



The Draft Amendments to the Implementing Regulation of the Companies Law for Listed Joint Stock Companies

A. Introduction:

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 02/06/1424 H, the CMA Board issued its resolution to publish the Draft Amendments of to the Implementing Regulation of the Companies Law for Listed Joint Stock Companies (the "Draft Amendments") for public consultation for a period of (30) calendar days.

B. Objectives of the Draft amendments and its main elements:

The Draft Amendments aim to develop the provisions regulating the buy-back and selling of listed companies' shares. The main elements of the draft amendments are as follows:

- a) Developing the provisions regulating listed companies' shares buy-back, by removing the linkage between the quantity of shares buy-back during one trading day and the percentage of quantity approved by the General Assembly. Instead, share buy-back in one trading day should not exceed 25% of the average daily trading volume of the company's shares during the last five trading days preceding the shares buy-back.
- b) Developing the provisions regulating listed companies' sale of treasury shares, by removing the linkage between the quantity of treasury shares sold in a single trading day and the percentage of the intended treasury shares sales. Instead, the sales of treasury shares in one trading day should not exceed 25% of the average daily trading volume of the company's shares during the last five trading days preceding the sale.



Proposed Amendments to the Implementing Regulation of the Companies Law for Listed Joint Stock Companies compared with the current provisions:

Implementing Regulation of the Companies Law for Listed Joint Stock Companies		
current provisions	Provisions after Proposed Amendments	Clarification
<p>Article 17: Share Buy-back Rules</p> <p>A Company may, if so provided and permitted in its bylaws, buy-back its ordinary shares, Preferred Shares, or Redeemable Shares, in accordance with the following rules:</p> <p>...</p> <p>5) Unless the purpose of Share buy-back transaction is reducing the share capital of the Company, the buy-back must not exceed (10%) of the total quantity approved for buy-back by the General Assembly in one trading day, unless the total approved quantity, or the remaining of the approved quantity that has not been bought-back, is lower than (10%) of the trading volume on the day preceding the buy-back transaction;</p>	<p>Article 17: Share Buy-back Rules</p> <p>A Company may, if so provided and permitted in its bylaws, buy-back its ordinary shares, Preferred Shares, or Redeemable Shares, in accordance with the following rules:</p> <p>...</p> <p>5) Unless the purpose of Share buy-back transaction is reducing the share capital of the Company, the buy-back in a single trading day must not exceed (25%) of the average daily trading volume of the Company's Shares during the last five trading days preceding buy-back transaction;</p>	<p>The proposed amendment for the fifth paragraph of Article (17) is to remove the linkage between the quantity of shares buy-back during one trading day and the percentage of quantity approved by the General Assembly. Instead, share buy-back in one trading day should not exceed 25% of the average daily trading volume of the company's shares during the last five trading days preceding the shares buy-back.</p>
<p>Article 27: Rules of Company's Sale of Shares</p> <p>A Company may sell its Treasury Shares if so provided and permitted in its bylaws, in accordance with the following rules:</p> <p>..</p> <p>2) the sale of Treasury Shares transaction must not exceed (10%) of the total Treasury Shares to be sold, during one trading day, unless the total quantity of Treasury Shares to be sold is lower than (10%) of the trading volume of the Company's Shares on the day preceding the buy-back transaction;</p>	<p>Article 27: Rules of Company's Sale of Shares</p> <p>A Company may sell its Treasury Shares if so provided and permitted in its bylaws, in accordance with the following rules:</p> <p>...</p> <p>2) the sale of Treasury Shares transaction in a single trading day must not exceed (25%) of the average daily trading volume of the Company's Shares during the last five trading days preceding sale transaction.</p>	<p>The proposed amendment for the second paragraph of Article (27) is to remove the linkage between the quantity of treasury shares sold in a single trading day and the percentage of the intended treasury shares sales. Instead, the sales of treasury shares in one trading day should not exceed 25% of the average daily trading volume of the company's shares during the last five trading days preceding the sale.</p>