

KINGDOM OF SAUDI ARABIA

**GLOSSARY OF DEFINED TERMS USED IN THE
REGULATIONS AND RULES OF THE CAPITAL
MARKET AUTHORITY**

**English Translation of the Official Arabic Text
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Pursuant to its Resolution Number 4-11-2004
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Arabic is the official language of the Capital Market Authority

**The current version of this Glossary, as may be amended, can be found at
the CMA website: www.cma.org.sa**

**GLOSSARY OF DEFINED TERMS USED IN THE
REGULATIONS AND RULES OF THE CAPITAL
MARKET AUTHORITY**

Unless the contrary intention appears, the words and expressions in this Glossary shall have the meaning herein specified:

- **fund management fee:** the remuneration, expenses and fees in relation to advisory services paid to the fund manager.

- **managing:** managing securities belonging to another person in circumstances involving the exercise of discretion.

- **debt instrument:** tradeable instrument creating or acknowledging indebtedness issued by companies, the government, public institutions or public organisations, but excluding:
 - 1) an instrument creating or acknowledging indebtedness for the consideration payable under a contract for the supply of goods or services, or for money borrowed to defray the consideration payable under a contract for the supply of goods or services;
 - 2) a cheque, a bill of exchange, a banker's draft or a letter of credit;
 - 3) a banknote, a statement showing a balance on a bank account, or a lease contract or any other evidence of disposition of property; and
 - 4) a contract of insurance.

- **listing:** listing of the securities on the Exchange or, where the context permits, application for listing on the Exchange.

- **takeover:** the acquisition of control of a company listed on the Exchange.

- **reverse takeover:** an arrangement where a listed company makes an offer for an unlisted company on terms that (a) the listed company will offer new shares in itself to the shareholders of the unlisted company in exchange for their shares, and (b) the number of shares to be issued by the listed company under this arrangement is so large that the shareholders of the unlisted company acquire, between them, more than 50%.

- **client assets:** assets treated as client assets as specified in Part 7 of the Authorised Persons Regulations.

- **illiquid assets:** means any of the following:
 - 1) fixed assets;
 - 2) financial resources which are not readily realisable; or
 - 3) deposits not available for withdrawal within three months or less.

- **intangible assets:** non cash assets, without physical substance, capable of providing the firm with services or benefits in the future, and in which the firm has acquired the right as a result of events that have occurred or operations that have been completed in the past. Intangible assets could be separately identifiable (could be separated from other assets), such as formation costs, trademarks, copyrights, industrial samples and designs, franchises and licenses. Intangible assets could also be unidentifiable in a separate manner such as goodwill, management skills and qualifications, and other factors which constitute the reputation.

- **announcement:** means in the Merger and Acquisition Regulations, an announcement made to the public through the Exchange or information system recognised for the purpose by the Authority.

- **insolvency:** actual insolvency, or the commencement of any proceedings in respect of insolvency, liquidation or a voluntary arrangement under the Bankruptcy Regulations, or the commencement of any equivalent procedures in the Kingdom or in any other jurisdiction outside the Kingdom.

- **securities business** has the meaning specified at Article 3 of the Securities Business Regulations.

- **corporate finance business:** securities business carried on by an authorised person in connection with:

- 1) the offer, issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, those securities, or any related matter;
- 2) the manner in which, or the terms on which, or the persons by whom, any business activity is to be financed, structured, managed, controlled, regulated or reported upon;
- 3) an actual or proposed takeover or related operations; or
- 4) a merger, de-merger or reorganisation.

- **order:** in relation to an order from a client:

- 1) an order to an authorised person from a client to effect a transaction as agent; or
- 2) any other order to an authorised person from a client to effect a transaction in circumstances giving rise to similar duties as those arising on an order to effect a transaction as agent.

"order" shall include any decision by an authorised person to effect a transaction in the exercise of discretion for the client. However, applications for the purchase of securities in a new issue do not constitute an order.

- **client money:** money treated as client money as specified in Part 7 of the Authorised Persons Regulations.

- **custodian:** a person who is authorised under the Authorised Persons Regulations to conduct the securities activity of custody.

