

KINGDOM OF SAUDI ARABIA

Capital Market Authority

Real Estate Investment Funds Regulations¹

English Translation of the Official Arabic Text

**Issued by the Board of the Capital Market Authority
Pursuant to its Resolution Number 1-193-2006
Dated 19/6/1427 Corresponding to 15/7/2006
Based on the Capital Market Law
issued by Royal Decree No. M/30 dated 2/6/1424H**

**Amended by Resolution of the Board of the Capital Market Authority Number 2-22-2021 Dated
12/7/1442H Corresponding to 24/2/2021G**

Arabic is the official language of the Capital Market Authority

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

¹ According to the Authority's Board Resolution no. 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G these Regulations shall become effective as of 19/09/1442H. corresponding to 01/05/2021G. Moreover, the Real Estate Investment Funds Regulations issued pursuant to the Authority's Board Resolution no. (1-193-2006) dated 19/06/1427H. corresponding to 15/07/2006G., which can be viewed via the following link:([https://cma.org.sa/RulesRegulations/Regulations/DocLib/REAL%20ESTATE%20INVE%20FUND%20REG EN.pdf](https://cma.org.sa/RulesRegulations/Regulations/DocLib/REAL%20ESTATE%20INVE%20FUND%20REG%20EN.pdf)), shall remain effective until the effectivity date of these Regulations.

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Part 1: General Provisions

Article 1: Preliminary

- a) These Regulations aim at regulating the real estate investment funds that the units of which are offered publicly in the Kingdom, with regards to offering, registration of its units, management and protection of its unitholders' rights.
- b) These Regulations shall not have any prejudice to the provisions of the Capital Market Law or its Implementing Regulations, the Market Conduct Regulations, the Capital Market Institutions Regulations the Securities Business Regulations and the Rules for Special Purposes Entities.

Article 2: Definitions

- a) Any reference to the "Capital Market Law" in these Regulations shall mean the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
- b) Expressions and terms in these regulations have the meaning which they bear in the Capital Market Law and the Glossary of Defined Terms Used in the Regulations and Rules of the Authority.

Article 3: Compliance with the Regulations

- a) A person who intends to offer units of a real estate investment fund publicly in the Kingdom must comply with these Regulations, and the provisions of the Rules for Special Purposes Entities (where applicable).
- b) A fund manager, custodian, distributor and any member of the fund board of a real estate investment fund in the Kingdom shall comply with these Regulations, and the provisions of the Rules for Special Purposes Entities (where applicable).

Article 4: Waivers

The Authority may waive a provision of these Regulations 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 Article would otherwise apply or on the Authority's own initiative.

Article 5: Fees

The Authority may impose a fee on the fund manager and the distributor as the Authority may prescribe.

Article 6: Right of Appeal

Any person subject to these Regulations may appeal to the Committee in respect of any decision or action that the Authority takes under these Regulations.

Part 2: Authorisation

Article 7: Authorisation Requirements

- a) The applicant, seeking the Authority's approval to offer units of a real estate investment fund must be a capital market institution authorised by the Authority to conduct managing investments and operating funds activity.²
- b) Units of real estate investment fund shall not be offered by way of a public offer unless the Authority has first received and approved the information referred in the annex (3) of these regulations.
- c) The applicant must provide any other requirement the Authority requests in accordance with the Capital Market Law and its Implementing Regulations.

Article 8: Procedures and Powers of the Authority in Relation to an Application

- a) In considering an application to offer units in a real estate investment fund, the Authority may:
 1. Carry out any enquiries that it considers appropriate;
 2. Require the applicant or its representative, to attend before the Authority to answer questions and explain any matter the Authority considers relevant to the application. An applicant becomes subject to these Regulations from the date of submission of an application;
 3. Require the applicant to submit such additional information or verify the submitted information as the Authority considers appropriate within (30) days of the request; and
 4. Verify any information provided by the applicant.
- b) The Authority may refuse to consider the application where an applicant has failed to provide the required information, or has failed to provide them within the period specified in paragraph (a/3) of this Article. The Authority reserves the right to reject an application if it believes that the fund would not be in the best interests of investors or may not be suitable for the fund manager's capacity, or would result in a breach of the Capital Market Law and its Implementing Regulations.
- c) The Authority shall, upon receipt of all information and documents required, notify the applicant in writing and shall take any of the following decisions within a maximum period of (30) days from the date of the notice:

² According to the Authority's Board Resolution no. 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G., paragraph (a) of Article (7) of these Regulations shall become effective as of 28/05/1443H. corresponding to 01/01/2022G. Moreover, paragraph (a) of Article (3) of the Real Estate Investment Funds Regulations issued pursuant to the Authority's Board Resolution no. (1-193-2006) dated 19/06/1427H. corresponding to 15/07/2006G., which can be viewed via the following link:(<https://cma.org.sa/RulesRegulations/Regulations/DocLib/REAL%20ESTATE%20INVE%20FUND%20REG%20EN.pdf>), shall remain effective until the effectivity date of paragraph (a) of Article (7) of these Regulations.

1. Approve the application in whole or in part;
 2. Approve the application subject to such conditions and limitations as it considers appropriate;
 3. Reject the application, giving reasons.
- d) The Authority will inform the applicant in writing with the decision it took regarding the application.
- e) An applicant may not offer, market or advertise any units in the fund prior to receiving the Authority's approval decision.

Part 3: Regulating the Operation of Real Estate Investment Funds

Chapter 1: Fund's Organizational Structure

Article 9: Legal Basis for Management of the Fund

A contractual relationship is established between the fund manager and the unitholders as after signing the terms and conditions of the fund licensed in accordance with these Regulations.

Article 10: Types and Objectives of Real Estate Investment Funds

- a) Closed-ended real estate investment funds, which operate according to the following:
1. Initial Development then Selling: This is achieved by owning a piece of raw land, developing it, dividing it into residential or commercial plots, then selling it and terminating the fund.
 2. Constructional Development then Selling: This is achieved by owning a piece of raw or developed land with the purpose of constructing residential or commercial units, then selling it and terminating the fund.
 3. Initial or Constructional Development with the intention of leasing it for a certain period of time then selling it and terminating the fund.
 4. Owning real states that are constructionally developed with the intention of leasing it for a certain period of time then selling it and terminating the fund.
 5. investing in constructionally developed real estates, able to generate periodic and rental income
- b) Funds with other types or purposes, other than those specified in paragraph (a) above, may be established, after fulfilling the conditions and requirements that the Authority deems necessary.

Article 11: Fund's Board of Directors

- a) Each fund is supervised by a board appointed by the fund manager since establishment, the Authority's approval is required to be obtained (10) days prior to the appointment of the fund's board or any subsequent change in its composition.
- b) The number of directors in the fund must not be less than three (3) directors. The number of independent fund directors of a fund board shall not be less than two, or one third of the total number of directors, whichever is greater.
- c) If the quorum set forth in paragraph (b) of this Article is not fulfilled with regard to independent members, the fund manager shall appoint independent

members, who satisfy the eligibility requirements set out in paragraph (i) of this Article.

- d) The fund manager may not remove any independent board member, and the removal shall only be made by the unitholders in accordance with the provisions of Article (23) of these Regulations.
- e) The fund manager must remove any member of the board of directors of the fund if a special fund resolution is issued by the fund's unitholders requesting the fund manager to remove that member.
- f) When more than one real estate investment fund is managed by the same fund manager, those real estate investment funds may be supervised by a single fund board unless the number of the real estate investment funds is reasonably estimated by the fund manager to be too high to be supervised effectively by a single fund board. The fund board and the fund manager must review annually the number of the real estate investment funds supervised by that board and assess whether the number is such that effective supervision is compromised and a different board should be appointed for one or more of those real estate investment funds. The Authority reserves the right to require a fund manager to appoint another fund board if the Authority considers that the number of real estate investment funds the fund board supervises is too high.
- g) The fund board shall conduct an annual assessment for each independent director to ensure that there are no relationships or circumstances that affect or may affect his/her independency.
- h) A fund board director may vote on any resolution taken by the fund's board of directors to be taken on any matter in which such fund board director has any direct or indirect particular interest and shall disclose any such interest to the fund board
- i) Any person appointed by the fund manager as a member of the fund board must fulfill the following eligibility requirements:
 - 1) the person must not be bankrupt or subject to any bankruptcy or insolvency proceedings;
 - 2) the person must not have committed an offense involving fraud or acted in breach of integrity and honesty; and
 - 3) the person must possess the necessary experience and expertise.
- j) If any If a member of the fund board ceases to meet the eligibility requirements set out in paragraph (i) of this Article, the fund manager must:
 - 1) Notify the Authority immediately.
 - 2) replace a member of the fund board with another person who fulfils the eligibility requirements within (45) days, in case the requirements set out in paragraph (b) of this Article are not met.

- k) If any board director resigned or ceased to provide services, the fund manager must:
 - 1) notify the Authority within (10) days
 - 2) replace the member of the fund board with another person within (45) calendar days from the day the fund manager becomes aware of such resignation or cessation of services, in case the requirements set out in paragraph (b) of this Article are not met.
- l) The fund manager must immediately disclose on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable), any change in the membership of the fund's board of directors.
- m) The fund manager must provide all necessary information about the public fund to all members of the fund's board in order to enable them to carry out their duties efficiently, the fund manager shall also provide any other information or documentation requested by the fund's board to enable it to perform its duties.

Article 12: The Fund's Board of Directors responsibilities

The Fund's Board of Directors responsibilities shall include the following:

- 1) approving material contracts, decisions and reports involving the fund, including, but not limited to, contracts for the provision of fund management services, contracts for the provision of custody services but excluding contracts entered into pursuant to investment decisions regarding underlying investments made or to be made by the fund.
- 2) Reviewing the report that includes assessment of the performance and quality of services provided by the parties involved in providing significant services to the fund referred to in sub-paragraph (6) of paragraph (c) of Article (13) of these Regulations, in order to ensure that the fund manager fulfils his responsibilities in the interest of unitholders in accordance with the terms and conditions of the fund and the provisions stipulated in these Regulations.
- 3) Adopt a written policy regarding voting rights related to the Fund's assets.
- 4) Supervision, and where appropriate, approval or ratification of any conflict of interest disclosed by the Fund Manager.
- 5) Meeting at least twice a year with the Fund Manager's compliance committee or with the compliance officer to review the fund manager's compliance with all applicable rules, laws and regulations, including (without limitation) the requirements stipulated in these Regulations.
- 6) Approve all changes stipulated in Articles (26) and (27) of these regulations prior to the fund manager obtaining the unitholders' and the Authority's approval, or prior to notifying them (where applicable).

- 7) Confirming the completeness and accuracy (complete, clear, accurate, and not misleading), and compliance with these Regulations, of the terms and conditions and any other document contractual or otherwise, that includes disclosures relating to the fund and/or the fund manager and its conduct of the fund. In addition to ensuring that the foregoing complies with the provisions of these regulations.
- 8) Ensuring that the fund manager carries out its obligations in the best interests of the unitholders, in accordance with these Regulations, the terms and conditions of the fund.
- 9) Assessing the mechanism of the fund manager's handling of the risks related to the fund's assets in accordance with the fund manager's policies and procedures that detect the fund's risks and how to treat such risks.
- 10) have a fiduciary duty to unitholders, including a duty to act in good faith, a duty to act in the best interests of the unitholders and a duty to exercise all reasonable care and skill; and
- 11) taking minutes of meetings that provide all deliberations and facts of the meetings and the decisions taken by the fund board.
- 12) Reviewing the report that includes all complaints and the measures taken to address them referred to in sub-paragraph (12) of paragraph (e) of Article (13) of these Regulations, in order to ensure that the fund manager fulfils its responsibilities in the interest of unitholders in accordance with the terms and conditions of the fund and the provisions stipulated in these Regulations.

Chapter 2: Fund Management

Article 13: Fund Management

- a) The fund manager must act for the benefit of unitholders in accordance with these Regulations, the Capital Market Institutions Regulations and the terms and conditions of the fund.
- b) The fund manager must comply with all principles and duties required under the Capital Market Institutions Regulations including the fiduciary duty towards unitholders which includes the duty to act in the best interests of the unitholders and duty to exercise all reasonable care and skill.
- c) All disclosures by the fund manager must be complete, clear, accurate and not misleading.

d) The Fund will be managed by a portfolio manager working for the Fund Manager, and who must be a registered person with the Authority as per the provisions of the Capital Market Institutions Regulations.

e) Fund Manager's Duties:

- 1) set out decision making procedures that should be followed when executing technical and administrative issues of the Fund's businesses and projects.
- 2) comply with all laws and regulations valid in the Kingdom related to the Fund's business.
- 3) implementing a compliance monitoring program for every real estate fund under its manages, the fund manager must provide the Authority with the results of the implementation of the program upon its request.
- 4) developing policies and procedures that detect risks effecting the fund's investments and ensure treatment of these risks as soon as possible. These policies and procedures must include conducting risks assessment, at least, once a year.
- 5) cooperate with all persons concerned with the performance of tasks for the fund, including the custodian and the auditor. The fund manager must provide them with whatever necessary to perform their duties and tasks in accordance with these Regulations.
- 6) prepare an annual report that includes an assessment of the performance and quality of services provided by the parties involved in providing material services to the fund - including the custodian, developer and property manager as applicable - and the fund manager must submit the report referred to in this paragraph to the fund's board of directors.
- 7) to manage the Fund's assets in favor of the Unitholders benefit according to the Fund's Terms and Conditions
- 8) ensuring the legality and validity of all contracts concluded for the benefit of the Fund.
- 9) The fund manager shall have the primary responsibility for compliance with these Regulations. Any delegation of the fund manager's responsibilities and duties to any other person pursuant to these Regulations shall not in any way limit, reduce or satisfy the fund manager's responsibilities under these Regulations and the Capital Market Institutions Regulations. The fund manager shall be responsible to unitholders for losses incurred by the investment fund which are caused by, fraud, negligence, misconduct or willful default of the fund manager.

- 10) The fund manager must comply with the provisions of Annex (12) of these Regulations when applying for an approval from or notifying the Authority requests.
- 11) The fund manager must comply with the fund's terms and conditions.
- 12) The fund manager must prepare an annual report that includes all complaints and the measures taken to address them, and it shall submit such report to the Fund's board.
- 13) The Fund Manager must comply with the Instructions for Investment Funds Announcements.

Article 14: Books and Records Keeping

- a) The fund manager must maintain the books and records of all investment funds which the fund manager manages.
- b) The fund manager must maintain, at all times, records of all units issued and cancelled, and must maintain at all times an up to date record of the balance of outstanding units for each real estate fund under its management.
- c) Without prejudice to paragraph (b) of this Article, the fund manager must retain all books and records in accordance with these Regulations for a period of ten years, unless the Authority determines otherwise. The fund manager must retain copies of all books and records required pursuant to this Article for a period more than ten years in the event such books and records relate to any litigation or claim (including any litigation pending or threatened) or any on-going investigations, the fund manager must retain such books and records until the closure of that litigation, claim or on-going investigation.

Article 15: Delegation by the Fund Manager

- a) A fund manager may, in respect to any investment fund which the Fund Manager manages, delegates one or more third parties or affiliates as a fund sub-manager. The remuneration of any fund sub-manager must be paid by the Fund Manager out of its own resources.
- b) With the exception of the cases mentioned in paragraph (c) of this Article, the Fund Sub-Manager must be delegated in accordance with paragraph (a) of this Article as capital market institution authorised to conduct investments

management and funds operation activity³, and it must be delegated under a written contract.

