



# Issuers Debt Capital Market Guidebook

Sukuk and Debt Instruments Market Development Strategy Committee .....	4
Sukuk and debt instruments committee efforts accomplishments: .....	5
Overview .....	7
Definition of Securities .....	7
Capital Market Law, and its implementing regulations .....	7
Background and explanation of DCM .....	8
Types of Sukuk and Debt Instruments .....	13
Sukuk and Debt Instruments Market status quo (Sovereign/Corporate)/general overview .....	16
Legal & Regulatory Framework .....	17
English Translation .....	17
Legislative Structure .....	18
Saudi Sukuk and Debt Instruments Market Regulatory Structure & Role .....	20
Regulatory Framework for Sukuk & Debt Instruments .....	24
Types of Offering .....	24
Sukuk and Debt Instruments Issuance Regulatory Processes .....	26
Regulations on Credit Rating Agencies .....	33
Characteristics of the Saudi Sukuk and Debt Instruments Market .....	34
Issuance and Listing Journey .....	34
Methods of Issuing Sukuk and Debt Instruments .....	35
Governing Law and Jurisdiction (Sukuk and Debt Instruments Issuance) .....	36
Language of Documentation and Disclosure Items .....	36
Registration of Sukuk and Debt Instruments .....	36
Listing of Sukuk and Debt Instruments .....	37
Methods of Trading Sukuk and Debt Instruments (Secondary Market) .....	38
Transfers of Interest in Sukuk and Debt Instruments .....	40
Market Participants .....	41
Credit Rating Requirements .....	45
Bankruptcy Procedures .....	45
Event of Default and Cross Default .....	47
Sukuk and Debt Instruments Transactions and Trading Market Infrastructure .....	48
Trading of Sukuk and Debt Instruments .....	48

Market Monitoring and Surveillance in the Secondary Market.....	53
Yield Curves.....	54
Sukuk and Debt Instruments indexes .....	54
Repo Market.....	54
Description of the Securities Settlement System .....	55
Sukuk and Debt Instruments Market Costs, Zakat, and Taxation .....	57
Costs associated with Sukuk and Debt Instruments Issuance .....	57
Ongoing costs for issuers of corporate Sukuk and Debt Instruments.....	57
Costs for Account Maintenance .....	58
Costs associated with Sukuk and Debt Instruments Trading.....	58
Costs for settlement and transfer of Sukuk and Debt Instruments.....	58
Taxation Framework and Requirements .....	59
Zakat Framework and Requirements.....	59
Market Statistics .....	60

## Sukuk and Debt Instruments Market Development Strategy Committee

The Financial Sector Development Program (FSDP) aims to develop a diversified and effective financial sector to support the development of Saudi Arabia's economy, diversify its sources of income, and stimulate savings, finances, and investments. The aim is to achieve this ambition by boosting financial sector institutions and developing the Kingdom's financial market to become an advanced capital market without weakening the financial sector's stability. Several sub-sectors are listed under the Financial Sector Development Program's umbrella, including banking, insurance, investment, and stock and debt markets.

The Sukuk & Debt Instruments Market Development Committee was established in 2017 as a ministerial Financial Sector Development Program Committee subcommittee.

The Sukuk and debt instrument committee is comprised of the following members:

1. **Chairman:** His Excellency Mr. Mohammed Elkuwaiz, Chairman of the Board of the Capital Market Authority.
2. **Member:** Mr. Hani Al-Medaini, Chief Executive Officer and a board member of the National Debt Management Center.
3. **Member:** Eng. Khalid Al-Hussan, Chief Executive Officer and a board member of the Saudi Tadawul Group.
4. **Member:** Mr. Abdullah Binghamnam, Deputy of Listed Companies and Investment Products at the Capital Market Authority.
5. **Member:** Faisal Alsharif, Director General of the Financial Sector Development Program
6. **Member:** Mr. Yaaqoub Aldekhayel, Head of Internal Fixed Income at the Saudi Central Bank.

This committee is a subcommittee of the ministerial Financial Sector Development Program Committee, which comprises of the following members:

1. **Chairman:** His Excellency Mr. Mohammed Al-Jadaan, Minister of Finance.
2. **Member:** His Excellency Eng. Khalid Al-Falih, Minister of Investment.
3. **Member:** His Excellency Mr. Faisal Alibrahim, Minister of Economy and Planning.
4. **Member:** His Excellency Mr. Ayman Alsayari, Governor of the Saudi Central Bank.

5. **Member:** His Excellency Mr. Mohammed Elkuwaiz, Chairman of the Board of the Capital Market Authority.

6. **Member:** Mr. Khalid Shareef, Chief of Staff of the National Development Fund.

7. **Member:** Mr. Fahad Alsaif, Head of Global Capital Finance at the Public Investment Fund.

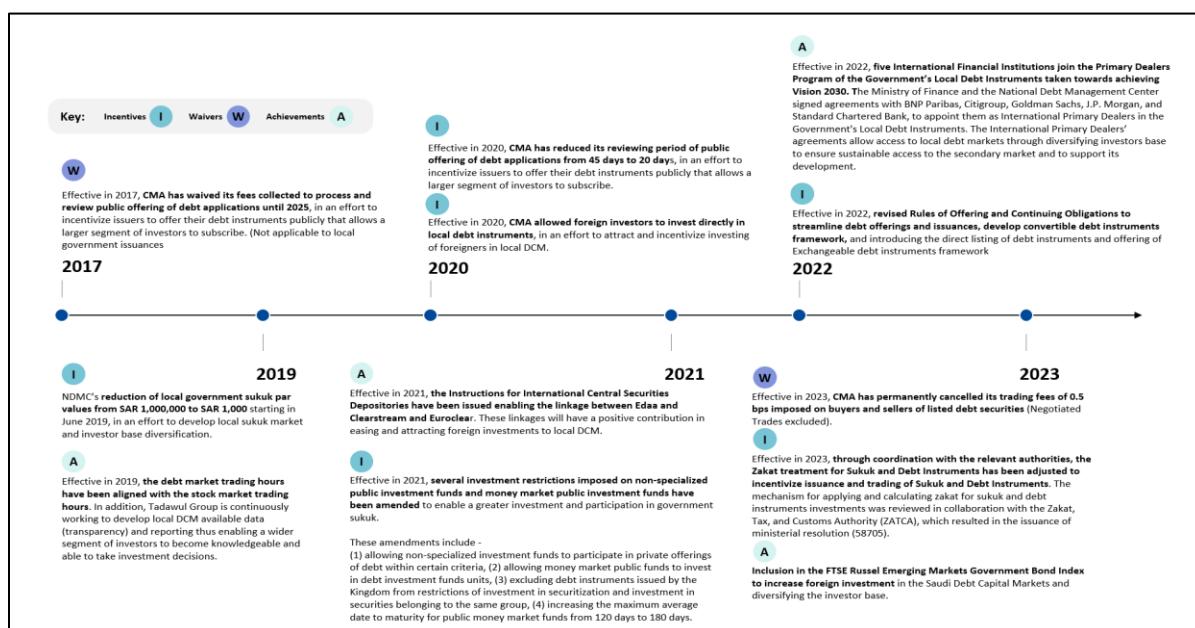
## Sukuk and debt instruments committee efforts accomplishments:

Among the efforts this committee has put in to incentivize the local DCM market are the following (Visualized below for reference):

- a. 2017- CMA has waived its fees collected to process and review public offering of debt applications until 2025 to incentivize issuers to offer their debt instruments publicly, allowing a more significant segment of investors to subscribe. (Not applicable to local government issuances).
- b. 2019- NDMC's reduction of local government sukuk par values from SAR 1,000,000 to SAR 1,000 starting in June 2019 to develop local sukuk market and investor base diversification.
- c. 2019- the debt market trading hours were aligned with the stock market trading hours. In addition, Tadawul Group is continuously working to develop local DCM available data (transparency) and reporting, thus enabling a broader segment of investors to become knowledgeable and able to make investment decisions.
- d. 2019-the debt market trading hours have been aligned with the stock market trading hours. In addition, Tadawul Group is continuously working to develop local DCM available data (transparency) and reporting, thus enabling a broader segment of investors to become knowledgeable and able to make investment decisions.
- e. 2020- CMA has reduced its reviewing period for public offering of debt applications from 45 days to 20 days to incentivize issuers to offer their debt instruments publicly, allowing a more significant segment of investors to subscribe.
- f. 2020- CMA allowed foreign investors to invest directly in local debt instruments to attract and incentivize the investing of foreigners in local DCM.
- g. 2020- the launch of the Repo Collateral Transfer service to facilitate the transfer of collateral required under repurchase agreements, enabling the launch of the REPO platform.
- h. 2021-the Instructions for International Central Securities Depositories were issued, enabling the linkage between Edaa Clearstream and Euroclear. These linkages will positively contribute to easing and attracting foreign investments to local DCM.
- i. 2021- several investment restrictions imposed on non-specialized public investment funds and money market public investment funds were amended to enable a more significant investment and participation in government sukuk. These amendments include (1) allowing non-specialized investment funds to participate in private offerings of debt within specific criteria, (2) allowing money market public funds to invest in debt investment funds units, (3) excluding debt instruments issued

by the Kingdom from restrictions of investment in securitization and investment in securities belonging to the same group, (4) increasing the maximum average date to maturity for public money market funds from 120 days to 180 days.

- j. 2022-five International Financial Institutions joined the Primary Dealers Program of the Government's Local Debt Instruments taken towards achieving Vision 2030. The Ministry of Finance and the National Debt Management Center signed agreements with BNP Paribas, Citigroup, Goldman Sachs, J.P. Morgan, and Standard Chartered Bank to appoint them as International Primary Dealers in the Government's Local Debt Instruments. The International Primary Dealers' agreements allow access to local debt markets through diversifying investor base to ensure sustainable access to the secondary market and to support its development.
- k. 2022- CMA revised Rules of Offering and Continuing Obligations to streamline debt offerings and issuances, develop convertible debt instruments framework, and introduce the direct listing of debt instruments and offering of Exchangeable debt instruments framework.
- l. 2023- CMA has permanently canceled its trading fees of 0.5 bps imposed on buyers and sellers of listed debt securities (Negotiated Trades excluded).
- m. 2023- through coordination with the relevant authorities, the Zakat treatment for Sukuk and Debt Instruments has been adjusted to incentivize the issuance and trading of Sukuk and Debt Instruments. The mechanism for applying and calculating zakat for sukuk and debt instruments investments was reviewed in collaboration with the Zakat, Tax, and Customs Authority (ZATCA), which resulted in a ministerial resolution (58705).
- n. 2023- Inclusion in the FTSE Russel Emerging Markets Government Bond Index to increase foreign investment in the Saudi Debt Capital Markets and diversify the investor base.



## Overview

### Definition of Securities

The definition of securities in the Kingdom of Saudi Arabia is mainly anchored in the Capital Market Law, and its Implementing Regulations, and Glossary of Defined Terms Used in the Regulations and Rules.

### Capital Market Law, and its implementing regulations

**Under Chapter One, Article Two, of the Capital Market Law, Securities were defined for the purpose of the Law as the following:**

- a) Convertible and tradeable shares of companies;
- b) Tradeable debt instruments issued by companies, the government, public institutions or public organizations;
- c) Investment units issued by investment funds;
- d) Any instruments representing profit participation rights and any rights in the distribution of assets, or either of the foregoing.

In addition, any other rights, or instruments which the Board of the Capital Market Authority determines should be included or treated as securities if the Board believes that this would further the safety of the market or the protection of investors. The board can exercise its power to exempt from the definition of Securities under paragraphs (a, b, c, d) if it believes that it is not necessary to treat them as Securities, based on the requirements of the safety of the market and the protection of investors.

**The Glossary of Defined Terms Used in the Regulations and Rules extends/specifies the definitions even further to include the following:**

- e) Shares;
- f) Debt instruments;
- g) Warrants;
- h) Certificates;
- i) Units;
- j) Options;
- k) Futures;
- l) Contracts for differences;
- m) Long term insurances contracts; and
- n) Any right to or interest in anything which is specified by any of the paragraphs (a) through (i) above.

## Background and explanation of DCM

Debt Capital Market (DCM) is a market in which companies and governments raise funds through the issuance of debt securities.

Types of debt instruments registered and traded on the exchange are sukuk and debt instruments.

### **The Glossary of Defined Terms used in the Exchange Rules defined the Debt Instruments as the following:**

“Tradable instrument creating or acknowledging indebtedness issued by the government, companies, public institutions or public organizations.”

Additionally, the financial instruments considered as debt instruments are sukuk and debt instruments and Governments or Corporations issue them to raise capital to fund operations or development plans.

## I. Bonds and Sukuk

**Differences between Sukuk and Bonds: Both provide investors with a payment stream; however, Sukuk complies with Shari ‘a law by not using interest or any other prohibited practices by Islam.**

### 1. Sukuk:

- 1- Sukuk are Sharia-compliant financial certificates through which investors gain partial ownership of an issuer's assets until the Sukuk maturity date.
- 2- Sukuk holders receive a share of the profit generated by the underlying asset. The profit rate is a percentage of the Sukuk's par value, paid annually or semi-annually by the issuer.

### 2. Bonds:

- 1- Bonds are financial certificates through which investors lend money to the issuer, indicating an obligation for repayment at the maturity date.
- 2- Bondholders receive regular interest payments determined at the bond issuance date.