- **overseas custodian:** any of the following:

- 1) a bank that provides custody services and that is licensed as a commercial bank in a jurisdiction recognised by the Authority;
- 2) a securities depository licensed as such by an authority outside the Kingdom recognised by the Authority; or

- 3) an investment firm that is licensed to provide custody services and that is a member of a securities or futures exchange that is recognised by the Authority.
- **Bankruptcy Regulations:** the Regulations for Settlement to Prevent Bankruptcy issued by Royal Decree Number M/16 dated 4/9/1416H or any applicable provisions relating to insolvency or bankruptcy under the Companies Regulations, or any other legislation dealing with bankruptcy issues in the Kingdom.
 - **securities:** means any of the following:
 - 1) shares;
 - 2) debt instruments;
 - 3) warrants;
 - 4) certificates;
 - 5) units;
 - 6) options;
 - 7) futures;
 - 8) contracts for differences;
 - 9) long term insurance contracts; and
 - 10) any right to or interest in anything which is specified by any of the paragraphs (1) through (9) above.
 - **relevant securities:** means in the Merger and Acquisition Regulations:
 - 1) securities of the offeree company which are being offered for or which carry voting rights; or
 - 2) equity share capital of the offeree company and an offeror; or

- 3) securities of an offeror which carry substantially the same rights as any to be issued as consideration for the offer; or
 - 4) securities of the offeree company and an offeror carrying conversion or subscription rights into any of the above-mentioned securities.
- **local bank:** an institution that has received a license to engage in banking business in accordance with the Laws of the Kingdom.
 - **affiliate:** a person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.
 - **"Tadawul":** the automated system for trading of Saudi shares.
 - **arranging:** introducing parties in relation to securities business, advising on corporate finance business or acting in any way to bring about a deal in a security.
 - **Admission:** admission to the official list, or where the context permits, the application for the admission to the official list.
 - **reconciliation:** the identification and explanation of individual items of difference between two sets of records, but does not include the processing of necessary adjustments.
 - **dealing:** to deal in a security, whether as principal or agent, and dealing include the sale, purchase, manage the subscription for or underwriting securities.
 - **instruction:** any instruction, election, acceptance or any other message of any kind sent or received by way of the Tadawul Trading System or the Tadawul Depository System.
 - **governing body:** the body of individuals which makes a person's strategic decisions. The governing body of a joint stock company is its board of directors.
 - **client account:** an account at a local bank which is in the name of an authorised person and fulfils the conditions required by the Client Money Rules.

TRANSLATION

- **discretionary account:** means in the Merger and Acquisition Regulations, an account with an authorised person who is authorised to carry on managing activities, with the power to make investment decisions without prior reference to the holder of the account.
- **custody:** safeguarding assets belonging to another person which include securities, or arranging for another person to do so, and custody includes taking the necessary administrative measures.
- **voting rights:** all the voting rights attributable to the shares of a company which are exercisable at a general meeting.
- **CEO:** the chief executive officer, being any individual who heads the operations of any person and includes the managing director, the chief executive, the president of the company or equivalent.
- **pledge:** any form of a security interest recognised under the laws of the Kingdom capable of taking effect in relation to a security.
- **close links:** in the Authorised Persons Regulations, means the relationship between an applicant for authorisation or authorised person and any of the following persons:
 - 1) a controller of that person;
 - 2) a company controlled by that person;
 - 3) a company controlled by a controller of that person; or
 - 4) a company controlled by any combination of the persons described in (1), (2) or (3) above.
- **intermediate broker:** a person through whom an authorised person undertakes a margined transaction for a client.
- **share:** share of any company (wherever incorporated) or any unincorporated body;

The definition of “share” includes every instrument having the characteristics of equity, including sukook.

- **Exchange:** the Saudi Stock Exchange including where the context permits any committee, sub-committee, employee, officer, servant or agent to whom any function of the Exchange may for the time being be delegated, and “on Exchange” means any activity taking place through or by the facilities provided by the Exchange. Pending the establishment of the Exchange, any reference to the Exchange shall be construed as a reference to Tadawul.