- c) A fund manager may appoint fund sub-manager operating in a jurisdiction outside the Kingdom to manage foreign investments of the investment fund, however the sub-manager shall be established, authorised and supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority, and must be appointed pursuant to a contract in writing.
- d) The Authority shall have the discretion to assess whether the jurisdiction in which any fund sub-manager operates has regulatory standards and requirements at least equivalent to those of the Authority.
- e) The fund manager may assign a third party or more, or any of his affiliate to work as a distributor to units of any real estate investment fund managed by the fund manager. The distributor's remuneration must be paid from the fund manager's own resources.
- f) The distributor that has been assigned in the Kingdom pursuant to paragraph (e) of this Article, must be one of the following:
 - 1. A capital market institution licensed to carry out dealing activity.
 - 2. A capital market institution licensed to carry out advising activity.
 - 3. A local bank.
- g) The assignment referenced in paragraph (e) of this Article must be made pursuant to a contract in writing, and where the distributor is a local bank it must include the following controls at minimum:
 - 1. The units of the publicly offered real estate investment funds shall be distributed through the distributor's websites only.
 - 2. The website of the assigned distributor shall provide the ability to fill and sign the following documents including:
 - a) The fund manager's investment account opening agreement.
 - b) The "Know Your Customer" form provided in the Capital Market Institution Regulations.
 - c) The Fund's subscription form, and the terms and conditions of the fund to be subscribed in.
- h) Where the fund manager has assigned the distributor under paragraph (e) of this Article, the fund manager is responsible for complying with the Capital Market Law and its implementing regulations, and the Anti-Money Laundering Law, and its implementing regulations. The fund manager may

³ According to the Authority's Board Resolution no. no. 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G., the requirement to obtain a license for managing investments and operating funds activity shall be effective as of 28/05/1443H., corresponding to 01/01/2022G., the requirement to obtain a license for management activity shall remain effective until the effectivity date of the requirement to obtain a license for managing investments and operating funds.

rely on the assigned distributor to take due diligence measures towards the customer according to the relevant provisions contained in the Anti-Money Laundering Law and its implementing regulations.

- i) The fund manager may assign a third party or more, to carry out the fund operations, including administrative services for the fund.
- j) With exception for cases described in paragraph (k) of this Article, any third party assigned pursuant to paragraph (i) of this Article must be an capital market institution authorised to carry out managing investments and operating funds activity⁴, and must be assigned pursuant to a written contract.
- k) A fund manager may assign a third party operating in a jurisdiction outside the Kingdom to carry out the fund operations in relation to investment fund's foreign investments. The third party must be established, authorised and supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority, and must be assigned pursuant to a contract in writing.
- l) The Authority shall have the discretion to assess whether the jurisdiction in which any third party operating has regulatory standards and requirements at least equivalent to those of the Authority.

Article 16: Removal and Replacement of Fund Manager

- a) The Authority shall have the power to remove a Fund Manager in relation to a particular investment fund and to take any action it deems appropriate to appoint a replacement Fund Manager for that investment fund or to take any other measures it deems necessary in the event of:
 1. the fund manager ceasing from carrying on management activities without notifying the Authority under the Capital Market Institutions Regulations;
 2. the cancellation, withdrawal or suspension by the Authority of the Fund Manager's relevant authorisation(s) of carrying on management activities.
 3. a request by the Fund Manager to the Authority to cancel its relevant authorisation of carrying on management activities;
 4. the Authority believing that the Fund Manager has failed, in a manner which the Authority considers material, to comply with the Capital

⁴ According to the Authority's Board Resolution no. 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G., the requirement to obtain a license for the managing investments and operating funds activity shall be effective as of 28/05/1443H., corresponding to 01/01/2022G.

Market Law or its Implementing Regulations;

5. the death, incapacity or resignation of the portfolio manager who manages the assets of the relevant real estate investment fund, if no other registered person employed by the fund manager can manage the assets of the relevant real estate investment fund or the assets of the funds managed by the portfolio manager;
 6. The Issuance of a special fund resolution by unitholders of a close ended fund requesting a removal of the Fund Manager; or
 7. any other event determined by the Authority, on reasonable basis, to be of material importance.
- b) Notice of any event described in sub-paragraph (5) of paragraph (a) of this Article must be provided by the fund manager to the Authority within (2) days of its occurrence.
 - c) Upon removal of the fund manager in accordance with the cases stipulated in subparagraphs (1), (2), (3), (4), (5) and (7) of paragraph (a) of this Article, the Authority shall direct the removed fund manager to call for a unitholders meeting within (15) days from the date of the Authority's removal decision, in order to appoint the custodian or other party, through an ordinary fund resolution, to find and negotiate with a replacement fund manager and specify the time limit for finding and negotiation.
 - d) Upon removal of the fund manager in accordance with the case stipulated in subparagraph (6) of paragraph (a) of this Article, the fund manager must issue an ordinary fund resolution at the same meeting in which unitholders voted on the request to remove the fund manager, in order to appoint the custodian or other party, to find and negotiate with a replacement fund manager and specify the time limit for finding and negotiation.
 - e) When any of the two cases stipulated in paragraphs (c) and (d) of this Article occurs, the Fund Manager must notify the Authority of the results of the unitholders meeting within two days of its convening.
 - f) The fund manager must cooperate and provide the custodian or the party assigned to find and negotiate any documents required by it for the purpose of appointing a replacement fund manager within (10) days from the date of the request, and both parties must maintain the confidentiality of the information.
 - g) The fund manager must, upon approval of the replacement fund manager to manage the fund and transfer of the fund management to it, send a written consent of the replacement fund manager to the Authority as soon as it is

received.

- h) If the Authority exercises its power pursuant to paragraph (a) of this Article, the relevant fund manager shall cooperate fully in order to help facilitate a smooth transfer of responsibilities to the replacement fund manager during the initial (60) day period after the appointment of the replacement fund manager. The Fund Manager must where necessary, appropriate and at the Authority its absolute discretion, transfer all of the contracts relating to the relevant real estate investment fund to the replacement fund manager.
- i) Unitholders are entitled to request the liquidation of the fund by a special fund resolution in the event that a replacement fund manager has not been appointed within the period for search and negotiation stipulated in paragraphs (c) and (d) of this Article.

Article 17: Investment Decisions

If a fund manager is removed pursuant to Article (16) of these Regulations, it shall cease to make any investment decisions in relation to the relevant fund as soon as the replacement fund manager is appointed or at any earlier time determined by the Authority.

Article 18: Financial Statements

- a) The financial statements of the fund must be prepared in the Arabic language, at least semi-annually, and examined according to the accounting standards approved by the Saudi Organization for Certified Public Accountants. Additional copies may be prepared in other languages, and in case of any conflict between those copies, the Arabic text shall prevail.
- b) The annual financial statements of the fund must be reviewed in accordance with the accounting standards approved by the Saudi Organization for Certified Public Accountants (SOCPA), and the auditor of the fund, through reviewing the financial statements and based on the information provided to it, must include in its report what may come to its attention of violations of the provisions of the Real Estate Investment Funds Regulations or the fund's terms and conditions.

Article 19: Conflict of Interests and Disclosure Thereof

- a) A fund manager (or any of its affiliates) may not act as principal for its own account when dealing with investment funds managed by it.

- b) Without prejudice to the provisions of paragraphs (a), (c), (d) and (e) of this Article, the Fund Manager must treat any conflicts of interest in accordance with the provisions the Capital Market Institutions Regulations.
- c) If the Fund Manager (or the fund sub manager) does not carry out a prior (where possible) or immediate disclosure of the conflict of interest to the relevant fund board, and obtain the fund board’s approval on that action, it must not engage in any action that involves:
 - 1. A material conflict between the interests of the fund manager or fund sub manager and the interests of any investment fund it manages; or
 - 2. A conflict between the interests of any investment fund it manages and another investment fund or another client account.
- d) The fund manager (and fund sub manager), must ensure their affiliates do not engage in any action that involves any conflict of interest as described in paragraph (c) of this Article.
- e) The fund manager shall disclose immediately, on its website and the Exchange’s website or any other website available to the public according to the controls set out by the Authority (where applicable), and on the public fund's annual reports that has been prepared by the fund manager in accordance with Article (25) of these Regulations, any conflicts of interest that has been approved by the relevant fund board

Article 20: Special Commission Arrangements

- a) Any special commission arrangements entered into by the fund manager is subject to the Capital Market Institutions Regulations and must be disclosed in the terms and conditions of the fund.
- b) Goods and services received by a fund manager under a special commission arrangement shall be restricted to those that are related to the execution of transactions on behalf of the real estate investment fund or comprise the provision of research for the benefit of relevant real estate investment fund.
- c) The fund manager may not get sums of money under special commission or any other arrangements.

Article 21: Auditing Requirements

- a) The Fund Manager must appoint an auditor prior to the establishment of the fund. The auditor of the public fund must be certified in the Kingdom in accordance with the rules for registering auditors of entities subject to the Authority’s supervision, and must be independent from the fund manager according to the independence standard stated in the Certified Public Accountants Regulations and its Implementing Regulations.
- b) Where a fund was established more than (9) months before such public fund’s

year-end, an audit must be conducted as of the end of its first fiscal year.

- c) Where a fund was established (9) months or less before such fund's year-end, an audit may be conducted at the end of the second year end of the fund.
- d) The approval of the Fund Board of Directors must be obtained to appoint or change any alternative auditor. The fund board must reject the appointment of an auditor, or instruct the fund manager to replace an auditor which has already been appointed in relation to the fund, if:
 - 1. there are any outstanding and significant allegations of professional misconduct in relation to audit functions by the auditor;
 - 2. If the auditor of the fund is no longer independent;
 - 3. If the auditor of the fund is no longer registered with the Authority.
 - 4. supervision the fund board determines that the auditor does not have sufficient qualifications and experience to perform a satisfactory auditing functions; or
 - 5. The Authority, in its absolute discretion, instructs the fund manager to replace the auditor appointed in relation to the public fund.
- e) The audit fees of the auditor shall be determined by the Fund Manager with the approval of the fund board.

Article 22: Commissions, Services and Management Fees

- a) The Fund Manager must disclose in the Fund's Terms and Conditions any service commissions or fees charged by it or by any other parties.
- b) The Fund's terms and conditions must specify all fees, charges and commissions whether they were charged on the Unitholders or on the Fund's assets.
- c) The Authority may impose a cap for any of the service fees and commissions charged by the Fund Manager.

Article 23: Meeting of Unitholders

- a) The fund manager may call for a meeting of unitholders on its own initiative. Provided that the subject of the invitation does not contradict with the responsibilities and duties of the Fund Manager in accordance with the provisions of these regulations.
- 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 must call for a meeting of unitholders within (10) days of receiving a written request from a unitholder or more, holding individually or collectively at least (25%) in value of the units in the fund, and the fund manager must state it in the fund's terms and conditions.
- d) The fund manager shall call for a meeting of unitholders by announcing it on its website and any other website available to the public according to the controls set out by the Authority, and by sending a notice in writing to all the unitholders and the custodian giving not less than (10) days' notice before the meeting 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 proposed resolutions and its agenda. The fund manager must provide a copy of such notice to the Authority immediately without any delay.
- e) When preparing the agenda for the unitholders' meeting, the fund manager must take into consideration the topics that the unitholders want to include, unitholders who own at least (10%) of the fund units' value are entitled to add one or more topics to the agenda of the unitholders' meeting. Provided that the proposed topic does not overlap with the responsibilities and duties of the Fund Manager in accordance with the provisions of these regulations.
- f) The fund manager may amend the agenda of the unitholders meeting within the notice period referred to in paragraph (d) of this Article, provided that it announces that on its website and any other website available to the public according to the controls set out by the Authority, and by submitting a written notice to all unitholders and the custodian; 1) at least 10 days prior to the meeting; 2) within a maximum of 21 days prior to the meeting.
- g) In case that the unitholders approve any of the decisions proposed at the unitholders' meeting, and this necessitates amending the fund's terms and conditions, the fund manager must amend the fund's terms and conditions according to the approved decision.
- h) The quorum required to conduct a meeting of the unitholders shall be such number of unitholders owning together at least (25%) in value of the units in the fund or greater percentage as specified in the fund's terms and conditions.
- i) If the quorum requirements set out in paragraph (h) of this Article are not met, the fund manager shall call for a second meeting by announcing it on its website and any other website available to the public according to the controls set out by the Authority and shall send a notice in writing to all the unitholders and the custodian giving not less than (5) days' notice prior to 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 shall considered a valid quorum.
- j) Every unitholder may entitle to appoint a proxy to represent such unitholder at the meeting of unitholders.

- k) Every unitholder shall be entitled to exercise one vote at the meeting of the unitholders for each unit the unitholder holds as at the time of the meeting.
- l) Substantial unitholders may not vote at the meeting of the unitholders on the decisions relating to the acquisition of real estate assets owned or utilized by them.
- m) The unitholders meetings and its deliberations and voting on decisions may be conducted through modern technology in accordance with requirements set by the Authority.
- n) The decision shall be effective upon the approval of unitholders holding more than (50%), or more than (75%) (where applicable), of the total units present in the meeting either by unitholders attending in person, appointed proxy or through contemporary technology.
- o) The Treaded Fund is excluded from the requirement of sending a written notice to all unitholders mentioned in paragraphs (d), (f) and (i) of this Article, provided that such announcement is made on the fund manager's website and the Exchange's website.

Chapter 3: Disclosure

Article 24: Disclosure

- a) The Fund Manager shall provide sufficient information with regards to the Fund's investment goals, risks and any other information that would enable Unitholders to make their investment decisions. The information materials about a Fund shall not contain any incorrect or misleading information.
- b) The Fund Manager must disclose all expenses related to the offer of the real estate investment fund's units, if such expenses were incurred by the fund in fund's terms and conditions.
- c) The fund manager must submit an updated version of the fund's terms and conditions to the Authority within (10) days from making any amendments to it, and also provide the custodian with the updated version immediately. The fund manager must also publish version copy of the fund's terms and conditions on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable), and must announce the updated version of fund's terms and conditions on its website and the Exchange's website any other website available to the public according to the controls set out by the Authority (where applicable) within (10) days of making any changes to it, including the annual update of the fund's performance.

Article 25: Reporting to Unitholders

- a) the real estate investment fund manager must publish a semi-annual statement of the fiscal year, and manager of the real estate investment traded fund must publish a quarterly statement of the fiscal year in accordance with the requirements of Annexes (5) and (6) of these Regulations (as applicable), within a period not exceeding (10) days from the end of the relevant half or quarter on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable).
- b) The fund manager must prepare and publish the annual reports on its website and the Exchange's website or any other website available to the public, according to the controls set out by the Authority (where applicable), in accordance with the requirements of Annex (4) of these Regulations.
- c) the fund manager must make available to the public the interim financial statements, after reviewing it in accordance with the provisions of Article 18 of these Regulations, free of charge, within a period not exceeding (30) days after the end of the interim financial statements period, on websites and channels as specified in the Fund's terms and conditions, and on the fund manager's website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable).
- d) the Fund Manager must make the annual financial statements available to the public (including the annual financial statements reviewed in accordance with the provisions of Article 18 of these Regulations, free of charge, within a period not exceeding (3) months after the end of the reporting period, on websites and via channels as specified in the Fund's terms and conditions, and on the fund manager's website and the Exchange's website or any other website is available to the public according to the controls set out by the Authority (where applicable).

Chapter 4: Fundamental and non-fundamental Changes

Article 26: Approval of the Authority and Consent of Unitholders to Fundamental Changes

- a) A fund manager must obtain the consent of the unitholders in the relevant fund to the proposed fundamental change by way of an ordinary fund resolution.
- b) As an exception to paragraph (a) of this Article, the fund manager must obtain

the consent of the unitholders in the relevant fund on the proposed fundamental change stipulated in sub-paragraph (9) of paragraph (d) of this Article by way of a special fund resolution.

- c) A fund manager, after obtaining the consent of the unitholders specified in paragraphs (a) and (b) of this Article, must obtain the approval of the Authority in the proposed fundamental change to the fund.
 - d) The term “fundamental change” means:
 - 1) a significant change in the fund’s purposes, nature or class;
 - 2) a change which may have a material adverse effect on the unitholders or their rights in relation to the closed-ended fund;
 - 3) a change which alters the risk profile of the fund; or
 - 4) the voluntary withdrawal of a Fund Manager from its position as the fund manager.
 - 5) It usually causes unitholders to reconsider of their subscriptions in the closed-ended fund.
 - 6) A change which results in any increased payments out of the assets of the closed-ended fund to a fund manager or any member of the fund board or an affiliate of either.
 - 7) A change which introduces any new type of payment out of the assets of the closed-ended fund.
 - 8) A change that materially increases other types of payment out of the assets of the closed-ended fund.
 - 9) Change in the maturity date or termination of the closed-ended Fund.
 - 10) Increase the total value of the ether fund assets by accepting cash or in-kind contributions, or both.
 - 11) any other cases determined by the Authority from time to time and reported to the Fund Manager.
- e) The fund manager must obtain the fund board’s approval prior to any effecting fundamental change.
 - f) The fund manager must notify the unitholders and disclose details of fundamental changes on its website and any other website available to the public according to the controls set out by the Authority (10) days before of

the date in which the change becomes effective.

