

Capital Market Authority

Real Estate Investment Traded Funds Instructions

**Issued by the Board of the Capital Market Authority
Pursuant to its Resolution Number 6-130-2016 Dated 23/1/1438H
Corresponding to 24/10/2016G Based on the Capital Market Law
Issued by Royal Decree No M/30 dated 2/6/1424H**

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Part 1: Preliminary

- A. These instructions aim to regulate the offering, [registration and approving the listing for Units](#) of the Real Estate Investment Traded Funds, [in addition to regulating their management, operation and supervision over all of its related activities in Saudi Arabia](#).
- B. These instructions shall be read in conjunction with and in addition to the Capital Market Law and its Implementing Regulations.

Part 2: Definitions

- A. Any reference to the “Capital Market Law” in these Instructions shall mean the Capital Market Law issued by the Royal Decree No. M/30 dated 2/6/1424H.
- B. Expressions and terms in these Instructions have the meaning which they bear in the Capital Market Law and the Glossary of defined terms used in the Regulations and Rules of the Capital Market Authority and the Real Estate Investment Funds Regulations, unless the contrary intention appears.
- C. For the purpose of implementing these Instructions, the following expressions and terms shall have the meaning they bear as follows, unless the contrary intention appears:

Real Estate Investment Traded Fund (REIT): a real estate investment fund that is publicly offered and the units of which are traded on the Exchange, whose primary investment objective is to invest in constructionally developed real estates qualified to generate periodic and rental income, and distribute a prescriptive percentage of the fund's net profit in cash to the unitholders at least annually.

Constructionally Developed Real Estate: real estates that are developed and ready for use, [which fulfill the regulatory requirements](#). This includes residential, commercial, industrial, agricultural and other types of real estates.

Fund's Net Profit: the total fund's returns after deducting total expenses and fees incurred by the fund.

Net assets of the Fund: Cash value based on the total asset value of the Closed-Ended Investment Traded Fund taking off the liabilities.

Unitholders from the Public: means in these instructions unitholders who own units in the REIT other than the following:

- 1) any unitholder owning (5%) or more of the REIT's units.
- 2) the Fund manager and its affiliates.
- 3) the Fund's board of directors.

Part 3: General Provisions

A. The offering, operations and management of the REIT in the Kingdom shall be in accordance to these instructions and the provisions of the Real Estate Investment Funds Regulations to the extent that they apply to the nature of REIT.

~~B.~~ The fund manager must appoint one or more custodians, who shall be authorised persons to conduct custody activity in the Kingdom, to take custody of the assets of the fund and their documentation. The fund manager must be appointed pursuant to a written contract. The appointed custodian must not be the fund manager or a fund sub-manager of the relevant fund, or an affiliate of the fund manager or of the fund sub-manager.

~~C.B.~~ The Also, the Custodian who is appointed pursuant to this paragraph ~~(b) of Part (3) of these Instructions~~ must segregate each REIT's assets from its own assets and from the assets of its other clients, and must maintain all necessary records to support the performance of its contractual responsibilities. These assets must be separately identified, by registering the ~~securities~~ fund's units and other assets of the relevant investment fund in the name of the custodian for the benefit of the relevant investment fund, and the real estate assets of the

fund shall be registered in the name of a subsidiary of the custodian, and the assets of the REIT are owned collectively by the unitholders in that fund.

~~D.C.~~ C. The custodian may assign one or more third parties or any of its affiliates to be a sub-custodian for any REIT whose assets is under its custody. The custodian shall pay the fees of any sub-custodian from his own resources. As an exception to the provision of this paragraph, the assigned sub-custodian shall be an Authorised Person to practice the custody activities, and shall be assigned under a written contract.

~~E.D.~~ D. A sub-custodian from outside the Kingdom may be assigned to hold the fund's external investments, given that it is incorporated, licensed and subject to a regulatory oversight by a regulatory authority in accordance to regulatory standards and requirements equivalent at least to those of the Authority. The sub-custodian shall be assigned pursuant to a written contract.

~~F.E.~~ E. The real estate assets of the REIT can be registered in the name of a subsidiary of a licensed lender, that has extended a loan to the fund as guarantee for the debt.

~~G.F.~~ F. The fund manager must appoint one or more real estate companies specialized in managing properties (Property management company), after ensuring that approvals and licenses required by the relevant governmental agencies are obtained, ~~to~~ manage the property held for investment. This company should possess the necessary experience in real estate management, and shall be responsible for carrying out property management activities including, but not limited to, property management, property maintenance, leasing services and rent collection. The fund manager may- under a leasing contract- agree with the lessee that the latter would manage the property and do any maintenance during the leasing contract period.

~~H.G.~~ G. The fund manager may, after obtaining the Authority's approval on the fund offering, prepare a roadshow for the initial subscription in the REIT.

~~H.~~ The unitholders of REIT are deemed to have read and accepted the funds terms and conditions upon purchasing a unit of REIT from the Exchange.

I. With regards to the provisions of Article (16) of the Real Estate Investment Funds Regulations and paragraph (J) of this part, any related party may buy or sell any unit of the fund after listing the units.

J. No person, group of persons, company or group of companies having their names listed in the terms and conditions of the fund that they, upon establishment, have units in the Fund, may dispose of the units to which they were subscribed during the first year of commencement of the trading of the units of the Fund in question.

~~K.~~ The units of REIT must be registered with the Depository Center.

~~L.~~ The unitholder shall be entitled to exercise all rights in relation to the units including, but not limited to, the right to vote at meetings of unitholders, ~~rights issues and accepting in-kind contributions related to increasing the fund's capital.~~

~~M.~~ The fund capital increase ~~mechanism of the fund will~~may be performed through ~~offering tradable rights issue or~~ accepting in-kind or cash contributions or both ~~as in the case of listed companies in accordance with the regulatory procedures issued in implementation of the Companies Law to the extent they apply to the nature of the REIT.~~following manner:

~~1. As an exception from sub-paragraph (L) of this part and the regulatory procedures issued in implementation of the Companies Law, and in case eligible unitholders did not participate in the subscription, the~~ The fund manager ~~may~~shall obtain the approval of the Authority to offer additional units of the fund by accepting cash or in-kind contributions, or both.