- **control:** the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate (a) holding 30% or more of the voting rights in a company, or (b) having the right to appoint 30% or more of the members of the governing body; “controller” shall be construed accordingly.

- **person:** any natural or legal person recognised as such under the laws of the Kingdom.

- **connected person:** the managing director, a director, the senior executives, any substantial shareholder of a company with securities admitted to the official list, or any associate of any such persons to whom this definition applies.

- **associate** means:
 - 1) in relation to the senior executives or a director or to a substantial shareholder who is an individual any of the following:
 - (a) that individual’s spouse or minor children (together “the individual’s family”); and

 - (b) any company in whose equity shares the individual or any member or members (taken together) of the individual’s family or the individual and any such member or members (taken together) are directly or indirectly interested so that they are able:
 - to exercise or control the exercise of 30% or more of the votes at the general meeting on all, or substantially all, matters; or

 - to appoint or remove directors holding a majority of voting rights at board meetings on all, or substantially all, matters; and

- 2) in relation to a substantial shareholder which is a company:
- (a) any other company which is its subsidiary or parent or fellow subsidiary of the parent;
 - (b) any company whose directors are accustomed to act in accordance with the substantial shareholder's directions or instructions; and
 - (c) any company in the capital of which the substantial shareholder, and any other company under (a) or (b) taken together, are directly or indirectly interested so that they are able:
 - to exercise or control the exercise of 30% or more of the votes at the general meeting on all, or substantially all, matters; or
 - to appoint or remove directors holding a majority of voting rights at board meetings on all, or substantially all, matters.
- **authorised person:** a person who is authorised to carry on securities business by the Authority.
- **exempt person:** any of the persons specified in Annex 1 to the Securities Business Regulations.
- **registered person:** a person who is registered with the Authority to perform a registrable function.
- **insider:** has the meaning specified at Article 4(b) of the Market Conduct Regulations.
- **institution:**
- 1) any company which owns, or which is a member of a group which owns, net assets of not less than 50 million Saudi Riyals;

- 2) any unincorporated body, partnership or other organisation which has net assets of not less than 50 million Saudi Riyals;
- 3) any person (“A”) whilst acting in the capacity of director, officer or employee of a person (“B”) falling within sub-paragraphs (1) or (2) where A is responsible for B undertaking any securities activity.

- **subsidiary:** in relation to a company, another company which it controls.
- **insurance company:** an insurance company which is regulated by SAMA.
- **offeree company:** means in the Merger and Acquisition Regulations, a company listed on the Exchange (or unlisted company in the case of reversed takeover) in respect of which a takeover offer has been made.
- **terms and conditions:** the contracts containing those disclosures and provisions required by Article 15 of the Investment Funds Regulations and signed between the fund manager and the unit holder.
- **terms of business:** a written statement, provided to a client, of the terms on which an authorised person will conduct securities business with or for the client.
- **certificates:** certificates or other instruments which confer contractual or property rights:
 - 1) in respect of any shares, debt instruments, warrants, being a security held by a person (other than the person on whom the rights are conferred by the certificate or instrument); and
 - 2) the transfer of which may be effected without the consent of that person;

but excluding any certificates or instruments which confer contractual or ownership rights of the type of the options, futures or the contracts for differences, and excluding any certificate or instrument which confers rights in respect of two or more securities issued by different persons.

- **net asset value:** in the investment Funds Regulations, means the monetary value of a single unit based on the value of the underlying assets of the investment fund minus its liabilities and divided by the number of units outstanding.
- **margin transaction:** a transaction where an authorised person makes a loan to a client of a portion of the cost of the transaction.
- **contingent liability transaction:** a transaction in a contingent liability security.
- **investment fund:** a collective investment scheme aimed at providing investors therein with an opportunity to participate collectively in the profits of the scheme which is managed by a fund manager for specified fees.
- **open-ended investment fund:** an investment fund with changing capital, the units of which would increase with the introduction of new units, and decrease with redemption by unitholders of some or all of their units. Unitholders are entitled to redeem their units at their net asset value on redemption dates set in the terms and conditions in accordance with the Investment Funds Regulations.
- **money market fund:** an investment fund the sole objective of which is to invest in short-term deposits, securities and trade finance contracts in accordance with the Investment Funds Regulations.
- **international fund:** an investment fund approved by the Authority to maintain substantially all of its assets in the securities of an investment fund or funds established and operating outside the Kingdom.
- **fund of funds:** an investment fund that invests substantially all of its assets in other investment funds in accordance with the Investment Funds Regulations.
- **collateral** for the purposes of the Client Money Rules and Client Asset Rules, means money or an asset which has been paid for in full by a client and which is held by the authorised person or under its charge, either for its own account or under the terms of a deposit, pledge or other pledge arrangement.