- g) Details of all fundamental changes shall be included in the next fund report prepared by the fund manager pursuant to Article (25) of these Regulations.
- h) The unitholders of an open-ended fund have the right to redeem their units before any fundamental changes are effective; without incurring any redemption fees (if any).
- i) A traded fund shall be exempted from the unitholders notification requirement set out in paragraph (f) of this Article, provided that the announcement of such is made on the fund manager's website and the Exchange's website.

Article 27: Notification to the Authority and Unitholders of Non-fundamental Changes

- a) The fund manager must notify the Authority and unitholders, and disclose on its website and any other website available to the public according to the controls set out by the Authority of any non-fundamental changes to the fund (10) days prior to the change becoming effective. Unitholders of an open-ended fund may redeem their units before the non-fundamental change becomes effective, and without incurring any redemption fees (if any).
- b) The fund manager must obtain the fund board approval on any non-fundamental changes.
- c) For the purposes of these Regulations, "non-fundamental change" means any change that does not fall within the provisions of paragraph (d) of Article (26) of these Regulations.
- d) Details of all non-fundamental changes must be included in the next fund report prepared by the Fund Manager pursuant to Article (25) of these Regulations.
- e) A traded fund shall be exempted from the unitholders notification requirement set out in paragraph (a) of this Article, provided that the announcement of such is made on the fund manager's website and the Exchange's website.

Chapter 5: Fund Assets Requirements, Custody of its Assets and Operation Rules

Article 28: Fund Assets Requirements

The Fund Assets should include the following conditions:

- a) All real estates of the Fund should be owned pursuant to valid title of deeds.
- b) All real estates of the Fund that are the subject matter of the investment shall have been approved to be designed and constructed by an official document from the competent body, and for income generating real estate assets the fund manager must have a proof that it is ready for a legal use.
- c) The fund manager must ensure the fairness and integrity of the lease agreements for income generating real estate assets.
- d) All lease agreements must be legally documented to ensure the rights of all parties.

Article 29: Custody of Fund Assets and Related Documents

- a) The custody of the fund assets shall be held by one or more custodians in the Kingdom pursuant to a written contract, who shall be a capital market institution authorised to conduct custody activity.
- b) A custodian may appoint one or more third parties or affiliates as a fund sub-custodian for any real estate investment fund, pursuant to a contract in writing, to take custody of the fund's assets. The remuneration of the fund sub-custodian shall be paid by the custodian out of its own resources and the fund sub-custodian must be a capital market institution authorised to conduct custody activity.
- c) With exception of paragraph (b), a fund sub-custodian may be appointed from out of the Kingdom to conduct custody of the fund's foreign investments, and must be appointed pursuant to a contract in writing and shall be established, authorised and supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority.
- d) The custodian appointed pursuant to paragraphs (a), (b) or (c) of this Article must not be a fund manager or a fund sub-manager to the relevant fund, or an affiliate of the fund manager or to the fund sub-manager.
- e) The custodian must segregate each real estate investment fund's assets from its own assets and from the assets of its other clients, and must separately identify, by registration in the name of the custodian for the benefit of the relevant real estate investment fund the securities and other assets of such investment fund. The custodian must register the real estate assets of the fund and the ownerships in companies unlisted and not deposited at the depository

centre in the name of a fully owned company of the custodian.⁵

- f) With exception of paragraph (e) of this Article, in case the real estate investment fund takes the form of a special purposes entity, the custodian must segregate each real estate investment fund's assets from its own assets and from the assets of its other clients. Such assets must be specified independently by registering the securities and other assets in the name of the special purposes entity. The custodian must also maintain all necessary records and other documents that support the performance of its contractual obligations.
- g) All related documents and records to the Fund must be maintained by the custodian, which includes, for example, the following documents:
 - a. Title of deed.
 - b. Investment decisions.
 - c. All material contracts related to the operation of the Fund.
 - d. Fund Board minutes of meeting.
 - e. Accredited Valuers' reports.
- h) The custodian shall be fully responsible for its obligations in accordance with the provisions of these Regulations, whether the custodian carries out its duties on its own or assign it to a third party in accordance with the provisions of these Regulations or the Capital Market Institutions Regulations. The custodian shall be liable towards the fund manager and the unitholders for losses incurred by the investment fund, which are caused by fraud, negligence, misconduct or willful default of the custodian.
- i) The custodian is responsible for maintaining and protecting the real estate investment fund assets for the benefit of unitholders, through a policy established by the fund manager in this regard.
- j) The net assets of the Fund shall be owned collectively by the Unitholders in such fund. A fund manager, or custodian shall not have any interest in or claims against such assets, other than when the Fund Manager is a Unitholder, or for claims permitted under these regulations and disclosed in the Fund's Terms and Conditions.
- k) With the exception of fund units owned by the Fund Manager, fund sub-manager, custodian, sub-custodian, investment advisor, or distributor, and within the limits of what is owned by the debtor, Creditors of such fund manager, fund sub-manager, custodian, sub-custodian, investment advisor, or

⁵ According to the Authority's Board Resolution no. 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G., paragraph (e) of Article 29 of these Regulations shall be effective as of 28/07/1443H., corresponding to 01/03/2022G. Moreover, paragraph (b) of Article (12) of the Real Estate Investment Funds Regulations issued pursuant to the Authority's Board Resolution no. (1-193-2006) dated 19/06/1427H. corresponding to 15/07/2006G., which can be viewed via the following link: (<https://cma.org.sa/RulesRegulations/Regulations/DocLib/REAL%20ESTATE%20INVE%20FUND%20REG%20EN.pdf>), shall remain effective until the effectivity date of paragraph (e) of Article 29 of these Regulations.

distributor may not have any right to claim or entitlements to money or assets of the investment fund.

- 1) Real estate assets of the real estate investment fund can be mortgaged to a subsidiary of an entity licensed to provide loans, that extended a loan for the fund.

Article 30: Segregation of Fund Money

- a) A custodian must open a separate local bank account in his name for each fund he is a custodian for, such account shall be in favour of the related real estate investment fund.
- b) As an exception to the provisions of paragraph (a) of this Article, in the event of a real estate investment fund that takes the form of a special purposes entity, the custodian must open a separate account with a local bank in the name of such special purposes entity.
- c) The custodian must deposit all cash belonging to the investment fund into the relevant bank account referred to in paragraphs (a) or (b) of this Article (as applicable), and must deduct from the relevant bank account the amounts used to finance the investments and the real estate investment fund management and operations expenses in accordance with the provisions of these Regulations, the fund's updated terms and conditions that it received from the Fund Manager, and the contract by which the custodian was appointed by the fund manager.

Article 31: Powers of the Authority to Remove and Replace Custodian

- a. The Authority shall have the power to remove the custodian which was appointed by the fund manager or take any other measures it deems appropriate, in the event of:
 - 1) The custodian ceasing to carry out custody activity without notification to the Authority under the Capital Market Institutions Regulations;
 - 2) The cancellation or suspension by the Authority of the custodian's relevant authorisation to carry out custody activity under the Capital Market Institutions Regulations;
 - 3) A request by the custodian to the Authority to cancel its authorisation to carry out custody activity;
 - 4) The Authority believing that the custodian has failed, in a manner which the Authority considers material, to comply with the Capital

Market Law or its Implementing Regulations;

- 5) Any other event determined by the Authority – based on reasonable grounds- to be of sufficient significance.
- b. If the Authority exercises its power pursuant to paragraph (a) of this Article, the relevant fund manager must appoint a replacement custodian to that investment fund in accordance with the Authority’s instructions, the fund manager as well as the removed custodian shall co-operate fully in order to facilitate a smooth transfer of responsibilities to the replacement custodian during the first (60) days of the appointing the replacement custodian. The custodian must transfer, where the Authority decides its necessary and applicable, all the contracts related to the relevant investment fund to the replacement custodian.

Article 32: Removal of Custodian by the Fund Manager

- a. The custodian appointed by the fund manager of an investment fund shall be subject to removal by written notice by the fund manager of that investment fund upon the fund manager forming the reasonable opinion that the removal is for the interest of the unitholders, the fund manager shall notify the Authority and the unitholders in writing immediately.
- b. Upon removal of the custodian under a written notice issued under paragraph (a) of this Article, the fund manager must appoint a replacement custodian within (30) days of such notice. The removed custodian must co-operate fully with the fund manager in order to facilitate a smooth transfer of responsibilities to the replacement custodian, and must transfer, where necessary and applicable, all contracts related to the relevant real estate investment fund to the replacement custodian
- c. The fund manager must immediately disclose on its website and the Exchange’s website or any other website available to the public according to the controls set out by the Authority (where applicable) the appointment of a replacement custodian for the real estate investment fund.
- d. A traded fund shall be exempted from the requirement to notify unitholders in writing, stipulated in paragraph (a) of this Article, provided that the announcement of such is made on the fund manager’s website and the Exchange’s website.

Article 33: Property Management

If any of the purposes of the fund was regarding investing in constructionally developed real estates, the fund manager must appoint one or more company(s) to carry out the property managements, after ensuring that it obtains the necessary approvals and licenses to conduct its business and activities from the relevant government bodies, to manage the real estate under investment, and that company must possess the necessary expertise in the field of real estate and its management, where applicable, the company shall be responsible for all services related to property management, including, but not limited to, property management and maintenance, leasing services and rent collection. The fund manager may agree with the lessee - under the leasing agreement - that such lessee be responsible for managing the property and carry out any maintenance during the leasing agreement period (where applicable).

Article 34: Appointing the Developer and Engineering Office

In the event that one of the objectives of the fund includes the initial development or constructional development, the fund manager must appoint a developer and an engineering office independent⁶ from any of the related parties, after ensuring that they obtained the approvals and licenses required to carry out their business and activities from the relevant government entities. The engineering office shall - at minimum - oversee the implementation of the fund's business plan.

Article 35: Valuation

- a) The real estate investment fund manager must, before purchasing or selling any of the Fund's assets, obtain a valuation from two accredited valuers known for their experience, integrity and knowledge of real estate activity and area under investment.
- b) The real estate investment fund manager must ensure that any accredited valuer appointed pursuant to paragraph (a) of this Article meets the following conditions:
 - 1) the accredited valuer must be independent from any related parties
 - 2) the accredited valuer must have obtained the fellowship of the Saudi

⁶ According to the Authority's Board Resolution no. 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G., the requirement for the independence of the developer from any of the related parties in relation to real estate investment traded funds shall become effective as of 28/07/1443H corresponding to 01/03/2022G.

Authority for Accredited Valuers⁷.

- c) The accredited valuers report must contain as a minimum the following:
 - 1. The valuation method, mechanisms and assumptions on which such valuation is based.
 - 2. An analysis of the variables related to the real estate market, such as the demand, supply and market trends.
 - 3. Details and descriptions of the real estate.
 - 4. The risks related to the real estate subject to valuation.
- d) On purchasing or selling any of the fund's assets, the Fund Manager may not rely on any valuation report prepared before more than (3) months prior to purchasing or selling.
- e) The Fund Manager must provide the accredited valuers, in a clear, accurate, and not misleading manners, with any information or documents concerning the assets of the real estate fund to be evaluated, which including but not limited to, related contracts, engineering reports, constructions costs and any information that would enable the accredited valuer preparing its report in accordance with regulatory provisions and accredited standards.
- f) The fund manager must provide the valuation reports for the real estate prepared by (2) accredited valuers with the Saudi Authority for Accredited Valuers' fellowship⁸, and publish them during the offer period on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable), provided that the valuation period did not exceed (3) months at the date of the commencement of the offering, in case of more than two accredited valuers were appointed, the fund manager must publish all the accredited valuers' reports.
- g) The Fund Manager must submit a declaration from each accredited valuer confirming that he 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 scope of the valuation reports is appropriate for the purpose of the fund manager's request and is valid for the public offering. The valuation reports shall include the rental market value of the relevant real estate, if they are different from the contractual rental value in the real estate leases (in case the real estates are income- generating).

7 According to the Authority's Board Resolution no. 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G., sub-paragraph (2) od paragraph (b) of Article 35 shall become effective as of 08/06/1444H corresponding to 01/01/2023G.

8 According to the Authority's Board Resolution no. 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G., the requirement to obtain the Saudi Authority for Accredited Valuers' fellowship shall become effective as of 08/06/1444H corresponding to 01/01/2023G.

- h) The Fund Manager must replace the accredited valuers every (5) years at most. Any valuer who have served for such period of time may be re-appointed after a period of (1) year has elapsed from the date of last contract.

Article 36: Valuation of fund Asset and Calculation of Unit Price

- a) The Fund Manager is responsible for performing fair valuation of the fund's assets.
- b) The Fund Manager shall evaluate the Fund's assets at least once every (6) months based on a valuation prepared by two accredited valuers in accordance with the valuation policy set out in the fund's terms and conditions, and publish the accredited valuers' report on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable) within a period not exceeding (15) days from issuing such report. The valuation reports shall include the rental market value of the relevant real estate (where applicable), and in case of more than two accredited valuers were appointed, the fund manager must publish all the accredited valuers' reports.
- c) The net value of the unit shall be calculated by subtracting the Fund's total liabilities from its total assets, then dividing the result by the number of the fund's units, and this shall be considered as a benchmark price of the unit.

Article 37: Register of Unitholders

- a) A Fund Manager shall establish and maintain a register of Unitholders.
- b) A Fund Manager may engage a third party or parties pursuant to a contract in writing to establish and maintain a register of unitholders referred to in paragraph (a) above.
- c) Notwithstanding the appointment of a third party, the Fund Manager shall remain responsible for the discharge of all its duties in relation to the register under these Regulations.
- d) The register shall be conclusive evidence as to the persons entitled to units entered on the register.
- e) The Fund Manager must maintain, at minimum, the following information in the register:
 - 1) The name address and contact number of each Unitholder;
 - 2) The national identification number, Iqama number, passport number or company registration number of the Unitholder;
 - 3) The nationality of the Unitholder;
 - 4) The number of units held by each unitholder; and
 - 5) The date on which the Unitholder was registered in the register.

- f) The register of unitholders must be made available for inspection by the Authority at its request. The fund manager must provide any unitholder, free of charge upon request, an extract that shows all the information relevant to the subject unitholder only.
- g) The fund manager must update the register of unitholders immediately to reflect changes to information referred to in paragraph (e) of this Article.
- h) The traded fund is excluded from the provisions of this Article.

Article 38: Subscription and Offering

- a) Without prejudice to the Law of Real Estate Ownership and Investment by Non-Saudis, subscription in the Fund is open to any Saudi, GCC citizens, non-Saudi residents or foreigners non-residents in the Kingdom.
- b) The applicant must commence the offer of the fund units within (6) months from the date of the Authority's decision referred to in sub-paragraphs (1) or (2) of paragraph (c) of Article (8) of these Regulations. If the applicant does not commence the offer of the fund's units during such period, the Authority's approval shall be deemed to be cancelled
- c) The Fund's unit value must be fully paid during the fund's offering period in accordance with the Fund's Terms and Conditions.
- d) the Fund Manager, who should ensure, before accepting any subscription, that the Unitholder obtains and signs a copy of the Fund's Terms and Conditions.
- e) The Fund Manager shall issue a confirmation notice to the unitholder upon subscription in the units of the Fund.
- f) The offering period of the Fund shall be specified, and in case the required minimum amount, which stipulated in the fund's terms and conditions that must be collected is not reached, the subscription amounts must be returned back to the unitholders, then the fund manager must cancel the offering and return the fund's unitholders without any deduction within a period not exceeding (5) days from the date of ending the offer.
- g) The Real Estate Investment Fund offering period must not exceed a maximum period of (60) days.
- h) The Fund Manager must submit to the Authority within (10) days of the end of the offering period, a statement of the offering results, and disclose it on its website, in accordance with the requirements of Annex (12) of these Regulations.
- i) With the exception to the provisions of paragraph (e) of Article (45) of these Regulations, a unitholder who have subscribed in the fund with an in-kind contribution may reduce its ownership in the fund's units to a minimum of (50%) of the number of units issued corresponding to such right after one year from the date of subscription in the fund or the date of operation of the fund, whichever is further, unless the relevant fund's terms and conditions state a longer period.