2. After obtaining the Authority's approval referred to in sub-paragraph (1) of paragraph (M) of this part, the fund manager shall obtain the approval of the unitholders – by a regular fund decision – to offer additional units of the fund by accepting cash or in-kind contributions, or both.

3. If the capital increase by accepting cash contributions, or cash and in-kind contributions, the offer period for offering the new units shall be a minimum of (5) days within a period of (6) months as maximum from the date of the authority's approval.
4. Where the minimum initial offer amount required was raised, the offered units shall be allocated to the unitholders subscribing on the unitholders meeting at first, then allocate the remaining units (if any) to the public, and the excess money shall be refunded to the subscribers in cash, within a period not exceeding 15 days after the offer period has elapsed, which is set out in the terms and conditions of the fund. The ownership of the in-kind contributions to be possessed must be transferred in favor of the fund, and the new units shall be listed in the market in a period not exceeding 60 days prior to the unitholders' approval.
5. Where the capital increase is made through accepting in kind contributions, the additional units are immediately allocated to the subscribers in kind after obtaining the unitholders approval referenced in sub-paragraph (2) of paragraph (M) of this Part, provided that the ownership of the property to be possessed is transferred in favor of the fund, and the new units are listed in the market within a period not exceeding 60 days prior to the unitholders' approval.
- ~~M.6.~~ With regards to the provisions of sub-paragraph (3) of paragraph (M) of this Part, and where the minimum initial offer amount required to be raised by the public was not obtained and which is set out in the terms and conditions of the fund, the fund manager shall cancel the offer and refund the subscribers' money with no deduction within 5 days of the offer period elapsing.

N. The fund manager must publish all information that must be disclosed as per part (8) of these Instructions on the fund manager's website and the

Exchange's website, and such information must be complete, clear, accurate and not misleading.

O. The fund manager ~~shall not invest more than (25%)~~ is prohibited from causing any material change to the terms and condition of the fund's fund during the offer period.

P. A percentage of the total offer amount shall be for investors of institutional nature, provided that the Authority approves such percentage.

Q. When the fund manager decides to change the assets value according to the of a current real estate investment fund into a traded real estate investment fund that is managed by the same manager, such fund must have achieved rental net profit after deducting the all expenses for the last audited financial statements in properties outside the Kingdom three years for the constructionally developed and income generating real estates.

Q.R. The applicant must commence issuing and offering the fund units within 6 months of date of the Authority's approval of such application. In case the applicant did not perform such action within the specified period, the Authority's approval shall is canceled.

P.S. If any of the limitations set forth in these Instructions or in the fund's terms and conditions are breached due to a change of circumstances that is beyond the control of the fund manager, and the breach has not been rectified within one month from the date of the beach occurrence, the fund manager must immediately notify the Authority of such event in writing, indicating the taken action and period of time required to rectify the matter. The Authority may at its absolute discretion vary the time limit for rectifying such breach.

Q.T. The Authority may waive a provision of these Instructions in whole or in part as it applies to a person either on an application from such person to whom the relevant provisions of this paragraph would otherwise apply or on the Authority's own initiative.

~~R.~~ The fund manager must provide the Authority with an updated version of the fund's terms and conditions within (10) days of making any changes to it. The custodian shall also receive a copy once updated.

~~S.U.~~ ~~The fund manager~~ must publish a copy of the fund's terms and conditions on the fund manager's website and the Exchange's website. The fund manager must also announce the updated version of the fund's terms and conditions on the fund manager's website and the Exchange's website within (10) days of making any changes to them, including the annual update of the fund's performance.

V. The fund manager must set out policies and procedures to detect risks that have an impact on the fund's investments, provided that such policies and procedures include conducting a risk assessment on annual bases at least, and include the risk assessment report in the annual reports sent to the fund's unitholders and publish it on the fund manager's website.

~~T.W.~~ The fund manager must announce the details of the material changes on the fund's terms and conditions—, on ~~the fund manager's~~ website and the Exchange's website (10) days prior to these changes ~~enter~~entering into force.

X. The fund manager ~~must provide~~ shall disclose all expenses of establishing and offering of the Real-Estate Investment Traded Fund.

Y. The unitholders' meetings may be held, participated in and voted on its decisions via modern technology means according to the standards set out by the Authority ~~within (10) days after the end of the offering period, with.~~

Z. A member of the ~~results~~Board of Directors of the ~~offering and to disclose it on~~ Fund shall not vote on any decision taken by the Board of Directors of the Fund in respect of any matter for which such member has any direct or indirect interest therein. Any such interest shall be disclosed to the Fund's Board of Directors.

AA. To achieve the Independence of a member of the Board of Directors, the following must be complied with:

1. An Independent Director shall be able to perform his/her duties, express his/her opinions and vote on decisions objectively with no bias in order to help the Board make correct decisions that contribute to achieving the interests of the fund.
2. The Board shall conduct annual assessment to the extent of the member's independence and ensure that there are no relationships or circumstances that affect or may affect his/her independence.
3. With consideration to the definition of "Independent Member" in the Real-Estate Invest Funds Regulations and the Glossary of defined terms used in the Regulations and Rules of the Capital Market Authority, cases negate the independence requirement for an Independent Director in the Board of a REIT, include but are not limited to, the following:
 - a) if he/she holds five percent or more of the fund's units or units of another fund under the management of the same fund manager ~~website~~; or is a first degree relative of someone who owns such percentage.
 - b) if he/she is a representative of a legal person that holds five percent or more of the fund's units or units of another fund under the management of the same fund manager;
 - c) if he/she is a representative of a legal person that holds five percent or more of the shares of the fund manager, an affiliate of the fund manager, the custodian or an affiliate of the custodian;
 - d) if he/she is a first degree relative of any member of the Board of the fund or any other fund under the management of the same fund manager;
 - e) If he/she is a first degree relative of any employees of related parties in the fund.
 - f) If he/she has worked or has been employed by the Fund Manager or any party related to the Fund during the past two years, or has been a

holder of a controlling shares in any of these parties during the past two years.

g) If he/she has received money from the Fund in addition to the remuneration of the Board of Directors.

