



KINGDOM OF SAUDI ARABIA

Capital Market Authority

**Instructions for Book Building Process and Allocation Method in Initial
Public Offerings (IPOs)¹**

English Translation of the Official Arabic Text

Issued by the Board of the Capital Market Authority
Pursuant to its Resolution Number 2-94-2016 Dated 15/10/1437H Corresponding to
20/07/2016G Based on the Capital Market Law
Issued by Royal Decree No M/30 dated 2/6/1424H

Amended by the Board of the Capital Market Authority Resolution Number (1-103-2022) Dated
02/03/1444H Corresponding to 28/09/2022G

Note: 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 website: www.cma.org.sa

¹ In accordance with the Board of the Authority Resolution no. (1-103-2022) Dated 2/3/1444H Corresponding to 28/9/2022G, these Instructions shall become effective as of 8/6/1444H Corresponding to 1/1/2023G, provided that the Instructions for Book Building Process and Allocation Method in Initial Public Offerings (IPOs) issued by the Board of the Authority Resolution no. (2-94-2016) Dated 15/10/1437H Corresponding to 20/7/2016G and amended by the Board of the Authority Resolution no (3-102-2019) Dated 18/1/1441H Corresponding to 17/9/2019G, shall continue to be effective until the effectiveness date of these Instructions.



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Part 1: Preamble

- 1) These Instructions aim to regulate the book building process and the allocation method in initial public offerings (IPOs).
- 2) These Instructions shall have no prejudice to the provisions of the Capital Market Law and its Implementing Regulations.

Part 2: Definitions

- a) Any reference to the “Capital Market Law” in these Instructions shall mean the Capital Market Law issued by the Royal Decree No. M/30 dated 2/6/1424H.
- b) Expressions and terms in these Instructions shall have the meaning which they bear in the Capital Market Law and the Glossary of defined terms used in the Regulations and Rules of the Capital Market Authority.
- c) For the purpose of implementing these Instructions, the following expressions and terms shall have the meaning they bear as follows unless the context indicates otherwise:

Government Entities: Refers to any of the following:

- a) Entities which the Custodian of The Two Holy Mosques or the Council of Ministers are their point of reference for their financial and administrative affairs, including Ministries, Departments, Authorities, General Agencies, Government Funds or Funds managed by government entities.
- b) Legal persons affiliated to one of the GCC countries.

Government-owned Companies: Companies fully owned by the government or any government entity.

GCC Companies: Companies that have the nationality of one of the GCC countries, and are incorporated according to the Companies Law of such country, and which the majority of their capital is owned by citizens of the GCC countries or their governments.

GCC Funds: The investment funds which have legal personality that are established in one of the GCC countries, the units of which are publicly or privately offered to investors in these countries according to the applicable laws in these countries, and which the majority of their capital is owned by citizens of the GCC countries or their governments.

GCC Citizens: Natural persons who have the nationality of one of the GCC countries, and legal persons that the majority of their capital is owned by citizens of GCC countries or governments and has the nationality of one of the GCC countries.

Conflict of Interest: Refers to the conflict of interest between the issuer and any of the participating entities involved in the book building process, including but not limited to the following circumstances:



- a) A director or an executive of any of the participating entities is a substantial shareholder in the issuer or any company that controls the issuer or any of the issuer's subsidiaries or vice versa.
- b) A participating entity is a substantial shareholder in the issuer or any of the issuer's subsidiaries or vice versa.
- c) Any of the persons, referred to in paragraph (a) and (b) above, is a director of the issuer or any of the issuer's subsidiaries.

Book Building: The process by which a financial advisor registers bids from participating entities in order to determine the offering price.

Book Building Period: A period determined by the financial advisor, after obtaining the consent of the issuer, without prejudice to paragraph (d) of Part (3) of these Instructions. It starts from the first day of the financial advisor offering the issuer's shares to the participating entities in accordance with paragraph (a) of Part (3) of these Instructions.

Bidding Participation Application: The application submitted by the participating entities to the financial advisor of the issuer in order to participate in the book building process, and submitted to the financial advisor in a time no later than the last day of the book building period.

Appended Bidding Application: The application submitted to the financial advisor of the issuer when the price range is changed, in accordance with paragraph (b) of Part (4) of these Instructions, in a time no later than the last day of the Book building period, and submitted by participating parties in order to participate in the book building or by the participating entities for the purpose of changing their requests concerning the price range.

Participating Parties: Parties that are entitled to participate in the Book building process in accordance with Part (5) of these Instructions.

Participating Entities: Entities involved in the Book building process from the specified parties in Part (5) of these Instructions.

Tick Size: The minimum price increment and decrement allowed for share price as applied by the Saudi Stock Exchange Company.

Part 3: General Provisions

- a) The financial advisor of the issuer is permitted – after obtaining the Authority's approval of the IPO – to offer the shares to the participating entities only during the book building period.
- b) The financial advisor, in coordination with the issuer, shall determine a percentage of the full offering to be allocated to institutional investors, and the financial advisor shall determine a percentage of it to be allocated to public funds, provided that the Authority approves such percentages; in the event that there is insufficient coverage from public funds for the



percentage allocated to them, the percentage allocated to them shall be reduced within the limits of what was covered by them.