- j) The Fund Manager and its affiliates may subscribe for their own account in the fund units managed by the fund manager, provided that the fund manager discloses this in the fund's terms and conditions, provided that the following requirements are met:
1. the subscription condition of the fund manager and his affiliates in the units and related rights shall not have more privileges than the conditions and rights related to the units owned by the other unitholders of the same category.
 2. That the Fund Manager and his affiliates shall not exercise voting rights related to the units they own.
 3. The Fund Manager shall disclose the details of its investments in the fund units, by the end of each half for a real estate investment fund and each quarter for the real estate investment traded fund, on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable), as well as in the reports prepared by the fund manager in accordance with Article (25) of these Regulations.
- k) The total value of the fund's assets may be increased according to the following mechanism:
1. The fund manager must obtain the unitholders' approval to offer additional units to the fund by accepting in-kind contributions or by accepting cash contributions, or both in accordance with Article (26) of these Regulations.
 2. The fund manager must obtain the authority's approval to offer additional units to the fund by accepting in-kind contributions or by accepting cash contributions, or both.
 3. The Fund Manager must commence offering the additional fund's units, within a period not exceeding (6) months from the date of the Authority's approval. If the applicant did not commence the offer of the fund's units during such period, the Authority's approval shall be deemed to be cancelled
 4. In case that the total value of the fund's assets increased by accepting cash contributions or cash and in-kind contributions, the offering period of real estate fund shall be not exceeding, as a maximum, (60) days from the date of the Authority's approval.
 5. In the event that the value of the units to be offered is collected, the offered units must be allocated to the registered fund's unitholders on the day of the unitholders meeting and then allocate the remaining units - if any - to the rest of the unitholders and return the surplus to all the unitholders in cash - if any - within a period that not exceeding (15) days from the end of the offering period set forth in the fund's terms and conditions. Provided that the ownership of the property to be acquired or its benefit is transferred to the interest of the fund within a period not exceeding (60) days from the end of the offering period.

6. In the event that the total value of the fund's assets is increased by accepting in-kind contributions, the additional units shall be allocated to the unitholders in the form of in-kind immediately, after obtaining the approval of the unitholders referred to in subparagraph (1) of paragraph (k) of this Article. Provided that the ownership of the property to be acquired or its benefit shall be transferred to the fund's interest within a period not exceeding (60) days from the date of approval of the unitholders.
7. With regards to the provisions of subparagraph (3) of Paragraph (k) of this Article, and in the event that the minimum required to be collected and stipulated in the fund's terms and conditions is not collected, the Fund Manager must cancel the offering and return back the amounts to the fund's unitholders without any deduction within a period not exceeding (5) days from the date of ending the offering period.
8. The fund manager must submit to the Authority a supplementary annex to the fund's terms and conditions, for every increase in the net assets value of the fund by accepting in-kind contributions, cash contributions or both, in accordance with the requirements of Annex (14) of these Regulations.
9. The fund manager must publish the supplementary annex to the fund's terms and conditions referred to in sub-paragraph (8) of paragraph (k) of this Article, on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable)
- l) The traded fund is excluded from the provisions of paragraphs (d) of this Article

Article 39: Units

- a) The potential unitholder shall be the owner of the units to which it has subscribed for as soon as executing the subscription request in the next dealing day following the deadline for the submission of subscription and redemption requests.
- b) 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);
- c) Other than losing his\her investment in the fund or part of it, the unitholder shall not be liable for the debts and obligations of the relevant fund.
- d) A fund may issue more than one class of units, all unitholders from the same class shall have the same rights as each other and shall be treated equally by the fund manager. No class of unitholders shall have a deferent investment strategies and objectives from the investment strategies and objectives of another class in the same investment fund.

- e) A class of a unitholders shall not benefit from the rights that prejudice the rights of unitholders of another class.
- f) The traded fund is excluded from the provisions of paragraph (a) of this Article.

Article 40: Restrictions on the Fund

a) Using the Fund's Assets:

With regards to the provisions of sub-paragraph (3) of paragraph (b) of Article (46) of these Regulations, regarding a real estate investment traded fund, the Fund Manager must manage the available liquidity for the benefit of the Unitholders in low risk investment channels and without deducting any additional management fees to the invested amounts.

b) Borrowing:

The Fund -including a REIT fund on the Main Market- may not borrow more than (50%) of the fund's total assets value according to the last reviewed financial statements, however in the case of a REIT fund on the parallel market, the borrowing shall not exceed (100%) of the fund's total asset value, according to the last reviewed financial statements.

Article 41: Trading

- a) After the end of the subscription period, a related party may not sell any fund unit during the fund's term.
- b) As an exception to paragraph (a) of this Article, a unitholder who subscribed in the fund with cash contribution and whose ownership exceeds (5%) of the real estate investment fund's net assets value may sell his units in the fund, unless he is listed under one of the other categories stipulated in the definition of the term "Related Parties".
- c) The Fund Manager and Custodian should take all necessary steps for facilitating unit's trading transfer and registering them.
- d) The Fund Manager shall maintain a register for all purchasing orders requests and selling offers related to the Fund's units.
- e) The Fund Manager shall inform investors, willing to purchase or sell, about the purchasing orders and selling offers register, the benchmark price of the unit and date thereof.
- f) The traded fund is excluded from the provisions of this Article.

Article 42: Advertising

- a) The Fund Manager shall, in any advertisements relating to the Fund, (as defined in the Capital Market Institutions Regulations) must satisfy the requirements of this Article and the applicable provisions of the Capital

Market Institutions Regulations and the Securities Business Regulations and any relevant regulations.

- b) The capital market institution must submit any advertisement, brochure, marketing leaflet or any other methods used for the offering or selling of the fund units before it is used to the Authority.
- c) The advertisement of the Fund should include the following details:
 - 1) The manner for obtaining a copy of the Fund's Terms and Conditions, and its financial reports.
 - 2) The Fund's purpose, the fund's total assets value, its period, type and class.
 - 3) Fund manager's license number and its authorised activities
 - 4) A statement that the value of an investment in the Fund is variable and it may be subject to increase or decrease or loss of the full amounts.
 - 5) A reference to the disclosure mentioned in the terms and conditions related to the major risks associated with investment in the Fund.
- d) Any advertisements for the Fund shall not include any forecast of the future performance of the Fund.

Article 43: Termination and liquidation of the Fund⁹

- a) The fund manager shall specify the termination provisions of a fund in the terms and conditions of the relevant fund
- b) The fund manager must complete the process of selling the fund's assets and distribute the unitholders' dues among them, prior to the end of the fund's term.
- c) The fund manager may extend the fund's term to complete the sale process of the fund's assets or any other event, in accordance with the provisions of Article (26) of these Regulations.
- d) For the purpose of terminating a fund, the fund manager must prepare a plan and procedures for the termination of the fund consistent with the unitholders interests, and must obtain the fund board of directors' approval on such plan prior to carrying out any action in this regard.
- e) The fund manager must notify the unitholders and the Authority, in writing, of the details of the plan and procedures for the fund termination at least (21) days prior to the intended date for terminating the fund, without prejudice to the fund's terms and conditions.

⁹ According to the Authority's Board Resolution no. 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G., Article 43 of these Regulations shall be effective as of 28/07/1443H., corresponding to 01/03/2021G. Moreover, paragraph Article 18 of the Real Estate Investment Funds Regulations issued pursuant to the Authority's Board Resolution no. (1-193-2006) dated 19/06/1427H. corresponding to 15/07/2006G., which can be viewed via the following link: (<https://cma.org.sa/RulesRegulations/Regulations/DocLib/REAL%20ESTATE%20INVE%20FUND%20REG%20EN.pdf>), shall remain effective until the effectivity date of Article 43 of these Regulations.

- f) The fund manager must comply with the plan and procedures for fund termination approved as per paragraph (d) of this Article.
- g) The Authority and unitholders must be notified in writing of the fund termination within 10 days from the end of the fund's term in accordance with requirements in paragraph (d) of Annex (12) of these Regulations.
- h) If the terms and conditions of the fund provide that the fund will be terminated upon the occurrence of specified events, the fund manager must terminate the fund immediately upon the occurrence of such event and notify the Authority and unitholders in writing within (5) days from the occurrence of such event that required the termination of the fund.
- i) In the event of expiry of the fund's term and the fund manager has not completed the sale of the fund's assets before the expiry of its term, the fund manager must liquidate the fund's assets and distribute the unitholders' dues among them, within a maximum period of 6 months from the date of the expiry of the fund's term.
- j) For the purpose of liquidating a fund, the fund manager must obtain the fund board of directors' approval on the plan and procedures for the liquidation of the fund, prior to carrying out any action in this regard.
- k) The fund manager must comply with the plan and procedures for fund liquidation approved as per paragraph (j) of this Article.
- l) The Authority and unitholders must be notified in writing of the end of the fund liquidation, within 10 days from the end of the fund liquidation in accordance with requirements in paragraph (d) of Annex (12) of these Regulations.
- m) The fund manager must treat all unitholders equally during the fund termination or liquidation process.
- n) The fund manager must immediately upon the end of fund's term or liquidation distribute the unitholders' dues among them, without delay and in a manner that does not conflict with the interest of unitholders and the fund's terms and conditions.
- o) The fund manager must disclose on its website and the Exchange's website or any other website available to the public according to the controls set out by the Authority (where applicable), the end of the fund's term or its liquidation period.
- p) The fund manager must provide the unitholders with the fund termination report in accordance with the requirements of Annex 13 of these Regulations within a period not exceeding (70) days from the date of completion of fund termination or liquidation, including the final audited financial statements of the fund for the period subsequent to the latest audited financial statements.
- q) The Authority may remove the fund manager from the liquidation process in the event of a special fund resolution issued by the unitholders, provided

that the replacement liquidator is appointed in the same meeting in which the unitholders voted to remove the fund manager.

- r) If the fund manager was removed from the liquidation process, it must fully cooperate to transfer liquidation responsibilities to the appointed liquidator. It must also transfer to the appointed liquidator all the documents of the relevant real estate investment fund, that will enable it to complete the liquidation within (20) days from the issuance of the Authority's resolution to remove the fund manager and appoint a replacement liquidator.
- s) The fund manager must notify the unitholders, in writing, in the event where the Authority issues a resolution of the removal of the fund manager and the appointment of a replacement liquidator under paragraph (q) of this Article.
- t) In all cases, the fund manager must notify the unitholders and the Authority, in writing, immediately and without delay of any significant events occurring during the fund liquidation period.
- u) The traded fund shall be exempted from the written notification requirement to all unitholders stipulated in paragraphs (e), (g), (h), (l), (s), and (t) of this Article, provided that the announcement for such is made on the fund manager's website and the Exchange's website.

Part 4: Real Estate Investment Traded Fund

Article 44: Scope and Application

The purpose of this Part is to regulate the offering, registration and management of REIT fund units and its operations and supervise its associated activities in the Kingdom.

Article 45: General Provision

- a) The offering, operations and management of the real estate investment traded funds in the Kingdom shall be in accordance with the provisions of this Part and these Regulations, and to the extent that such provisions do not contradict the nature of the fund.
- b) In the event of offering a REIT fund units on the Parallel Market, the offer of such units shall be limited, under the provisions of this Part, to qualified investors.
- c) The unitholder purchasing of REIT fund units from the Exchange is deemed to have read and accepted the funds terms and conditions.
- d) As an exception to the provisions of paragraph (a) of Article 41 of these Regulations, any related party may buy or sell any unit of the fund after listing the units.
- e) No person or group of persons having their names listed on the fund's terms and conditions, upon establishment, indicating their ownership of (5%) or more of the fund's units -through in-kind contribution- may dispose any of the units in which they subscribed during the first year of trading commencement of the relevant fund's units.
- f) Without prejudice to paragraph (k) of Article (38) of these Regulations, it is not permissible to dispose the units allocated to subscribers by in-kind contributions of (5%) or more through the mechanism of increasing the fund's total assets value within the first year of its trading commencement.

- g) The units of a REIT fund must be deposited with the Securities Depository Center.
- h) The fund manager must publish all the required information to be disclosed as per these Regulations on its website and the Exchange's website and such information must be complete, clear, accurate and not misleading.
- i) Any fundamental changes to the terms and conditions of the fund during the offering period is prohibited.
- j) The fund's terms and conditions shall allocate a percentage of the total offer for institutional investors.
- k) The fund manager shall ensure when acquiring the assets of an existing real estate investment fund that is managed by the same fund manager, that such acquired assets have achieved rental net profit after deducting all expenses for the last (3) years for the constructionally developed and income generating real estates.
- l) If any of the limitations set forth in these Regulations 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 (5) days from the date of the occurrence of such breach, the fund manager must immediately notify the Authority of such event in writing, indicating the action taken and period of time required to rectify the matter. The Authority may at its absolute discretion vary the time limit for rectifying such breach.
- m) Without prejudice to paragraph (h) of Article (38) of these Regulations, the fund manager must disclose to the Authority regarding the statement of the offering results on the Exchange's website.
- n) To achieve the independence a member of the fund board of directors, the following must be complied with:
 - 1. An independent fund 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 sound decisions that contribute to achieve the interests of the fund.

2. With regards to the definition of "Independent fund director" stipulated in the Glossary of Defined Terms used in the Regulations and Rules of the Capital Market Authority, cases that negate the independence requirement for an independent director in the board of a REIT fund, include but are not limited to, the following:
 - a) if he/she holds (5%) or more of the fund's units or the units of another fund under the management of the same fund manager; 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 (5%) or more of the fund's units or the 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 (5%) 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 related party of the fund.
 - f) if he/she is an employee or used to be an employee, during the preceding two years, of the fund manager or any party related to the fund, or if he/she, during the preceding two years, held a controlling interest in any of these parties.
 - g) if he/she receives financial consideration from the fund in addition to the remuneration for his/her membership of the board.
- o) A real estate investment traded fund may apply for listing on the Parallel Market after the issuance of a special fund resolution by the unitholders approving of such.

Article 46: Conditions for Offering REITs

a) The following conditions must be satisfied when applying:

- 1) **The fund type:** the REIT fund must be a closed-ended fund.
- 2) **The minimum requirement for establishment:** the fund's total assets value must be 500 million Saudi Riyals at least, upon establishment, to offer its units in the Main Market, and not less than (100) million Saudi riyals to offer its units in the Parallel Market.
- 3) **The nominal value per unit:** the nominal value per unit must be (10) Saudi Riyals.
- 4) **Subscription fees:** public unitholders may only subscribe by way of cash contributions.
- 5) **Subscription limit:** the minimum subscription must not exceed (1000) units per unitholder.

b) The fund manager must comply with the following at all times:

- 1) **Investment policy:** the fund's investments value in constructionally developed real estate, and qualified to generate periodic rental income must not be less than (75%) of the fund's total assets value according to the last audited financial statements.
- 2) **Distributions:** the distributed profits on unitholders must not be less than (90%) of the fund's net profits annually.
- 3) **Asset restrictions:**
 - a) the fund manager may not invest in white lands. the fund manager is allowed to invest up to 25% of the fund's total assets value, according to the last audited financial statements, in any of the following:
 1. Real estate development, whether the real estate is owned by the fund manager or not.
 2. Renovation and re-development of real estate.
 3. Real estate re-purchase agreements.

4. Cash and such, units of investment funds licensed by the Authority and real estate companies.
 5. In case of RIETs traded in the Main market, Usufruct rights.
 6. Treasury units
 7. Debt instruments
- b) The fund manager is prohibited from investing more than (25%) of the fund's total assets value, according to the last audited financial statements in real estate outside the Kingdom.
 - c) A REIT may not own a percentage exceeding (20%) of the net assets value of the fund that its units were owned
 - d) The investments of the REIT fund manager on the Parallel Market in usufruct rights shall not be subject to the restriction stipulated in sub-paragraph (a) of sub-paragraph (3) of paragraph (b) of this Article.
- 4) **Fund's assets requirements:** with regards to Articles (35) and (36) of these Regulations, the fund manager must ensure the provision of valuation reports for the real estate, prepared by two accredited valuers, with the Saudi Authority for Accredited Valuers' fellowship¹⁰, and publish them during the offer period on its website and the Exchange's website. The reports shall contain an assessment of market rents and the assessment period shall not exceed three months of the offering commencement date. Where more than two accredited valuers were appointed, the fund manager must publish all the accredited valuers' reports.

