrants and other instruments entitling the holder to subscribe for any shares or debt instruments.
- **Voting Rights:** all the voting rights attributable to the shares of a company which are exercisable at a general meeting.