

KINGDOM OF SAUDI ARABIA

OFFERS OF SECURITIES REGULATIONS

Issued by the Board of the Capital Market Authority

Pursuant to its Resolution Number 2-11-2004

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

Based on the Capital Market Law

issued by Royal Decree No. M/30 dated 2/6/1424H

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of the Capital Market Authority Number 1-28-2008

Dated 17/8/1429H Corresponding to 18/8/2008G

Arabic is the official language of the Capital Market Authority

**Important Notice: The current version of these Regulations, as may be amended, can be
found at the CMA website: www.cma.org.sa**

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PART 1: PRELIMINARY PROVISIONS

Article 1: Offer of securities

For the purpose of the application of these Regulations, offering securities shall mean issuing securities, inviting the public to subscribe therefor or the direct or indirect marketing thereof; or any statement, announcement or communication that has the effect of selling, issuing or offering securities, but does not include preliminary negotiations or contracts entered into with or among underwriters.

Article 2: Definitions and scope

- a. Any reference to the “Capital Market Law” in these Regulations shall mean the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
- b. Expressions and terms in these Regulations have the meaning which they bear in the Capital Market Law and in the Glossary of defined terms used in the Regulations and Rules of the Capital Market Authority, unless the contrary intention appears.
- c. The provisions of these regulations shall not apply to units in investment funds.

PART 2: GENERAL PROVISIONS

Article 3: Offers of securities in the Kingdom

Securities may not be offered in the Kingdom except in accordance with these Regulations.

Article 4: The offeror

A person shall be considered an offeror of securities if he 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.

Article 5: The offeree

- a. Each of the following persons shall be considered an offeree:
- 1) any person to whom the offeror makes an offer;
 - 2) any person to whose agent the offeror makes an offer where the agent is acting in his capacity as such; or
 - 3) any person who receives during the period of the offer an offer of securities from a person (referred to here as the “distributor”) to whom the offeror has made an offer of such securities and the offeror knows or should reasonably know that the distributor makes such an offer.
- b. For the purposes of paragraph (a) of this Article, the offeror will be deemed not to know that a person is acting as an agent for a third party or as a distributor unless he receives information or a representation that such person is acting in such capacity.

Article 6: Types of Offers of Securities

An offer of securities may be a public offer or a private placement.

PART 3: PUBLIC OFFERS

Article 7: Definition of public offer

An offer of securities is a public offer if it does not fall under one of the categories of a private placement as specified in these Regulations.

Article 8: Public offer requirements

Securities may not be offered by way of a public offer unless all the requirements and conditions provided for in the Listing Rules have been fulfilled.

PART 4: PRIVATE PLACEMENTS

Article 9: Categories of private placement

- a. An offer of securities is a private placement in any of the following categories:
- 1) the securities are issued by the government of the Kingdom, or a supranational authority recognised by the Authority;
 - 2) the offer is restricted to sophisticated investors; or
 - 3) the offer is a limited offer.
- b. The Authority may, in circumstances other than those described in paragraph (a) of this Article and upon application of a person seeking to make an offer of securities, determine that such an offer shall be treated as a private placement subject to compliance with such limitations as the Authority may impose.

Article 10: Sophisticated investors

An offer of securities is restricted to sophisticated investors where the offer is directed at any of the following persons:

- 1) authorised persons acting for their own account;
- 2) clients of a person authorised by the Authority to conduct managing activities provided that:
 - a. the offer is made through the authorised person and all relevant communications are made through the authorised person; and
 - b. the authorised person has been engaged as an investment manager 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;

- 3) 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 Centre.
- 4) institutions acting for their own account;
- 5) professional investors; or
- 6) any other person prescribed by the Authority.

Article 11: Limited offers

- a. An offer of securities is a limited offer if:
 - 1) a. it is directed at no more than 60 offerees excluding sophisticated investors;
and
b. the minimum amount payable per offeree is not less than Saudi Riyals one million or an equivalent amount. The minimum amount payable per offeree may be less than Saudi Riyals one million or an equivalent amount where the total value for the securities being offered does not exceed Saudi Riyals five million or an equivalent amount;
 - 2) the offeree is an employee of the issuer or its affiliate;
 - 3) the offeree is an affiliate of the issuer; or
 - 4) the offer complies with any other requirement prescribed by the Authority.
- b. Securities of the same class may not be offered as a limited offer under paragraph (a-1) of this Article more than once in a 12 month period ending with the date of the offer in question.