¹⁰ According to the Authority's Board Resolution no. 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G., the requirement to obtain the Saudi Authority for Accredited Valuers' fellowship shall become effective as of 08/06/1444H corresponding to 01/01/2023G.

Article 47: Offering Requirements for REITs

- a) A fund manager seeking to offer a REIT fund units on the Exchange must submit its application to the Authority, including the information required as per these Regulations. It shall, simultaneously, submit an application to the Exchange to list such units in accordance with the Listing Rules.
- b) In addition to the requirements set forth in Article (7) of these Regulations, the fund's terms and conditions must include all necessary information to enable the potential unitholders to make an informed judgment based on sufficient information regarding the investment offered to them. This application shall contain the information provided in Annex (2) of these Regulations.
- c) When submitting an application for offering, the fund manager must provide the Authority with a binding agreement to sell the real estate subject of investment or a binding agreement to transfer the real estate's interest, where the fund is investing in usufruct rights, as determined in the fund's terms and conditions, upon the completion of the fund units offering and before its listing.
- d) When submitting an application for offering, the fund manager must provide the Authority with a memorandum of understanding between the fund manager and the company responsible for the property management or the lease contract, if agreed that the lessee is responsible for managing the property, as the case may be.
- e) When submitting an application for offering, the fund manager must provide the Authority with the names of two receiving agents, at least.
- f) When submitting an application for offering, the returns from any lessee must not exceed (25%) of the fund's total returns.
- g) The fund manager may not offer units to the public without making prior arrangements for listing those units on the Exchange in accordance with the Listing Rules.

- h) The approval of the application for offering will only be given by the Authority if:
1. the Authority has received a notification from the Exchange of the Exchange's conditional approval of the corresponding application for listing pursuant to the Listing Rules;
 2. the conditional approval mentioned under sub-paragraph (1) of paragraph (h) of this part has not been withdrawn by the Exchange; and
 3. the Authority is satisfied that the information contained in the terms and conditions is complete and fulfills the requirements of the Capital Market Law and its Implementing Regulations.
- i) The fund manager must transfer the ownership of the real estate to be acquired or the right to its utility for the interest of the fund and to list the offered units on the Exchange within a period not more than (60) days from the end of the offering period.

Article 48: REITs Buy-back and Sale of Its Units

- a) For the purpose of applying these regulations, The process of buying-back and selling a RIET fund of its units, in accordance with the provisions of these Regulations, is excluded from the acts and practices mentioned in paragraph (a) of Article (49) of the Capital Market Law.
- b) a REIT fund may buy-back its units unless the fund's terms and conditions stipulate otherwise, in accordance with the following controls:
1. The buy-back of the fund's units is for the purpose of keeping them as treasury units or in order to cancel them.
 2. With regards to the provisions of sub-paragraph (3) of paragraph (b) of Article (46) of these Regulations, the percentage of treasury units for the fund shall not exceed (10%) at any time.
 3. Issuance of a special fund resolution by the unitholders approving the buy-back process, specifying the maximum number of units subject to the buy-back and its purposes, the sources of financing the buy-back process, and authorising the fund manager to complete the buy-back within a period not

- exceeding (12) months from the date of the issuance of the referenced special fund resolution. Moreover, unitholders may issue at any time issuing a special fund resolution to change the purposes of the buy-back.
4. Unless the purpose of buying-back the units of the fund is to cancel them, the units buy-backs must be made not exceeding (10%) of the quantity approved at the meeting of the unitholders for buy-back within one trading day, unless the approved quantity, or the remainder of the approved quantity that is not bought-back yet, is less than (10%) of the trading volume of the fund's units the day before the buy-back.
 5. The buy-back price shall not exceed (5%) of the market closing price on the day preceding the day on which the buy-back is executed.
 6. The buy-back does not result in a decrease in the ownership of public unitholders to less than the liquidity requirements stipulated in the Listing Rules (where applicable) for the units issued by the Fund.
 7. The buy-back shall be made through the Exchange and not through a special transaction.
 8. The treasury units bought-back by the fund shall have any no voting rights at the unitholders meeting and shall not have any right in fund distributions.
- c) A REIT fund may not buy-back its units for use as treasury units except for the following purposes:
1. If the Fund's Board of Directors or whoever delegate believes that the price of the units in the Exchange is less than their fair value.
 2. Swap operations in return for purchase of an asset.
 3. Any other purpose approved by the Authority.
- d) The REIT fund manager, regarding buy-back of the fund's units, must comply with the following:
1. Disclose on its website and the Exchange's website, the decision of the Fund's Board of Directors to approve the Fund's buy-back of its units, at least half an hour before the start of the trading period for the next day.
 2. Call for a meeting of unitholders in accordance with the provisions of paragraph (d) of Article (23) of these Regulations.
- e) In the event of a special fund resolution issued by the unitholders approving the buy-back process, The REIT fund manager must this on its website and the Exchange's website, at least half an hour before the start of the trading period for the next day.

- f) The RIETS fund manager must immediately notify the Exchange according to the mechanism determined by the Exchange of the fund's buy-back of its units and the purpose of their buy-back, in order for the Exchange to publish that information in its periodic report on the funds buy-back of their units.
- g) The REIT fund manager must include in the annual report of the fund details of the treasury units held by the fund, and details of disposal of these units.
- h) A REIT fund may sell its treasury units if the terms and conditions of the fund stipulate that this is permissible, according to the following controls:
 1. Executing the sale of treasury units shall not exceed 10% of the total amount of treasury units to be sold within one trading day, unless the approved quantity, or the remainder of the quantity to be sold is less than 10% of the trading volume of the fund's units the day before the buy-back.
 2. The sale of the treasury units shall be through the Exchange and not through a special transaction. As an exception to this, the sale of these units is not required to be through the Exchange if the purpose of the treasury units is to be used as a compensation in the swaps in exchange for buying an asset in accordance with the terms and conditions of the fund.

Article 49: Disclosure Requirements

A) Disclosure of 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 the general course of business of the fund manager or any change affecting the status of the fund or leading to the voluntary withdrawal of the fund manager from its position as a fund manager and which may reasonably lead to movements in the price of the listed unit or significantly affect the fund's ability to meet its commitments in respect of the debt instruments.

- 2) In determining whether a development falls within the scope of this paragraph, the fund manager must assess whether a prudent investor would be likely to consider information about the development in making his investment decisions.

B) Disclosure of specific events:

The fund manager must disclose without any delay to the Authority and the unitholders any of the following developments (whether it is a material development as per paragraph (a) of this Article or not):

- 1) any transaction to purchase, sell, lease or mortgage an asset at a price equal to or greater than (10%) of the fund's net 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 dispute, including any litigation, arbitration or mediation where the value involved is equal to or greater than (5%) of the fund's net assets according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later;
- 4) the increase or decrease of the fund's net assets equal to or greater than (10%) according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later;
- 5) the increase or decrease of the fund's gross profit equal to or greater than (10%) according to the latest audited annual financial statements;
- 6) 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 thereof if this transaction or arrangement is equal to or greater than (1%) of the fund's gross revenues according to the latest audited annual financial statements;

- 7) any interruption in the principal activities of the fund, in which has an effect equals to or greater than (5%) of the fund's gross revenues according to the latest audited annual financial statements;
- 8) the issuance of any judgment, decision, order or declaration by a court or judicial body, 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 fund's net assets according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later; or
- 9) any proposed change to the fund's total assets value.

C) Complete, clear, accurate and not misleading disclosures:

- 1) All disclosures made by the fund manager must be complete, clear, accurate and not misleading and shall be published on the fund manager's website and the Exchange's website and as specified in the fund's terms and conditions.
- 2) Where, in the opinion of the fund manager, disclosure of any matter required by these Regulations, 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 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 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 of the disclosure.

- 3) All information and material developments set forth in this Article shall be deemed confidential until they are disclosed. Before disclosing such information, the fund manager shall be prohibited from communicating such information to parties not bound by a confidentiality obligation and an obligation to protect such information. A fund manager must also take all necessary steps to prevent the leakage of any information and material developments before disclosing them as per these Regulations.
- D) The Fund Manager must determine the need to publish a disclosure to the public in response to rumors related to any material developments, and the Authority may require such publication to be made by the Fund Manager as it deems appropriate.
- E) The Fund Manager must comply with the provisions of the Instructions for Investment Funds Announcements.
- F) **Disclosure relating to substantial unitholder dealings:**
1. Any person must notify the Exchange if such person becomes the owner of, or is interested in, (5%) or more of the fund's units at the end of the third trading day the execution of the transaction or the occurrence of the event which results such ownership or interest; the person notification shall also include a list of persons, in which those persons, have an interest in the units that they own or control.
 2. The person referred to in sub-paragraph (1) of paragraph (f) of this Article, must notify the Exchange the event of any change to the list of persons referred to in sub-paragraph (1) of paragraph (f) of this Article including any event which requires the inclusion of a person to that list or the exclusion of any person who has been previously included in that list. Such notification must be made, within a period not exceeding the end of the third trading day following the occurrence of the relevant event.
 3. For the purposes of this paragraph, in calculating the total number of the fund's units in which any person has interest in, that person will be deemed

to be interested in any units owned or controlled by any of the following persons:

- a. a relative of that person;
 - b. a company controlled by that person; or
 - c. any other persons with which that person has agreed to act in concert to acquire an interest in the fund units.
4. the notification referred to in sub-paragraph (1) of paragraph (f) of this Article must contain at least the following information:
- a. the names of the persons who own the units or who have the right to dispose of the subject units;
 - b. details of the ownership process; and
 - c. details of any loans or financial support for the ownership process that the person has received from any other persons.

G) In the event a real estate investment traded fund is investing in usufruct rights, the fund manager must disclose such rights 3 months prior to their end.

Article 50: Merging Real Estate Investment Traded Funds

- a) Submitting an application to the Authority for merging REIT funds
 - 1) after obtaining the approval of the unitholders of all the related funds by way of a special fund resolution, the fund manager may apply to the Authority for the approval to merge a number of REIT funds offered in accordance with these Regulations.
 - 2) the merger shall be through combining one fund or more into an existing fund.
 - 3) 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, at least, (21) days prior to executing the merger.

- 4) The merger details must be incorporated in the fund's reports prepared by the Fund Manager pursuant to these Regulations, based on the type of offer.
- 5) the fund manager must disclose the resulted merger costs.

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 the following:
 - a) it is written in a way that is clear, accurate, and not misleading.
 - b) it contains, in a detailed way, all the expected consequences of the proposed merger.
- 2) it contains a detailed comparison of the charges of all services, commissions and management fees that are imposed on the related funds.

Part 5: Real Estate Investment Funds that Take the Form of a Special Purposes Entities

Article 51: General Provisions

- a) All the provisions mentioned in these Regulations and the Rules for The Special Purposes Entities shall apply to Real Estate Investment Fund that takes the form of a special purposes entity unless these Regulations indicate otherwise.
- b) For establishing a Real Estate Investment Fund that takes the form of a special purposes entity, the fund manager must submit an application to establish a special purposes entity in accordance with the provisions contained in these Regulations and the provisions contained in the Rules for Special Purposes Entities as applicable.
- c) For the purposes of this Part, any reference to the “fund” in these regulations, the Capital Market Law and its Implementing Regulations, applies to “Real Estate Investment Fund that takes the form of a special purposes entity”.

Article 52: Custodian

The custodian of the Real Estate Investment Fund that takes the form of a special purposes entity applies to the provisions contained in Chapter (3) of these Regulations, in accordance with the nature of such entity.

Article 53: The Board of Directors of the Real Estate Investment Fund that Takes the Form of a Special Purposes Entity

The board of directors of Real Estate Investment Fund that takes the form of a special purposes entity shall be the special purposes entity’s board of directors, and all the provisions related to the fund’s board of directors stipulated in these Regulations shall apply to it.

Part 6: Publication and Entry into Force

Article 54: Publication and Entry into Force

These Regulations shall become effective in accordance with its approval resolution.

Annex 1

Requirements of the Terms and Conditions of Real Estate Investment Public Fund

The Fund Manager should present the fund's Terms and Conditions in Arabic language, and in a way that is comprehensible and easy to understand by unitholders and potential unitholders. The fund's terms and conditions must include the following Information pursuant to the same sequence set out in this Annex:

Content of the Cover Page:

- a. Name of the fund, indicating its class and type.
- b. Name of the fund manager.
- c. Name of the custodian.
- d. Name of the developer (if any).
- e. Must include explanatory statement and an acknowledgment of responsibility according to the following form:

“The Fund’s terms and conditions has been reviewed and approved by the Fund’s Board of Directors. The Fund Manager and the members of the Fund’s Board of Directors collectively and individually bear full responsibility for the accuracy of the information presented herein. Having made all reasonable inquiries, the fund board of directors and the fund manager confirm the validity and completeness of the information in the terms and conditions, and further confirm that the information and data maintained in the terms and conditions are not misleading.”
- f. must contain a statement of disclaimer according to the following form:

“The Capital Market Authority has approved the offer of units of the real estate investment fund. The Capital Market Authority does not, however, take any responsibility for the content of these terms and conditions, nor does it make any representation as to its accuracy or completeness. The Capital Market Authority does not make any recommendation as to the soundness or otherwise of investing in the investment fund, and that the approval of offering the units the fund does not mean the Authority recommends investment in the fund, and it emphasizes that the decision to invest in the fund is up to the investor or his representative.”
- g. For a Shariah-compliant real estate investment fund, the following statement must be added:

“[Name of fund] has been certified as a real estate investment fund that is Shariah compliant by the Shariah Board appointed for the investment fund.”

- h. Must add the following statement: (If the real estate investment fund is taking the form of a special purposes entity):
 “[Name of fund] has been approved as a real estate investment fund that takes the form of a special purposes entity in accordance with the Real Estate Investment Funds Regulations and the Rules for Special Purposes Entities”.
- i. A statement that stresses the necessity to read the fund's terms and conditions and all other documentation of the real estate investment fund.
- j. Issue date of the fund's terms and conditions and the latest update, if any.
- k. The date of the Authority’s approval to offer the units of the real estate investment fund.
- l. In the event that the fund’s total assets value is increased in accordance with paragraph (k) of Article 38 of these Regulations, the following statement must be added:
 “the fund’s total assets value was increased on .../.../.....H. corresponding with .../.../.....G., kindly refer to the supplementary annex no. (...) for more information.”

Inside the Cover Page:

- 1) Name and Type of the fund.**
- 2) Address of the head office of the Fund Manager and any website for obtaining any information about the fund or its Manager.**
- 3) Fund term, and any extension periods (if any).**
- 4) Fund objectives.**
- 5) A description of the Fund’s objectives and its investment objectives, with a statement of the fund’s policy for dividends distribution among unitholders (if any).**
- 6) A summary of the Fund’s strategies to achieve its objective, which includes at least the Following:**
 - a) A description of real estate type (or types) the Fund will invest in, provided it includes a statement of the information on the deed(s) of ownership of the subject real estate(s) (where applicable).
 - b) Any policy that may result in concentrating investment in a certain type of real estate assets or specific geographical region.
 - c) A table illustrating the fields of investments that the fund will be investing in, stating the minimum and maximum of the investment percentage.
 - d) A clear course of business plan for the projects approved by the developer (where applicable).
 - e) Borrowing rights for the Fund and the Fund Manager’s policies in using those rights.

f) Methods and ways to invest the liquidity available in the fund.

7) 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's investments or any other circumstances that could affect the Fund's net assets value and its investment proceeds.
- b) Notifying that investment in the Fund does not guarantee profits and does not protect from losses.
- c) Establishing a risk classification for the fund.

8) Subscription:

- a) Providing sufficient information on the subscription which includes subscription commencement and termination dates.
- b) Stating the minimum limit of subscription.
- c) Clarifying if the fund accepts subscriptions by in-kind contributions or not.
- d) A statement that include an undertaking by the fund manager of its commitment to the Law of Real Estate Ownership and Investment by Non-Saudis.
- e) A detailed statement of any minimum amount that the fund manager intends to raise, and the actions to be taken in case of not reaching that minimum.
- f) Unitholders and the percentage of in-kind contributions in the fund out of the total value of the fund's assets.
- g) Disclosure of the utilisation details of the fund's offering proceeds.