Part 4: ~~REIT~~ Conditions for listing REITs in the Main Market

A. The following must be satisfied when submitting an application to the Authority to offer REITs units:

- 1) **Fund Type:** the REIT must be closed-ended fund.
- 2) **Minimum Initial Offer:** the minimum amount ~~that must be raised~~of the fund's total assets at establishment must be at least SAR ~~100~~500 million.
- 3) **The nominal value per unit:** the nominal value per unit must be SAR 10.
- 4) **Subscription consideration:** the subscription of unitholders from the public must be made with cash contributions only.
- 5) **Subscription limit:** the minimum units to subscribed to shall not exceed 1000 units.

B. The fund Manager must comply with the following at all times:

- 1) **Investment Policy:** at least (75%) of the fund's total assets value according to the last audited financial statements must be invested in constructionally developed real estates qualified to generate periodic rental income.
- 2) **Fund Registration and Admission to Listing:** For units' registration and admission to listing, these units shall have sufficient liquidity as per the following:
 - a) at least ~~50~~200 unitholders from the public; and
 - b) at least 30% of the total REIT units are owned by unitholders from the public.
 - c) the two requirements set forth in sub-~~paragraph~~paragraphs (2/a) and ~~in sub-paragraph~~(2/b) of this ~~paragraph~~Part shall constitute ~~a continuous—obligation~~continuing obligations on the fund manager.

- d) If the fund manager at any time, following having its units listed, becomes aware that the requirements of the ~~sub-paragraph~~paragraphs (2/a) and ~~sub-paragraph~~Part (2/b) of this ~~paragraph~~Part are no longer met, the fund manager must take the necessary remedial actions to ensure that the relevant requirements are met.
- 3) **Distributions:** at least (90%) of the fund's net profits must be distributed annually to the unitholders.

4) Asset Restrictions:

~~4)a)~~a) the fund manager is prohibited from investing in ~~vacant~~white lands. The fund manager is allowed to invest up to a maximum of (25%) of the fund's total assets value according to the last audited financial statements ~~in real estate development whether on real estates owned by the fund manager or not, and to renovate or redevelop these properties.~~, in any of the following:

- real estate development whether on real estates owned by the fund manager or not.
 - renovate or redevelop properties.
 - Real estate repurchase agreements.
 - Units of money markets funds, fixed income funds, Fund of Real-Estate fund.
- b) The fund manager is allowed to invest a maximum 25% of the total assets value in usufruct rights.
- c) The fund manager is prohibited from investing a percentage exceeding 25% of the total assets value, as per the most recent audited financial statements, in real estate out of Saudi Arabia.
- d) The revenues obtained by a tenant shall not exceed 25% of the total assets value.

5) **Leverage:** the borrowing of the fund's must not exceed (50%) of the total assets value of the fund.

6) **Fund's assets requirements:** with regards to the provisions of Article (21) of the Real Estate Investment Funds Regulation, the fund manager shall ensure the following:

- a. All properties are owned under legal effective title deeds.
- b. The fund's real estates in the project are approved to be planned or constructed by an official statement from the relevant authorities, and documents proving it is ready to be used.
- c. The valuers' reports are submitted and published on their website during the offer period.
- d. Submitting an acknowledgement by the valuer stating that the valuer is complying with the Accredited Valuers Law and its implementing regulations and any other regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM), and that the in addition to maintaining the soundness and fairness of the properties' leasing contracts.
- e. Publish the valuers' reports during the offer period on the fund manager and the Exchange's websites, provided that the period from the valuation has exceeded a period of 3 months at the date of offering commencement. It shall also include the valuation of the market price for rents.
- f. The fund manager shall replace the accredited valuers every 2 years as maximum.

Part 5: Offering Requirements

A. The fund manager seeking to offer and list REITs units in the Exchange must submit an application to the Authority.

B. In addition to the requirements set forth in Article (3) of the Real Estate Investment Funds Regulation, the ~~offer application~~ terms and conditions of the fund must include ~~a REIT information memorandum containing~~ all information necessary for all potential unitholders to make an informed judgment based on sufficient information regarding the investment being offered to them. This ~~memorandum application~~ shall contain the information provided in Annex (1) of ~~the Real Estate Investment Funds Regulation to the extent that they apply to nature of the of REIT~~ these instructions, in addition to the following information:

- 1) key dates and initial subscription procedures: this section must include the following information:
 - a) a timetable showing the expected dates of the initial offer.
 - b) a description of the initial subscription procedures.
 - ~~e) Unit allocation method.~~
 - c) The mechanism which the fund manager will follow to allocate units.
- 2) mechanism of the fund's capital increase through accepting in-kind or cash contributions ~~or offering tradable rights issue~~, or both, ~~in accordance with the regulatory procedures issued in implementation of the Companies Law.~~
- 3) policy regarding meetings of unitholders:
 - ~~a) resolutions that call for holding~~ Statement of the events where unitholders meetings-
 - ~~b) invitation procedures of the unitholders' meeting.~~
 - ~~e) voting method for unitholders and rights issue holders in the unitholders meetings~~ are called to be held.
- 4) list of the unitholders' rights
- ~~5) dividends policy: This~~ In pursuance to sub-paragraph (3/b) of Part 4, this section must include ~~-an explanation on the REIT policy for the~~

distribution of dividends to the unitholders ~~in pursuance to sub-paragraph (3/b) of Part 4.~~

5) , and the memorandum dates on which such distributions are due.

6) it shall clearly state that the jurisdiction over any dispute arising from investing in REIT is vested in the Committee for the Resolution of Securities Disputes.

7) ~~The memorandum~~it shall include the procedures to terminate and liquidate the fund, along with the liquidation timeframe.

8) A letter by the legal advisor, who is licensed to practice Law in Saudi Arabia, regarding the legal due diligence report in the form set out in Annex 3 of these Instructions.

9) A letter by the Fund manager regarding the due diligence report in the form set out in Annex 4 of these Instructions.

C. When submitting an application to offer, the fund manager shall provide the authority with a binding agreement to sell the property subject to investment or a binding agreement to transfer its the property's interest ~~upon the completion of fund units offering~~, in case the fund is investing in usufruct rights, with regards to sub-paragraph (4) of paragraph (B) of Part (4) of these instructions, as determined in the terms and conditions of the fund, upon completion of fund units offering and before listing them.

D. When submitting an application to offer, the fund manager must provide the authority with a memorandum of understanding between the fund manager and the property management company to manage the fund's property or a leasing contract if agreed with the lessee that he is responsible for managing the property.