## Debt Instruments Characteristics

- 1- Bond Issuer: This is the entity or company seeking to borrow money from investors and is the entity or company that should repay the money borrowed. Therefore, the bond issuer determines the credit risk to which investors will be exposed. Sovereign governments, supranational organizations, and corporate issuers,



amongst others, can all issue bonds and are given credit ratings according to factors determined by the credit rating agencies.

- 2- Maturity Date: The bond will be redeemed, i.e., when the outstanding principal amount is repaid to the investor. The Maturity of bonds can range from overnight to 30 years or more.

Short-term	Medium-term	Long-term	Perpetual
1-3 years	4-10 years	Over 10 years	No maturity date

- 3- Coupon: This is the nominal interest rate an issuer agrees to pay the bondholder each year until the maturity date. It is usually expressed as a percentage of the face value of a bond and is almost always given as a per-annum rate.

**When setting the coupon rate the issuer usually takes into consideration the following:**

- Market interest rate (e.g. SAIBOR).
  - Credit rating of the issuer.
  - Time to maturity.
  - Supply and demand dynamics.
  - Secondary market trading activities.
  - Inflation
- 4- Face Value: this is known as the notional or principal amount, which is the amount that will be repaid to the bondholder upon Maturity.
- 5- Bond Price: The current market price of a bond is expressed as a percentage of face value. Bonds are tradeable in the secondary market, and the prices at which bonds can be bought and sold are recorded in percentage terms.
- 6- Yield: The bond yield Measures the profit an investor will make from a bond investment. The less an investor pays for a bond, the greater the expected profit and, therefore, the higher your yield. Conversely, the more you pay for a bond, the smaller your profit is likely to be and the lower your yield.

**Types: Debt Instruments are available in various forms including, but not limited to, the below:**

- 1) Fixed-rate securities: a security that pays the same level of interest over its entire term.
- 2) Floating rate securities: a security that pays a coupon determined by a reference rate that resets periodically.
- 3) Convertible Securities: A structure that allows the buyer to convert the bond into a predetermined number of companies shares.
- 4) Callable Securities: A structure allowing the issuer to call back the bond - repaying the principal before Maturity.
- 5) Perpetual Securities: A security with no maturity date.

## Structures (Sukuk):

The issuance of Sukuk requires an exchange of a Sharia-compliant underlying asset for financial consideration through the application of various Sharia principles such as Ijarah, Murabaha, etc. The structure of Sukuk has to be reviewed and approved by Sharia advisers to ensure compliance with Sharia.

1. Mudarabah: is a special type of partnership where one party contributes funds for the venture, bearing the financial risk and agreeing to accept any losses on the project. The other party provides the managerial effort in implementing and operating the project and sharing in the profit based on a predetermined ratio but is not responsible for potential losses unless it is a result of misuse.
2. Musharakah: A partnership contract where each party contributes towards an investment project, with profits and losses shared in proportion to their contributions.
3. Murabahah: An agreement between a seller and a buyer, where the seller will acquire the commodity and deliver it to the buyer for an agreed upon price. The seller thus acts as the provider of funds.
4. Ijarah: A contract between two parties or more where one party leases out the asset and its benefits to the client at the agreed lease price and duration of the lease.
5. Wakalah: An arrangement whereby one party entrusts another party to act on its behalf.

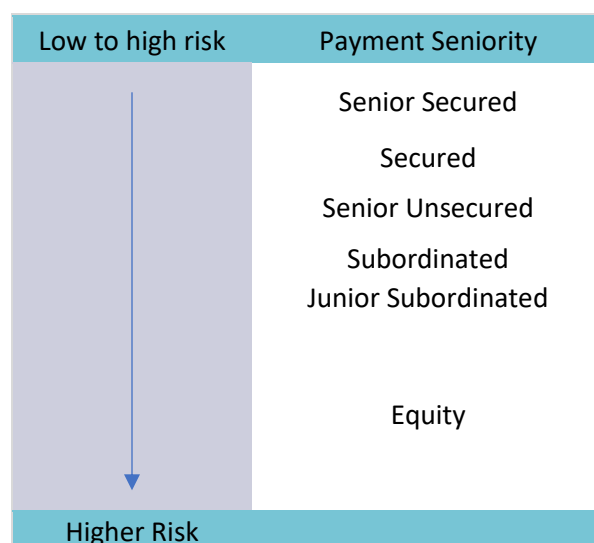
## Credit Rating:

representations of the creditworthiness of corporate or government bonds. The ratings are published by credit rating agencies and provide evaluations of a bond issuer's financial strength and capacity to repay the bond's principal and interest according to the contract.

Grade	Moody's	S&P	Fitch	SIMAH	Financial Analytics
Investment Grade	Aaa	AAA	AAA	AAA	AAA
	Aa1	AA+	AA+	AA+	AA+
	Aa2	AA	AA	AA	AA
	Aa3	AA-	AA-	AA-	AA-
	A1	A+	A+	A+	A+
	A2	A	A	A	A
	A3	A-	A-	A-	A-
	Baa1	BBB+	BBB+	BBB+	BBB+
	Baa2	BBB	BBB	BBB	BBB
	Baa3	BBB-	BBB-	BBB-	BBB-
Non-Investment Grade (Speculative)	Ba1	BB+	BB+	BB+	BB+
	Ba2	BB	BB	BB	BB
	Ba3	BB-	BB-	BB-	BB-
	B1	B+	B+	B+	B+
	B2	B	B	B	B
	B3	B-	B-	B-	B-
	Caa1	CCC+	CCC	CCC+	CCC+
	Caa2	CCC	-	CCC	CCC
	Caa3	CCC-	-	CCC-	CCC-
	Ca	CC	CC	CC	CC
		C	C	C	C
	C	D	D	D	D

## Payment Seniority

Payment priority is the classification of the priority of creditors and investors over the issuer's assets in the event of default or bankruptcy.



## Debt Capital Markets

**The Exchange's Fixed Income segment includes:**

- a) Publicly listed Sovereign Sukuk and Bonds.
- b) Publicly listed Corporate Sukuk and Bonds.
- c) Privately Placed Registered Sukuk and Bonds.

## Key Market facts and figures

1. Largest market in the GCC region, and MENA.
2. A top 10 global exchange.
3. 3rd largest stock market among emerging markets
4. 396 listed securities, between all Saudi Exchange platforms as of 2022
5. Market capitalization reached SAR 10.21 trillion (US \$2.63 trillion) as of 2022.

## Key Debt Market facts and figures

1. The Exchange's debt market was launched in 2009, becoming one of the first GCC nations to establish a sukuk and debt instruments trading platform.
2. 27th largest debt market among global debt markets as of 2022.

3. 11th largest debt market among emerging markets as of 2022.
4. 74 exchange traded debt instruments with a total value exceeding SAR 525.3 Bn. (US \$139.9 Bn) out of 618 Bn outstanding debt instruments issuances (US \$164.8 Bn) as of 2022.
5. 137 exchange registered instruments with the exchange and depository center with a total value of SAR 738.3 Bn (US \$196.6 Bn.) as of 2022.
6. 2022 trading activity comprising 5,895 trades with a traded value of SAR 21.5 Bn (US \$5.7Bn).

## Types of Sukuk and Debt Instruments

In the Kingdom of Saudi Arabia, there are several types of debt instruments available for issuance of private and public sector entities based on their nature of operations and financing needs.

The Saudi government and other related government entities issued public sector debt securities.

### i. Government-Related Sukuk and Debt Instruments

Local Saudi Sukuk Issuance Program in Saudi Riyal: Established in 2017, the Ministry of Finance issues local instruments in Saudi riyals arranged by the National Debt Management Center (NDMC) and divided into monthly tranches for investors. NDMC's role in the Sukuk program is based on its mandate to secure the Kingdom's financing needs at the best possible costs in the short, medium, and long term and support the Sukuk and Debt Instruments market in Saudi Arabia.

For information about the Program, kindly download the Program's Information Memorandum.

For more information about the monthly issuance calendar, kindly [Click here](#).

## Corporate Sukuk and Debt Instruments (Private Debt Securities)

**Sukuk:** An Islamic financial certificate, similar to a bond, that complies with Islamic Sharia law. Since the traditional interest-paying bond structure is not permissible under Sharia, the issuer of a sukuk essentially sells an investor group of certificates and pays profit payment instead of interest. The issuer must also make a contractual promise to buy back the bond at a future date at par value.

**Bonds:** Fixed income instruments that provide an investor with returns, paid by the issuer, for an agreed period, acting like a loan with repayments.

**Floating Rate Securities** are debt securities with variable (floating) rates linked to the money market. Floating rate security is pegged to an agreed benchmark at issuance plus some margin depending on issuer credit quality (i.e., 6-month SAIBOR + Margin).

In the Saudi debt capital market, the corporates can issue Sukuk and Bonds after meeting the capital market authority requirements; the corporations can issue different types of debt instruments such as fixed rate, floating rate, and with embedded options (callable or puttable Sukuk or Bonds).

## Special purpose Entities

The Special Purposes Entity is an entity established and licensed from CMA under The Rules for Special Purposes Entities for debt instruments and investment units, and shall have legal personality and financial autonomy, and it shall cease to exist with the end of the purpose for which it was established for, in accordance with the Rules and Regulations issued by the Capital Market Authority.

Main Purposes of Establishing a Special Purposes Entity is protecting the rights of investors in Special Purposes Entity from bankruptcy of related parties such as the sponsor in the event of issuing debt instruments or the investment fund manager in the event of issuing investment units.

### Types of Debt Instruments Issued by the Special Purposes Entities:

#### Asset-backed debt instruments:

Means a debt instrument issued by a special purpose entity under whose terms:

- 1-The entitlement of holders of the debt instrument to a return is wholly dependent on the returns generated by the special purposes entity's assets.
- 2-The sponsor is not obliged to the holders of the debt instrument (whether by guarantee or otherwise) to pay any amounts.

#### Asset-linked recourse debt instruments:

Means a debt instrument issued by a special purpose entity under whose terms:

- 1-The entitlement of holders of the debt instrument to a return is defined by the ratio of the returns generated by the special purposes entity's assets.
- 2-The sponsor is obliged to the holders of the debt instrument (whether by guarantee or otherwise) to pay all amounts due on the debt instrument.

#### Debt-based recourse debt instruments:

Means a debt instrument issued by a special purpose entity under whose terms:

- 1-The entitlement of holders of the debt instrument to a return is not determined by the returns generated by the special purposes entity's assets.
- 2-The sponsor is obliged to the holders of the debt instrument (whether by guarantee or otherwise) to pay all amounts due on the debt instrument.
- 3-Par value to be paid to the holders of the debt instrument at or before the maturity of the security.



To obtaining a license to establish special purposes for each activity as follows:

Issuance of debt instruments:

To obtain a CMA license to establish a Special Purpose Entity, an application to establish and license a Special Purpose Entity form and an application to register a director of a Special Purpose Entity should be filled out and submitted to the Sukuk and Debt Instruments Issuance Department in the Authority along with By-laws of Special Purposes Entities according to the standardized form approved by the CMA.

### Issuance of investment units:

To obtain a license to establish a Special Purposes Entity, the fund manager shall fill out the section on establishing a Special Purposes Entity in the investment fund establishment's form, in addition to submitting the By-law for the Special Purposes Entity according to the form approved by the Authority and sending it to the Investment Product Issuance Department in the Authority.

### Appointment of a Custodian:

In respect of the issuance of asset-linked recourse debt instruments and asset-backed debt instruments, the trustee of the special purposes entity must appoint a custodian to be responsible for taking custody of real estate assets and securities owned by the special purposes entity (if any) and for safeguarding and taking all administrative measures concerning such real estate assets and securities.

## Sukuk and Debt Instruments Market status quo (Sovereign/Corporate)/general overview

Sukuk and Debt Instruments can be traded like any other security through Brokers during trading hours. They can also trade Over the Counter (OTC), which occurs outside the formal exchange environment.



Sukuk / Debt Instruments		Public Market	Private OTC Market
Sovereign Government	<ul style="list-style-type: none"> <li>Conventional bonds</li> <li>Sukuk</li> </ul>	Government Securities were publicly offered in October 2017 and have been listed on Tadawul's Sukuk and Debt Instruments market by Q2 2018.	<ul style="list-style-type: none"> <li>Government Securities are issued by way of Exempt Offering.</li> <li>Registered with Edaa.</li> </ul>
Corporate	Regular debt issuances by Saudi corporates	corporate Securities have been introduced on the exchange on 2009.	<ul style="list-style-type: none"> <li>Most corporate Securities are issued as private placements or/and Exempt Offering.</li> <li>Registered with Edaa.</li> </ul>

## Legal & Regulatory Framework

### English Translation

Arabic is the official language of the Kingdom of Saudi Arabia. While all legislation is issued in Arabic, most of the Laws, Regulations, Rules, and Instructions, are also translated and published in English.

Governmental bodies will use the Arabic version in their day-to-day work.

## Legislative Structure

- i. Law --> Implementing Regulations --> Rules / Instructions --> Guidelines

The Kingdom of Saudi Arabia follows a multi-tiered system:

[Tier 1] Law (key legislation for the capital market)

[Tier 2] Rules and Regulations (regulatory authority guidelines)

[Tier 3] Instructions (issued by the regulatory authority)

The following table illustrates the legislative structure outlined above by giving examples of relevant capital market legislation for each individual tier:

Legislative Tier	Content or Significant Examples
<b>Law</b>	<ul style="list-style-type: none"> <li>Capital Market Law</li> </ul>
<b>Rules and Regulations</b>	<ul style="list-style-type: none"> <li>Capital Market Institutions Regulations</li> <li>Rules on the Offer of Securities and Continuing Obligations</li> <li>Corporate Governance Regulations</li> <li>Securities Business Regulations</li> <li>The Rules for Special Purpose Entities</li> <li>Rules for Qualified Foreign Financial Institutions Investment in Listed Securities</li> <li>Investment Fund Regulations</li> </ul>
<b>Instructions and Guidelines</b>	<ul style="list-style-type: none"> <li>Foreign Investor Guide in the Saudi Securities</li> <li>Financial Technology Experimental Permit Instructions</li> </ul>

Key legislation is the summary term for Laws aimed at a particular market or activity, such as the capital market. These laws establish and govern capital market activities, including the Sukuk and Debt Instruments market and related institutions and participants. The Council of Ministers enacts laws and takes effect upon publication in the Government Gazette.