9) Fees, charges and commissions

It must Include a disclosure of all fees and charges that will be incurred by the Fund's assets in details, so as to clarify the amounts of fees and charges and their percentage of the total assets of the Fund with the stated upper limit for all the charges and fees.

- a) It must contain a table representing all fees and commissions and management fees, whether paid by the Unitholders or charged on the Fund's assets, and shall include:
 - 1) Any fee paid by unitholders when purchasing or selling units in the fund.
 - 2) Any management fees payable to the fund manager from the net assets of the fund.

- 3) Fees and expenses of the board of directors.
 - 4) Any payment for custody charges, or other services provided by the Custodian.
 - 5) Any fees paid to the auditor.
 - 6) Any commission resulting from loans to the Fund.
 - 7) Any charges related to registration of the Fund's units, or any other administrative service.
 - 8) Fees paid to the developer and engineering office.
 - 9) Fees paid to the property manager (if any).
 - 10) Any early redemption fee collected from Unitholders (if any).
 - 11) Any other amount paid by Unitholders, or any amount deducted from the Fund's assets.
- 12) Ratio of fund costs to the fund's total assets value.
 - 13) All cases and situations where the Fund Manager has the right to waive or deduct any of the above mentioned fees should be stated.
- b) Disclosure of the mechanism for calculating all fees.
 - c) A table containing the following:
 - 1) Type of fee;
 - 2) Imposed percentage, if any;
 - 3) Imposed amount, if any;
 - 4) Calculation method; and
 - 5) Recurrence of the fee payment.
 - d) A default table showing the ratio of fund costs to the total value of the fund's assets, at the fund and the unitholders level, during the life of the fund and that includes the ratio of recurring and non-recurring costs.
 - e) A declaration from the fund manager stating that the fees mentioned in this paragraph include all fees imposed on the fund, and that it shall incur any other fees not stated herein.

10) Valuing the Fund's assets

Detailed description of the following must be stated:

- a) Method of valuing the Fund's assets.
- b) Number and timing of valuation.
- c) Method for calculating the unit price.
- d) 4) Manner of announcing unit price.
- e) Actions to be taken in case valuations or pricing were wrong or incorrect.

11) Trading of the Fund's units

- a) Specifying the days of accepting order for subscription and redemption orders of the Fund's units.
- b) Specifying the procedures for delivery of purchase or sale order of units.
- c) Description of the provisions governing the transfer of units to other investors.
- d) a statement that the register shall be the conclusive evidence as to the ownership of the units entered in it.
- e) A statement that the fund manager will make a reasonable effort to facilitate the trading of units, and the transfer of ownership.

12) The Fund's Assets

- a) A statement of registration mechanism of the fund's assets.
- b) A statement that the assets of the investment fund are owned collectively by the unitholders. A fund manager, fund sub-manager custodian, sub-custodian, distributor or investment advisor shall not have any interest in or claims against such assets, other than when the fund manager, fund sub-manager, custodian, sub-custodian, distributor or investment advisor is a unitholder, to the extent of such person's ownership, and for claims permitted under these Regulations and disclosed in the terms and conditions of the fund.

13) Fund's Board of Directors

- a) Stating the names and qualifications of the members of the Fund's Board of Directors, and disclosing the name of the Independent Director.
- b) The total remuneration expected to be paid to the Board members during the period of the Fund.
- c) A description of the nature of services provided by the Fund's Board.
- d) Stating any other investment Fund supervised by any of the Board members.
- e) A statement by the fund manager that all members of the fund board fulfill the following eligibility requirements:
 - 1. the member is not bankrupt or subject to any bankruptcy or insolvency proceedings;
 - 2. the member has never committed an offense involving fraud or acted in breach of integrity and honesty;
 - 3. the member possess 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.

g)

14) Fund Manager

- a) The name of the Fund Manager and its address.
- b) A declaration that the Fund Manager is a capital market institution according to the Capital Market Institutions Regulations, with its authorisation number and date.
- c) A description of the services provided by all the Fund Manager's employees.
- d) Functions, duties and responsibilities of the fund manager.
- e) Provisions governing the removal/replacement of fund manager.
- f) Any significant business activity or other interest for the Fund Manager's Board members or the Fund Manager, which could result in a conflict of interests with the fund's interest.
- g) A description of any substantial conflict of interests that could affect the Fund Manager in performing his duties to the Fund.
- h) Any functions or power related to the Fund's business delegated by the Fund Manager to a third party, with a detailed explanation of it.
- i) A declaration whether the Fund Manager intends to invest in the Fund's units and the amount of such investment.
- j) A letter from the fund manager regarding the due diligence report, as set forth in Annex (7) of these Regulations

15) Custodian

- a) Name and address of the Custodian, and the authorisation number granted by the Authority.
- b) Functions, duties and responsibilities of the custodian.
- c) Duties that the custodian has appointed to a sub-custodian in relation to the real estate investment fund.
- d) Provisions governing the removal/replacement of custodian.

16) Developer

- a) Name and address of Developer.
- b) Functions, duties and responsibilities of the developer.
- c) Disclosure of the criteria for choosing the developer.
- d) Disclosure of whether the developer intends to invest in the units of the Fund and the value of these investments.

17) Engineering Office

- a) Name and address of the engineering office.

b) Functions, duties and responsibilities of the engineering office.

18) The Auditor

- a) Name and address of the fund Auditor.
- b) Functions, duties and responsibilities of the Auditor.

19) Financial statements

a Description of the financial statements in which will be provided to the unitholders, and provide a statement that the Fund's financial statements will be available to Unitholders without any charges, with a description of how to get them. The end of the Fund's fiscal year must also be specified.

20) Reporting to Unitholders

A description of the periodical reports provided to the Unitholders and the financial statements of the Fund, and how they will be provided to them.

21) Dividend Policy

This section must include an explanation of the policy regarding the distribution of sale or rent proceeds of the real estate investment fund to the unitholder.

22) Conflict of Interests

- a) A statement of the transactions which include any conflicts of interest.
- b) A statement that the policies and procedures to be applied in case of conflict of interest and any potential conflict of interest will be provided upon request, free of charge.

23) Meeting of Unitholders

- a) Statement of the circumstances in which a meeting of unitholders is called
- b) Statement of the processes and procedures for calling a meeting of unitholders, and the minimum attendance number required.
- c) Statement that shows the manner in which unitholders would exercise their voting rights and a statement that shows the voting rights at meetings of the unitholders.

24) A List of Unitholders Rights

A list of unitholders rights.

25) Unitholders' Liability

A statement providing that other than losing his\her investment in the fund or part of it, the unitholder shall not be liable for the debts and obligations of the fund.

26) Fund Manager's Declarations

In addition to the declarations referred to in these Regulations and in Annex (9) of these Regulations, the fund manager must include all declarations related to the fund which may affect the decisions of investors for subscribing to the fund.

27) Other information

The inclusion of any significant information known (or supposed to be known) to the Fund Manager or Fund's Board at the time of issuing the Fund's Terms and Conditions.

28) Additional Information Requirements for Certain Types of Funds

In the case of a real estate investment fund that takes the form of a special purposes entity, must include the special purposes entity by-laws form.

29) Fund's Disclosures

Channels and websites through which the fund's disclosures will be published, which include the periodical reports and financial statements.

30) Shariah Board of the Fund

- a) Names and qualifications of the Shariah committee members.
- b) Description of the roles and responsibilities of Shariah Board.
- c) Details on the remuneration of Shariah Board members.

31) Unit Characteristics

Provide a description of the various categories of units, if the fund has more than one category, including the names of all categories, and its details.

32) Amendments to the Fund's Terms and Conditions

A description of the procedures which will be followed for the notification of any amendments to the Fund's Terms and Conditions.

33) Termination and liquidation of the Fund

- a) must state the Events that lead to Termination of the Fund.
- b) State the expected period for liquidation.
- c) state the possibility of accepting in-kind redemption, with the fund manager's compliance to the Law of Real Estate Ownership and Investment by Non-Saudis.
- d) In case the term of the investment fund ends, the fund manager may not take any fees deducted from the fund's assets.

34) Governing Law

A statement that the Real Estate Investment Fund and the Fund's 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 the competent judicial body to consider any dispute arising as a result of investing in a real estate investment fund is the Committee for Resolution of Securities Disputes.

Annex 2

Requirements for the Terms and Conditions of a Real Estate Investment Traded Fund

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:

Content of the Cover Page:

- 1) The name of the fund, indicating its class and type.
- 2) Name of fund manager.
- 3) Name of custodian.
- 4) Fund size.
- 5) The number of offered units, their total value, and its percentage to the fund size.
- 6) The following disclaimer:

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

- 7) For a Shariah-compliant real estate investment traded fund, the following statement must be added:

"[Name of fund] has been certified as a real estate investment traded fund that is Shariah compliant by the Shariah Board appointed for the real estate investment traded fund."

- 8) Must add the following statement: (If the real estate investment traded fund is taking the form of a special purposes entity):
“[Name of fund] has been approved as a real estate investment traded fund that takes the form of a special purposes entity in accordance with the Real Estate Investment Funds Regulations and the Rules for Special Purposes Entities”.
- 9) A statement that the fund's terms and conditions shall be read in conjunction with the other documents of the real estate investment traded fund.
- 10) Date of issuance of the fund's terms and conditions, and the last update, if any.
- 11) Date of the Authority's approval on offering the units of the real estate investment traded fund.
- 12) In the event that the fund's total assets value is increased in accordance with paragraph (k) of Article 38 of these Regulations, the following statement must be added:

“the fund's total assets value was increased on .../.../.....H. corresponding with .../.../.....G., kindly refer to the supplementary annex no. (...) for more information.”

Contents within the Cover Page:

- 1) Table of Contents.**
- 2) Glossary of terms used in the terms and conditions**
- 3) Fund Manual.**
- 4) Summary of the offer**
- 5) Name and type of the fund.**
- 6) Address of the head office and the website of the fund manager.**
- 7) Fund duration, indicating any extension period, if any.**

- 8) A description of the fund's purpose and objectives, with a clarification 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) A table illustrating the fields of investments that the fund will be investing in, stating the minimum and maximum of the investment percentage.
 - b) Description of the sector or sectors in which the fund will invest.
 - c) A detailed statement of the real estate assets to be owned.
 - d) A schedule of the following information for each real estate:
 - 1. The name of the real estate;
 - 2. The real estate owner(s) Information;
 - 3. real estate type;
 - 4. State / city;
 - 5. Neighborhood / street;
 - 6. Location (Croquis) map;
 - 7. 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 real estate;
 - 12.Completion date of building construction (according to the construction completion certificate);
 - 13.Cost of purchasing the real estate;
 - 14.Brief description of the current leases;
 - 15.Revenues for the last (3) years of the real estate, if any; and
 - 16.Any additional information.

- e) 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 real estate(s) subject in the investment, where applicable.
- f) Previous and targeted rental proceeds for each real estate/usufruct.
- g) Borrowing rights for the fund and the fund manager policy in the exercise of these rights.
- h) Methods and ways to invest the cash available in the fund.
- i) Disclosure of the utilisation details of the fund's offering proceeds.
- j) Unitholders and the percentage of in-kind contributions in the fund to the fund's net asset 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 net assets of the fund and any investment proceeds; and
- b) A statement that investment in the fund does not guarantee profits and does not protect against losses.

11) Subscription

- a) Providing sufficient information on the subscription, including subscription and termination dates;
- b) A detailed statement of real estate owners intending to subscribe in the fund with in-kind contributions and their

- ownership percentage, in addition to a table stating the ownership percentage of all subscribers;
- c) A detailed statement of the fund manager's subscription amount in the fund during the offer period;
 - d) A statement that includes an undertaking by the fund manager of his commitment to to the Non-Saudis Real Estate Ownership and Investment Law;
 - e) A detailed statement of the minimum and maximum amount of subscription.
 - f) The means of applying for subscription;
 - g) A detailed explanation of the subscription method in the fund;
 - h) A detailed explanation of the subscription method of minors and dependents in the fund;
 - i) The mechanism that will be followed by the fund manager to allocate the units among subscribers;
 - j) The mechanism of increasing the fund's total assets value by accepting in-kind contributions or cash contributions, or both, if any; and
 - k) Set A timetable outlining the dates upon which is expected to start offering the units until the trading of such units.

12) Trading of the fund's units

- a) A statement specifying the procedures of trading the REIT fund units on the Exchange.
- b) The events that result in suspension of the fund and/or the cancelation of listing.

13) Dividend Policy

Without prejudice to sub-paragraph (2) of paragraph (b) of Article (46) of these Regulations, this section must include an explanation of the REIT fund's dividend policy regarding the distribution of its profits to the unitholders and maturity and distribution dates.

14) Termination and liquidation of the fund

- a) Statement of any events, which will result in the termination of the fund.
- b) Statement of information regarding the procedures followed to terminate and liquidate the fund, in addition to the liquidation timetable.

15) Fees, services charges, commissions and management expenses

- a) It must Include a detailed disclosure of all fees and charges that will be incurred by the fund's assets, by clarifying the amounts of fees and charges and their percentage of the total assets of the fund with indicating the maximum limit for all the charges and fees. It should also contain a table showing all fees, charges, commissions and management expenses, whether paid by the unitholders or from the fund's assets, and shall include:
 - 1. Fees and expenses of the board of directors.
 - 2. Any charges imposed on the unitholders for subscription in the fund units.
 - 3. Any charges paid to the fund manager from the fund's assets in for its management.

4. all custody services fees, or any other service provided by the custodian.
5. Fees paid to the auditor.
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 property manager.
9. Any other payment made by the unitholders, or any amount deducted from the investment fund assets.
10. Ratio of fund costs to the fund's total assets value.

All cases or circumstances in which the fund manager has the right to waive or deduct any of the aforementioned requirements must be stated.

b) A table containing the following:

1. Type of fee;
2. Imposed percentage, if any;
3. Imposed amount, if any;
4. Calculation method; and
5. Recurrence of the fee payment.

c) A table containing a default investment of the unitholder.

d) A declaration by the fund manager stating that the fees mentioned in this paragraph consist of all fees imposed on the fund, and he shall incur any other fees not stated herein.

16) Insurance

This section must include the assets that have been insured, the details of the insurance and the extent of its coverage.

17) The fund's assets

- a) A statement of registration mechanism of the fund's assets.
- b) A detailed statement of each:
 - 1. Names of the accredited valuers to the fund's assets.
 - 2. Method of valuation each asset owned by the fund
 - 3. Cost of valuation for each asset to be invested in.
 - 4. Number of valuation and their timing.
- c) Announcing the net assets value for each unit.
- d) A table indicating the following:
 - 1. Real estate subject to acquisition.
 - 2. Names of the accredited valuers.
 - 3. Date of each valuation report.
 - 4. Valuation cost for each real estate.
 - 5. Average valuation costs.
 - 6. Purchase price of each real estate.

18) Fund board

- a) Names of the Board members of the Fund and a statement of their qualifications, and a disclosure of the independent members in the fund board of directors.
- b) Details on the expected total remunerations to be paid to the fund board members during the period of the fund.
- c) Description of the nature of the provided services by the fund board.
- d) A statement of any other investment fund managed by any member of the fund's board.
- e) A declaration by the fund manager that all board members of the fund 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; and
 - 3) the member must possess 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 director.

19) Fund manager

- a) Name and address of the fund manager.
- b) A statement that the fund manager is a capital market institution in accordance with the Capital Market Institutions Regulations, and the number and date of the authorisation issued by the Authority.
- c) A letter from the fund manager regarding the due diligence report, as set forth in Annex (8) of these Regulations.
- d) Functions, duties and responsibilities of the fund manager.
- e) Provisions governing the removal/replacement of fund manager.
- f) Any other business activities or interests of the fund manager or its board members, that are of significance or could potentially conflict with those of the investment fund.
- g) Description of any conflict of interest that could potentially affect the fund manager in performing its duties toward the fund.

- h) Functions and powers that have been delegated to a third party by the fund manager related to the fund, with a detailed statement of such.
- i) Disclosure if the fund manager intends to invest in the fund's units, and the value of such investments.
- j) A summary on the fund manager, the fund manager's structure of assets management and the total assets value under its management. In addition to the number of public funds and their size and the number of the asset management employees.