E. All rent contracts must be made in a manner that guarantees the rights of all parties.

F. When submitting an application for offering, the fund manager shall provide the Authority with the name of, at least, two receiving agents, one of which is a commercial bank.

Part 6: Unitholders' consent on the fundamental changes:

- A. ~~A~~The fund manager must obtain the ~~consent of the unitholders in the relevant fund to the proposed~~Authority's approval on the fundamental change proposed for the fund.
- B. ~~A~~The fund manager, ~~having obtained~~after obtaining the Authority's approval ~~of the unitholders specified in line with~~ paragraph (a)A of this ~~Article, must~~Part, ~~shall be~~ obtain the consent of the unitholders of the ~~consent of the Authority on the fund – by a regular fund decision – to any~~ proposed fundamental ~~change~~changes.
- C. for the purpose of these instructions, a fundamental change refers to any of the following:
- 1) a fundamental change ~~which significantly changes~~in the ~~purposes or nature~~objectives of the fund;
 - 2) a change which may have a material adverse effect on the unitholders or their rights in relation to the fund;
 - 3) a change which alters the risk profile of the fund.
 - 4) Increasing the fund's capital.

Part 7: Meetings of Unitholders

- A. The fund manager may call for a meeting of unitholders on its own initiative.
- B. The fund manager must call for a meeting of unitholders within (10) days of receiving a written request from the custodian.
- C. The fund manager shall call for a meeting of unitholders by announcing it on its website and on the exchange's website, and by sending a notice in writing to all unitholders and the custodian giving (1) not less than (10) days' notice of

the meeting; (2) and no more than (21) days' notice before the meeting. The announcement and notice must specify the date, place and time of the meeting and the resolutions proposed. The fund manager must at the same time as sending a notice to unitholders regarding any meeting, provide a copy of any such notice to the Authority.

- D. The fund manager must call for a meeting of unitholders within (10) days of receiving a written request from a unitholder or more who individually or collectively hold at least 25% of the units in the fund's unit value, and the fund manager must state this in the fund's terms and conditions.
- E. The quorum required to conduct a meeting of the unitholders shall be such number of unitholders holding together at least 25% of the units' value unless a greater percentage is specified in the terms and conditions of the fund.
- F. If the quorum requirements set out in paragraph (e) of this Part are not met, the fund manager shall call for a second meeting by announcing this on its website and on the exchange's website and shall send a notice in writing to all unitholders and the custodian giving not less than (5) days' notice of the second meeting. At the second meeting, any number of unitholder(s) holding any number of units present in person or represented by a proxy is a quorum.
- G. Every unitholder shall be entitled to appoint a proxy to represent such unitholder at a meeting of the unitholders.
- H. Every unitholder shall be entitled to exercise one vote at the meeting of the unitholders for each unit which the unitholder holds as at the time of the meeting.
- I. The unitholders meetings and its deliberations and voting on decisions may be conducted through modern technology in accordance with requirements set by the Authority.
- J. The resolution is enforceable upon the consent of unitholders who own %50 of the total units attended the meeting either in person, proxy or via contemporary technology.

Part 8: Disclosure Requirements

A. Disclosing material developments:

- 1) the fund manager must disclose to the Authority and the unitholders without delay any material developments in its sphere of activity which are not public knowledge and which may affect the assets and liabilities or financial position or on the general course of his business or any change affects the status of the fund or causes the fund manager to voluntarily quit his position as a fund manager and which may considerably lead to movements in the price of the listed units; or significantly affect a fund's ability to meet its commitments in respect of debt instruments.
- 2) In determining whether a development falls within the scope of this paragraph, the fund manager must assess whether any investor would be likely to consider information about the development in making his investment decisions.

B. Disclosing specific events:

The fund manager must disclose to the Authority and the unitholders without delay any of the material developments (whether it is Material developments as per paragraph (1)~~4~~) of part (8) or not), as following:

- 1) any transaction to purchase, sell, lease or mortgage an asset at a price equal to or greater than 10% of the fund's total assets value according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later.
- 2) any losses equal to or greater than 10% of the fund's net assets; according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later;
- 3) any changes in the composition of the board of directors or the fund's committees.

- 4) any dispute including any litigation, arbitration or mediation where the value involved is equal to or greater than 5% of the net assets of the fund according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later;
- 5) the increase or decrease in the net assets of the fund equal to or greater than 10% according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later;
- 6) the increase or decrease in the gross profit of the fund equal to or greater than 10% according to the latest audited annual financial statements;
- 7) any transaction between the fund and a related party or any arrangement through which the fund and a related party invest in any project or asset or provide financing therefor if this transaction or arrangement is equal to or greater than 1% of the gross revenues of the fund according to the latest audited annual financial statements;
- 8) any interruption in the principal activities of the fund equal to or greater than 5% of the gross revenues according to the latest audited annual financial statements.
- 9) any change in its external auditors;
- 10) appointing a replacing custodian.
- 11) the passing of any judgment, decision, order or declaration by a court or tribunal, whether at first instance or on appeal, which may adversely affect the fund's utilisation of any portion of its assets which in aggregate value represents a value exceeds 5% of the net assets of the fund according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later;
- 12) Any suggested change to the fund's capital.

C. **In addition to the disclosure requirements set forth in the Investment Real Estate Investment Funds Regulation (including unitholders reports, interim and annual financial statements) the fund manager shall disclose the following at ~~least once every~~ six months basis as a maximum:**

- 1) Any fundamental or material or important changes that might affect the fund's business.
- 2) A statement of the fund's dividends distributed to unitholders.

D. The Fund Manager shall publish a quarterly statement (fact sheet) on its website and the exchange's website. The statement shall include, but not limited to, the unit price at the end of the quarter, the rental income on the unit price, the percentage of the total fees and expenses, the performance of the unit price, a list names and percentages of real-estates in the fund's portfolio and the percentage of borrowing of the net asset value of the fund.

E. The terms and conditions of the Fund shall include an expected ratio of expenses from the Fund's assets (TER). Such ratio shall be updated periodically and published on the Fund Manager's website.