Rules and Regulations are issued by the regulatory authorities charged with the overall supervision and governance of the securities and capital markets, the Capital Market Authority in this case. Rules and Regulations interpret aspects of the Law to implement it and elaborate on the roles and responsibilities of market institutions and their participants.

The Capital Market Authority issues instructions and Guidelines; these directives and other statements describe how regulations should be applied and specific market activities carried out.

## Exchange Regulations

In general, the Saudi Capital Market is governed by the Capital Market Law and its Implementing Regulations issued by the Capital Market Authority. In addition, the core of the Exchange Regulations is to regulate the trading, depository and clearing activities related to it, including but not limited to, regulate the institutions who are willing to be members, the safe keeping of the securities and the clearing between the buyers and sellers. While talking about the exchange, it's good to mention the Saudi Tadawul Group and its subsidiaries:

**The Saudi Exchange Company**, As Saudi Arabia's dedicated Exchange, the Exchange lists local and international issuers and trades in securities for local and international investors. The official source of all market information, Saudi Exchange is instrumental in achieving long-term growth plans for the Group and providing market participants with attractive and diversified investment opportunities. The related regulations of the Saudi Exchange Company regulate:

1. The listing of securities.
2. The obligations of the issuer for securities and debt instruments.
3. The mechanism of trading.

### The list of Rules and Procedures related to the Saudi Exchange Company:

1. Listing Rules.
  2. Market Making Regulations.
  3. Market Making Procedures.
  4. Trading and Membership Rules.
  5. Trading and Membership Procedures.
  6. Derivatives Exchange Trading and Membership Rules.
  7. Derivatives Exchange Trading and Membership Procedures.
  8. Short Selling Regulations.
  9. Procedures of Suspending the Trading of Listed Securities in accordance with the Listing Rules.
  10. Procedures for Trading in Suspended Listed Companies' Shares Over the Counter.
1. **The Securities Depository Center (Edaa)**, Operates and maintains the Depository and Settlement System (DSS), an electronic book-entry system used to record and hold securities and to register the ownership of securities. In addition to linking center members through the DSS and maintenance of critical core data and facilitating equity, debt, Sukuk and bonds, ETFs, REITs, Mutual Funds and other financial instruments in the Saudi capital market and the related regulations of Securities Depository Center, (Edaa) aim to regulate the Depository Centre's activities including specifying the conditions and requirements for the Depository Centre membership as well as the procedures of (i) depositing Securities; (ii)

settlement of transactions; (iii) registration of Securities ownership restrictions; and (iv) opening Depository Centre Accounts.

A.

#### **list of Rules and Procedures related to the Securities Depository Center (Edaa):**

1. Securities Depository Centre Rules.
2. Securities Depository Centre Procedures.
3. Securities Borrowing and Lending Regulations.
4. Procedures of Dealing with Center Accounts When a Custody Member Ceases or Intend to Cease its Activities.
5. Instructions for International Central Securities Depositories.

**The Securities Clearing Center Company (Muqassa)**, It reduces post-trade risk, provides a centralized counterparty risk management service, and develops clearing services under international best practices. It can guarantee any asset class, both traded on the exchange and over-the-counter (OTC). Muqassa also nets transactions between its members on a multilateral basis, decreasing the number and value of securities settlement transactions and cash payments. The related regulations of Securities Clearing Center Company (Muqassa) aim to regulate the Depository Centre's activities, including specifying the conditions and requirements for the Depository Centre membership as well as the procedures of:

1. Depositing Securities.
2. Settlement of transactions.
3. Registration of Securities ownership restrictions.
4. Opening Depository Centre Accounts.

#### **list of Rules and Procedures related to the Securities Clearing Center Company (Muqassa):**

1. Securities Clearing Centre Rules.
2. Cash Market Clearing Procedures
3. Derivatives Clearing Procedures.

## **Saudi Sukuk and Debt Instruments Market Regulatory Structure & Role**

Generally, Saudi Arabia's capital market is governed by the rules and regulations issued and enforced by the Capital Market Authority, as well as by Saudi Tadawul Group and its subsidiaries.

### **Capital Market Authority**

The Capital Market Authority is the primary Authority concerning the regulations and activities of the Saudi capital market.

The Capital Market Authority was established on the 31st of July 2003 under the Capital Market Law. The Authority shall be responsible for issuing regulations, rules, and instructions and for applying the provisions of the Law. To achieve these objectives, the Authority shall:

1. Regulate and develop the Exchange, seek to develop and improve methods of systems and entities trading in Securities, and develop procedures to reduce the risks related to Securities transactions.
2. Regulate the issuance of Securities and monitor Securities and dealing in Securities.
3. Regulate and monitor the works and activities of parties subject to the control and supervision of the Authority.
4. Protect citizens and investors in Securities from unfair and unsound practices or practices involving fraud, deceit, cheating, or manipulation.
5. Seek to achieve fairness, efficiency, and transparency in Securities transactions.
6. Regulate and monitor the entire disclosure of information regarding Securities and their issuers, the dealings of informed persons and major shareholders and investors, and define and make available information which the participants in the market should provide and disclose to shareholders and the public.
7. Regulate proxy and purchase requests and public offers of shares.
8. License the establishment of special purposes entity, and regulate and control its business, uses, issuance of Securities, the registration in its registry established by the Authority and the provisions of its articles of incorporation, and regulate the provisions of the registration of funds transferred to it, including documentation of the rights thereof and its legal standing against others, and the issuance of rules governing thereof.
9. Regulate the pledge of Securities and its enforcement.

The Capital Market Authority administers the Capital Market Law. The Authority also has the ultimate responsibility of investors' protection.

Before 2003, no single authority was entrusted with the responsibility of regulating and systematically developing the Saudi capital market. Supervisory powers were shared between the Saudi Central Bank (SAMA) and the stock exchange. To streamline the regulatory structure of the capital market, the CMA was established as a self-funding statutory body with investigative and enforcement powers.

## Ministry of Finance / National Debt Management Center

The Ministry of Finance is the government body responsible for proposing public fiscal policies and plans to achieve economic growth and stability, managing sustainability and efficiency of fiscal resources, and following up on their implementation. It is also responsible for regularly developing fiscal, tax and customs regulations, in addition to supervising and protecting state properties and proposing the optimal ways to exploit them.

The issuer of debt securities is the Ministry of Finance acting through the National Debt Management Center. The National Debt Management Center was established in the fourth quarter of 2015 to secure the Kingdom of Saudi Arabia's financing needs with best financing costs in the short, medium, and long

term under acceptable degree of risk in compliance with the financial policies and to maintain the Kingdom's ability to access different international financial markets at fair pricing. The center is Chaired by His Excellency the Minister of Finance.

NDMC's main Goals include the following:

**a) Debt Strategy:**

Contributing to developing the Kingdom's public debt policy, and securing the Kingdom's financing needs in the short, medium, and long term.

**b) Sustainability of Funding:**

Maintaining the Kingdom's ability to access different debt markets to produce sovereign debt instruments at a fair pricing within informed foundations and frameworks of risk management

**c) Credit Rating:**

Following up on the Kingdom's credit-rating affairs in cooperation with the relevant government agencies.

**d) Empowerment and Support:**

Providing advisory services and proposing implementation plans for government agencies and companies in which the government owns more than (50%) of their capital and public institutions in the area of NDMC's competence, including the collecting, processing and follow-up of direct and indirect public debt data, and negotiation of debts, and negotiation of debts restructuring, repricing or re-contracting, services related to hedging policies, investors relationships management in public debt instruments credit rating affairs, or other related services.

## Saudi Exchange (and its subsidiaries)

**Saudi Tadawul Group:**

The Saudi Tadawul Group is the parent company of Saudi Exchange, a dedicated exchange business, the Securities Clearing Center Company (Muqassa), the Securities Depository Center Company (Edaa), and Wamid – the innovation arm of the Group

**a) Saudi Exchange:**

The Saudi Exchange conducts listing and trading in securities for local and international investors. The Exchange is instrumental in achieving the long-term growth plans for the Group and providing market participants with attractive and diversified investment opportunities.

The Saudi Exchange operates as a subsidiary of the Saudi Tadawul Group, capitalizing on the support provided by the Group to deliver best-in-class services, diversified offerings, and investment opportunities, increasing the Saudi capital market's attractiveness among local and foreign investors, and reinforcing its position as the issuers' exchange of choice.

Saudi Exchange is a top 10 global exchange among the 67 members of the World Federation of Exchanges and is the dominant market in the Gulf Cooperation Council (GCC). It is the 3rd largest

Exchange amongst its emerging market peers and is an affiliate member of the International Organization of Securities Commissions (IOSCO), the World Federation of Exchanges (WFE), and the Arab Federation of Exchanges (AFE).

**b) Edaa:**

The principal activity of Edaa is to operate and maintain the depository, settlement, securities and to register the ownership of securities. Edaa also offers several additional services such as the management of issuers' General Meetings (GM) including remote voting services (E-Voting), reporting notifications, and maintenance of critical core data, providing any other service related to its activities that Edaa deems to be provided in accordance with the capital market law and its implementing regulations.

Edaa aims to achieve the strategic objectives of the financial market in terms of developing the infrastructure and implementing the resulting procedures to execute transactions in line with international standards.

The main activity of Edaa is to operate the depository and settlement system used to register and maintain securities and their ownership electronically. Edaa seeks to develop its infrastructure, systems, and procedures to comply with international standards while providing the highest levels of reliability and efficiency.

**c) Muqassa:**

Muqassa is the clearing house of the Saudi Stock Exchange. Muqassa reduces post-trade risk, provides a centralized counterparty risk management service, and develops clearing services in accordance with international best practices.

Muqassa Clearing process is to guarantee and confirm the transactions prior to settlement between the Participants, to establish final positions for settlement.

Muqassa clears exchange traded transactions on open offer basis, where Muqassa places itself between the counter parties at the time of matching. Furthermore, Muqassa clears Saudi Exchange MT30 Index Futures, OTC derivatives, cash markets clearing services.

**d) Wamid:**

Wamid is part of the Saudi Tadawul Group and was created to deliver pragmatic solutions to business problems. It is focused on developing the Saudi capital market through innovation, disruptive ideas and bold new products, services and digitalization initiatives.

Wamid offers a co-location service that offers the lowest latency route possible and provides advanced infrastructure that meets the requirements of sophisticated trading participants. Co-location service will provide the market an opportunity to co-locate their servers and equipment within our Tier IV Data Center allowing them to have LAN connectivity access to our trading engine. This service targets both trading and non-trading customers, enabling them to reduce their latency as well as architecture complexity by utilizing high density cabinets. This innovative, unique co-location service will support customers in implementing their data, trading and execution strategies efficiently and swiftly.



## Regulatory Framework for Sukuk & Debt Instruments

### Types of Offering

The Authority has outlined three types of offers in the Rules on the Offer of Securities and Continuing Obligations:

#### **Exempt Offer**



Which is an offer exempt from the requirements of these Rules when any of the following cases applies as per Article (6):

- 1) Where the securities are issued by the government of the Kingdom of Saudi Arabia.
- 2) Offers of contractually based securities, provided that the offer of unlisted contractually based securities shall be limited to the following cases:
  - a. Where all offerees are investors under the categories of Institutional and Qualified Clients.
  - b. Where all offerees are employees of the issuer of any of its affiliates.
- 3) Offers in an insolvency situation where shares are offered to creditors.
- 4) Where an issuer whose shares are not listed on the Exchange increases its capital by way of debt conversion.
- 5) Where the subscription in total value for the securities being offered is less than 10 million SR or an equivalent amount, in accordance to the following conditions:
  - a. The offer shall not be made more than one time during the twelve months after the completion of the offer.
  - b. Subscription in the offered securities shall be limited to (50) offerees or less (excluding investors under the categories of Institutional and Qualified Clients) provided that the amount payable per offeree (excluding investors under the categories of Institutional and Qualified Clients) shall not exceed two hundred thousand SR or an equivalent amount.
  - c. Declaration by the offeree who participates in the subscription for such offered securities (excluding investors under the categories of Institutional and Qualified Clients) to the offeror or the Capital Market Institution (if the offer is carried out through a Capital Market Institution) of its acknowledgment to the risks associated with the investment, including what may result in loss of the full amount of the investment, and that the Authority shall not give any assurance as to the accuracy and completeness of the documents related to the offering, and expressly disclaim any liability whatsoever for any loss arising from or incurred in reliance upon any part of these documents, and its acknowledgment that the offeror or the Capital Market Institution (if the offer is carried out through a Capital Market Institution) does not have to notify the Authority of the suitability of such an investment.