20) Legal Advisor

A letter issued by the legal advisor, licensed to practice the profession in the Kingdom, regarding the legal due diligence report, as set forth in Annex (11) of these Regulations.

21) Custodian

- a) Name of the custodian, address and the authorisation number granted to it by the Authority.
- b) Functions, duties and responsibilities of the custodian.
- c) Functions related to the real estate investment traded fund in which the custodian has appointed a sub-custodian.
- d) Provisions governing the removal/replacement of custodian.

22) The company that carries out Property Managements

- a) The name of the company that carries out the property managements and its address.
- b) Statement of the property management company's tasks, duties and responsibilities.

- c) Disclosure of whether the company that carries out the property managements intends to invest in the fund's units, and the value of these investments.

23) Auditor

- a) The name and address of the auditor of the fund.
- b) A statement of the auditor's tasks, duties and responsibilities.

24) Financial Statements

A statement that indicates that the fund's financial statements will be available to unitholders free of charge and the means of obtaining them. Additionally, the fund's fiscal year-end date shall be indicated.

25) Conflict of Interest

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

26) Reporting to unitholders

Description of the periodic reports and financial statements that will be published and the means of publishing such reports and statements.

27) Meeting of unitholders

- a) Statement of the circumstances in which a meeting of unitholders is called.

- b) Statement of the procedures for calling a meeting of unitholders, and the minimum attendance number.
- c) Statement clarifying the manner in which unitholders would vote and their voting rights at the unitholders meetings.

28) A list of unitholders rights

A list that contains the rights of unitholders.

29) Other information

The inclusion of any significant information known (or supposed to be known) to the Fund Manager or Fund's Board at the time of issuing the Fund's Terms and Conditions.

30) Additional Information Requirements for Certain Types of Funds

In the case of a real estate investment traded fund that takes the form of a special purposes entity, must include the special purposes entity by-laws form.

31) Shariah Board of the fund:

- a) Names and qualifications of the Shariah committee members.
- b) Description of the roles and responsibilities of Shariah Board.
- c) Details on the remuneration of Shariah Board members.

32) Unit Characteristics

Provide a description of the various categories of units, if the fund has more than one category, including the names of all categories, and its details.

33) Amending the fund's terms and conditions

A statement of the provisions governing changes of the fund's terms and conditions, and the specified approvals and notices under these Regulations.

34) The Fund Manager's Declarations

In addition to the declarations referred to in these Regulations and in Annex (10) of these Regulations, the fund manager must include all declarations related to the fund which may affect the decisions of investors for subscribing or trading in the fund.

35) 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 the competent judicial body to consider any dispute arising as a result of investing in a real estate investment traded fund is the Committee for Resolution of Securities Disputes.

Annex 3

Content of the Application for Offering Public Real Estate investment Fund Units

This Annex clarify the documents that are required to be included in an application file for submission to the Capital Market Authority.

The application must include the following:

- a) Form (1) of this annex after it is being filed.
- b) Type and purpose of the Fund, and proposed launch date.
- c) Details regarding the Fund Manager's organizational structure, including a description of the investment decision making process by the fund manager, including the name and position of any registered persons involved in those decisions.
- d) The name of the Compliance Officer or names of members of the Compliance Committee.
- e) Review list of the documents submitted.
- f) Providing a feasibility study of the Fund.
- g) Nominating a Developer to attain the Fund's purposes.
- h) Any contracts entered into by the Fund Manager for the benefit of the fund, including those made with affiliates or third parties in relation to the fund.
- i) Draft of the fund's Terms and Conditions (with the fund's terms and conditions Checklist pursuant to annex (1) or annex (2) of these Regulations, whichever is applicable).
- j) The Fund's Terms and Conditions signed by Fund Manager's CEO and the Compliance Officer. This should be prepared according to Annex (1) or annex (2) of these regulations, whichever is applicable.
- k) Funds board member photo ID.
- l) Subscription and Redemption Forms (where applicable).
- m) A detailed description of risk management policies and procedures for the relevant fund.
- n) A declaration from the fund manager regarding the existence of the administrative systems that will be adopted regarding the operational aspects related to the real estate investment funds, including the compliance monitoring program for the related real estate investment fund.
- o) a declaration from each accredited valuer confirming that he is complying with the Accredited Valuers Law and its Implementing Regulations and any other Regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM), The fund manager declares that it has confirmed to the accredited valuer that the scope of work on valuing report must be appropriate for the purpose of the Fund Manager's

application to the Saudi Stock Exchange and is valid for use for public offering and including the market rental value of the relevant income-generating real estate if it is different from the contractual rental value in the property leases the fund's units.

- p) Any other supporting documents.
- q) Fees.
- r) Electronic copies of all documents required under the above paragraphs.
- s) Required approvals from relevant government entities (where applicable).
- t) Submit any other requirement required by the Authority in accordance with the Capital Market Law and its implementing regulations.
- u) Application form is available for public at the official Capital Market Authority's website: www.cma.org.sa



FORM – 1

APPLICATION TO OFFER A PUBLIC REAL ESTATE INVESTMENT FUND

Instructions to fill up the form:

The form can be filled digitally.

Where there are supporting documents required under this form, please include them.

Please tick (√) in the relevant boxes, where appropriate.

If a question is not applicable, please state “N/A” in the space provided.

If the space provided is insufficient for your requirements, please continue on a separate sheet of paper. Please indicate which question your additional information relates to.

Please fill up one application form for each fund.

must keep a copy of any supporting documents submitted to the Capital Market Authority.

1

THE REAL ESTATE INVESTMENT FUND

Information about the Investment Fund that the units of which will be offered

1. Name of Fund

2. Fund's Type and Class

3. Investment Objectives

4. Investment Policies and practices

5. Proposed offering Date

6. Initial Offer Period

7. Duration of Investment Fund (if any)

8. Reasons for offering the units of public real estate investment fund.

9. The fund's marketing strategy (3-5 year plan)

10. Names of the proposed fund board members.

Note:

Please submit Due Diligence Report on the targeted fund and its' Fund Manager.

2

THE FUND MANAGER

Information on the capital market institution managing the real estate investment fund

1. Name of the capital market institution (the fund manager)

2. The Authorisation Number granted by the Capital Market Authority

3. Organizational Structure (Whole Company and Asset Management Division)

Please use a separate sheet of paper if space is insufficient.

4. Name(s) of the registered portfolio manager responsible for the fund

(Including Contact Information)

5. Name(s) of Compliance Officer and/or Compliance Committee

(Including Contact Information)

--

6. Will a fund sub-manager be appointed?

Yes

No

If yes, please submit a copy of the service contract.

7. If yes, name of fund sub-manager(s)

--

8. Name of portfolio manager responsible for the fund at the fund sub-manager

--

9. The authorisation number granted by the Capital Market Authority of the fund sub-manager *(if applicable)*

--

10. If the fund sub-manager is a foreign entity, please provide the following information:

a) Place of Incorporation

--

b) Regulatory Authority

--

c) Address and contact details of fund sub-manager

Address	
----------------	--

Phone No	
Email	

d) Is the fund sub-manager supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority?

If there are more than one fund sub-manager, please give the information required under para 6 – 10 above for each fund sub-manager.

11. Will there be any other functions of the fund manager that are delegated to service providers?

Yes

No

If yes, please submit copies of the service contracts.

12. If yes, please list the functions that are delegated and give details of the service provider(s).

Please use a separate sheet of paper if space is insufficient.

3

THE CUSTODIAN

Information on the capital market institution licensed to carry out the custody activity

1. Name of the capital market institution (the custodian)

2. The Authorisation Number granted by the Capital Market Authority

3. Relationship with Fund Manager

Related Party Independent

Please submit a copy of the service contract / service level agreement.

4. Organizational Structure (Custody Division)

Please use a separate sheet of paper if space is insufficient.

5. Will a sub-custodian be appointed?

Yes

No

If yes, please submit a copy of the service contract.

6. If yes, name of the sub-custodian

7. the authorisation number granted by the Capital Market Authority of the sub-custodian (if applicable)

8. If the sub-custodian is foreign, please provide the following information –

a) Place of Incorporation

b) Regulatory Authority

c) Address and contact details of sub-custodian

Address	
Phone No	
Email	

d) Is the sub-custodian supervised in a jurisdiction that employs regulatory standards and requirements at least equivalent to those of the Authority?

If there are more than one sub-custodian, please give the information required under para 5 – 8 above for each sub-custodian. You may photocopy this page and complete for each sub-custodian.

9. Will there be any other functions of the custodian that are delegated to service providers?

Yes

No

If yes, please submit copies of the service contracts.

10. If yes, please list the functions that are delegated and give details of the service provider and the arrangements.

Please use a separate sheet of paper if space is insufficient.

4

DECLARATION

Declaration of the Fund Manager and Custodian

For and on behalf of the capital market institution (Fund Manager)

I hereby declare, to the best of my knowledge and belief and (after taken reasonable care to ensure that such) information given in this application form are complete, clear, accurate, and not misleading at the time of this application. I further declare that the proposed real estate investment fund and the contents of the Fund's Terms and Conditions do not conflict with the Capital Market Law and the Real Estate Investment Funds Regulations.

Name

Position

Signature

Date

Name of person responsible for the application with the Fund Manager

Position

Phone number

Email

For and on behalf of the Capital Market Institution (Custodian)

I, the [*name of capital market institution*], acting as a Custodian for the proposed real estate investment fund. I hereby declare and confirm that I will carry out my duties in accordance with the Real Estate Investment Funds Regulations, the fund's Terms and Conditions and the Capital Market Law.

Name

Position

Signature

Date

Name of person responsible for the application with the custodian

Position

Phone number

Email

5

Offeror/Distributor

Information regarding the capital market institution that offer/distribute investment fund units

Name and address of the capital market institution or person delegated to offer/distribute investment fund units

authorisation number granted by the Capital Market Authority (where applicable)

Annex 4

Contents of Fund's Reports

Annual Reports must contain the following information:

- 1) Assets in which the fund is investing in.
- 2) Assets in which the fund is aiming to invest in, if any.
- 3) The percentage of the value of the leased real estates and the percentage of unleased real estates to the total value of the owned real estates, if any.
- 4) The percentage of rent amount for each asset in the total rent of the fund's assets.
- 5) For a REIT, the percentage of uncollected revenues from total revenues, and the ratio of non-cash expenditures from the fund's net profits.
- 6) Description of the fund's benchmark – where applicable – and the service provider's website (if any).
- 7) A comparative table covering the performance of the fund during the last (3) fiscal years (or since the establishment) including:
 - 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. Highest and lowest net asset value of the fund per unit for each fiscal year.
 - d. The number of units issued at the end of each fiscal year.
 - e. Income distribution per unit, if any.
 - f. the percentage of the fund's costs to the fund's total assets value
 - g. Results of comparing the fund's benchmark to the fund's performance.
 - h. Percentage of borrowed assets in the total asset value, their period for fulfilment and due date.
- 8) a performance record that covers the following:
 - a. The total revenue for (1), (3) and (5) years (or since establishment).
 - b. The annual total revenue for each of the last (10) fiscal years (or since establishment).
 - c. A table showing the fees, services and expenses incurred by the fund to third parties during the year. The total expenses percentage must also be clearly disclosed and if there are any circumstances, in which a Fund Manager may decide to waive or rebate any fees.

9) if there were fundamental or non-fundamental changes that occurred during the period and which affected the performance of the fund, these changes must be clearly disclosed.

10) the fund's annual report approved by the fund's board including, but not limited to, the topics discussed and issued resolutions, including the fund's performance and fund's achievement of its objectives.

11) a statement regarding any special commission received by the fund manager during the period, clearly identifying its nature and the manner in which they were utilized.

12) a risk assessment report.

Annex 5

Contents of the Semi-Annual Statement

The semi-annual statement for real estate funds must contain the following information, as a minimum:

- 1) the unit price at the end of the half in accordance with the last valuation.
- 2) A table illustrating the total expenses, fees and charges incurred by the fund and its percentage of the most recent value of the total assets of the fund, provided that it illustrates the cap limit of all expenses, by the end of the relevant half.
- 3) a list of names of all real estates consisting the fund's portfolio, and the percentage of the value of each property in the total assets, in addition to the occupancy percentage for each property as at the end of the relevant half.
- 4) the fund's total assets value.
- 5) the percentage of borrowing to the fund's total assets value, period for fulfillment and due date.
- 6) the fund units' net assets value.
- 7) the percentage of the fund's costs to the fund's total assets value.
- 8) any fundamental or non-fundamental changes that affects the fund's function during relevant half (where applicable).
- 9) a statement on the fund's dividends distributed to the unitholders, if any; by including the semi-annual statement with details as follows:
 - a) Total profits distributed in the relevant half.
 - b) The number of existing units for which distributions have been made during the relevant half.

- c) The value of the profit distributed during the relevant half for each unit.
- d) The percentage of distribution from the net asset value of the fund; and
- e) Eligibility for cash dividends distributed during the relevant half.

In addition to the above mentioned, the fund manager must disclose the previous sale or rent proceeds distributions for the same half of the previous year. Such disclosure shall enable the unitholders to view the fund's distributions and their number and size.

Annex 6

Contents of the Quarterly Statement

The quarterly statement for REIT funds must contain the following information, as a minimum:

- 1) the unit price at the end of the quarter in accordance with the last valuation. Which is each of the unit's trading price in the Exchange (closing price), and the net asset value of the unit in the fund at the end of the relevant quarter, calculated by subtracting the total liabilities of the fund from its total assets and dividing the result by the number of fund units.
- 2) the rental income on the unit price, if any, it is the Fund's net income from its investment in income-generating real estate only during the relevant quarter to the market value of the units.
- 3) A table illustrating the total expenses, fees and charges incurred by the fund and its percentage of the most recent fund's total assets value, provided that it illustrates the cap limit of all expenses, by the end of the relevant quarter
- 4) The performance of the unit price in the Exchange (closing price) during the relevant quarter, in addition to the net asset value per unit in the fund for the same period.
- 5) a list of names of all real estates consisting the fund's portfolio, and the percentage of the value of each property in the total assets, in addition to the occupancy percentage for each property as at the end of the relevant quarter.
- 6) the fund's total assets value.
- 7) the percentage of borrowing to the fund's total assets value, period for fulfillment and due date.
- 8) the fund units' net assets value.

- 9) the ratio of the fund's costs to the fund's total assets value.
- 10) any fundamental or non-fundamental changes that affects the fund's function during relevant quarter (where applicable).
- 11) a statement on the fund's dividends distributed to the unitholders, if any; by including the quarterly statement with details as follows:
 - a) Total dividends distributed in the relevant quarter.
 - b) The number of existing units for which distributions have been made during the relevant quarter.
 - c) The value of the dividends distributed during the relevant quarter for each unit.
 - d) The percentage of distribution from the fund's net asset value;
 - e) Eligibility for cash dividends distributed during the relevant quarter.

In addition to the above mentioned, the fund manager must disclose the previous sale or rent proceeds distributions for the same quarter of the previous year. Such disclosure shall enable the unitholders to view the fund's distributions and their number and size.

Annex 7

Form of a Real Estate Investment 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 Fund under the name (name of the fund), and registering and listing its units in the Saudi Stock Exchange, 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 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 and the Real Estate Investment Funds Regulations.

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

- It has provided all the relevant services required by the Real Estate Investment Funds Regulations; with due diligence and experience.
- 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 enquiries and professional experience, that:
 - The fund has satisfied all relevant requirements in the Real Estate 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 fund director satisfy the definition of the independent fund director as provided in Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority.
 - The real estate assets are free of any regulatory violations that prevent or may result in the non-utilization of the building, and or that may in turn cause costly repairs and major changes.
 - All matters known to (name of the fund manager) which must be taken into account by the Authority when considering the application for offering that have been disclosed to the Authority.

Annex 8

Form of a Real Estate Investment Traded 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 REIT Fund under the name (name of the fund), and registering and listing its units in the 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 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 Real Estate Investment Funds Regulations.