- c) The issuer must sign an underwriting agreement before the beginning of the subscription process.
- d) The book building period shall not exceed (14) fourteen calendar days.
- e) The participating entities provide their bidding participation applications in the book building in the manner that the financial advisor of the issuer determines, provided that the financial advisor of the issuer and any other capital market institution that is associated with receiving bidding participation applications make the necessary arrangements and procedures to ensure documenting the bidding participation applications and verifying their validity, and verify the financial solvency of the participating entities and their ability to pay the value of the shares requested in the bidding participation application when allocated, before registering the bidding participation applications.
- f) The participating entities shall not submit a bid with an amount of (5%) or more of the issued securities of the issuer.
- g) The participating entities shall comply with the provisions of the Capital Market Law and its Implementing Regulations and any other investment conditions that regulate their business.
- h) Where a conflict of interest with the issuer exists, the conflicted participating entities are prohibited from participating in the book building.
- i) The participating entities may change or cancel their bids at any time during the book building period, provided that the change must be made by submitting an amended bidding participation application or an appended bidding application (as applicable).
- j) The Authority may waive any person subject to these Instructions from applying any of its provisions in whole or in part, upon his/her request or on its own initiative.

Part 4: Requirements for Book building and Changing the Price Range

- a) During book building, the following requirements must be satisfied:
 - 1) The issuer's financial advisor must announce the book building period without prejudice to paragraph (d) of Part (3) of these Instructions.
 - 2) The issuer's financial advisor must announce the price range, and ensure its availability to all participating parties.
 - 3) The announcement made by the issuer's financial advisor regarding the book building period and price range must be available to all participating parties on its website and the website of the issuer



- b) The financial advisor may, after obtaining the underwriter and the issuer's consent, change the price range, with consideration to the following:
 - 1) The financial advisor must announce the new price range to all participating parties.
 - 2) The underwriter must provide the Authority with an updated underwriting commitment letter reflecting the new price range.
 - 3) The change in participating entities' bids shall be by submitting an appended bidding participation application.
- c) At the end of the book building period, the financial advisor shall announce the offer coverage percentage by all participating parties on its website and the website of the issuer.

Part 5: Participating Parties

- a) Those whom may participate in the book building are:
 - 1) Public and private funds that invest in securities listed on the Saudi Stock Exchange as permitted by the fund's terms and conditions and in accordance with the provisions and limitations stipulated in the Investment Funds Regulations. In addition, public funds must comply with the following when submitting the bidding participation application:
 - a. The value of the shares in the bid of a public fund and all other public funds with the same fund manager shall not exceed (25%) of the total offer value.
 - b. The public fund shall not submit a bid with an amount in excess of (10%) of the total offer value.
 - c. The public fund shall not submit a bid on securities of the issuer with an amount exceeding (20%) of the fund's net asset value.
 - d. The public fund shall not submit a bid with an amount that exceeds (10%) of its net asset value in the issuer's offered shares.
 - e. Public funds are exempted from paragraph (d) above in any of the following cases:
 1. If the public fund's objective is to invest in shares listed on the Exchange, provided that it does not exceed the market capitalization of the issue expressed as a percentage of the total market value of all shares listed on the Exchange.
 2. If the public fund's terms and conditions and information memorandum state an investment objective of investing in a specific investable universe which is a sub-category of the issuers listed on the Exchange provided that such investment does not exceed the market capitalization of the issuer expressed as a percentage of the investable universe.



- f. The public fund must disclose in the bidding participation application, the market capitalization of the investable universe of the public fund as of the end of the previous day of submitting the bidding participation application.
- 2) Authorised persons who are licensed to deal as a principle, in compliance with the Prudential Rules when submitting the bidding participation application.
- 3) Clients of a person authorised by the Authority to conduct managing activities provided that:
 - a. The authorised person has been appointed on terms which enable it to make decisions concerning the acceptance of the participation in the offering and investing in the exchange on the client's behalf without reference to the client.
 - b. The participation in book building shall be directed through the authorized person, and all related communication are made through the authorised person.
- 4) Any legal persons allowed to open an investment account in the Kingdom, and an account with the depository center, including foreign legal persons who are allowed to invest in the market where the shares of the issuer are to be listed, with regards to the conditions of listing companies investments in listed securities stipulated in the Authority's circular number (6/05158) dated 11/08/1435H corresponding to 09/06/2014G based on the Capital Market Authority's board resolution number (9-28-2014) dated 20/07/1435H corresponding to 19/05/2014G.
- 5) Government entities, any supranational authority recognized by the Authority, the Exchange, or any other stock exchange recognized by the Authority, or the Depository Center.
- 6) Government-owned companies whether investing directly or through a portfolio manager.
- 7) GCC companies, and GCC funds if the terms and conditions of the fund permit that.
- b) The financial advisor may determine the parties that are entitled to participate in the book building process from the parties stipulated in paragraph (a) of this part, provided that public funds are among them.

Part 6: Subscription Price

The financial advisor in coordination with the issuer determines the subscription price according to the supply and demand, with consideration to the following:

- 1) The subscription price must not exceed the price specified in underwriting agreement.
- 2) The subscription price must be in accordance with to the tick size applied by the Saudi Stock Exchange Company



Part 7: Shares Allocation for Participating Entities after Completing the Book building

- 1) The allocation percentage for participating entities shall be set forth in the prospectus, provided that the allocation percentage for public funds is indicated in the prospectus.
- 2) Without prejudice to paragraph (b) of Part (3) of these Instructions, the allocation of the offered shares is made as the financial advisor deems appropriate in coordination with the issuer.

Part 8: Offering for Retail Subscribers

The allocation percentage for retail subscribers shall be set forth in the prospectus.

Part 9: Publication and Entry into Force

These Instructions shall be effective in accordance with its approval resolution.