### **Private Placement Offer**

An offer of securities is a private placement where it is not an exempt offer, or a public offer and falls under any of the following cases as per Article (8) of the Rules:

- 1) The subscription is restricted to investors under the categories of Institutional and Qualified clients; or
- 2) The offer is a limited offer.
  - a. An offer of securities is a limited offer if the subscription is limited to no more than (100) offerees (excluding investors under the categories of Institutional and Qualified Clients) and the amount payable per offeree does not exceed (200) thousand SR or an equivalent amount.

- b. Securities of the same class may not be offered as a limited offer per (a) more than once in a twelve-month period ending with the date of the offer in question.
- 3) The Authority may, in circumstances other than those described in (1) and (2) and upon application of a person seeking to make an offer of securities, determine that such an offer shall be treated as a private placement subject to compliance with such limitations as the Authority may impose.

## Public Offer

A public offer is an offer that is mandatory to have the issuances listed, that requires disclosures of the prospectus, and has continuing obligations as outlined in the relevant rules and regulations and has no restrictions on the type of investors.

Provisions applicable to the public offer are covered in part 4 of the rules. An offer may not offer securities to the public without obtaining all approvals required pursuant to the issuer's bylaws, the companies' law and its implementing regulations.

Article 42 of the rules cover the conditions for a public offer of debt instruments.

## Sukuk and Debt Instruments Issuance Regulatory Processes

Generally, the issuance of Sukuk and Debt Instruments in the Saudi market requires approval by the Capital Market Authority, unless exempted as stated in Article (6) of the Rules on the Offer of Securities and Continuous Obligations.

## Regulatory Process by Issuer Type

The Capital Market Authority does not differentiate the process by issuer type. The corporate issuer decides the most suitable of the types of offers mentioned in (d) previously.

## Overview of Regulatory Process

In the Saudi market, issuers of proposed Sukuk or Debt Instruments must appoint a financial adviser (Capital Market Institution) licensed to arrange activities by the Capital Market Authority. The responsibilities of the financial adviser differ based on the type of offering. Additionally, the financial advisor acts as the main point of contact for the Authority concerning any offering and issuance applications or notifications.

In the case of a Private Placement Offer restricted to sophisticated and institutional clients, the main requirements are outlined in Article (11) of the Rules on the Offer of Securities and Continuing Obligations (ROSCO).

The Capital Market Authority requires the submission of a notification. The notification requirements are listed in Article (10) of the Rules on the Offer of Securities and Continuing Obligations (ROSCO). This means the Authority will not 'approve' a Private Placement offer but will inform the financial advisor of its 'no objection' if all the related requirements are met.

Should an issuer decide to take Sukuk or Debt Instruments issued by way of Private Placement to register for Direct Listing on the Exchange, they must appoint a financial advisor (and a legal advisor, if applicable) as highlighted in Article (19) from the Rules on the Offer of Securities and Continuing Obligations (ROSCO). The requirements and obligations of the financial advisor are listed in Article (20) of the Rules on the Offer of Securities and Continuing Obligations (ROSCO).

An offeror may not register Sukuk and Debt Instruments offered through private placement for direct listing on the Exchange without making prior arrangements for listing those Sukuk and debt instruments on the Exchange under the Listing Rules.

As for Public Offers, and similar to the registration process for Direct Listing on the Exchange, the issuer must appoint a financial advisor and a legal advisor as highlighted in Article (38) from the Rules on the Offer of Securities and Continuing Obligations (ROSCO). The requirements and obligations of the financial advisor and legal advisor are listed in Article (39) and Article (40), respectively, from the Rules on the Offer of Securities and Continuing Obligations (ROSCO).

An offeror may only offer securities to the public if they make prior arrangements for listing those securities on the Exchange under the Listing Rules. Additional required approvals are outlined in Article (35) from the Rules on the Offer of Securities and Continuing Obligations (ROSCO), including that the offerer is needed to obtain all approvals required according to the issuer's bylaws, the Companies Law and its implementing regulations.

**When intending to list on the Main Market, offers of Sukuk and Debt Instruments must comply with the following requirements:**

- The applicant must be a joint stock company.
- The issuer must have been carrying out, either by itself or through one or more of its subsidiaries, a main activity for three years if securities are to be listed on the Main Market.
- An application must be submitted to the CMA.
- Any application must be accompanied by a prospectus.
- Prior listing of securities must be made on the Tadawul.
- An issuer must, on its own or with its subsidiaries (if any) hold sufficient working capital to continue operating for at least 12 months immediately following the date of publication of the prospectus.

- Where securities are publicly offered by a special purpose entity, they may not be offered unless the approval of the special purpose entity and the sponsor's boards are obtained.
- The senior executives of the issuer must have appropriate expertise and experience.
- Where an issuer wishes to launch a debt instrument issuance program, it must produce a single prospectus which covers the maximum value of debt instruments which can be issued under the program. This must not exceed 24 months from approving the prospectus.
- In addition to appointing a financial and legal adviser, the issuer must appoint two representatives, one of whom must be a director and the other must be a senior executive, to act as its representative before the CMA. Where the offer is made by a special purpose entity, the entity and the sponsor must appoint representatives for each of them, to represent them before the CMA, provided that the entity's representatives are from the board members and the sponsors are a director and a senior executive.

The offeror must also appoint a financial adviser and a legal adviser.

#### **Minimum Size Requirements**

If the issuer has any of its securities already listed, the expected aggregate value of all debt instruments to be listed (or in the case of a debt issuance program, each separate tranche) must be at least SR 50 million.

If the issuer does not already have securities listed, the expected aggregate value of all debt instruments to be listed (or in the case of a debt instruments issuance program, each separate tranche) must be at least SR 100 million.

#### **Trading Record and Accounts**

Companies intending to list their sukuk or debt instruments in the Main Market must have audited financial statements that cover at least the previous three financial years that were prepared under the accounting standards adopted by the Saudi Organization for Certified Public Accountants by an auditor who must be registered with the CMA under the Rules for Registering Auditors of Entities.

Reviewed interim financial statements issued during the application period must also be provided. The CMA may require audited financial statements covering any period that it deems appropriate from the date of the end of the period covered by the latest audited financial statements until the expected date of approval of the application.

Where the issuer is a foreign entity whose shares are listed on the Main Market, it must prepare its interim and annual financial statements under international standards issued by the International Accounting Standard Board. It must make those interim financial statements available to the public within a period not exceeding 30 days after the end of

the financial period included in those financial statements (or within three months for the annual financial statements).

An issuer that applies for listing its securities must retain copies of all documents for at least ten years from the date the application for listing is made. Suppose such documents relate to any litigation or claim (including any pending or threatened litigation) or ongoing investigations. In that case, the issuer must retain the documents until the litigation, claim, or ongoing investigation is closed.

#### **Minimum/Maximum Denominations**

No denomination requirements are enforced.

### **Continuous Obligations Requirements in the Saudi Market**

Generally, all disclosures an issuer makes must be complete, clear, accurate, and not misleading. The Rules on the Offering of Securities and Continuing Obligations (ROSCO) (see Question 1) offer some protection, enabling issuers to take all necessary steps to prevent the leak of any information and material developments before disclosing them. The issuer is also prohibited from communicating such information to parties not bound by a confidentiality obligation before disclosing such information.

#### **Disclosure of Material Developments:**

The issuer must disclose to the CMA and to the public any material developments which are not a matter of public knowledge, and which may affect the assets and liabilities, the financial position or the general course of business of the issuer (or its subsidiaries), and which could have serious repercussions on the price of the issuer's listed sukuk or debt instruments, or significantly affect an issuer's ability to meet its commitments in respect of listed debt instruments.

The assessment of whether there is a material development by an issuer must be based on the judgement of a prudent investor in making investment decisions.

#### **Other important disclosures:**

**The issuer is, in any case, required to disclose the following events, irrespective of whether they qualify as a material development:**

- Any transaction to purchase, sell, lease or mortgage an asset at a price equal to or greater than 10% of the net assets of the issuer.
- Any debt outside the issuer's ordinary course of business, of a value equal to or greater than 10% of the issuer's net assets.
- Any losses equal to or greater than 10% of the issuer's net assets meeting the above requirements in accordance with the latest reviewed interim financial statements or audited annual financial statements.
- Any significant change in the issuers production, environment and matters of resources.
- Changes in the issuer's director's composition, CEO position or audit committee.

- Any legal proceedings equal to or greater than 5% of the net assets of the issuer.
- Any judicial decision against the board or its directors.
- An increase or decrease in the net assets equal to or greater than 10%.
- An increase or decrease in the gross profit equal to or greater than 10%.
- A loss or gain by any contract that amounts to 5% or more of the gross revenue.
- Any transaction (whether by the issuer or its related party) equal to or greater than 1% of the gross revenues.
- Change of external auditors.
- Changes in the articles of association or a change in headquarters.
- Interruptions in the principal activities of the issuer or its subsidiaries equal to or greater than 5% of the gross revenues.
- Any winding-up, liquidation or dissolution action undertaken by the issuer or its affiliates.
- Upon the issuance of any recommendation to commence any bankruptcy procedures.
- Upon receiving a notification from the court to commence a financial restructuring procedure, or liquidation procedure or the administrative liquidation procedure.
- Upon registering an application, issuance of the court's decision, or rejecting the application or commencement of any of the bankruptcy procedures in accordance with the Bankruptcy Law.
- Upon the issuance of the court's decision (first instance or final) terminating the financial restructuring procedure or the protective settlement procedure in accordance with the Bankruptcy Law, or commencing the appropriate bankruptcy procedure in accordance with Bankruptcy Law.
- Objecting before the competent court regarding the commencing or rejecting the commencement of any bankruptcy procedures under the Bankruptcy Law.
- Any material developments included in the reports the issuer provides during the commenced bankruptcy procedures in accordance with the Bankruptcy Law, unless the officeholder, the bankruptcy committee or the competent authority decides that such developments are confidential under the Implementing Regulation of the Bankruptcy Law.
- The making 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 issuer's use of any portion of its assets which in aggregate value represents a value in excess of 5% or more of the net assets of the issuer according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later.
- Call or outcome of a general assembly meeting.
- Capital change request.
- Any decision, declaration, recommendation for payments or non-payment of dividends or any distribution.
- Any decision to call, repurchase, draw, redeem or propose to buy any of its securities.
- Any decision not to make payment regarding debt instruments or convertible debt instruments.
- Change in attaching rights to a class of listed shares or debt instruments convertible to such shares.
- If the issuer is a special purpose entity, any court proceedings taken or threatened against the special purpose entity, any criminal or disciplinary procedures or sanctions to be inflicted on or likely to be inflicted on it.



- If the issuer is a special purpose entity, any court proceedings taken or threatened against members of the board of directors, any criminal or disciplinary proceedings or sanctions to be inflicted on or likely to be inflicted on members of the board of directors, if the subject matter of the procedure or sanction relates to the work of the board or one of its members.

#### **Disclosure of Financial Information:**

- The annual financial statements and the first, second, and third interim financial statements of an issuer must be disclosed to the CMA and to the public on their approval and before their publication to shareholders or third parties. Where the issuer is a special purpose entity, such entity must disclose its annual financial statements to the CMA and to the public on their approval and prior to their publication to third parties. The interim and annual financial statements must be in accordance with the rules and regulations in the Kingdom of Saudi Arabia to be approved. Where sukuk or debt instruments are listed on the Parallel Market the interim financial statements shall be submitted semi-annually.
- The issuer must disclose its interim and annual financial statements through the electronic system specifically designated for that purpose by the Saudi Exchange (Tadawul).
- The issuer must prepare its interim financial statements in accordance with the accounting and auditing standards adopted by the Saudi Organization for Certified Public Accountants (now the International Financial Reporting Standards (Reporting Standards)), and disclose them to the public no later 30 days after the end of the financial period included in the financial statements (45 days in case securities are listed on Parallel Market). The issuer must prepare its annual financial statements in accordance with the Reporting Standards and disclose them to the public no later than three months after the end of the annual financial period included in the financial statements. The issuer must disclose these annual financial statements not less than 21 calendar days before the date of convening the issuer's annual general assembly. Where the issuer is a special purpose entity, the disclosure to the public must be made within a maximum period of three months after the end of the annual financial period to which such statements relate.
- An issuer must ensure that the external auditor comply with the Reporting Standards, and regulations in relation to the ownership of shares or securities of the issuer or any of its subsidiaries to ensure the audit firm's independence and the independence of any partner or employee of that firm.
  - Where the issuer is a foreign issuer whose shares are listed on the Main Market in accordance with the Listing Rules, it must prepare its interim and annual financial statements in accordance with international standards issued by the International Accounting Standard Board. For the purposes of this paragraph, the interim and annual financial statements must be disclosed as follows:
    - in respect of the interim financial statements; disclosure must be made to the public within 30 days of the end of the financial period included in such financial statements;
    - in respect of the annual financial statements; disclosure must be made to the public within three months of the end of the annual financial period mentioned

- in those statements, and such financial statements must be disclosed at least 21 calendar days before the date of its annual general assembly.
- If the issuer is a special purpose entity, the sponsor must provide the special purpose entity of its interim and annual financial statements and the report of the board of directors in a timely manner to enable entity to fulfil its obligations of disclosing its financial information.

#### **Disclosure of the Board of Directors' Report:**

The issuer must provide the CMA with, and disclose to the sukuk and debt instruments holders, within three months from the end of the financial year, a report issued by the board of directors containing the required information under the Corporate Governance Regulations and including a review of the operations of the issuer during the last financial year and of all relevant factors affecting the issuer's business which an investor requires to assess the assets, liabilities and financial position of the issuer.

The continuing obligations listed above all apply to overseas companies with listed debt securities.

