

# The Parallel Market Listing Rules

**"...The formation of an advanced financial and capital market open to the world, allowing greater funding. To this end, we will continue facilitating access to investing and trading in the stock markets. We will smooth the process of listing private Saudi companies and state-owned enterprises, including Aramco. This will require deepening liquidity in our capital markets, fortifying the role of the debt market and paving the way for the derivatives market."**

Vision 2030, A Thriving Economy..  
Investing For the Long-Term

On 21 December 2016 the Board of the Capital Market Authority (the CMA) issued the Parallel Market Listing Rules (PMLRs). The PMLRs form part of the CMA's contribution towards achieving the Kingdom of Saudi Arabia's Vision 2030, announced in 2016 (Vision 2030) and, in particular, its objective of strengthening the role of the Saudi capital markets in developing the national economy. As part of Vision 2030, the CMA has expressed its clear commitment to work towards enhancing the stability and strength of the Saudi capital markets and their attractiveness to

both domestic and international investors. Prior to the formation of the Parallel Market, companies wishing to list their securities on the Saudi Stock Exchange (the Tadawul) could only do so by way of a public offer and full listing on the Main Market. Such a listing requires full compliance with the CMA's Listing Rules, which includes the relevant company satisfying (i) the eligibility criteria for a full listing (including, inter alia, a three year business track record, 30% free float of shares in public hands, SR100 million market capitalization and at least 200 public shareholders), and (ii) extensive disclosure requirements in respect of the required prospectus. The PMLRs' requirements in each of these areas are less burdensome, with the aim of facilitating a stock market listing for a wider range of companies, such as small to medium sized enterprises (SMEs). This will also contribute to the drive by Saudi Arabia's government, as part of Vision 2030, to focus on and nurture SMEs.

The continuing obligations of a company listed on the Main Market (e.g. to notify the CMA and the public of any material developments in its sphere of activity) also apply to companies listed on the Parallel Market but with certain amendments (e.g. the

content requirements of the board of director's report is indicative only, certain investors such as authorised persons acting for their own account, the Saudi Arabian government, companies established in a Gulf Cooperation Council (GCC) State (i.e. Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates in addition to Saudi Arabia), investment funds and Qualified Foreign Investors are exempt from the requirement to notify the issuer and the CMA of 5% share interests or to obtain CMA approval to dispose of 10% share interests, and the period during which the issuer's founders may not dispose of their shares is 12 months from the commencement of trading, not six months (although CMA approval is not required for a disposal by the founders after the end of such 12 month period)).

Obtaining a listing has a number of potential benefits. As well as raising the public profile, such a listing would allow a company to diversify its funding sources (for example through an IPO) as well as use its shares as employee incentives and as consideration in any potential acquisition.

A comparison between the principal requirements of a listing on the Main Market and the Parallel Market is set out overleaf.

## Overview of the Requirements to list on the Parallel Market



### Track Record

Carrying on main activity for one financial year (three years for the Main Market)



### Financial Statements

SOCPA audited financial statements for the preceding financial year (three financial years for the Main Market)



### Market Capitalisation

At least SR10 million aggregate market value of shares listed (SR100 million for the Main Market)



### Free Float

At least 20% of shares to be held by the public (30% for the Main Market)



### Number of Public Shareholders

At least 50 public shareholders if the market value of the shares to be listed exceeds SR40 million, otherwise at least 35 (at least 200 for the Main Market)



### Prospectus

Still required but less onerous disclosure requirements than for a full listing (e.g. a working capital statement and management discussion and analysis are not required)



### Eligible Investors

Limited to Qualified Investors (e.g. certain defined sophisticated investors, qualified foreign investors under the QFI Rules and companies and funds established in a GCC member state)



### Eligible Entities to List

Saudi joint stock companies and joint stock companies majority owned by GCC citizens and having nationality of a GCC state (not other foreign companies seeking a cross-listing)



### Financial Advisor

Must be a CMA authorised person – acts as a point of contact with the CMA and is responsible for satisfying itself, having conducted appropriate due diligence, that all relevant listing conditions have been satisfied and confirming the same to the CMA in writing