



## **The Draft to Develop the Categories of Investors in the Parallel Market**

### **A) Preamble:**

As part of the Capital Market Authority's ("CMA") strategic objectives to develop the capital market, and based on the Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424 H, the CMA Board issued its resolution to publish the draft to develop the categories of investors in the Parallel Market for public consultation for a period of (30) calendar days.

### **B) Objectives of the Draft and its Main Elements:**

The Draft aims to develop the categories of investors permitted to invest in the Parallel Market. The main elements of the Draft Regulatory Framework are as follows:

- 1) Amending the term "Qualified Investor" to be "Qualified Investor in the Parallel Market".
- 2) Amending the minimum of the value of transactions required to classify a natural person as a qualified investor in the Parallel Market.
- 3) Classifying the board members and members of the committees emanating from the board of directors in companies listed in the Parallel Market as qualified investors allowed to invest in the Parallel Market.



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### C) Proposed amendments to the Rules on the Offer of Securities and Continuing Obligations compared with the current provisions:

Rules on the Offer of Securities and Continuing Obligations		
Current Provision	Proposed Amendments	Explanation
<p><b>PART 8</b> <b>Offer or Registration in Parallel Market</b></p> <p><b>Article 74: Scope and Application</b> ...</p> <p>d) The offer, under this Part, shall be limited to the categories of qualified investors, and the financial advisor of the issuer is responsible for ensuring compliance with this paragraph.</p> <p>e) In all cases, Capital Market Institutions shall ensure that their clients of qualified investors are aware of the risks involved in subscribing of shares offered in the Parallel Market.</p>	<p><b>PART 8</b> <b>Offer or Registration in Parallel Market</b></p> <p><b>Article 74: Scope and Application</b> ...</p> <p>d) The offer, under this Part, shall be limited to the categories of qualified investors <b>in the Parallel Market</b>, and the financial advisor of the issuer is responsible for ensuring compliance with this paragraph.</p> <p>e) In all cases, Capital Market Institutions shall ensure that their clients of qualified investors <b>in the Parallel Market</b> are aware of the risks involved in subscribing of shares offered in the Parallel Market.</p>	<p>It is proposed to amend Article (74) of Part (8) of the Rules on the Offer of Securities and Continuing Obligations, to develop the category of investors permitted to invest in the parallel market.</p>
<p><b>PART 8:</b> <b>Offer or Registration in Parallel Market</b></p> <p><b>Article 79: Requirement to Submit the Application to the Authority</b> ...</p> <p>f) Where the offer is not completed by the prescribed offer end date specified in the prospectus provided to the Authority, the financial advisor must provide the Authority within ten days with a notification in writing signed by the financial</p>	<p><b>PART 8:</b> <b>Offer or Registration in Parallel Market</b></p> <p><b>Article 79: Requirement to Submit the Application to the Authority</b> ...</p> <p>f) Where the offer is not completed by the prescribed offer end date specified in the prospectus provided to the Authority, the financial advisor must provide the Authority within ten days with a notification in writing signed by the financial</p>	<p>It is proposed to amend Article (79) of Part (8) of the Rules on the Offer of Securities and Continuing Obligations, to develop the category of investors permitted to invest in the parallel market.</p>



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Rules on the Offer of Securities and Continuing Obligations		
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<p>advisor confirming that the offer has not completed. The financial advisor may, in consultation with the issuer, extend the period of the offer before end date of the offer, the qualified investor who has subscribed to the shares prior to the extension of the offer period may cancel or amend its subscription.</p>	<p>advisor confirming that the offer has not completed. The financial advisor may, in consultation with the issuer, extend the period of the offer before end date of the offer, the qualified investor <b>in the Parallel Market</b> who has subscribed to the shares prior to the extension of the offer period may cancel or amend its subscription.</p>	
<p><b>PART 8: Offer or Registration in Parallel Market</b></p> <p><b>Article 83: Supplementary Prospectus and Supplementary Shareholders' Circular or Supplementary Registration Document</b> ...</p> <p>d) Where a supplementary prospectus is submitted to the Authority under this Article, a qualified investor who subscribed for shares prior to the publishing of the supplementary prospectus is permitted to rescind or amend his subscription for such shares prior to the end of the offering period.</p>	<p><b>PART 8: Offer or Registration in Parallel Market</b></p> <p><b>Article 83: Supplementary Prospectus and Supplementary Shareholders' Circular or Supplementary Registration Document</b> ...</p> <p>d) Where a supplementary prospectus is submitted to the Authority under this Article, a qualified investor <b>in the Parallel Market</b> who subscribed for shares prior to the publishing of the supplementary prospectus is permitted to rescind or amend his subscription for such shares prior to the end of the offering period.</p>	<p>It is proposed to amend Article (83) of Part (8) of the Rules on the Offer of Securities and Continuing Obligations, to develop the category of investors permitted to invest in the parallel market.</p>
<p><b>PART 8: Offer or Registration in Parallel Market</b></p> <p><b>Article 85: Publication of Prospectus, Shareholders' Circular, Registration Document and Formal Notices</b> a) The issuer must publish the prospectus or the registration document (where applicable)</p>	<p><b>PART 8: Offer or Registration in Parallel Market</b></p> <p><b>Article 85: Publication of Prospectus, Shareholders' Circular, Registration Document and Formal Notices</b> a) The issuer must publish the prospectus or the registration document (where applicable)</p>	<p>It is proposed to amend Article (85) of Chapter (8) of the Rules on the Offer of Securities and Continuing Obligations to develop the category of investors permitted to invest in the Parallel Market.</p>