## **Saudi Exchange Rules Related to Sukuk and Debt Instruments Listing, Disclosure, and Trading**

#### **Tadawul Listing Rules:**

The Listing Rules touches the inclusion of debt instruments in several topics such as: listing conditions, disclosure requirements and trading within the scope of the Exchange Rules.

#### **Listing Rules - Listing Debt Instrument:**

In this part Rules regulate the conditions related to the listing of securities on the main market and the general listing conditions for securities and debt instruments for the purpose of obtaining approval from the Authority and the appointment of representatives of the issuer. At the end in Part 10 Annex 1 of the rules on the offer of securities and continuing obligations include all content of applications needed for listing of Debt Instrument.

#### **Listing Rules - Continuing Obligations:**

All the issuers disclosures and obligations are in this part, or the means and form of disclosure such as notifications that have to be sent to the Exchange, the official language used in these forms and timing of disclosure.

#### **Listing Rules - Cancellation of Listing and Suspension of Trading:**

This part aims to set out the circumstances under which the listing of securities may be cancelled, or their trading may be suspended on The Exchange. Also, the provisions of this part address the voluntary cancellation of listing in order to submit a request of the cancelation to the Authority.



### Trading and Membership Procedures:

The Trading Procedures to which the Debt Instruments are subject to specifies in these procedures, as the general provisions of these Procedures determine the trading and technical procedures of Debt Instrument such as access to trading system and the trading times for listed Debt Instrument.

### Market accessibility

Investors of all types (local or foreign) can invest directly in the debt capital market by contacting one of the brokers authorized by the CMA. Investing does not need to fulfill any requirement; even all categories of non-resident foreign investors can invest in Sukuk and Debt Instruments by applying to open an account directly at one of the licensed capital market institutions.

### Regulations on Credit Rating Agencies

This section covers the regulations and requirements for credit rating agencies (CRAs) operating in the Kingdom of Saudi Arabia.

CRAs must be authorized by the CMA for rating Sukuk and Debt Instruments in Saudi Arabia, pursuant to the Credit Rating Agencies Regulation issued in 2014.

The CMA requires rigorous and systematic rating methodologies in the abovementioned Regulations while upholding the highest standards. The CMA Regulations also specifies the following for CRAs:

1. It is fit and proper and has adequate expertise and resources to carry out rating activities in the Kingdom.
2. It has managerial expertise, financial systems, risk management policies and systems, technological resources, policies and procedures, and systems sufficient to fulfill its business and regulatory obligations.
3. Its governing body, rating analysts, employees, and any other natural person involved in the applicant's rating activities have the necessary qualifications, skills, experience, and integrity.

In addition, in the case of an authorized credit rating agency incorporated in the Kingdom, the following functions are considered functions that registered persons must perform:

1. CEO or Managing Director
2. A Director or Partner
3. Compliance Officer
4. Lead Rating Analysts and
5. Any other function designated by the Authority as a registrable function.

In the case of an authorized foreign credit rating agency, the following functions are considered functions that registered persons must perform:

1. Branch Managing Director or Branch Manager
2. Branch Compliance Officer
3. Any other function designated by the Authority as a registrable function.

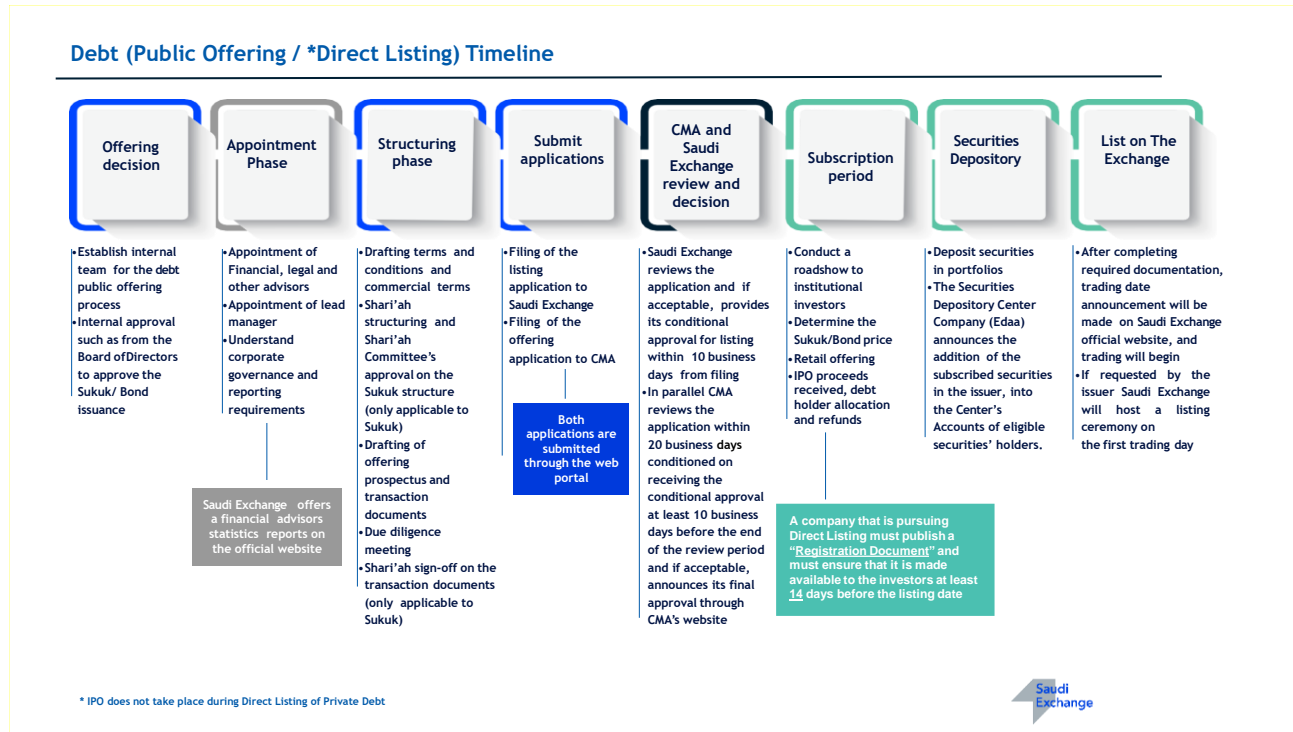
In the Kingdom, there are five authorized CRAs:

Agency Name	Classification
S&P Global Ratings Europe Limited	Foreign Credit Rating Agency
Moody's Investors Services Middle East Limited	Foreign Credit Rating Agency
Fitch Australia PTY Ltd	Foreign Credit Rating Agency
SIMAH Rating Agency	Incorporated in the Kingdom
Financial Analytics Company	Incorporated in the Kingdom

## Characteristics of the Saudi Sukuk and Debt Instruments Market

### Issuance and Listing Journey

For public offering and direct listing, the journey for issuers will be the following:



## Methods of Issuing Sukuk and Debt Instruments

### Government Securities Offering Methods

The Auction of SAR Sukuk Program is conducted by NDMC on behalf of the Ministry of Finance monthly with pre-announced dates in the beginning of each year in the issuance calendar, along with the annual borrowing plan.

This auction is handled via the Ministry of Finance Primary Dealers, which are local and international financial institutions responsible for receiving investors' bids and submitting it to the auction system (Bloomberg).

Prior to the formal announcement of the auction, NDMC will conduct a market sounding with market participants for market insight and investor's, after determining the issuance tenors and yield, the auction is opened for 24 hours on monthly basis whereby NDMC reviews the orders and decides the issuance size and allocation to the investors.

#### **Settlement:**

The settlement date for newly issued local government debt securities takes two business days following the transaction execution date (T+2).

#### **Local Primary dealers:**

The Primary Dealers program was launched in 2018, in partnership with five local financial institutions: Saudi British Bank, Al Jazeera Bank, Saudi National Bank, Alinma Bank and, Al Rajhi Bank. Being highly experienced, they have high potential to greatly help in developing the local debt market in Saudi Arabia.

#### **International primary dealers:**

The Ministry of Finance and the National Debt Management Center signed agreements with BNP Paribas, Citigroup, Goldman Sachs, J.P. Morgan, and Standard Chartered Bank, to appoint them as primary dealers in the government's local debt instruments.

#### **Primary Dealers Program:**

It enables banks to participate in the development of the financial sector in Saudi Arabia in accordance with vision 2030 objectives, by expanding the investor base in the primary market and supporting the development of the secondary market by increasing the liquidity of government securities.

## Governing Law and Jurisdiction (Sukuk and Debt Instruments Issuance)

The governing law and jurisdiction for Sukuk and Debt Instruments issuance is important for issuers. In the Kingdom of Saudi Arabia, the issuance of these securities from inside Saudi Arabia will be governed under Saudi law and jurisdiction. Should an issuance be from outside the Kingdom of Saudi Arabia and offered to investors inside the Kingdom, then it will be under a different governing law and jurisdiction.

The choice of governing law and jurisdiction is of particular importance. As it will determine which court of law will enforce the provisions of the Sukuk and Debt Instruments, and any disputes would be heard and decided.

## Language of Documentation and Disclosure Items

Contracts or agreements in the context of Sukuk and Debt Instruments; the issuance documentation and disclosure items; and all applications, approvals, and correspondence with regulatory authorities must be in Arabic in Saudi Arabia.

## Registration of Sukuk and Debt Instruments

Edaa provides and prepares securities settlement, clearing, depository, ownership registry, and safekeeping.

In addition, it may engage in any other relevant activity, in accordance with the Capital Market Law to achieve its objectives stated therein.

### Required Registration Forms:

- 1) Creation of Securities Ownership Register.
- 2) ISIN Generation.
- 3) Add Coupon.
- 4) Delegation form.
- 5) Issue Profile.
- 6) IPO file upload.

All mentioned forms are received through Edaa members after completing them by the issuer.

## Listing of Sukuk and Debt Instruments

The Saudi Exchange facilitates the public listing of debt instruments, mainly Sukuk and Bonds, thereby enabling the issuer to raise capital via debt instrument issuance.

The public listing of debt instruments will benefit retail investors to access the lender side of the debt market and diversify their portfolios.

### i. Offering [regular listing]

The public listing of debt instruments can be done after meeting the CMA and Saudi Tadawul Group requirements. Furthermore, the public debt instruments listing in Saudi exchange market has many advantages for both side of issuers and investors as following:

#### Advantages for issuers:

- 1) Enhance capital structure.
- 2) Supports expansion plans.
- 3) Diverse and wider investor base.
- 4) Longer term maturities compared to traditional loans.

### ii. Direct Listing

Direct Listing is an option to publicly offer a privately issued debt instrument by an organization to be traded in the public exchange.

The difference between the Public Offering and Direct Listing of Private Placement is the public offering needs to issue a prospectus and the direct listing issues a registration document.

#### The direct listing advantages for the investors, is as follows:

- 1) **More Transparency:** Boost investor confidence by generating more transparency for the securities.

- 2) **Liquidity:** Listing brings in liquidity and ready marketability of securities on a continuous basis, it can also increase repo activity by having more listed and traded securities.
- 3) **Retail Participation:** Non-qualified retail investors can participate easily in trading the security while they are not allowed to do so if it's private.
- 4) **Market Access:** It's much easier and practical for different types of investors who can trade private placements, to trade the security on the exchange, which can reflect positively on the demand for the security.
- 5) **Regulation Advantage:** Fund managers can invest up to 20 % of the fund size in a listed debt instrument, compared to only 10 % if it's unlisted.

## Methods of Trading Sukuk and Debt Instruments (Secondary Market)

The Saudi Exchange has one of the most sophisticated trading platforms that creates a seamless experience through full automation and processing.

All Sukuk and Debt Instruments trading activities are matched, confirmed and executed electronically following a T+2 settlement cycle. The trading engine has been designed to serve multiple types of orders to meet investors' needs.

In addition, the Saudi Exchange provides Over The Counter (OTC) trading for privately placed Sukuk and Debt Instruments. The Saudi Exchange platforms support Debt Instruments with fixed, variable and zero coupons.

### i. Direct Trading

Direct trading is conducted through brokers who are members of the exchange. Exchange Membership is granted to entities considered Authorized Persons with broker/dealer licenses, as defined by the Capital Market Authority and in line with the requirements of the Saudi Exchange's Trading & Membership Rules.

Dimension	Public market	Private OTC market
Pre-Trade	<ul style="list-style-type: none"> <li>Public information on traded instruments</li> <li>Historical transaction and pricing data</li> </ul>	Availability of last traded price

Trade	<ul style="list-style-type: none"> <li>Established order-driven market</li> <li>Access: any investor, incl. retail</li> <li>Full information on trading and transactions</li> </ul>	<ul style="list-style-type: none"> <li>OTC board (platform) for the trading of unlisted privately placed debt instruments</li> <li>Access: qualified investors mostly, small retail share</li> <li>Partial information collected via SDC</li> </ul>
Post-Trade	<ul style="list-style-type: none"> <li>Full set of post-trade services via SDC</li> <li>Trade information repository</li> </ul>	

## ii. DPM

Discretionary portfolio management is a form of investment management in which buy and sell decisions are made by a portfolio manager.

The term "discretionary" refers to the fact that investment decisions are made at the portfolio manager's discretion. DPM services are usually offered to High Net Worth Investors and institutional investors with which strategies are developed based on return goals, risk tolerance and requirements.

## iii. Investment funds with exposure to Sukuk and Debt Instruments

ETFs are among the wide range of investment options available on the Saudi Exchange.

They are traded on the Saudi Exchange's sophisticated trading platform, with all trades matched, confirmed and executed electronically following a T+2 settlement cycle.