~~D.F.~~ The fund manager must prepare and provide annual reports to the unitholders containing the following information:

- 1) assets in which the fund invests.
- 2) assets in which the fund is aiming to invest: (if any).
- 3) Clarifying the percentage of the leased and unleased real estate to the total owned real estates.
- 4) A comparison sheet of the fund's performance over the last three fiscal years (or since the incorporation of the fund) that includes:
 - a) the fund net assets value at the end of each fiscal year.
 - b) the fund net assets value per unit at the end of each fiscal year.
 - c) the highest and lowest net assets value per unit for each fiscal year.
 - d) the number of issued units at the end of each fiscal year.
 - e) income distribution per unit.

- f) the percentage of the expenses incurred by the fund.
- 5) a performance record that covers the following:
 - a) the total return for 1, 3 and 5 years (or since incorporation).
 - b) the annual total return for each of the last 10 fiscal years (or since incorporation).
 - c) a table showing the fees and fund expenses incurred by the fund to external parties during the year. The total expenses percentage must also be clearly disclosed. If there are any circumstances in which a fund manager decides to waive or reduce any fees, this must also be disclosed.
 - 6) if there were material changes occurred during the period that affected the performance of the fund, these must be clearly disclosed.
 - 7) the fund's board annual report including, but not limited to, the discussed topics and the issued resolutions, including the fund's performance and the extent of achieving its objectives.
 - 8) a statement on any special commissions received by the fund manager during the period, clearly identifying its nature and the manner in which they were utilized.

E.G. The Clarity, Correctness and Completeness of the Disclosed Information:

- 1) all disclosures made by the fund manager must be complete, clear, accurate and not misleading. The disclosure shall be published [on the Fund Manager's website and the Exchange's website, in addition to publishing it through the ~~mean~~means specified in the ~~Real Estate Investment Funds Regulations and these instructions~~terms and conditions of the fund.](#)
- 2) where, in the opinion of the fund manager, disclosure of any matter required by these instructions would be unduly detrimental to the fund and omission is not likely to mislead unitholders with regard to facts and circumstances, knowledge of which is essential for the assessment of the

~~securities~~fund units in question, the fund manager may apply to postpone the relevant requirement or waive it. The fund manager must in that case provide the Authority on a strictly confidential basis with a statement of the its request together with the reasons why the fund manager believes that the information should not be disclosed at that time. The Authority may approve the application for postponing or waiving the relevant requirement or reject it. If the Authority approves the application, the Authority may at any time require the fund manager to disclose any information on the waiver or postponement in relation.

- 3) all information and material developments set forth in this part shall be deemed confidential until they are announced. Before the announcement, the fund manager shall not reveal such information to any party not bound by a confidentiality obligation and an obligation to protect such information. The fund manager must also take all necessary steps to ensure no information or material developments is leaked before announcing it as per this REIT instruction.

~~F.H.~~F.H. The fund manager must determine the need for publishing an announcement to the public to counter rumors related to any material developments, the Authority may also request such publication to be made by the fund manager as it deems appropriate.

~~G.I.~~G.I. The fund manager shall make the interim financial reports available to the public, free of charge, within (25) days, at maximum, from the end of the period to which the report relates, in such locations and by such means as specified in the terms and conditions as well as ~~in~~on the fund manager website and on the exchange's website.

~~H.J.~~H.J. The fund manager shall make the annual financial reports available for the public, free of charge, within (40) days, at maximum, from the end of the period to which the report relates, in such locations and by such means as

specified in the terms and conditions as well as ~~in~~on the fund manager website and on the exchange's website.

K. The fund manager shall conduct assessments of the fund's assets based on a report made by two valuers, once every six months at least. Such report shall be published on the valuers' website and the exchange's website.

L. The terms and conditions of the fund shall contain the percentage of the fund's expenses against the fund's assets (Total Expenses Ratio), and such percentage shall be updated quarterly and published on the fund manager and the exchange's website.

Part 910: Trading Halt and Cancellation of Listing

A. The Authority may at any time suspend the trading of REIT's units or cancel its listing as it deems appropriate, in any of the following circumstances:

- 1) the Authority considers it necessary for the protection of investors or the maintenance of the orderly market.
- 2) If the Fund Manager or the custodian fails, in a manner which the Authority considers material, to comply with the Capital Market Law and its implementing regulations.
- 3) If the liquidity requirements set out in sub-paragraph (2/a) and in sub-paragraph (2/b) of the paragraph (b) of Part (4) of these Instructions are no longer met.
- 4) If the Authority considers that the fund or its assets do not have a sufficient level of operations to warrant the continuous trading of its **securities**units on the Exchange.

B. The fund manager may request in writing to the Authority a temporary trading halt or cancellation of listing the REIT's units. The request should include specific reasons for the request. The Authority may accept, reject or conditionally accept the request for the trading halt or cancellation as it deems appropriate.

Part 1011: Merging REITs:

A. Submitting an application to the Authority for merging REITs.

- 1) The fund manager may submit a request to the Authority to merge a number of real estate investment traded funds it manages, and which is offered in line with the Real Estate Investment Funds Regulations and these Instructions. Such a request may be submitted after obtaining the unitholders' approval of all related funds by a special resolution.

- 2) The merger shall be through combining one fund or more into an existing fund.
- 3) The funds that are planned to be merged shall be of the same type of offering and class, and share similar investment objectives and policies.
- 4) The unitholders must be notified about the merger details, which must be disclosed on the fund manager's website and on the exchange's website, (21) days before executing the merger.
- 5) The merger details must be incorporated in the fund's report prepared by the fund manager pursuant to the Real Estate Investment Funds Regulations and these Instructions, depending on the type of offering.
- 6) The fund manager shall pay the merger costs from its own recourses.

B. Additional Information to be Provided to Unitholders

- 1) The fund manager must provide all the unitholders with complete information about the proposed merger that will enable them to reach a proper decision as per followings:
 - a. Shall be written in a way that is clear, accurate, and not misleading.
 - b. Shall contain, in a detailed way, all the expected consequences of the proposed merger.
- 2) They shall contain a detailed comparison of the charges of all services, commissions and management fees that are imposed on the related funds.

Part 12: Terminating the REIT:

- A. Without prejudice to the Real Estate Investment Funds Regulation, the listing of the fund units shall be cancelled when such fund is terminated.