- **related party:** means in the Merger and Acquisition Regulations, a person who, in relation to each of the offeror (or any of its affiliates) and the offeree company (or any of its affiliates), satisfies one or more of the following conditions:
 - 1) he is (or was within the 12 months before the date of the offer) a shareholder holding 20% or more of the equity of the company, or will become a shareholder holding 20% or more of the equity of the company as a result of the offer being accepted, or a person acting in concert with such a person; or
 - 2) he is (or was within the 12 months before the date of the offer) a director.

- **counterparty:** in the Authorised Persons Regulations, means a client who is an authorised person, an exempt person, an institution or a non-Saudi financial services firm; and other than in the Authorised Persons Regulations, counterparty means a counterparty to a transaction.

- **offeror:** means in the Merger and Acquisition Regulations, a person who makes or intends to make a takeover offer that is subject to the Merger and Acquisition Regulations.

- **takeover offer:** an offer (other than by the offeree company itself) made to the holders of the securities of the offeree company which has as its objective the acquisition of control of the offeree company.

- **director:** in relation to a joint stock company, includes a member of the board of directors and in relation to any other company includes any manager or other senior executive who makes and implements the company's strategic decisions.

- **fund director:** an individual appointed as a member of a fund board of an investment fund in accordance with the Investment Funds Regulations.

- **independent fund director:** a fund director who; is not an employee of, or a director of the fund manager or any of its affiliates, or any sub-manager or custodian for a fund on whose fund board the director serves; and does not have a material business, or contractual relationship with the fund manager or any sub-manager or custodian for such fund.

- **long term insurance contract:** any long term insurance contract specified by the Authority.

- **option:** any option to acquire or dispose of any of the following:
 - 1) a security;
 - 2) currency;
 - 3) oil, silver, gold, platinum and palladium; or
 - 4) an option to acquire or dispose of an option specified by this sub-paragraph by virtue of (1), (2) or (3).

- **contract for differences:** any contract for differences or any other contracts the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in:
 - 1) the value or price of property of any description; or
 - 2) an index or other factor designated for that purpose in the contract;

but excluding:

 - 1) rights under a contract if the parties intend that the profit is to be secured or the loss avoided by one or more of the parties taking delivery of any property to which the contract relates;
 - 2) rights under a contract under which money is received by way of deposit on terms that any return to be paid on the sum deposited will be calculated by reference to a specific index or other factor; and
 - 3) rights under a contract of insurance.

- **future:** rights under contracts for the sale of a commodity or property of any other description under which delivery is to be made at a prospective date and at a price agreed on when the contract is made, but excluding rights under any contract which is made for commercial and not investment purposes.

- **derivative:** a contract for differences, a future or an option.

- **client:** a person for whom an authorised person executes securities transactions.
- **customer,** in the Authorised Persons Regulations, means a client who is not a counterparty, whether it is an individual or a juristic person.
- **execution-only customer:** a customer for whom the authorised person only deals as agent in accordance with instructions provided by the customer and whom an authorised person does not advise.
- **unconditional as to acceptances:** means in the Merger and Acquisition Regulations, that the offer is no longer conditional upon receipt by the offeror of acceptances from the shareholders of the offeree company.
- **permitted business profile:** the permitted business profile of an authorised person.
- **official list:** the list of securities maintained by the Authority in accordance with the Listing Rules.
- **Glossary:** glossary of defined terms used in the Regulations and Rules of the Authority issued by the Board of the Authority.
- **relative:** husband, wife and minor children.
- **Client Asset Rules:** the rules relating to client assets contained in Part 7 of the Authorised Persons Regulations.
- **Client Money Rules:** the rules relating to client money contained in Part 7 of the Authorised Persons Regulations.
- **Listing Rules:** the Listing Rules issued by the Board of the Authority.
- **senior executives:** any natural person who manages and is responsible for making and implementing the company's strategic decisions, including the CEO, its deputies and the CFO.