Article 12: Private placement requirements

- a. No person may offer securities by way of private placement unless the following two requirements are met:

- 1) The offer is made through a person authorized to carry on the activity of arranging; and
 - 2) The offeror notifies the Authority in writing in accordance with the instructions set out in Annex (1) of these Regulations at least 10 days prior to the proposed date of the offer and submits the following to the Authority:
 - a. a declaration by the offeror in accordance with the terms set out in Annex (2) of these Regulations;
 - b. a declaration from the authorised person, whom the offer is made through, in accordance with the terms set out in Annex (3) of these Regulations; and
 - c. copies of any offering documents to be used in advertising the offer.
- b. If having received the private placement notification and the information provided under paragraph (a-2) of this Article the Authority considers that the proposed offer of securities may not be in the interest of investors in the Kingdom or may result in a breach of the Capital Market Law or its Implementing Regulations then it may take the following actions:
- 1) carry out any enquiries which it considers appropriate including requiring the concerned person or its representative to appear before the Authority to answer the questions of the Authority and to explain any matters that the Authority considers relevant to the private placement offering; or
 - 2) require the concerned person or others to provide additional information or to confirm, in such manner as the Authority may specify, that the information provided is accurate.
- c. If, having taken action pursuant to paragraph (b) of this Article, the Authority determines that the private placement is not in the interest of investors in the Kingdom or may result in a breach of the Capital Market Law or its Implementing Regulations, the Authority may after giving the offeror a suitable opportunity to be heard, issue a “notification” to the offeror stating that the offer is not to be made, or

publish a “notice” prohibiting the offer, sale or transfer of the securities to which the private placement relates.

- d. The offeror has the right to appeal to the Committee in respect of any decisions or actions that the Authority takes under the provisions of paragraph (c) of this Article.
- e. After the offer has completed, the offeror must provide the Authority within 10 days a list of all persons who have acquired the securities and details of the total proceeds of the offer.
- f. Where the offer is not completed by the proposed offer end date specified in the private placement notification provided to the Authority in accordance with paragraph (a-2) of this Article, the offeror must provide the Authority within 10 days with a notification in writing signed by the offeror confirming that the offer has failed to complete.

Article 13: Responsibility of authorised person

The authorised person, whom the offer is made through, must ensure that all of the conditions and requirements of Article 12 paragraphs (a), (e), and (f) and Article 14 of these Regulations have been fulfilled.

Article 14: Information to investors

- a. The offeror must ensure that investors are provided with sufficient information on the private placement to enable them to make an informed investment decision and that such information is fair, clear and not misleading.
- b. The private placement offering documents to be used in advertising the offer must contain a prominent statement in the form set out in Annex (4) of these Regulations.

Article 15: Private placement advertisements

No person may make or communicate a securities advertisement (as defined in the Authorised Persons Regulations and the Securities Business Regulations) in respect of a private placement unless the following conditions are fulfilled:

- 1) the securities advertisement is directed solely at persons to whom a private placement may lawfully be made in accordance with these Regulations; and
- 2) the securities advertisement complies with the applicable provisions of the Securities Business Regulations and the Authorised Persons Regulations.

Article 16: No continuing obligations

Except as set out in the provisions of this part, an offeror of securities by way of a private placement is not required to produce, or to register with the Authority or the Exchange, any document relating to the offer of the securities, or to inform the Authority of any material developments relating to the securities.

Article 17: Restrictions on secondary market activity

- 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:
 - 1) the price to be paid for the securities in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;
 - 2) the securities are offered or sold to a sophisticated investor; or
 - 3) the securities are being offered or sold in such other circumstances as the Authority may prescribe for these purposes.
- b. If the requirement in paragraph (a)(1) of this Article cannot be fulfilled because the price of the securities being offered or sold to the transferee has declined since the

date of the original private placement, the transferor may offer or sell securities to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals one million or an equivalent amount.