- B. Without prejudice to the fund's term and conditions, the fund manager shall start the liquidation procedures without delay once the fund's units listing is cancelled.
- C. The fund manager shall terminate the fund and notify the Authority and the unitholders if the requirement set out in sub-paragraph (2/A) of part (4) of these instructions is not satisfied within (12) months of the notice referred to in paragraph (p) of part (3) of these instructions.
- D. The fund manager shall announce the termination and liquidation timeframe of the fund on the websites of the fund manager and the Exchange.

Part 11: Publication and Entry into Force

These instructions shall be effective upon their publication.

Annex 1

Requirements for the terms and conditions of the RIET

The Fund Manager shall deliver the terms and conditions of the fund in Arabic, and in a manner that is easy to understand and comprehend for unitholders and potential unitholders. The terms and conditions shall include the following information in agreement with the sequence described in this Annex:

Cover page contents:

- a) The name of the fund, indicating its class and type.
- b) Name of Fund Manager.
- c) Name of Custodian.
- d) Fund size.
- e) The number of units offered, their total value, and their percentage in the size of the fund.
- f) The following statement:

"The Capital Market Authority shall not give any assurance as to the accuracy or completeness of this document, and disclaims any liability or loss resulting from the contents of this document or reliance on any part thereof. Prospective subscribers of the units offered hereby should conduct their own due diligence on the accuracy of the information relating to the units. If the contents of this document cannot be understood, the consultation of a licensed financial advisor shall be taken."
- g) If the fund is a Sharia-compliant investment fund, the following statement shall be added:

"[Name of fund] has been certified as being Sharia compliant by the Sharia Board appointed for the investment fund."
- h) A statement stressing on the importance of reading the terms and conditions and the other documents of the Investment Fund.

- D) The date of issuance of the Fund's terms and conditions, and the latest update (if any).
- i) The date of the Authority's approval for the establishment of the Investment Fund and the offering of its units.

Contents Inside the cover page:

- 1) Index
- 2) Glossary of Terms and Conditions
- 3) Fund Manual
- 4) Summary of the offer
- 5) The name and type of the fund.
- 6) The head office and the website of the Fund Manager.
- 7) Duration of the Fund, indicating any extension period (if any).
- 8) A description of the purpose and objectives of the Fund, with a statement of the dividends distribution policy to the unitholders.
- 9) A summary of the Fund's strategies to achieve its objective, which includes at least the Following:
 - a) Description of the sector or sectors in which the Fund will invest.
 - b) A detailed statement of the real estate assets to be owned.
 - c) A schedule of the following information for each property:
 - 1. The name of the property.
 - 2. The owner(s) Information.
 - 3. Property type.
 - 4. State / city.
 - 5. The neighborhood / street.
 - 6. Location map.
 - 7. The land area.

- 8. Building area (according to the building permit).
 - 9. Number of floors.
 - 10. Types and numbers of units.
 - 11. occupancy rate of the property.
 - 12. Completion date of building (according to completion certificate)
 - 13. The cost of purchasing the property.
 - 14. A brief description of the current leases.
 - 15. Revenues for the last 3 years of the property.
 - 16. Any additional information.
- d) Any policy that may result in concentrating investment in a certain type of real estate assets or specific geographical region, provided that it includes a provision that includes the information on the deed of ownership of the property (properties) subject in the projects (where applicable).
 - e) Previous and future rental proceeds for each property / usufruct.
 - f) Borrowing rights for the Fund and the Fund Manager policy in the exercise of these rights.
 - g) Methods and ways to invest the liquidity available in the fund.
 - h) Disclosure of the utilization details of the fund's offering proceeds.
 - i) Unitholders and the percentage of in-kind and cash contributions in the fund's assets net value.

10)Risks of investing in the Fund.

- a. Setting out a description of the main risks related to investing in the Fund, which could affect the Fund investments or any other circumstances that could affect the Fund net assets and the proceeds of the investment.
- b. A statement that, investment in the Fund does not guarantee profits and does not protect from losses.

11)Subscription

- a. Providing sufficient information on the subscription which include subscription and termination dates.
- b. detailed statement of real-estate owners intending subscribe in the fund with in-kind contributions and their ownership ratio, in addition to a schedule stating the ownership ration of all subscribers.
- c. detailed statement of the amount which the fund manager is intending to subscribe with in the fund during the offer period.
- d. A statement of the fund manager's undertaking to comply with the laws and regulations that governs property and real estate investments and ownership by non-Saudis.
- e. A detailed statement of the minimum and maximum amount of subscription.
- f. Detailed explanation of the subscription method.
- g. Detailed explanation of the subscription method of minors and dependents in the fund.
- h. Detailed statement of the allocation mechanism.
- i. Capital increase methods (if any).
- j. Setting a time table indicating the expected periods of time starting from the offering until the commencement of trading.

12)Trading of the Fund's units

- a. A statement specifying the mechanism of trading REITs in the Saudi Capital Market.
- b. Events that result in suspension or cancelation of listing.

13)Termination of the Investment Fund

- a. Statement of events which will result in the termination of the investment fund.

b. Stating the procedures in plan if the fund is liquefied and the duration for such actions.

14) Fees, services charges and management Expenses

a. It must Include a detailed disclosure of all fees and charges that will be borne by the Fund's assets, by clarifying the amounts of fees and charges and their percentage of the total assets of the Fund and indicating the maximum limit for all the charges and fees. It should also contain a table showing all management fees and commissions, whether paid by the Unitholders or from the Fund's assets, and shall include:

1. Board of directors members fees and commissions
2. Any fees paid by the unitholders when buying units in the fund.
3. Any fees due to the fund manager from the fund assets in exchange for its management.
4. Any custody services fees, or any other service provided by the custodian.
5. Fees paid to the accountant.
6. Any commission resulting from loans made to the Fund.
7. Any fees related to the registration of fund's units, or any other administrative service.
8. Fees paid to the properties manager.
9. Any other payments made by the unitholders, or any amount deducted from the investment fund assets.

All cases or circumstances in which the fund manager have the right to waive or resolve any of the mentioned above.

b. A table containing the following:

1. Type of the fee
2. Imposed percentage (if any)
3. Imposed amount (if any)
4. Calculation method

5. Recurrence of fee payment

c. A table containing hypothetical investment of a unitholder

d. An acknowledgement by the fund manager stating that the fees mentioned in this paragraph consist all fees due on the fund, and that it shall bear any other fees not mentioned herein.