**In addition, the Securities Depository Center Company ("Edaa") offers a range of post-trade services to ETFs investors.**

### 1. Exchange Traded Funds

Publicly available investment funds whose units are traded in the financial market.

#### Characteristics:

- 1) Units are bought and sold directly in the market, so they are highly liquid instruments.
- 2) Passive management strategy is followed, leading to lower management fees.
- 3) Funds offer the ability to the investor to invest in various Sukuk and Debt Instruments with a low capital.
- 4) Funds target monitoring the performance of Sukuk and Debt Instruments indices.
- 5) The ETF units can be traded like any other security through Brokers during trading hours. Also, units can be created and redeemed through the Market Maker or any other authorized party.

#### Examples of ETFs that track fixed income instruments:

- 1) Al-Bilad Sovereign Saudi Sukuk ETF focuses on Saudi Sovereign Sukuk denominated in Saudi riyals, listed on the main market with appointment Primary Dealers with a remaining maturity of 3 months or more.

- 2) Alinma Saudi Government Sukuk ETF Fund – Short Maturity focus on Invests in shariah-compliant local government Sukuk issued by the Saudi government and listed in the main market to generate a performance that mimics the performance of an index. Short-term maturity Sukuk (5 years remaining to maturity) fixed-rate Sukuk with a minimum issuance value not less than one hundred (100) million Saudi riyals.

## Transfers of Interest in Sukuk and Debt Instruments

Saudi Arabia government debt securities and sukuk, as well as corporate debt securities and sukuk, can be transfer the securities electronically.

### a) Settlement instructions:

- 1) The Settlement Instructions are generated by the Custody Members, the Depository Centre and Securities Central Counterparties (CCP).
- 2) The Settlement Instructions require matched Settlement Instructions from the counterparty, except for the following cases:
  - a) CCP Settlement Instruction related to listed and unlisted Securities settlement and Collateral withdrawal if such Collaterals are Securities; and
  - b) The relevant Custody Member Settlement Instruction related to the distribution of public offer shares to the Investors accounts.

### b) Settlement Instructions are as follows:

- 1) FOP – Free of Payment– Transfer of Securities without a corresponding transfer of funds.
- 2) DVP – Delivery versus Payment – a Securities settlement mechanism that links a Securities transfer and a funds transfer in such a way as to ensure that delivery occurs if and only if the corresponding payment occurs.
- 3) FOD – Payment Free of Delivery – Transfer of funds without a corresponding transfer of securities.

### c) Transfer of Securities:

- 1) The Settlement Instructions related to changing the beneficial owner are settled with the Depository Centre approval.
- 2) The Settlement Instructions generated by CCP or Depository and Settlement System may change beneficial owner including, but not limited to, trades or Corporate Actions.

### d) Unlisted Securities transfers:

- 1) Unlisted deposited Securities and Designated Securities and Transactions shall be transferred without executing a transaction if the transfer instructions have been issued by a CCP, including DvP transfers between the Exchange Member settlement pool account and the Exchange Member's client settlement pool account.
- 2) Unlisted deposited Securities shall be transferred without executing a transaction if the transfer instructions have been approved by the Issuer to validate the Settlement Instructions issued by the Depository Centre or the Custody Member in the form prescribed for that purpose to settle at the Depository and Settlement System.



## Market Participants

### 1. Issuers

#### (a) Government

The National Debt Management Center (NDMC) is the main issuer of public Sukuk and Debt Instruments.

#### (b) Supranational

Supranational institutions, which are owned or established by governments of two or more countries to pursue specific policy objectives, such as the Islamic Development Bank (IsDB), are also active issuers in the Saudi market. They issue both Sukuk and Debt Instruments.

#### (c) Agencies

Institutions that perform specific functions on behalf of the government, for example sovereign wealth funds such as the Public Investment Fund, is also an active issuer in the Saudi market.

#### (d) Corporate

Financial institutions, nonbank financial institutions, private corporations, and publicly listed corporations are becoming more active in issuing Sukuk and Debt Instruments.

### 2. Investors

#### (a) Institutional

Institutional investors are the dominant investors in the Saudi Sukuk and Debt Instruments market. Institutional investors mean any of the following:

1. The Government of the Kingdom of Saudi Arabia or any supranational authority recognized by the Authority.
2. Companies fully owned by the government or any government entity, either directly or through a portfolio managed by a Capital Market Institution authorized to carry on managing business.
3. Any legal person acting for its own account and be any of the following:
  1. A company which owns, or is a member of a group which owns, net assets of more than 50 million Saudi Riyals.
  2. An unincorporated body, partnership company or other organization which has net assets of more than 50 million Saudi riyals.
  3. A person acting in the capacity of director, officer, or employee of a legal person and responsible for its securities activity.
4. A company fully owned by a legal person who meets the criteria of paragraph (2) or (3).
5. An investment fund.
6. A counterparty.

#### (b) Qualified

A qualified client is similar to an institutional investor, with the main distinction being a qualified investor includes natural persons, particularly high net worth individuals, among other conditions. Qualified clients mean any of the following:

1. A natural person who meets at least one of the following criteria:
  1. Has carried out at least 10 transactions per quarter over the last 12 months of a minimum total amount of 40 million Saudi Riyals on securities markets.
  2. Their net assets are not less than 5 million Saudi Riyals
  3. Works or has worked for at least three years in the financial sector in a professional position related to investment in securities.
  4. Holds a professional certificate in securities business and accredited by an internationally recognized entity.
  5. Holds the General Securities Qualification Certificate that is recognized by the Authority and has an annual income that is not less than 600,000 Saudi Riyals in the last two years.
  6. Being a client of a Capital Market Institution authorized by the Authority to conduct managing activities, provided that the following is fulfilled:
    1. The offer shall be made to the Capital Market Institution, and all related communications be made by it.
    2. The Capital Market Institution has been appointed on terms which enable it to make investment decisions on the client's behalf without obtaining prior approval from the client.
  7. Registered persons of a Capital Market Institution if the offer is carried out by the Capital Market Institution itself.
2. A legal person, which meets at least one of the following criteria:
  1. Any legal person acting for its own account and be any of the following:
    1. A company which owns, or which is a member of a group which owns, net assets of not less than 10 million Saudi Riyals and not more than 50 million Saudi Riyals.
    2. Any unincorporated body, partnership company or other organization which has net assets of not less than 10 million Saudi Riyals and not more than 50 million Saudi Riyals.
    3. A person acting in the capacity of director, officer, or employee of a legal person and responsible for its securities activity.
  2. Clients of a Capital Market Institution authorized by the Authority to conduct managing activities, provided that the following is fulfilled:
    1. The offer shall be made to the Capital Market Institution, and all related communications be made by it.
    2. The Capital Market Institution has been appointed on terms which enable it to make investment decisions on the client's behalf without obtaining prior approval from the client.
    3. A company fully owned by a natural person who meets one of the criteria mentioned in paragraph (1) or a legal person who meets one of the criteria mentioned in paragraph (2).

### **(c) Retail**

A retail client is any client who is not a qualified client or an institutional client. Retail clients do not play a significant role in the Saudi Debt Capital Markets. Recently, retail clients have become more active with public offerings of Sukuk and Debt Instruments picking up.

## **3. Parties Involved in Sukuk and Debt Instruments Issuance**

Several intermediaries provide services to issuers and investors in the context of issuance of Sukuk and Debt Instruments in the Saudi market. The following provides a brief description of the type of intermediaries and their specific functions:

### **(a) Arranger(s)**

A Capital Market Institution that has been awarded the mandate by the borrower to arrange a Sukuk or Debt Instruments issue. An arranger is also sometimes referred to as a manager or, in a Sukuk and Debt Instrument issue, a lead manager.

One of the arranger's roles is to negotiate with the borrower or issuer and assesses market conditions.

There can be more than one lead manager appointed by the issuer, commonly referred to as joint lead managers. This is usually done with international offerings, mainly to spread the underwriting risk and to ensure successful distribution of the offering.

## **(b) Primary Dealer(s)**

The main responsibilities of the primary dealers is to strengthen the primary market by helping build a stable source of demand for government issued Sukuk and Debt Instruments, by providing liquidity in the secondary market, devoting capital resources to underwriting (as a proprietary buyer) to absorb any shortfall of liquidity, building distribution channels (to act as intermediaries) and providing market information, including prices, volumes, and spreads between bids and offers.

**These objectives overall serve the goals of:**

- (i) Lowering the cost and associated risk of servicing the public debt.
- (ii) Developing the capital markets.
- (iii) Encouraging savings by providing relatively risk-free investment with attractive returns.

## **(c) Bookrunner**

Bookrunners are designated by the issuer to place the issuance. They are responsible for keeping the investor order book and determining the final assignment to each investor, and for keeping the documentation for the issue, which they usually entrust to an external legal advisor. They also organize calls with investors and accompany the issuer on the roadshow.

## **(d) Underwriter(s)**

Underwriting is the commitment to subscribe for or purchase Sukuk or Debt Instruments that are not able to be sold to investors or to be paid for by investors in a Sukuk or Debt Instruments offering. By making such a commitment, an underwriter assumes the risk from the issuer that the Sukuk or Debt Instruments being offered will not be taken up by investors. The underwriter, therefore, effectively guarantees the issuer, subject to certain conditions, the number of Sukuk and Debt Instruments that will be sold and the amount of proceeds the issuer will receive.

## **(e) Payment Administrator**

Paying agents receive instruction from the Sukuk or Debt Instrument issuer to direct the transactions toward investors. Simply put, issuers use paying agents to distribute payments to investors. This payment could be the principal amount or coupon payment. Thus, paying agents conduct transactions, ensure accuracy, and schedule payments. They are also called disbursing agents.

It is important to note disbursing agents are not financially responsible for making those payments. If the disbursing agent does not receive the transaction amount from the issuer, the responsibility falls on the issuer.

An issuing company establishes a network with various investment banks in real-world scenarios. Banks, financial institutions, and agents already have the expertise and distribution channels to handle

multiple transactions. The firm undertaking these payments must comply with the terms, laws, and amendments.

**(f) Shariah Adviser**

There are no regulatory requirements for an issuance to be shariah compliant. If an issuer wants to issue Sukuk (which by default must be shariah compliant), it is up to them whether to hire external parties or use an internal committee to structure and validate it to be shariah compliant.

The Capital Market Authority has issued the Instructions for Shariah Governance in Capital Market Institutions. The purpose of these instructions is to set out the rules and standards of Shariah governance for the Capital Market Institutions, which provide, wholly or partially, products or services that are Shariah Compliant.

**(g) Sukuk holder Agent**

A Sukuk Holder Agent is hired by an issuer and oversees the implementation of a Sukuk and Debt Instruments, which is a contract between an issuer and an investor. The sukuk holder agent has a fiduciary responsibility to act on behalf of the issuer, rather than in its own interests. The sukuk holders agent's name and contact information are included in the document, which highlights the terms and conditions that the issuer, lender, and sukuk holder agent must adhere to during the life of the Sukuk or Debt Instrument.

The sukuk holder agent is responsible for the registration, transfer, and payment of the Sukuk and Debt Instruments. It is required to maintain separate accounts, monitor Sukuk or Debt Instruments document requirements, and provide monthly statements. It also approves amendments to some documents and acts on behalf of the holders if the borrower or issuer violates certain documents. A sukuk holder agent must have adequate staff and systems to efficiently perform its duties.

**(h) Registrar**

A registrar, also known as an Authorized Depository Institution or Authorized Depository Agent, are commonly known as custodians.

While there are many custodians in the Kingdom of Saudi Arabia licensed by the Capital Market Authority, Edaa, is in charge of operating the depository and settlement system used to register and maintain Sukuk and Debt Instruments and their ownership electronically. Whether through public or private offering, issuers are required to deposit and/or register their issuances with, Edaa.

**(i) Legal Advisor**

A legal adviser is required by the Capital Market Authority for all public offerings, in addition to registration of Sukuk and Debt Instruments offered by way of private placement for the purpose of direct listing on the Exchange.

The legal advisor must be licensed to practice law in the Kingdom. They are required to do the following:

- Advise and give opinion on the prospectus/circular, the requirements of the Capital Market Law and its Implementing Regulations in relation to the application.
- Undertake a formal legal due diligence review.
- Confirm to the CMA that there has been no material non-compliance with the Capital Market Law or its Implementing Regulations.

## (j) Accounting Firms

Accounting firms have a crucial role in the issuance of Sukuk and Debt Instruments. Accounting firms need to be licensed by the Saudi Organization for Chartered and Professional Accountants (CPA) and need to be registered with the Capital Market Authority to carry out Audit Engagements in relation to any capital market activity.

## (k) Receiving Entities

Receiving entities are the financial institutions which receive the subscription requests from clients, including retail, before passing them off to the bookrunner.

## Credit Rating Requirements

Currently, the Capital Market Authority does not require any credit rating on any issuance. The Capital Market Authority does encourage rating assignments, as it will increase transparency of the issuer, enhance pricing accuracy, and assess the credit quality from an independent view, among many other benefits.

## Bankruptcy Procedures

Based on Royal Decree No. (M / 50) dated 5/28/1439 H, the bankruptcy law was approved.

**The Bankruptcy Law contains seven main procedures, as follows:**

- 1) Protective settlement.
- 2) Financial restructuring.
- 3) Liquidation.
- 4) Protective settlement for small debtors.
- 5) Financial restructuring for small debtors.
- 6) Liquidation for small debtors.
- 7) Administrative liquidation.