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

- It has provided all the relevant services required by the Real Estate Investment Funds Regulations, with due diligence and experience.
- 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 enquiries and professional experience, that:
 - The fund has satisfied all relevant requirements in the Real Estate 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 independent fund director satisfy the definition of the independent fund director as provided in Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority.
 - The real estate assets are free of any regulatory violations that prevent or may result in the non-utilization or operation of the building, and that the 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 the building, or that may in turn cause costly repairs and major changes.
 - The main activities of the main potential tenants of real estate assets are intact, and they are able to fulfil their obligations to the fund,
 - All matters known to (name of the fund manager) which must be taken into account by the Authority when considering the application for offering that have been disclosed to the Authority.

Annex 9

The Real Estate 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 issued by the Capital Market Authority of Saudi Arabia.
- 2- The fund manager declares, after making all reasonable inquiries and to the best of its knowledge and belief, that there are no other facts that the non-inclusion of which in this document may result from any statement contained herein as misleading. The Capital Market Authority and the Saudi Stock Exchange Company shall not be liable for the content of the terms and conditions.
- 3- The fund manager declares that the property is free of any regulatory violations that prevent or may result in the non-utilization or operation of the building, and that the 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 the building, or that may in turn cause costly repairs and major changes.
- 4- The fund manager declares that there is no direct / indirect conflict of interests (other than what is disclosed) between any of the following:
 - ◀ Fund manager.
 - ◀ Manager(s) of properties associated with the fund.
 - ◀ Owner(s) of properties associated with the fund.
 - ◀ Tenant(s) of Real estate assets which their returns constitute 10% or more of the annual rental income of the fund.
 - ◀ Accredited valuer.

- ◄ Developer.
 - ◄ Engineering Office.
- 5- The fund manager declares that it took the necessary care to ensure that there is no direct / indirect conflict of interest between the property seller and the accredited valuers.
 - 6- The fund manager declares that all members of the fund board of directors 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 declares that they have the necessary skills and experience to qualify as board members.
 - 7- The fund manager declares that the definition of the independent director included in the Glossary of defined terms used in the Regulations and Rules of the Capital Market Authority apply to the independent fund directors, and that it will be applicable to any independent fund director appointed by the fund manager throughout the period of the fund.
 - 8- The fund manager declares that no other significant business activities or other interests for the fund manager's board of directors, which is likely to conflict with the interests of the fund.
 - 9- The fund manager declares that there is no conflict of interest that would affect the fund manager in the performance of its duties for the fund.
 - 10- The fund manager declares that there are no fees other than those mentioned in the Fees and Expenses section mentioned in the terms and conditions.

- 11- The fund manager declares 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 declares that all contracts and agreements relating to the fund which may affect the investors' decisions to subscribe or trade in the fund have been disclosed in the terms and conditions, and that there are no contracts and agreements other than those mentioned in the terms and conditions.
- 13- The fund manager declares that unitholders are entitled to vote on matters raised at meetings of unitholders. In addition, the approval of a fundamental change to the fund shall be passed by obtaining the approval of the majority unitholders owning more than (50%) or more than (75%) (where applicable) of the total units holders of which are attending, in relation to carrying out any fundamental change to the fund, a fundamental change include the following:
- Significant change in the fund's objectives nature or class;
 - A change that may have a material adverse effect on the unitholders or their rights with respect to the closed-ended fund;
 - Change that may have an effect on the risk position of the fund;
 - The voluntary withdrawal of a fund manager from its position as the fund manager.
 - Any change that would reasonably cause the unitholders to reconsider their participation in the closed-ended fund;
 - A change that materially increases the total of payment out of the assets of the closed-ended fund.
 - change in the eligibility date or the termination of the closed-ended fund.

- Any increase of the net assets value of the closed-ended fund as a result of accepting in-kind or cash contributions or both.
- Any other cases determined by the Authority from time to time and notifies the fund manager of them.

14- The fund manager declares that it will take all necessary steps in the benefit of the unitholders to the best of its knowledge and belief with due diligence and reasonable consideration. The fund manager, directors, officers, employees, agents, consultants, affiliates, custodian, Shariah 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.

15- The fund manager declares that it has confirmed to the accredited valuer that the scope of work on valuation report must be appropriate for the purpose of the Fund Manager's application to the Saudi Stock Exchange and is valid for use for public offering and including the market rental value if it is different from the contractual rental value in the property leases the fund's units.

Annex 10

The Real Estate Investment Treaded 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 issued by the Capital Market Authority of Saudi Arabia.
- 2- The fund manager declares, after making all reasonable inquiries and to the best of its knowledge and belief, that there are no other facts that the non-inclusion of which in this document may result from any statement contained herein as misleading. The Capital Market Authority and the Saudi Stock Exchange Company shall not be liable for the content of the terms and conditions.
- 3- The fund manager declares that the property is free of any regulatory violations that prevent or may result in the non-utilization or operation of the building, and that the 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 the building, or that may in turn cause costly repairs and major changes.
- 4- The fund manager declares that there is no direct / indirect conflict of interests (other than what is disclosed) between any of the following:
 - ◄ Fund manager.
 - ◄ Manager(s) of properties associated with the fund.
 - ◄ Owner(s) of properties associated with the fund.
 - ◄ Tenant(s) of Real estate assets which their returns constitute 10% or more of the annual rental income of the fund.
 - ◄ Accredited valuer.

- 5- The fund manager declares that it took the necessary care to ensure that there is no direct / indirect conflict of interest between the property seller and the accredited valuers.
- 6- The fund manager declares that all members of the fund board of directors 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 declares that they have the necessary skills and experience to qualify as board members.
- 7- The fund manager declares that the definition of the term “Independent Board Director” included in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority apply to the independent fund director, and that it will be applicable to any independent fund director appointed by the fund manager throughout the period of the fund.
- 8- The fund manager declares that no other significant business activities or other interests for the fund manager's (Name of fund manager) board of directors, which is likely to conflict with the interests of the fund.
- 9- The fund manager declares that there is no conflict of interest that would affect the fund manager in the performance of its duties for the fund.
- 10- The fund manager declares that there are no fees other than those mentioned in the Fees and Expenses section mentioned in the terms and conditions.
- 11- The fund manager declares that the fund will only be listed upon the completion of the transfer of ownership of the real estate in favor of the fund or the transfer of its interest. If this is not

completed after completion of the offer period specified in the terms and conditions, the full subscription amount will be returned to the investors.

12- The fund manager declares that no member of the board of directors may have a direct or indirect interest in the business and contracts made for the fund.

13- The fund manager declares that all contracts and agreements relating to the fund which may affect the investors' decisions to subscribe or trade in the fund have been disclosed in the terms and conditions, and that there are no contracts and agreements other than those mentioned in the terms and conditions.

14- The fund manager declares that unitholders are entitled to vote on matters raised at meetings of unitholders. In addition, the approval of a fundamental change to the fund shall be passed by obtaining the approval of the majority unitholders owning more than (50%) or more than (75%) (where applicable) of the total units) holders of which are attending, in relation to carrying out any fundamental change to the fund, a fundamental change include the following:

- Significant change in the fund's objectives, nature or class;
- A change that may have a material adverse effect on the unitholders or their rights with respect to the closed-ended fund;
- Change that may have an effect on the risk position of the fund;
- The voluntary withdrawal of a fund manager from its position as the fund manager.
- Any change that would reasonably cause the unitholders to reconsider their participation in the closed-ended fund;

- A change that materially increases the total of payment out of the assets of the closed-ended fund.
- A change in the eligibility date or the termination of the closed-ended fund.
- Any increase in the net assets value of the closed-ended fund as a result of accepting in-kind or cash contributions or both.
- Any other cases determined by the Authority from time to time and notifies the fund manager of them.

15- The fund manager declares that it will take all necessary steps in the benefit of the unitholders to the best of its knowledge and belief with due diligence and reasonable consideration. The fund manager, directors, officers, employees, agents, consultants, affiliates, custodian, Shariah 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.

16- The fund manager declares that it has confirmed to the accredited valuer that the scope of work on valuation report must be appropriate for the purpose of the Fund Manager's application to the Saudi Stock Exchange and is valid for use for public offering

and including the market rental value if it is different from the contractual rental value in the property leases the fund's units.

Annex 11

Form of a Real Estate Investment Traded Fund's 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 REIT funds units and list them in the in the Saudi Stock Exchange (details of the REIT fund). 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 REIT fund's units and listing them in the Exchange, and in line with the requirements of the Capital Market Law, the Real Estate Investment Funds Regulations, we particularly advised the fund manager of the requirements that should be included in the legal sections 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 Regulations, in relation to the offering and listing of the units of a Real Estate Investment Traded Fund application, including the requirements of the content of the terms and conditions as is at the date of this letter.

Annex 12

Approvals and Notifications Submitted to the Authority

Approvals Requests and notifications must be submitted in the manner specified by the Authority, according to the following:

a. Approvals and notifications that require changes in the Fund's documents:

- 1) Fund's name.
- 2) The subject of the notice.
- 3) Detail the current version and the proposed amendment and detailed justifications for such change.
- 4) If the change requires the consent of parties other than the fund manager, their consent must be taken before sending the request, with referring to that in the request sent to the Authority.
- 5) Declaration of the fund manager that the proposed change does not conflict with the investment funds regulations and other regulations and any applicable Law in the Kingdom.
- 6) Any other documents in support of the request.

b. Approval and notifications that do not require changes in the Fund's documents:

- 1) name of the Fund.
- 2) the subject of the notice.
- 3) If the change requires the consent of parties other than the fund manager, their consent must be taken before sending the request, with referring to that in the request sent to the Authority.

c. Notices relating to the end of the offering:

- 1) the name of the Fund.
- 2) the subject of the notice.
- 3) the date of the end of the offering.
- 4) the amount collected (in SAR).

5) Date of fund operation.

d. Notification on the termination or liquidation of the Fund:

- 1) the name of the Fund.
- 2) the date of the distribution of investment amounts to unitholders.
- 3) the return on investment as a percentage (where applicable).

Annex 13

Fund Termination Report

The fund termination report is used to provide relevant information regarding the process of the real estate investment fund's termination or liquidation.

The fund termination and liquidation report must contain all the information required under this Annex.

Content of the fund reports:

- a) Real estate investment fund information:
 - 1. Name of the real estate investment fund.
 - 2. Investments objectives and policies and practices
 - 3. A statement that the fund's Reports are available upon request free of charge.
 - 4. Number of the fund's units at establishment.
- b) Fund performance (including liquidation period):
 - 1. Net assets value of the fund at the end of each fiscal year.
 - 2. Net assets value upon liquidation.
 - 3. Net assets value of the fund per unit at the end of each fiscal year.
 - 4. Net assets value of the fund for each unit upon liquidation.
 - 5. Highest and lowest net asset value per unit for each fiscal year.
 - 6. The number of units in issue at the end of each fiscal year.
 - 7. Income distribution per unit (gross and net).
 - 8. The total return for 1 year, 3 years and 5 years (or since inception).
 - 9. The annual total return for each year of the last 10 fiscal years (or since inception).
 - 10. Expenses percentage for each year.
 - 11. a table showing actual fees and fund expenses paid by the investment fund during the year. The Total Expense Ratio should also be clearly disclosed. If there are any circumstances in which a fund manager may elect to waive or rebate any fees, this must also be disclosed.
- c) Termination or liquidation process information:
 - 1. Name and address of the fund manager.
 - 2. Name and address of the fund sub-manager and/or investment advisor (if any).

3. Reasons for terminating or liquidating the fund.
 4. Name of liquidator (if any).
 5. Date of commencing the termination or liquidation.
 6. Number of fund units.
 7. Description of the termination or liquidation process and its latest updates.
 8. Any material events occurring during the termination or liquidation period.
- d) The custodian:
1. Name and address of the custodian.
 2. Brief description of its duties and responsibilities.
- e) Fund board:
1. Names of the board of directors, stating the type of membership.
 2. Summary of the board members' qualifications.
 3. Description of the role and responsibilities of the fund board of directors.
 4. Details of the board members' remunerations.
 5. Statement of any current or potential conflict of interests between a board member's interest and the fund's interests.
 6. Statement of all funds board of directors on which a board member of the relevant board is part thereof.
- f) Name and address of the auditor.
- g) Financial statements:

The final audited financial statements of the real estate investment fund, for the period following the latest audited financial statements, must be prepared in accordance with the accounting standards approved by the Saudi Organization for Certified Public Accountants.

Annex 14

Supplementary Annex for Real Estate Investment Fund

Changes related to the increase of the total value of the fund assets:

a) Real estate assets to be owned during the process of increasing the total value of the fund assets:

1. A detailed statement of the real estate assets to be owned.
2. A schedule of the following information for each real estate:
 - a. The name of the real estate;
 - b. The real estate owner(s) Information;
 - c. real estate type;
 - d. State / city;
 - e. Neighborhood / street;
 - f. Location (Croquis) map;
 - g. Land area;
 - h. Building area (according to the building permit);
 - i. Number of floors;
 - j. Types and numbers of units;
 - k. Occupancy rate of the real estate;
 - l. Completion date of building construction (according to the construction completion certificate);
 - m. Cost of purchasing the real estate;
 - n. Brief description of the current leases;
 - o. Revenues for the last (3) years of the real estate, if any;
 - p. Any additional information.
3. Previous and targeted rental proceeds for each real estate/usufruct, and its percentage of the total rental income.
4. A table of the total and net targeted proceeds before and after increasing the fund's total assets value.
5. Valuation of the assets to be acquired:

A table containing the following:

 - a. Real estate subject to acquisition.
 - b. Names of the accredited valuers.
 - c. Date of each valuation report.
 - d. Valuation price for each real estate.
 - e. Average valuation prices.
 - f. Purchase price of each real estate.

b) Private placement for the increase of the total assets value of the fund:

1. Total assets value of the fund before and after the increase.
2. Number of units before and after the increase of the total value of the fund assets.
3. Disclosure of the use of fund offering proceeds.
4. Detailed statement of the fund manager's subscription value in the fund during the offer period.
5. Detailed statement of the information of the real estate owners subscribing with in-kind contributions in the fund and their ownership percentages. In addition to a table illustrating the ownership percentages of all subscribers with in-kind contributions.
6. Detailed statement of the minimum and maximum limit for the sum of the increase of the fund's total assets value.
7. A timetable of the estimated periods from the commencement of the offer of units until the commencement of trading the units.
8. The mechanism to be followed by the fund manager to accept subscriptions and allocate units among unitholders.
9. Disclosure of the receiving agents.

c) Additional risks related to the increase of the total value of the fund assets:

d) Fees, services charges, commissions and management fees:

1. It must Include a detailed disclosure of all fees and charges that will be incurred by the Fund's assets in details, so as to clarify the amounts of fees and charges and their percentage of the total assets of the Fund with the stated upper limit for all the charges and fees. It must also contain a table representing all fees and commissions and management fees, whether paid by the Unitholders or charged on the Fund's assets, and shall include:
 - a) Fees and expenses of the board of directors.
 - b) Any fee paid by unitholders when purchasing units in the fund.
 - c) Any management fees payable to the fund manager from the net assets of the fund.
 - d) Any payment for custody charges, or other services provided by the Custodian.
 - e) Any fees paid to the auditor.
 - f) Any commission resulting from loans to the Fund.
 - g) Any charges related to registration of the Fund's units, or any other administrative service.

- h) Fees paid to the property manager.
- i) Any other amount paid by Unitholders, or any amount deducted from the Fund's assets.
- j) Percentage of fund costs in the total assets value of the fund.

In addition to a statement of all cases and situations where the fund manager has the right to waive or deduct any of the above mentioned fees.

- 2. A table containing the following:
 - a) Type of fee;
 - b) Imposed percentage, if any;
 - c) Imposed amount, if any;
 - d) Calculation method;
 - e) Recurrence of the fee payment.
- 3. A table showing a default investment for the unitholder
- 4. A declaration from the fund manager stating that the fees mentioned in this paragraph include all fees imposed on the fund, and that it shall incur any other fees not stated herein.

e) Insurance:

This section must include the assets that have been insured, the details of the insurance and the extent of its coverage.

f) Other information:

The inclusion of any significant information known (or supposed to be known) to the Fund Manager or Fund's Board at the time of issuing the Fund's Terms and Conditions.

g) The company that carries out Property Managements

- 1. The name and address of the company that carries out the property managements.
- 2. Statement of the property management company's tasks, duties and responsibilities.
- 3. Disclosure of whether the company that carries out the property managements intends to invest in the fund's units, and the value of these investments.
- 4. Any fees paid to the property manager.