- **in writing:** or other similar term, wherever it appears, in relation to a communication, notice, approval, agreement or other document, means in legible form and capable of being reproduced on paper, irrespective of the medium used.
- **Authorised Persons Regulations:** the Authorised Persons Regulations issued by the Board of the Capital Market Authority.
- **Securities Business Regulations:** the Securities Business Regulations issued by the Board of the Capital Market Authority.
- **Merger and Acquisition Regulations:** the Merger and Acquisition Regulations issued by the Board of the Capital Market Authority.
- **Market Conduct Regulations:** the Market Conduct Regulations issued by the Board of the Capital Market Authority.
- **Investment Funds Regulations:** the Investment Funds Regulations issued by the Board of the Capital Market Authority.
- **Offers of Securities Regulations:** the Offers of Securities Regulations issued by the Board of the Capital Market Authority.
- **compliance committee:** the committee that is set up by an authorised person to monitor the securities business that it carries on.
- **Implementing Regulations:** any regulations, rules, instructions, procedures and orders issued by the Authority relating to the implementation of the Capital Market Law.
- **unitholder:** a person who owns units in an investment fund.
- **fund board:** the fund directors appointed by the fund manager according to the Investment Funds Regulations to oversee a fund manager's conduct of the management of an investment fund.
- **Council of Competition Protection:** the Council of Competition Protection as constituted under the Competition Law.

- **fund manager:** an authorized person that is authorized to carry on managing activities under the Authorized Persons Regulations and is responsible for the administration, custody and management of the assets of an investment fund.
- **foreign fund manager:** the manager of any fund established and operating outside the Kingdom and the securities of which form part of the assets of an approved international fund.
- **fund sub-manager:** a third party contracted by a fund manager according to the Investment Funds Regulations and responsible on the fund manager's behalf for investment decisions for all or a portion of an investment fund managed by the fund manager.
- **SAMA:** the Saudi Arabian Monetary Agency.
- **Principles:** the principles specified in Part 2 of the Authorised Persons Regulations.
- **corporate finance professional:** an employee of an authorised person who engages in corporate finance business.
- **traded:** traded on the Exchange.
- **group:** in relation to a person, means that person and each affiliate of it.
- **listed:** in relation to any type of securities, means the securities admitted to listing on the Exchange or, where the context permits, the securities that are subject of application for admission to listing on the Exchange.
- **CFO:** any natural person who manages the financial affairs of any person, whether under the name of chief financial officer or finance manager or equivalent.
- **portfolio manager:** an employee of an authorised person who performs the activity of managing on behalf of an authorised person with or for a client.

- **warrant:** warrants and other instruments entitling the holder to subscribe for any shares or debt instruments.
- **private placement memorandum:** the document required under Article 10 of the Offers of Securities Regulations.
- **Center or Depository Center:** the Securities Depository Center to be established in accordance with Article 26 of the Capital Market Law. Pending the establishment of the Depository Center, any reference to the Depository Center shall be construed as a reference to the Tadawul Depository System at Tadawul.
- **MLRO:** the Money Laundering and Terrorism Financing Reporting Officer of the authorised person, appointed in accordance with Article 64 of the Authorised Persons Regulations.
- **compliance officer:** the compliance officer of the authorised person appointed in accordance with paragraph (a) of Article 57 of the Authorised Persons Regulations.
- **liability:** any liability, loss, damage, claim or expense of any kind or nature, whether direct, indirect, consequential or otherwise.
- **independent advisor:** means in the Merger and Acquisition Regulations, an advisor that is not influenced or controlled in any way (directly or indirectly) by the offeror or the offeree.
- **investment advisor:** an employee of an authorised person who performs the activity of advising on behalf of an authorised person with or for a client.
- **joint enterprise:** an arrangement between two or more persons for commercial purposes related to a business which they carry on or are to carry on jointly.
- **advising:** advising a person on the merits of dealing in a security or exercising any right to deal conferred by a security.
- **issuer:** a person issuing or intending to issue securities.
- **insolvent:** a person to whom an insolvency event has occurred.

