



Draft Amendments to the Instructions for Book Building Process and Allocation Method in Initial Public Offerings (IPOs)

A) Introduction

As part of the Capital Market Authority's ("CMA") strategic objectives to regulate and develop the capital market, and based on the Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424H, the CMA Board issued its resolution to publish the Draft Amendments to the Instructions for Book Building Process and Allocation Method in Initial Public Offerings (IPOs) ("Draft Amendments") for public consultation for a period of (30) calendar days ending on 13/09/1443H corresponding to 14/04/2022G.

B) Objectives of the Draft Amendments:

The main elements of the Draft Amendments are:

1. Developing the provisions regulating the participating parties in the book building process, including allowing the financial advisor to determine the parties that are entitled to participate in the book building process from the parties stipulated in the Instructions, provided that public funds are among them.
2. Determining the responsibilities of the financial advisor in relation to verifying 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.
3. Developing the provisions regulating the shares allocation for participating entities after completing the book building.

C) Proposed amendments to the Instructions for Book Building Process and Allocation Method in Initial Public Offerings (IPOs) compared with the current provisions:

Instructions for Book Building Process and Allocation Method in Initial Public Offerings (IPOs)		
	Current Provisions	Provisions after Proposed Amendments
1	<p>Part 2: Definitions</p> <p>...</p> <p>Participating parties: Those whom are entitled to participate in the Book building process as specified in Part (5) of these Instructions.</p> <p>...</p>	<p>Part 2: Definitions</p> <p>...</p> <p>Participating parties: Those whom are entitled to participate in the Book building process according to Part (5) of these Instructions.</p> <p>...</p>
2	<p>Part 3: General Provisions</p> <p>...</p> <p>b) The financial advisor, in coordination with the issuer, shall determine a percentage of the full offering to be allocated to institutional investors, subject to the Authority's approval of such percentage.</p>	<p>Part 3: General Provisions</p> <p>...</p> <p>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 if there is a sufficient coverage by them, subject to the Authority's approval of such percentages. And in the event that there is insufficient coverage from public funds for the percentage allocated to them, such percentage allocated to them shall be reduced within the limits of what was covered by them.</p>



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	Current Provisions	Provisions after Proposed Amendments
	<p>...</p> <p>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 makes the necessary arrangements and procedures to ensure documenting the bidding participation applications and verify their validity.</p>	<p>...</p> <p>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 shall not register bidding participation applications before making the necessary arrangements and procedures to ensure documenting the bidding participation applications and verifying their validity, and verifying 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.</p>
3	<p>Part 5: Participating Parties Those whom are entitled to participate in the Book building are:</p> <p>a) 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:</p> <p>1) The value of the shares in the bid of a public fund and all other funds with the same fund manager shall not exceed (25%) of the total offer value.</p>	<p>Part 5: Participating Parties a) Those whom may participate in the Book building are:</p> <p>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:</p> <p>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.</p> <p>...</p> <p>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.</p>
4	<p>Part 7: Shares Allocation for Participating Entities after Completing the Book building ...</p> <p>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.</p>	<p>Part 7: Shares Allocation for Participating Entities after Completing the Book building ...</p> <p>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.</p>