**According to The Bankruptcy Law that demonstrate who has the right to apply for opening a procedure, for each of the following procedures:**

- 1) Protective Settlement: Debtor
- 2) Financial restructuring: Debtor, Creditor and Competent Authority
- 3) Liquidation: Debtor, Creditor, and Competent Authority
- 4) Administrative Liquidation: Debtor and Competent Authority

**Further, the bankruptcy procedures aim to achieve the following:**

- 1) Allow the bankrupt, distressed, or potentially distressed debtor to benefit from the bankruptcy procedures so that he or she can reorganize his or her finances, resume financial activities and contribute to the economy and economic growth.
- 2) Maintain the rights of creditors fairly and ensure the impartial treatment of parties involved.
- 3) Maximizing the value of bankruptcy assets, organizing sales, and ensuring fair distribution to creditors during liquidation.

- 4) Reducing the costs and time period of the procedures while increasing efficiency, particularly during the financial restructuring for small debtors or selling bankruptcy assets, and fairly distributing shares among creditors within a specified period.
- 5) Liquidating the administration of small debtors whose value of assets is insufficient to cover the costs of the liquidation procedure or liquidation for small debtors.

### **The following shall be considered regulated entities under bankruptcy Law:**

- a) Banking, financing, insurance, and exchange companies.
- b) Persons licensed to trade in securities.
- c) The Capital Market, and the financial settlement, clearing, and deposit companies.
- d) Credit rating companies.
- e) Credit information and records companies.
- f) Telecommunication, water, electricity, and gas companies.
- g) Companies exploring minerals and energy resources.
- h) Companies operating airports, railways, seaports and the like, as specified in the Regulations.
- i) Special purpose facilities.
- j) Other persons specified in the Regulations.

### **According to article 47 of The Rules for Special Purpose Entity that state:**

Compliance with the Bankruptcy Law (a) A special purposes entity must comply with the provisions of the Bankruptcy Law and its implementing regulations. (b) A special purposes entity must notify the Authority in writing of the result of any action taken from the Bankruptcy Law procedures, within (14) days of the procedure's completion.

Therefore, a special purpose entity is subject to the following Bankruptcy Law articles:

#### **Article 3:**

A petition for the initiation of a bankruptcy procedure or a judicial depository for a regulated entity debtor shall not be registered without the issuance of a decision of approval by the competent authority.

The competent authority shall, upon completion of the application, issue a decision approving or rejecting the petition within a period not exceeding 30 days. The petition shall be deemed approved if the competent authority fails to issue a decision within such period.

#### **Article 229:**

The Competent Authority shall issue the necessary Regulations regulating the Regulated Entities under its control in line with the nature of these entities. Such Regulations may include provisions that exclude these entities from being subject to certain provisions of the Law, or add additional provisions, obligations or requirements to the provisions of the Law.

The bankruptcy Law shall apply to:

- a) Natural persons engaging in commercial or professional activities, or any other for-profit activities in the Kingdom;
- b) Commercial and professional companies, regulated entities, as well as other companies and for-profit entities registered in the Kingdom; and
- c) Non-Saudi investors of a natural or legal personality holding assets in the Bankruptcy Law Kingdom, or engaging in commercial or professional activities, or any for-profit activities through a

licensed establishment in the Kingdom. This Law shall only apply to said investors' assets which are located in the Kingdom.

For further details on the bankruptcy law and procedures it can be found on Saudi Arabia Bankruptcy Commission [official website](#).

## Event of Default and Cross Default

In article 195 under the bankruptcy Law, fees and expenses of the bankruptcy trustee and expert, if any, and the sale expenses of bankruptcy assets shall have priority over other debts during the liquidation procedure and small debtors' liquidation procedure, and must be satisfied prior to the distribution of sale proceeds of bankruptcy assets to creditors.

In article 196 under the bankruptcy Law, the liquidation procedure or small debtors' liquidation procedure, debts of a higher priority shall be satisfied before debts of a lower priority.

### The priority of debts shall be as follows:

- a) Debts secured by in-kind securities.
- b) Secured financing in accordance with Article 184(a) of this Law and any other security specified in the Regulations in accordance with Article 184(e).
- c) A 30-day wage for debtor's employees.
- d) Family expenses established pursuant to a statutory provision or a court order.
- e) Expenses necessary for the continuation of the debtor's business during the procedures, as specified in the Regulations.
- f) Outstanding wages of the debtor's employees.
- g) Unsecured debts.
- h) Government fees, subscriptions, taxes, and unsecured entitlements, as specified in the Regulations.

The Regulations shall determine the priority of debts within each of the priorities provided for in this Article.

### In article 3 under Jurisdiction in The Rules Governing Bankruptcy Procedures in Commercial Courts which states:

- 1) The Commercial Courts shall consider the following:
  - a) The debtor's claims against third parties if arising from any of the bankruptcy procedures.
  - b) The claims for compensation provided for in the Law.
  - c) The disputes arising from officeholders' and experts' fees.
- 2) When necessary, the Court may, upon the request of the debtor or officeholder, decide to consider the debtor's claim against third parties. Such decision shall be governed by the provisions of Article (217) of the Law and paragraphs (3), (4) and (5) of Article (5) hereof.

For further details on the Rules Governing Bankruptcy Procedures in Commercial Courts it can be found on Saudi Bankruptcy Commission [official website](#).

# Sukuk and Debt Instruments Transactions and Trading Market Infrastructure

## Trading of Sukuk and Debt Instruments

### a) General Trading Overview of Sukuk and Debt Instruments

All Sukuk and Debt Instruments trading activities are matched, confirmed and executed electronically following a T+2 settlement cycle. The trading engine has been designed to serve multiple types of orders to meet investors' needs.

In addition, the Saudi Exchange provides Over The Counter (OTC) trading for privately placed Sukuk and Debt Instruments.

The Saudi Exchange platforms support Sukuk and Debt Instruments with fixed, variable and zero coupons.

#### Registration:

Sukuk/Debt Instruments registered in par value terms.

#### Time Executed:

Fractional part of execution time, microsecond precision.

#### Trading:

- 1) Price expressed as % over the par value
- 2) Quantity expressed as multiples of par value
- 3) Trade value  $\neq$  Settlement value
- 4) Securities listed on the Exchange are traded by way of order matching according to price, and then time priority.
- 5) Transactions are executed through Exchange Members, each on behalf of its clients or itself.

#### Trading Hours:

- 1) Opening Auction: from 9:30AM to 10:00AM + 30sec random uncross
- 2) Continuous trading: from 10:00AM to 3:00PM
- 3) Closing Auction: Not Applicable
- 4) Trade-at-last: Not Applicable

#### Tick Size:

Tick size in Debt Market are expressed in percentage of 0.001%

#### Fluctuation Limits:

No fluctuation limits on Debt Market



### Negotiated deals:

Negotiated deals have a minimum trading requirement of SAR1mn (\$266k)

### Settlement Cycle:

- 1) The Exchange settlement cycle is T+2
- 2) Negotiated Deals and OTC settlement cycle is T+2 unless buyer and seller agree on a different settlement cycle between T+0 to T+5

### Day count Convention:

- 1) Day count convention determines the calculation of accrued coupon over a period of time where the investor is holding the Sukuk or Debt Instruments
- 2) The day-count convention in the Saudi Debt Market for fixed coupon is ICMA 30/360
- 3) The day-count convention in the Saudi Debt Market for variable coupon is ACT/360

### Security Identifiers:

ISIN (International Securities Identification Numbering).

### Trading Channels:

Orders routed to the Exchange must be submitted through specific channels below more details for each channel:

- 1) T Channel: A channel for Registered Traders to submit orders.
- 2) I Channel: A channel for clients to submit orders via Exchange Members websites and online applications
- 3) A Channel: A channel for clients to submit orders via Automated Teller Machines
- 4) V Channel: A channel for clients to submit orders via telephone calls
- 5) S Channel: A channel for clients to submit orders via the short messages system protocol (SMS)
- 6) G Channel: A channel for the submission of automated orders based on pre-defined calculated instructions (Algorithmic Trading)
- 7) M Channel: A channel for market makers to submit orders related to their obligations as Market Makers either via Registered Traders or Direct Market Access, including automated orders based on pre-defined calculated instructions (Algorithmic Trading)

## b) Order Mechanisms

### Order Types:

Limit Orders.

### Order Execution Mechanism:

When Exchange Members transmit orders to the Trading System, the system sorts them by type (buy or sell), price, and entry time. The Trading System assigns order priority based on price and time of entry to the Trading System. It gives the highest buy order prices the highest priority. Conversely, it

gives the lowest sell order prices the highest priority. The Trading System always gives market orders the highest priority. The Trading System prioritizes orders transmitted with the same price by their time of entry into the Trading System; it executes the orders transmitted earliest first.

Orders transmitted during auctions will contribute to the calculation of theoretical prices during these auctions.

The Exchange calculates the theoretical prices as follows:

The Trading System will assign a price at which the maximum quantity of securities might be traded. If the same quantity could trade at two or more prices, the Trading System will assign the price that leaves a minimum residual, which is the unmatched number of securities at that price.

**If two or more prices have the same minimum residual, then the Trading System will assign the price as follows:**

- 1) The highest price if the imbalance of unmatched quantity is on the buy side only;
- 2) The lowest price if the imbalance of unmatched quantity is on the sell side only
- 3) The average price between (a) and (b) when the imbalance of the unmatched quantity is on both sides (buy and sell). The Trading System will round average price to the closest valid tick size when applicable.

**Limit Order Mechanism:**

The Trading System will improve the execution prices of limit orders (by reducing them for buyers or increasing them for sellers) whenever the 5 price is better than the order's price limit on the opposite side (higher or lower as the case may be). In the absence of a better price on the opposite side, the order will be executed at the limit price.

**Order Conditions:**

Hidden Quantity

**The order will disclose a portion of its quantity. Each time the disclosed portion is fully matched, the order will disclose an equal portion of its quantity, taking into consideration the following:**

- 4) the full quantity of the Hidden Order participates in the Theoretical Prices calculations;
- 5) the minimum quantity of the order must be for Debt Instruments the minimum quantity of the order must be (50,000) Saudi Riyals;
- 6) the minimum disclosed portion must be (5%) of the total order quantity.

**Order Validity:**

**The Trading System determines order validity according to when orders enter the system, as follows:**

- 1) Session means that orders are subject to full execution at the end of either the First and they should be transmitted during either the First or Third Sessions of the same day.

- 2) Day means that orders are subject to full execution until the end of the second session.
- 3)
- 4) Good till Cancelled ("GTC") means that orders are subject to full execution with a validity period of up to (30) days from the transmission of the order.
- 5)
- 6) Good till Date ("GTD") means that orders are subject to full execution until a specified expiry date. The expiry date can be set up to a maximum of (30) days from the transmission of the order

### **Order Amendment, Cancellation and Deactivation:**

The Trading System allows the cancellation of outstanding orders.

The Trading System allows the deactivation of outstanding orders. Deactivated orders cannot be executed. Deactivated orders will lose their assigned priority, as prescribed in Section (10) of the Trading and Membership Procedures. Deactivated orders remain in the Trading System until activated by the relevant Registered Traders. Upon activation, the orders must adhere to the requirements prescribed in Section (8) of the Trading and Membership Procedures.

## **c) Negotiated Deals**

### **Process:**

Negotiated Deals occur after both seller and buyer determine the quantity and price of the listed securities involved in the transaction.

The Negotiated Deal execution mechanism specified above must be initiated once both sellers and buyers determine the quantity and price of the listed securities involved in the transaction in accordance with the first point.

If both sellers and buyers determine the quantity and price of the listed securities involved in the transaction after the trading times, the negotiated deal execution mechanism must be initiated the following trading day.

### **Execution Mechanism:**

The transaction may be executed during the continuous trading session.

### **If the buyer and seller are clients of two different Exchange Members, the following steps must be followed:**

- 1) The seller's Exchange Member will transmit an order to execute the transaction to the Trading System, as determined by the Exchange.
- 2) The seller's Exchange Member must immediately notify the Exchange, as determined by the Exchange, after placing the order mentioned in sub-paragraph (a) of this paragraph.
- 3) The buyer's Exchange Member will receive a notification to accept the order mentioned in sub-paragraph (a) of this paragraph in the Trading System.
- 4) The buyer's Exchange Member must immediately notify the Exchange, as determined by the Exchange, after accepting the order received as per the notification mentioned in sub-paragraph (c) of this paragraph.

**If the buyer and seller are clients of the same Exchange Member, the following steps must be followed:**

- 1) The Exchange Member will transmit an order to execute the transaction for the seller and buyer in the Trading System, as determined by the Exchange.
- 2) The Exchange Member must immediately notify the Exchange, as determined by the Exchange, after submitting the order mentioned in sub-paragraph (a) of this paragraph.

**Settlement Cycle:**

The settlement cycle of the Negotiated Deals transaction is T+2 unless the Buyer and Seller agreed on a different settlement cycle from T+0 to T+5.

**Calculation:**

Negotiated Deals are included in the calculation of the last traded price (LTP), the highest and lowest security price, the opening and closing prices, as well as the calculation of the Exchange and sectors indexes and the number of Exchange traded transactions and the number and price of the traded securities.

**d) Trading Market Infrastructure**

Below is a list of systems used covering the full trading cycle of debt securities

**Trading System:**

Nasdaq's X-Stream INET trading system, it is providing Market Orders execution with the best price.

**Clearing System:**

Nasdaq's CCP system, Nasdaq's real-time clearing solutions provide central counterparty clearinghouses (CCPs) with cost-efficient, high-velocity clearing, settlement and risk management capabilities for safe, efficient and reliable operations.