15)The fund's assets

a. A statement of registration mechanism of the fund's assets.

b. A detailed statement of:

1) Names of the properties assessment companies

2) Method of assessing each asset owned by Fund

3) Cost of assessment for each asset to be invested in.

4) Number of assessments and their timing.

c. Announcing the assets net value for each unit.

d. A table indicating the following:

1. Properties in possession.

2. Names of assessment companies

3. Date of each assessment report

4. Assessment cost for each property

5. Assessments Average

6. Purchase price for each property

16)Fund Board:

a. A statement of the names of fund board members and their qualifications, and a disclosure of independent fund directors of the fund board.

b. Details on the expected total remunerations to be paid to the fund board members during the term of the fund.

c. Description of the roles and responsibilities of the Fund Board.

d. A statement of any other investment fund managed by any member of the Fund's Board.

- e. An acknowledgement by the fund manager that all members of the fund board fulfill the following eligibility requirements:
 - 1) the member must not be bankrupt or subject to any bankruptcy or insolvency proceedings;
 - 2) the member must not have committed an offense involving fraud or acted in breach of integrity and honesty;
 - 3) the person must have the necessary experience and expertise.
- f. Declaration by the fund manager that the definition of an independent fund director in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority applies to the independent fund board members.

17) Fund Manager

- a. Name and address of the fund manager.
- b. A statement that the fund manager is an Authorised Person in accordance with the Authorized Persons Regulations, and the authorization number granted to it by the Authority.
- c. Functions, duties and responsibilities of the fund manager.
- d. Provisions governing the removal/replacement of fund manager.
- e. Any other significant business activities or interests of the fund manager's board member or the fund manager that could potentially conflict with those of the investment fund.
- g. Disclosure of any conflict of interest could potentially affect the fund manager in performing its duties toward the fund.
- h. Functions and powers related to the fund which the fund manager delegated to a third party, with detailed statement of such.
- i. Disclosure of whether the fund manager intends to invest in the fund's units or not, and the value such investments.
- j. A summary regarding the fund manager containing information about the team under its management.

18)Custodian

- a. The custodian's name, address and the authorization number granted to it by the Authority.
- b. Functions, duties and responsibilities of the custodian.
- c. Tasks related to the real-estate investment traded fund which the custodian delegated to a third party.
- d. Provisions governing the removal/replacement of custodian.

19)Properties Manager:

- a. the properties manager name, and address.
- b. A statement of the properties manager's tasks, duties and responsibilities.
- c. Disclosure of whether the properties manager intends to invest in the fund's units or not, and the value of these investments.

20)Accountant:

- a. The name and address of the accountant of the Fund.
- b. A statement of the accountant tasks, duties and responsibilities.

21)Financial Statements

A statement that indicates that the fund financial statements will be available to unitholders free of charge with clarification of the methods to obtain them. Additionally, the date of the fund's fiscal year end shall be indicated.

22)Conflict of Interest

Detailed disclosure of any conflict of interest in the fund, and a statement indicating that the policies and procedures to be followed to attend a case of actual and/or potential conflict of interest will be provided upon request free of charge.

23)Reporting to Unitholders

- a. Description of the periodic reports and financial statements that will be provided to unitholders and the methods to submit it to them.

24) Meetings of Unitholders

- a. Statement of the circumstances in which a meeting of unitholders is called upon.
- b. Statement of the procedures for calling upon a meeting of unitholders, and the minimum required number of attendants.
- c. Statement clarifying the manner in which unitholders vote and the voting rights in unitholders meetings.

25) A list of unitholders rights.

A list of unitholders rights

26) Other Information

Include any other information known, or that should be known, by the fund manager or the fund board at the time of issuing the terms and conditions of the fund.

27) Amending the fund's terms and conditions

- a. A statement of the provisions governing the alteration to the terms and conditions, approvals and notices of the fund under the Real-Estate Investment Fund Regulation and the Instruction for Real-Estate Investment Traded Funds.

28) The fund manager's declarations:

In addition to the declarations referred to in these instructions and annex 2 of these instructions, the fund manager shall include all declarations related to the fund which may affect the decisions of investors of subscribing in the fund.

29) Governing Laws:

A statement that the real-estate investment traded fund and the fund manager are subject to the Capital Market Law and its Implementing Regulations as well as other relevant laws and regulations applicable in the Kingdom of Saudi Arabia, and that any dispute arising from investing in a real-estate investment traded fund shall be under the jurisdiction of the Committee for Resolution of Securities Disputes to resolve.

Annex 2

Fund Manager's Declarations

- 1- The fund manager declares that the terms and conditions of the "Fund Name" have been prepared in accordance with the Real Estate Investment Funds Regulations and the Instructions for Real Estate Investment Traded Funds issued by the Capital Market Authority of Saudi Arabia.
- 2- After making all reasonable inquiries and to the best of its knowledge and beliefs, the Fund Manager acknowledges that there are no other facts that the non-inclusion of which in this document may render any statement contained therein as misleading. The Capital Market Authority and the Saudi Stock Exchange Company shall not be liable for the content of these terms and conditions.
- 3- The Fund Manager acknowledges that the property has no legal violations that prevent or may result in the non-utilization or operation of buildings, and that the real estate assets are technically intact and free of any major engineering faults or defects that may prevent or may result in the non-utilization or operation of buildings, or that may in turn cause costly repairs and major changes.
- 4- The Fund Manager also acknowledges that there is no direct / indirect conflict of interests between any of the following:
 - 1) Fund Manager.
 - 2) Manager(s) of properties associated with the Fund.
 - 3) Owner(s) of properties associated with the Fund.
 - 4) Tenant(s) of Real estate assets which their returns constitute 10% or more of the annual rental income of the Fund.
- 5- The Fund Manager acknowledges that all members of the Board of Directors of the Fund have not been subjected to any bankruptcy or insolvency claims or any bankruptcy or liquidation proceedings, nor have they committed any

fraudulent, dishonest or deceitful acts. In addition to not having performed any violation involving fraud, deceit or dishonesty. The fund manager further acknowledge that they have the necessary skills and experience to qualify as Board members.

6- The Fund Manager acknowledges that the definition of the independent member included in Glossary of defined terms used in the Regulations and Rules of the Capital Market Authority apply to the two independent members, and that it'll be applicable to any independent member appointed by the Fund Manager throughout the period of the Fund.