- c. If the requirement in paragraph (b) of this Article cannot be fulfilled, a transferor may offer or sell the securities if he sells his entire holding of such securities to one transferee.
- d. The provisions of paragraphs (a), (b) and (c) of this Article shall apply to all subsequent transferees of such securities.
- e. The restrictions in this Article shall cease to apply upon approval of listing on the Exchange of securities of the same class as the securities that are subject to such restrictions.

PART 5: LIABILITY FOR INCORRECT DOCUMENTS

Article 18: Liability for incorrect or incomplete documents

Liability for an incorrect or incomplete prospectus or the private placement documents shall be determined in accordance with the Capital Market Law.

PART 6: PUBLICATION AND ENTRY INTO FORCE

Article 19: Publication and entry into force

These Regulations shall become effective upon their publication.

ANNEX 1

PRIVATE PLACEMENT NOTIFICATION TO THE AUTHORITY

[To be provided on the offeror's letterhead]

The following information must be signed by the offeror or an authorized officer of the offeror and notified to the Authority at least 10 days prior to the proposed date of the offer.

1. The name of the issuer, its principal place of registration and the address of its principal place of the business, in addition to the number and types of securities to be offered
2. The name of the offeror, its principal place of registration and the address of its principal place of the business;
3. The fact that the offeror intends to make a private placement specifying which category of private placement in Article 9 of these Regulations the private placement falls into;
4. The name and address of the authorized person whom the offer is made through;
5. The proposed start and end dates of the offer;
6. The classes of securities to be offered;
7. The price to be paid for the offered securities (in Saudi Riyals);
8. The number of offerees;
9. The number and types of securities previously issued by the issuer within the past 12 months;
10. The minimum amount (if any) to be paid by each offeree;
11. The total number of securities to be offered plus the total number of securities already issued;

12. Whether the securities to be offered are identical or, where there are differences, details of these differences;
13. In case of limited offers, the names of all persons to whom the securities are to be offered; and
14. Where the offeror or any of the directors, senior executives, controlling shareholders, or founding shareholders of the offeror have been convicted by a judicial authority of any violation involving fraud or dishonesty or a violation under the Capital Market Law, its implementing regulations, or any legislation relating to companies or money laundering of which, details of such violation including details of the convicted party, the name of the judicial authority by which such party was convicted, the date of conviction and full particulars of the violation and the penalty imposed.

ANNEX 2

OFFEROR'S DECLARATION TO THE AUTHORITY

[To be provided on the offeror's letterhead]

To: The Authority

We, being _____ (insert name of the offeror(s)), hereby jointly and severally declare that to the best of our knowledge and belief (having taken reasonable care to ensure that such is the case) the information contained in the private placement notification and offering documents to be used in advertising the offer is in accordance with the facts and contains no omission likely to affect the import of such information and is fair, clear and not misleading.

We further declare that all the relevant conditions for making a private placement have been satisfied and have submitted or will submit all the information and documentation required to be provided to the Authority under the Offers of Securities Regulations.

We hereby authorise the Authority to exchange any relevant information with any authorities, agencies or bodies having responsibility for the supervision of financial services or any other relevant authorities.

Name: _____

Name: _____

Signature: _____

Signature: _____

Date: _____

Date: _____

ANNEX 3

AUTHORISED PERSON'S DECLARATION TO THE AUTHORITY

[To be provided on the authorised person's letterhead]

To: The Authority

We, _____ (insert name of the "authorised person") (the authorised person), hereby confirm that we have been appointed by _____ (insert name of offeror) (the offeror) to offer securities of the offeror.

We further declare that to the best of our knowledge and belief (having taken reasonable care to ensure that such is the case) that the offeror has satisfied all the relevant conditions for making a private placement and has submitted or will submit all the information and documentation required to be provided to the Authority under the Offers of Securities Regulations.

We hereby authorise the Authority to exchange any relevant information with the authorities, agencies or bodies having responsibility for the supervision of financial services or other relevant authorities.

Signed on behalf of the authorised person: the authorised officer:

Name: _____

Signature: _____

Date: _____

ANNEX 4

STATEMENT TO BE INCLUDED IN THE PRIVATE PLACEMENT OFFERING DOCUMENTS

The private placement offering documents must include the following statement:

“This document may not be distributed in the Kingdom except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document you should consult an authorised financial adviser.”