**Depository and Settlement System:**

NASDAQ CSD.

**Surveillance System:**

SMARTS Surveillance by NASDAQ.

**Protocol:**

FIX 5.1 is the protocol used to connect to the trading engine.

## e) Trading Platforms

Service	Exchange Trading (Order Book)	Exchange Trading (Negotiated Deals)	OTC
Trade screen for investors	✓	✓	✓
Trade cash settlement*	✓	✓	✓
Bi-lateral trade negotiation	N/A	✓	✓
Bid/ask quotes	✓	N/A	N/A
Market making activities	✓	N/A	N/A
Access to all types of investors	✓	✓	✓ **
Public information for Sukuk/Debt Instruments issuance details	✓	✓	✓
Public information for Sukuk/Debt Instruments performance	✓	✓	✓
Trade board for data dissemination	✓	✓	✓
FIX connectivity (via OMS)	✓	✓	✓
Note (*): trade cash settlement indicates full trade cycle from matching the trade on the Exchange's platform to sending the trade settlement instructions via Exchange to CSD			
Note (**): This will be accessible to all types of investors, but it should be noted that the focus of this service would be on and for the benefit of institutional investors.			

## Market Monitoring and Surveillance in the Secondary Market

The CMA and Saudi Tadawul Group carry out secondary market surveillance for all listed instruments. Any security traded on an exchange is subject to market monitoring and surveillance activities by the CMA's Market Surveillance and Analysis Department.

The CMA has been using the Nasdaq Trade Surveillance System (SMARTS) for all listed securities. SMARTS is a cross-asset, cross market platform which allows for the most extensive coverage available. In addition, its flexibility allows for swift adjust with regulatory updates, as well as reduces operational complexity. The system also has forensic replay capability, allowing to revisit the order book to reexamine transactions with precision.

The implementation of this market surveillance system is part of CMA's efforts and commitment to investor protection in Securities from unfair and unsound practices or practices involving fraud, deceit, cheating or manipulation, as stated in the Capital Market Law; as well as seeking to achieve fairness, efficiency, and transparency in Securities transactions.

Any potential breaches of the Capital Market Law or the Market Conduct Regulations, may be subject to further investigation and enforcement action by the CMA.

## Yield Curves

The Yield curve is a slope that measures the difference between the yield-to-maturity on a long-maturity bond and the yield-to-maturity on a shorter-maturity bond. Curvature is the relationship between short, intermediate, and long-term yields-to-maturity. The slope of the yield curve can predict future interest rate changes and economic activity as the yield curve cover the expected inflation for the next years.

The National Debt Management Center issuances on-behalf of the Ministry of Finance it is the government yield benchmark, therefore the corporates or the other government entities that intended to issue a new debt securities will use the recent issuance of NDMC or the secondary market trading activity on the government issuances to price the issuance taking into consideration the credit risk, liquidity risk and other related factors to the issuer it self's.

## Sukuk and Debt Instruments indexes

Fixed Income indices provide a way to overcome the complexities of the sukuk & bond market. Investing in an index fund that tracks a fixed income index removes the challenge of having individual sukuks and bonds.

Fixed income indices provide broad exposure to segments of the sukuk & bond market (considering the range of sukuk & bond characteristics).

For instance, a fixed income index can offer investors an opportunity to invest in multiple sukuk & bonds in a single instrument. Fixed income indices also allow for greater risk control by affording investors the ability to tailor their potential exposure to risk.

### Saudi Exchange Sukuk and Bonds indices:

- 1) Sukuk and Bonds Market Index Tracks both government and corporate sukuk and bonds.
- 2) Government Sukuk and Bonds Index Tracks only government issued sukuk and bonds.
- 3) Corporate Sukuk and Bonds Index Tracks corporate issued sukuk and bonds.
- 4) iBoxx Tadawul SAR Government Sukuk & Bond TRI, it is a Total Return Index level including accrued interest in the prices of the sukuk or bonds.
- 5) iBoxx Tadawul SAR Government Sukuk & Bond CPI, it is a Clean Price Index level does not include the accrued interest in the prices of the sukuk or bonds.

## Repo Market

The repurchase agreement (repo) is a short-term secured loan where one party sells securities to another and agree to repurchase these securities at a later date and at a specific price.

Local Repo Market transactions are governed by the Master Repo Agreement ("MRA") and the Saudi Central Bank's (SAMA) repo market guidelines.

Repo transactions can occur on a bilateral basis or can be cleared through a General Clearing Member of Muqassa (Central Counterparty).

For cleared repos, novation takes place immediately when the trade legs are matched and accepted by the Muqassa Clearing Portal. Muqassa creates settlement instructions both for the first and second leg of repo transactions.

Under the non-cleared repo model, repo buyer and seller exchange cash and collateral as two independent transactions. Collateral transfer is facilitated through Edaa system (from seller to buyer), cash is settled independent of Edaa systems. Meanwhile, cleared repos are settled using a Delivery vs. Payment model (“DvP”).

## Description of the Securities Settlement System

### A) Market Type

- 1) **Cash Market:** Muqassa provides central counterparty clears services for all securities traded on the Saudi exchange, Listed & Unlisted fixed income instruments that are listed in the Main/Parallel markets and FI traded in the unlisted/OTC board.
- 2) **OTC – Derivatives:** Over-the-counter derivative is a financial contract that does not trade on an assets exchange, it is a security with a price that is dependent upon of derived from one or more underlying assets.
- 3) **OTC – Derivatives Repo Market:** the repurchase agreement (repo) is a short term secured loan: one party sells securities to another and agrees to repurchase those securities later at a specific price.

### B) Clearing Membership

It represents the set of elements required in its holder to provide clearing services for products traded in the Saudi exchange

### C) Cleared & Non-Cleared Instruments

- 1) Cleared instruments: listed instrument traded in the main and parallel markets including “Fixed income, equity” it also clears off market negotiated trades.
- 2) Non-cleared instruments: Muqassa is also doing a pass-through service for OTC/unlisted traded instruments, generates instructions to EDAA without any grantee/ margining

### D) Cash Market - Listed & Unlisted FI

They are fixed income instruments that are listed in the Main/Parallel markets and FI traded in the unlisted/OTC board

### E) Repo Market – Listed – Sukuk instrument

Captured in debt instruments, two parties one agrees to sell and the other to buy in short term.

### F) Trading Accounts

Trades captured from Saudi exchange are enriched and stored in trading account.

**G) Trade Capture from Exchange trades: that are executed in exchange and captured from Muqassa for clearing Muqassa Portal for Repo:**

- 1) Parties agree on a Repo deal over the counter.
- 2) Parties report the trade to Muqassa for clearing.
- 3) Muqassa calculates initial and variation margin daily.
- 4) Muqassa issues a margin call to the participants whose collateral is not enough to cover margin requirement.
- 5) Participants need to meet the margin call by a specified time next day.

**H) Post Trade Management**

A post-trade activity the refer to average pricing, splitting and rectifying trades.

**I) Collateral Management**

Clearing members are obliged to provide collateral against their margin and default fund requirements.

**J) Settlement process**

Muqassa provides central counterparty clearing services for all securities traded on the Saudi exchange, derivatives market, and create settlement instruction both for first and second leg of repo transaction.

**K) Risk Management on Debt Market**

Muqassa is managing the Counterparty Credit Risk in debt market by requesting Variation Margin and portfolio based Initial Margin for debt securities, as well as collecting default fund requirements from the clearing members. Variation Margin is being requested to cover the daily price changes of the debt securities, while the Initial Margin is being collected to cover the potential price changes within the liquidation period of debt securities for the case of market participant default. Initial margin requirement per security is being determined by the risk group of debt securities considering their risk characteristics such as their issuers, duration and convexity.

**L) Fails Management**

Any settlement position where Muqassa is the counterparty is not settled on the intended settlement date would be subject to fail management process.

**M) Manufactured Coupon payments**

Coupon payments occurring during the course of the repo needs to be paid from repo buyer to seller next day following the payment day. Settlement instructions are created by Muqassa.



## Sukuk and Debt Instruments Market Costs, Zakat, and Taxation

### Costs associated with Sukuk and Debt Instruments Issuance

CMA IPO Fees		Required for		
		Public Offering	Private Placement	Exempt Offering
CMA submission of issuance documents fee	30,000 SAR fees charged for submission of issuance documents (waived until ....)	✓	✗	✗
CMA reviewing of issuance documents fee	10,000 SAR fees charged for reviewing of issuance documents (waived until ....)	✓	✗	✗
CMA debt instruments registration fee	0.025% capped at 225,000 SAR fees charged for debt instruments offering application (waived until ....)	✓	✗	✗

### Ongoing costs for issuers of corporate Sukuk and Debt Instruments

Tadawul and Edaa ongoing fees			Required for		
			Public Offering	Private Placement	Exempt Offering
Annual listing fee (First issuance)	Fee	0.1 bps of size of issuance	✓	✗	✗
	Minimum	SAR 10,000			
	Maximum	SAR 50,000			
Annual listing fee (Following issuances)	Fee	0.05 bps of size of issuance	✓	✗	✗
	Minimum	SAR 5,000			
	Maximum	SAR 25,000			
Edaa Ongoing Sukuk and Debt Instrument Registration	SAR 20,000 Annually		✓	✗	✗

Shareholders File Upload	SAR 10,000 (one-time payment)	✓	✓	✓
Costs for Deposit and Withdrawal of Debt Instruments and Sukuk	Not applicable in Saudi Market.			
Costs for Account Maintenance	Not applicable in Saudi Market.			

## Costs for Account Maintenance

Edaa collects from the participant members Safekeeping fees for Listed Sukuk and Bonds, the Safekeeping fees is (0.4 bps) of the nominal value of the Sukuk and bonds in the portfolio, and it is calculated based on the daily value.

## Costs associated with Sukuk and Debt Instruments Trading

Brokerage Fee	
Broker	De-regulated
Listed Sukuk and Debt Instruments Trading Fees (Order Book)	
Saudi Exchange	0.5bps over traded value (clean price)
CMA	Not Applicable
Privately Placed Sukuk and Debt Instrument Trading Fees (OTC)	
Saudi Exchange	0.5bps over traded value (clean price) with a maximum cap of SAR 5,000 on each side of the trade
CMA	Not Applicable

## Costs for settlement and transfer of Sukuk and Debt Instruments

Muqassa service as the clearing house of the Saudi Exchange for government issues and corporate Sukuk and Debt Instruments in the Saudi Arabian market includes charges for the following activities:

Clearing fee for cash market Fixed income	(0.00005) which is equal to (0.5) basis points of the executed transaction value
Post trade fee for cash market Fixed income	Fees are waived for Fixed income instruments in the cash market. However, Saudi Exchange does charge 0.5 bps for trading (discounted from 0.9 bps)
Repo clearing fee	(0.0000011) which equal to (0.011) basis points daily of the executed transaction

## Taxation Framework and Requirements

### Withholding tax:

A direct tax that is deducted from the amounts earned by a non-resident who does not have a permanent establishment in Saudi Arabia but earns income from another source in Saudi Arabia.

The non-resident investors who hold government debt that was issued by the Ministry of Finance are exempt from withholding tax. MoF paid the withholding tax on behalf the non-resident investors.

With respect to withholding tax it will be applicable to non-residents who hold corporate Sukuk or Debt Instruments, withholding tax rates vary from 5 per cent to 20 per cent depending on the nature of the underlying payment.

Withholding tax is reduced or eliminated pursuant to the provisions of an applicable double tax treaty signed between a non-resident's country of tax residence and the Kingdom.

Income earned by debt securities holder from their investment on corporate Sukuk or Debt Instruments in the nature of profit is akin to a financing activity and as such, should be considered as a Loan Charge as per Article 5(1) of the By-Laws to the Income Tax Regulation. A Loan Charge paid to a non-resident attracts 5 per cent withholding tax.

## Zakat Framework and Requirements

The mechanism for applying and calculating zakat for sukuk and debt instruments investments was reviewed in collaboration with the Zakat, Tax, and Customs Authority (ZATCA), which resulted in the issuance of ministerial resolution (58705) amending The Implementing Regulations for Zakat Collection with the aim of incentivizing investments and deepening the debt capital market.

### Calculating Zakat Before Amendment:

Zakat paying investors' zakat is calculated on their total investment value in Sukuk and bonds. Therefore, the investor is not allowed to deduct such investments from their zakat base.

### Calculating Zakat After Amendment:

The issuer is given the choice to treat Sukuk and bonds issued as capital for zakat purposes, and the issuer is not allowed to change this treatment during the maturity period of these bonds and sukuk in such a case, the Sukuk and bonds investments are deductible from the investor's zakat base if they are held for other than trading purposes.



## Market Statistics

Saudi Exchange publish a quarterly debt market report, in-line with its objectives to raise awareness of the debt market, enhance its attractiveness, and increase transparency for both investors and issuers by presenting information and reports on the debt market.

This comes as a part of Saudi Exchange's continuous efforts to promote and develop the Saudi Capital Market as it is the leading market in the region and one of the most prominent capital markets in the world.

To view the Market Statistics reports, [Click Here](#).

### Important links –

1. For quick access to the relevant laws and regulations,
2. For the list of e-services provided by CMA,
3. For key announcements in relation to KSA's capital markets,
  4. For information about the Government sukuk issuance Program, kindly,
  5. For more information about the Sukuk issuance monthly issuance calendar, kindly
6. For the Saudi capital market statistics, .