

Draft Amendments to the Exchange Rules

a) Introduction:

The Saudi Exchange is committed to involve all concerned and interested parties to participate and share their views on the regulatory framework. This been said, Saudi Exchange announces the publishing of the draft amendments to the Exchange Rules for public consultation for a period of (14) calendar days ending on (19\08\2025G) corresponding to (25\02\1447H).

b) Objective of the Draft Amendments:

The proposed draft amendments aim to develop the categories of qualified investors in the Parallel Market by adding a new classified category among qualified investors and easing the standards and requirements that an investor must meet to be eligible to trade and invest in the Parallel Market, which will positively impact the Capital Market. The amendments also include changes to the market value requirement for publicly held shares and the expected aggregate market value requirement as of the listing date for all shares to be listed on the Parallel Market. Furthermore, the amendments also aim to align with the Capital Market Authority's Regulations, as amended to implement the new Companies Law.

c) Receive Public Views:

Saudi Exchange would be pleased to receive your feedback and views on the Proposed amendments of the Exchange Rules through the following email:

Public.Consultation@tadawulgroup.sa

Your feedback shall be considered and assessed during the process of issuing the final versions of the amendments.

d) Proposed Amendments on the Glossary of Defined Terms Used in The Exchange Rules compared to the current provisions:

#	Current Provisions	Provisions after proposed Amendments
Proposed amendments to align with the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority as amended to implement the new Companies Law		
1.	Amendment on the Demerger Term	Demerger: <u>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.</u> -a transaction where a Listed Company wishes to effect the separation or divesture of a subsidiary, an asset or a business wholly or partly within its existing group whether through a separate listing of such subsidiary, asset or business on

		the Exchange (including the main market or the parallel market, as defined in the Parallel Market Listing Rules) or without listing. A Demerger could take the form of a Spin-Off, a Split-Off or a Carve Out.
2.	Amendment on the Spin-Off Term	Spin-Off: a type of Demerger where all or a portion of the shares in the spun-off entity/new entity to be formed to hold the asset, are distributed on a pro-tata basis to the Listed Company's shareholders as divided, resulting in a full separation of the two entities in a single process. <u>Spin-Off: a type of Demerger where all or a portion of the shares in the spun-off entity/new entity to be formed to hold the asset, are distributed on a pro-tata basis to the Listed Company's shareholders as divided, resulting in a full separation of the two entities in a single process.</u> In a Spin-Off transaction a portion of the shares of the spun-off entity/new entity to be formed to hold the asset, may be offered to the public through a public offering and listing on the Exchange.
3.	Amendment on the Demerged Entity Term	Demerged Entity: the entity that is the subject of a Demerger. transaction resulting in it being Spun-Off, Split-Off or Carved Out from the Listed Company. <u>Demerged Entity: the entity that is the subject of a Demerger.</u>
4.	Deletion of the Term Carve Out	Carve Out: is a type of Demerger transaction where the Listed Company sells off a portion of its assets, business or a subsidiary by transferring them as a whole, to one or several existing entities (acquiring legal entities) or to be newly formed, or to the public in return for cash or shares in the acquiring legal entity being granted to the Listed Company.
Amendments on the Qualified Investor in the Parallel Market		
5.	New Term	<u>Qualified Investor in the Parallel Market: for the purpose of Part 8 of the Listing Rules, any of the following:</u> <ol style="list-style-type: none"> 1) <u>Capital Market Institutions acting for their own account.</u> 2) <u>Clients of a Capital Market Institution authorised 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.</u> 3) <u>The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange,</u>

		<p><u>and any other stock exchange recognised by the Authority or the Depository Center.</u></p> <ol style="list-style-type: none"> 4) <u>Government-owned companies either directly or through a portfolio managed by a Capital Market Institution authorised to carry out managing activities.</u> 5) <u>Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.</u> 6) <u>Investments Funds.</u> 7) <u>Non-resident foreigners permitted to invest in the Parallel Market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.</u> 8) <u>Qualified foreign financial institutions.</u> 9) <u>Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center.</u> 10) <u>Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfill any of the following criteria:</u> <ol style="list-style-type: none"> (a) <u>has conducted transactions in security markets of not less than 30 million Saudi riyals in total during the last twelve months.</u> (b) <u>his net assets is not less than 5 million Saudi Riyals.</u> (c) <u>works or has worked for at least three year in the financial sector.</u> (d) <u>holds the General Securities Qualification Certificate which is recognised by the Authority.</u> (e) <u>holds professional certificate that is related to securities business and accredited by an internationally recognized entity.</u> 11) <u>Board members and members of the specialized committees emanating from the Board of Directors in companies listed in the Parallel Market.</u> 12) <u>Any other persons prescribed by the Authority.</u>
6.	<p>Amendment on the Qualified Investor Term</p>	<p>Qualified Investor: for the purpose of Part 8 of the Listing Rules and the Securities Borrowing and Lending Regulations, any of the following:</p> <ol style="list-style-type: none"> 1) Capital Market Institutions acting for their own account.