- **inside information:** has the meaning specified at Article 4(c) of the Market Conduct Regulations.
- **Kingdom:** the Kingdom of Saudi Arabia.
- **non-Saudi financial services firm:** a person who engages in securities business in the course of his profession or trade outside the Kingdom.
- **sales professional:** an employee of an authorised person who performs the activities of dealing or arranging on behalf of an authorised person with or for a client.
- **financial resources:** in relation to an authorised person are the sum of the following:
 - 1) shares other than cumulative preferences shares;
 - 2) any sums standing to the credit of a share premium account;
 - 3) audited reserves; and
 - 4) revaluation reserves;less
 - 1) intangible assets;
 - 2) current year losses;
 - 3) holdings of shares in other authorised persons, banks or non-Saudi financial service firms unless held for trading purposes only; and
 - 4) illiquid assets.
- **employee:** in relation to a person, includes a director or manager of a company, a partner in a partnership or any other individual who is employed under a contract of service or contract for service and whose services are placed at the disposal of and under the control of that person.

- **securities activity:** has the meaning specified at Article 2 of the Securities Business Regulations.
- **prospectus:** the document required to offer securities in accordance with the Offer of Securities Regulations.
- **Capital Market Law:** the Capital Market Law issued by Royal Decree Number M/30 dated 2/6/1424H.
- **Anti-Money Laundering Law:** the Anti-Money Laundering Law issued by Royal Decree No. M/39 dated 25/6/1424H.
- **Competition Law:** The Competition Law issued by Royal Decree no M/25 dated 4/5/1425H
- **Authority:** the Capital Market Authority, including where the context permits any committee, sub-committee, employee or agent to whom any function of the Authority may be delegated.
- **regulatory authority:** the Authority, SAMA or any other authority in the Kingdom or overseas which regulates or supervises the conduct of securities, banking, financial, insurance or investment business including any self-regulating organisation.
- **unit:** in the Investment Funds Regulations, means the interest of the holders in an investment fund consisting of units (including fractions of a unit), and each unit shall be treated as representing one undivided interest in the assets of an investment fund.
- **commercial paper:** a debt instrument creating or acknowledging indebtedness that has a maturity of less than one year from the date of issue.
- **contractually based security:** any of the following:
 - 1) options;
 - 2) futures;
 - 3) contracts for differences;

- 4) long term insurance contracts;
 - 5) any right to or interest in anything which is specified by any of the previous subparagraphs.
- **traded security:** a security traded on the Exchange.
 - **contingent liability security:** a derivative under the terms of which the client will or may be liable to make further payments when the instrument expires or the position is closed out.
 - **geared security:** any of the following:
 - 1) a contingent liability security; or
 - 2) a vehicle which provides a return (or purports to provide a return) by gearing, whether by borrowing or by investing in contractually based securities.
 - **registrable functions:** any of the functions that the Authority specifies must be performed by a person registered with the Authority.
 - **settlement agent:** a person with or through whom an authorised person effects settlement of a transaction.
 - **sells or selling:** in relation to a security, includes selling the security for consideration, surrendering, assigning or converting rights under a security or assuming a corresponding liability.
 - **acting in concert:** actively co-operating, pursuant to an agreement or understanding (whether formal or informal) between persons, to be controllers of a company, through the acquisition by any of them of shares in that company.
 - **deal:** to buy, sell, subscribe for or underwrite a security.
 - **buys or buying:** includes buying a security or commodity for consideration.

TRANSLATION

- **day:** a business day in the Kingdom in accordance with the official working days of the Authority.

- **dealing day:** any day on which the units of an investment fund are sold and redeemed.

- **calendar day:** any day, whether or not such day is a business day.