7- The Fund Manager acknowledges that no other significant business activities or other interests for the board of directors of the Fund Manager "the name of the Fund Manager" which is likely to conflict with the interests of the Fund.

8- The Fund Manager acknowledges that there are no conflict of interest that would affect the Fund Manager in the performance of its duties to the Fund.

9- The Fund Manager acknowledges that there are no fees other than those mentioned in the Fees and Expenses Schedule mentioned in (Paragraph Number) of these Terms and Conditions.

10-The Fund Manager acknowledges that the Fund will only be listed upon the completion of the transfer of ownership of the Property in favor of the Fund or the transfer of its interest. If this is not completed during the initial subscription period specified in Paragraph (Paragraph) of these Terms and Conditions, the full subscription amount will be returned to the investors.

11-The Fund Manager acknowledges that no member of the Board of Directors may have a direct or indirect interest in the business and contracts made for the Fund.

12-The Fund Manager acknowledges that all contracts and agreements relating to the Fund which may affect the investors' decisions to subscribe in the Fund have been disclosed in the Terms and Conditions, and that there are no

contracts and agreements other than those mentioned in these Terms and Conditions.

13-The Fund Manager acknowledges that unit holders are entitled to vote on matters raised before them in the meetings of the unitholders. In addition, the approval of a fundamental change to the fund shall be by obtaining the approval of the majority unitholders owning more than 50% of the units value. Fundamental changes include the following:

- Significant change in the fund's objectives;
- a change that may have a material adverse effect on the unitholders or their rights with respect to the Fund;
- change that may have an impact on the risk position of the Fund;
- Any increase in the Fund's capital.

14-The Fund Manager acknowledges that it will take all necessary steps in favor of the the benefit of the unitholders to the best of its knowledge and beliefs with due diligence and reasonable consideration. The Fund Manager, Directors, Officers, Employees, Agents, Consultants, Affiliates, Custodian, Sharia Advisor and Board of Directors shall exercise reasonable diligence and effort and act in good faith in order to meet the interests of the unitholders. If the Fund, however, is subject to loss in any way, in the event of any unintentional action by any of the aforementioned parties in connection with the management of the Fund, then such parties shall not be held liable for such loss provided that they have acted in good faith and in a manner serving the interest of the fund. Good faith shall be proved in the absence of any conduct, decision or correspondence indicating prior knowledge of the negative consequences of such conduct. Moreover, such act shall not involve gross negligence, fraud or deliberate misconduct.

Annex 3

FORM OF A LEGAL ADVISOR'S LETTER

[To be provided on the legal advisor's letterhead]

To: The Capital Market Authority

We, acting as legal advisor to (-----) [name of the fund manager] "Fund Manager" in respect of the fund manager's request to offer real estate investment traded funds units and list them in the market (details of the REIT), confirm our independency from the Fund Manager.

We further refer to the terms and conditions prepared in relation with the fund [details of the offer], and more specifically, in connection with the application submitted to the Capital Market Authority (the "Authority") for the offer of real estate investment traded fund's units and listing them in the market, and in line with the requirements of the Capital Market Law, the Investment Funds Regulation and the Instructions for the Real-Estate Investment Traded Funds, we particularly advised the fund manager of the requirements that should be included in the legal chapters of the terms and conditions, the fulfillment of the assets to all regulatory requirements and the soundness of the title deeds of such assets in possession. In this respect, we have carried out such further review and enquiries as we consider appropriate in the circumstances.

In this advisory capacity, we confirm that we are not aware of any material matter consisting a violation by the fund manager toward its compliance with the requirements of the Capital Market Law or any conditions required under Real-Estate Investment Funds Regulation and Instructions for the Real-Estate Investment Traded Funds, including the requirements of the content of the terms and conditions as is at the date of this letter.

ANNEX 4

FORM OF A FUND MANAGER'S LETTER

[To be provided on the fund manager's letterhead]

To: The Capital Market Authority

In our capacity acting as the fund manager of (-----name of the fund-----) in respect of offering a real estate investment traded fund units under the name (-----name of the fund-----), and registering and listing its units in the Saudi Stock Exchange (Tadawul), we, (-----name of the fund manager-----) confirm, to the best of our knowledge, and through conducting due diligence and making enquiries of the fund, that the fund has satisfied all conditions required for registration, offer and listing of its units and has satisfied all other matters required by the Capital Market Authority (the "Authority") as of the date of this letter. (-----name of the fund manager-----) further confirms that it has, to the best of its knowledge and within its capacity as fund manager, provided to the Authority any information or clarifications in such form and within such time limit as the Authority required for the purpose of verifying whether (-----name of the fund manager-----) and the fund have complied with the Capital Market Law, the Instructions on Real Estate Investment Traded Funds, the Investment Funds Regulations and the Offer of Securities regulations.

In particular, (-----name of the fund manager-----) confirms that:

- It has provided all the relevant services required by the Instructions on Real Estate Investment Traded Funds and the Investment Funds Regulations, with due care and skill.

- It has taken reasonable steps to ensure that the directors of the fund understand the nature and extent of their responsibilities under the Capital Market Law and its Implementing Regulations.
- It has come to a reasonable opinion, based on due enquiry and professional experience, that:
 - The fund has satisfied all relevant requirements the Instructions on Real Estate Investment Traded Funds, the Investment Funds Regulations (including provisions regarding the Terms and Conditions).
 - All nominated members of the Fund's Board of Directors satisfy the eligibility requirements set out in the Authority's Rules and Regulations, and that the independent members of the Board satisfy the definition of the Fund Independent Board Member as provided in Glossary Of Defined Terms Used In The Regulations And Rules of the Capital Market Authority.
 - Real estate assets are free of any regulatory violations that prevent or may result in the non-utilization or operation of buildings, and that the real estate assets are technically intact and free of any major engineering faults or defects that may prevent or may result in the non-utilization or operation of buildings. or that may in turn cause costly repairs and major changes.
 - The main activities of potential tenants of real estate assets are intact, and they are able to meet their obligations to the Fund,
 - that all matters known to (-----name of the fund manager-----) which should be taken into account by the Authority when considering the application for registration and listing have been disclosed to the Authority.