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| | <ol style="list-style-type: none">2) Clients of a Capital Market Institution authorised 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 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) Investments funds.7) Non-resident foreigners permitted to invest in the Parallel Market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.8) Qualified foreign financial institutions.9) Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center.10) Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfill any of the following criteria:<ol style="list-style-type: none">(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 year in the financial sector.(d) holds the General Securities Qualification Certificate which is recognised by the Authority. |
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		(e) holds professional certificate that is related to securities business and accredited by an internationally recognized entity. 11) Any other persons prescribed by the Authority.
7.	Amendment on the Parallel Market Term	Parallel Market: the market of the Exchange in which shares, that have been registered and offered pursuant to Part 87 of the Rules on the Offer of Securities and Continuing Obligations and have been admitted to listing pursuant to Part 8 of the Listing Rules, are traded.

e) **Proposed Amendments on the Listing Rules compared to the current Provisions:**

	Current Provisions	Provisions after proposed Amendments
Proposed amendments to align with the Regulations and Rules of the Capital Market Authority as amended to implement the new Companies Law		
8.	<p>Article 18: Listing requirements for an entity subject of a Demerger transaction</p> <p>a. The Demerger Entity will not be considered suitable for listing on the Exchange if its assets and operations are substantially the same as those of the existing issuer, taking into consideration the issuer’s business, Demerged Entity’s business or commercial reasons for listing.</p> <p>b. The issuer shall retain sufficient level of operations and assets to support its separate listing status following the listing of the Demerged Entity. The issuer is required to retain sufficient assets and operations of its own, in addition to its interest in the Demerged Entity.</p> <p>c. There should be a clear distinction between the business retained by the issuer and the business transferred or held by the Demerged Entity.</p>	<p>Article 18: Listing requirements for an entity subject of a Demerger transaction</p> <p>a. The Demerger Entity will not be considered suitable for listing on the Exchange if its assets and operations are substantially the same as those of the existing issuer, taking into consideration the issuer’s business, Demerged Entity’s business or commercial reasons for listing.</p> <p>b. The issuer shall retain sufficient level of operations and assets to support its separate listing status following the listing of the Demerged Entity. The issuer is required to retain sufficient assets and operations of its own, in addition to its interest in the Demerged Entity.</p> <p>c. There should be a clear distinction between the business retained by the issuer and the business transferred or held by the Demerged Entity.</p>

d. The Demerged Entity should be able to function independently of the issuer, with its own independent executive management and administrative capability without requiring any support from the issuer, except for arrangements for the sharing of administrative and non-executive functions.

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Amendments on the Qualified Investor in the Parallel Market

Article 42: Eligibility for Trading in the Parallel Market

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- a. Only Qualified Investors shall be allowed to trade in Securities listed on the Parallel Market. The Capital Market Institutions, through which Securities are traded in the Parallel Market and the rights issue of the shares, is responsible for ensuring the compliance with this paragraph.
- b. In all cases, Capital Market Institutions shall ensure that their Qualified Investors' clients are aware of the risks involved in investing in the Parallel Market.
- c. Notwithstanding paragraph (a) of this Article, owners of the Securities -other than the Qualified Investors- who held Securities prior to being listed on the Parallel Market are allowed to trade on the Parallel Market in respect of the Securities of that issuer as well as the rights issued by such issuer. The Capital Market Institutions, through which Securities are traded in the Parallel Market and the rights issue of these shares, is responsible for ensuring the compliance with this paragraph.
- d. Notwithstanding paragraph (a) of this Article, owners of the Securities -other than the Qualified Investors in the Parallel Market- who held Securities either by way of will, inheritance, or

Article 42: Eligibility for Trading in the Parallel Market

- a. Qualified Investors [in the Parallel Market](#) shall be allowed to trade in Securities listed on the Parallel Market. The Capital Market Institutions, through which Securities are traded in the Parallel Market and the rights issue of the shares, is responsible for ensuring the compliance with this paragraph.
- b. In all cases, Capital Market Institutions shall ensure that their Qualified Investors' [in the Parallel Market's](#) clients are aware of the risks involved in investing in the Parallel Market.
- c. Notwithstanding paragraph (a) of this Article, owners of the Securities -other than the Qualified Investors [in the Parallel Market](#) - who held Securities prior to being listed on the Parallel Market are allowed to trade on the Parallel Market in respect of the Securities of that issuer as well as the rights issued by such issuer. The Capital Market Institutions, through which Securities are traded in the Parallel Market and the rights issue of these shares, is responsible for ensuring the compliance with this paragraph.
- d. Notwithstanding paragraph (a) of this Article, owners of the Securities -other than the Qualified Investors [in the](#)