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Rules on the Offer of Securities and Continuing Obligations		
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<p>and must ensure that it is made available to the qualified investors at least (14) days prior to the start of the offering (In case of prospectus) and before direct listing (in case of registration document).</p> <p>b) As an exception from paragraph (a) of this Article, an issuer must publish the prospectus and must ensure that it is made available to the <b>public</b> at least (14) days prior to the date of the general assembly meeting where an offering of a rights issue is to be made or where share issuance with the suspension of preemptive rights is to be made.</p> <p>c) Where an issuer must publish a shareholders' circular in accordance with the provisions of these Rules, it must ensure that it is made available to the qualified investors at least (14) days prior to the relevant general assembly meeting.</p> <p>d) The prospectus, the shareholders' circular, the registration document (where applicable) any supplementary prospectus, any supplementary shareholders' circular or any supplementary registration document (as applicable) shall be made available to the <b>public</b> in electronic form on the official websites of the issuer, the Authority, the</p>	<p>and must ensure that it is made available to the qualified investors <b>in the Parallel Market</b> at least (14) days prior to the start of the offering (In case of prospectus) and before direct listing (in case of registration document).</p> <p>b) As an exception from paragraph (a) of this Article, an issuer must publish the prospectus and must ensure that it is made available to the <b>qualified investors in the Parallel Market</b> at least (14) days prior to the date of the general assembly meeting where an offering of a rights issue is to be made or where share issuance with the suspension of preemptive rights is to be made.</p> <p>c) Where an issuer must publish a shareholders' circular in accordance with the provisions of these Rules, it must ensure that it is made available to the qualified investors <b>in the Parallel Market</b> at least (14) days prior to the relevant general assembly meeting.</p> <p>d) The prospectus, the shareholders' circular, the registration document (where applicable) any supplementary prospectus, any supplementary shareholders' circular or any supplementary registration document (as applicable) shall be made available to the <b>qualified investors in the Parallel Market</b> in electronic form on the official websites</p>	



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Rules on the Offer of Securities and Continuing Obligations		
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Exchange and the financial advisor.	of the issuer, the Authority, the Exchange and the financial advisor.	

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

Glossary of Defined Terms Used in Regulations and Rules of the Capital Market Authority		
Current Provision	Proposed Amendments	Explanation
<p><b>Qualified Investor:</b> means in Part 8 of the Rules on the Offer of Securities and Continuing Obligations, Articles 46 and 47 of the Investment Funds Regulations and Article 45 of the Real Estate Investment Funds Regulations, any of the following:</p> <p>...</p> <p>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:</p> <p>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.</p> <p>...</p> <p>9) Any other persons prescribed by the Authority</p>	<p><b>Qualified Investor in the Parallel Market:</b> means in Part 8 of the Rules on the Offer of Securities and Continuing Obligations, Articles 46 and 47 of the Investment Funds Regulations and Article 45 of the Real Estate Investment Funds Regulations, any of the following:</p> <p>...</p> <p>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:</p> <p>a. Has conducted transactions in security markets of not less than 30 million Saudi riyals in total during the last twelve months.</p> <p>...</p> <p>9) Board members and members of the specialized committees emanating from the Board of Directors in companies listed in the Parallel Market.</p> <p>10) Any other persons prescribed by the Authority.</p>	<p>It is proposed to amend this term in the Glossary of Defined Terms Used in The Regulations and Rules of The Capital Market Authority, to develop the category of investors permitted to invest in the parallel market</p>