<p>based on instructions issued by the Authority or Regulatory Body are allowed to sell the Securities of that Issuer and to trade the rights issued by such issuer. The Capital Market Institutions, through which securities are traded in the Parallel Market and the rights issue of the shares, is responsible for ensuring the compliance with this paragraph.</p>	<p>Parallel Market- who held Securities either by way of will, inheritance, or based on instructions issued by the Authority or Regulatory Body or employees subscribed to the employees shares plan in listed companies in the Parallel Market are allowed to sell the Securities of that Issuer and to trade the rights issued by such issuer. The Capital Market Institutions, through which securities are traded in the Parallel Market and the rights issue of the shares, is responsible for ensuring the compliance with this paragraph.</p>
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Amendments on Market Cap Requirements in the Parallel Market

<p>Article 43: Conditions relating to listing of shares on the Parallel Market</p> <p>10. a. The issuer must be a joint stock company.</p> <p>b. There must be a sufficiently liquid market for the shares that are the subject of the application for listing on the Parallel Market as follows:</p> <ol style="list-style-type: none"> 1) there are at least 50 public shareholders at the time of listing; and 2) at least 20% of the class of shares that are the subject of the application will be owned by the public at the time of listing or the market value of shares owned by the public at the time of listing is not less than SR 30 million (whichever is less). <p>c. After obtaining the approval of the Authority, the Exchange may permit a lower liquidity requirements than what is set out in paragraph (b) of this Article if it considers that it is appropriate in view of the number of shares under the same class and its distribution to the public.</p>	<p>Article 43: Conditions relating to listing of shares on the Parallel Market</p> <p>a. The issuer must be a joint stock company.</p> <p>b. There must be a sufficiently liquid market for the shares that are the subject of the application for listing on the Parallel Market as follows:</p> <ol style="list-style-type: none"> 1) there are at least 50 public shareholders at the time of listing; and 2) at least 20% of the class of shares that are the subject of the application will be owned by the public at the time of listing or the market value of shares owned by the public at the time of listing is not less than SR 30⁵⁰ million and at least 10% of the class of shares that are the subject of the application will be owned by the public at the time of listing (whichever is less). <p>c. After obtaining the approval of the Authority, the Exchange may permit a lower liquidity requirements than what is set out in paragraph (b) of this Article</p>
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<p>d. Without prejudice to any lower liquidity requirements permitted under paragraph (c) of this Article, the requirements of paragraph (c) of this Article shall constitute a continuous obligation on the issuer.</p> <p>e. If the issuer, at any time following having its shares listed, becomes aware that any of the requirements of paragraph (b) of this Article are no longer met, it must immediately inform the Exchange and take the necessary remedial action to ensure that the relevant requirements are met, in accordance with the period determined by the Exchange, after consultation with the Authority. The issuer shall keep the Exchange informed on any progress in respect of the remedial actions.</p> <p>f. Where none of the shares of a particular class are listed on the Parallel Market, the application for listing on the Parallel Market must relate to all shares of that class issued or proposed to be issued. If the shares of that class are already listed on the Parallel Market, the application must include all further shares of that class which are proposed to be issued.</p> <p>g. Except where shares of the same class are already listed on the Parallel Market, at the date of listing on the Parallel Market the expected aggregate market value of all shares to be listed must be at least SR 10 million for an issuer seeking to offer on the Parallel Market, and SR 100 million for an issuer seeking a direct listing. After obtaining the approval of the Authority, the Exchange may allow the listing of shares of a lower aggregate market value if the Exchange is satisfied that there will be a sufficiently liquid market for the shares concerned.</p>	<p>if it considers that it is appropriate in view of the number of shares under the same class and its distribution to the public.</p> <p>d. Without prejudice to any lower liquidity requirements permitted under paragraph (c) of this Article, the requirements of paragraph (c) of this Article shall constitute a continuous obligation on the issuer.</p> <p>e. If the issuer, at any time following having its shares listed, becomes aware that any of the requirements of paragraph (b) of this Article are no longer met, it must immediately inform the Exchange and take the necessary remedial action to ensure that the relevant requirements are met, in accordance with the period determined by the Exchange, after consultation with the Authority. The issuer shall keep the Exchange informed on any progress in respect of the remedial actions.</p> <p>f. Where none of the shares of a particular class are listed on the Parallel Market, the application for listing on the Parallel Market must relate to all shares of that class issued or proposed to be issued. If the shares of that class are already listed on the Parallel Market, the application must include all further shares of that class which are proposed to be issued.</p> <p>g. Except where shares of the same class are already listed on the Parallel Market, at the date of listing on the Parallel Market the expected aggregate market value of all shares to be listed must be at least SR 5010 million for an issuer seeking to offer on the Parallel Market, and SR 100 million for an issuer seeking a direct listing. After obtaining the approval of the Authority, the Exchange may allow the listing of shares of a</p>
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		lower aggregate market value if the Exchange is satisfied that there will be a sufficiently liquid market for the shares concerned.
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