



**Saudi Stock Exchange (Tadawul)**

## **Glossary of Defined Terms Used in the Exchange Rules**

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**Arabic is the official language of the Saudi Stock Exchange**

## **Glossary of Defined Terms Used in the Exchange Rules**

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

**Account Manager:** a person who makes investment decisions in regards to the Aggregation Account in accordance with the provisions of Orders Aggregation Accounts Regulations.

**Acquisition:** a transaction involving the purchase and/or sale of shares of a company listed on the Exchange through an Offer or a Private Transaction.

**Adjusted Settlement Limit:** The Custody Member's adjusted Cash Settlement Limit as specified by the Centre.

**Applicant:** a person applying for Centre membership or an issuer applying to deposit Securities.

**Application for registration and offer:** in the Listing Rules, means any application submitted to the Authority to register and/or offer securities of any type.

**The 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.

**Authorized Person:** a person who is authorized by the Authority to carry out Securities business.

**Authorised Persons Regulations:** The Authorised Persons Regulations issued by the Board of the Authority.

**Available securities:** securities available for carrying out transactions including securities which have been purchased but not yet settled as determined by the Centre from time to time.

**Borrowing Agent:** a Custody Member entering into an SBL transaction as a borrowing agent in accordance with paragraph (a) of Article 11 of the SBL Regulations.

**Broker:** an Authorized Person to carry out the securities activity of dealing.

**Buyer:** the buyer party in a transaction.

**Buy-in process:** the mechanism specified by the Centre for buying securities and includes both the optional buy-in process carried out by Custody Members and the mandatory buy-in process carried out by the Centre under Chapter 3 in Section 3 of the Securities Depository Centre Rules.

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

**Capital Market Law:** the Capital Market Law issued pursuant to the Royal Decree No. (m/30) date 2/6/1424H, and any amendments thereto.

**Capitalisation issue:** an offer of further shares to existing shareholders, fully paid up out of the issuer's reserves, in proportion to existing shareholders holdings.

**Carve Out:** is a type of Demerger transaction where the Listed Company sells off a portion of its assets, business or a subsidiary by transferring them as a whole, to

one or several existing entities (acquiring legal entities) or to be newly formed, or to the public in return for cash or shares in the acquiring legal entity being granted to the Listed Company.

**Cash Account:** a cash account opened at the Settlement Member for the Custody Member or any of its clients as the context permits.

**Cash Settlement:** cash settlement of transactions in accordance with the provisions of Chapter two in Section three of the Securities Depository Centre Rules.

**Cash settlement limit:** a cash limit as determined by the relevant settlement member for each Custody Member from time to time, as specified by the Centre.

**The Centre:** the Securities Depository Centre established in accordance with Article 26 of the Capital Market Law.

**Centre Account:** an account opened at the Centre, which securities depository, settlement of the transactions and any restriction can be executed and processed through.

**Centre Member:** a person who has obtained one of the two Centre membership categories in accordance with the provisions of the Securities Depository Centre Rules.

**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.

**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.

**Client:** a person who potentially or actually receives services from an Authorized Person.

**Closed-Ended Investment Traded Funds:** a Closed-Ended Investment Traded Funds which its units are publicly offered pursuant to the Closed-Ended Investment Traded Funds Instructions and for which an application for listing is submitted to the Exchange or where its units are listed on the Exchange.

**Closed-Ended Investment Traded Funds Instructions:** the Closed-Ended Investment Traded Funds Instructions issued by the Board of the Authority.

**Closing Price:** The last price that a Security is traded for on the trading day, in accordance with the mechanism detailed in the Trading and Membership Procedures.

**Collateral:** money or assets which have been paid for in full by a client and which are held by the Authorized Person or under its charge, either for its own account or under the terms of a deposit, pledge or other pledge arrangement.

**The Committee:** the Committee for the Resolution of Securities Disputes.

**Companies Law:** the Companies' Law issued by Royal Decree Number M/3 dated 28/1/1437H.

**Corporate actions:** in the Security Depository Centre Rules, actions taken by the issuer which lead to:

- i. increasing or decreasing the number of its issued securities or changing its nominal value; or
- ii. any distributions of cash.

and other than in the Security Depository Centre Rules, actions taken by an issuer which lead to increasing or decreasing the number of its issued securities or changing its nominal value.

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

**Custody:** the securities activity specified in paragraph (5) of Article 2 of the Securities Business Regulations.

**Custody Member:** an Authorized Person who has obtained the Centre membership of custody category.

**Custody Member Account:** a Centre Account opened through a Custody Member for the member or its clients.

**Day:** a business day in the Kingdom in accordance with the official working days of the Exchange.

**Debt Instrument:** a tradable instrument creating or acknowledging indebtedness issued by companies, the government, public institutions or public organizations.

**Demerger:** a transaction where a Listed Company wishes to effect the separation or divestiture of a subsidiary, an asset or a business wholly or partly within its existing group whether through a separate listing of such subsidiary, asset or

business on the Exchange (including the main market or the parallel market, as defined in the Parallel Market Listing Rules) or without listing. A Demerger could take the form of a Spin-Off, a Split-Off or a Carve Out.

**Demerged Entity:** the entity that is the subject of a Demerger transaction resulting in it being Spun-Off, Split-Off or Carved Out from the Listed Company.

**Deposited Securities:** Securities deposited in the Depository and Settlement System.

**Depository and Settlement System:** all electronic systems used by the Centre to deposit and settle Securities or any supporting system thereof.

**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.

**Disclosure forms:** forms issued or approved by the Authority to determine the contents of the disclosures or reports required to be published by the issuer pursuant to the relevant rules and instructions.

**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 of service and whose services are placed at the disposal of and under the control of that person.

**Exchange Traded Fund:** an index fund the units in which are traded on the Exchange or on another securities exchange which is recognized by the Authority.

**The Exchange:** The Saudi Stock Exchange Company (Tadawul), or the Saudi Stock Exchange, as the context permits.

**Exchange Member:** a person who has obtained an Exchange membership, in accordance with the Exchange Rules.

**Exchange Rules:** the regulations, rules, procedures and instructions proposed by the Board of Directors of the Exchange and approved by the Board of the Authority.

**Fund manager:** for the purpose of listing units of investment funds, means an authorised person that is responsible for the management of the assets of an investment fund and for offering units of the investment fund.

**Identification Number:** a special number for every investor identified in the Depository and Settlement System.

**Implementing Regulations:** any regulations, rules, instructions, procedures and orders issued by the Board of the Authority relating to the implementation of the Capital Market Law.

**Implementing Regulations of Companies Law:** a set of rules, instructions and procedures issued by the Authority relating to the implementation of the Companies Law.

**Information Provider:** A person who enters into an agreement with the Exchange to re-distribute the Trading Data or the calculation of the Exchange index.



**Intra-day Price:** The price on which a Security is traded during the trading day, in accordance with the mechanism specified in the Trading and Membership Procedures.

**In writing:** in legible form and capable of being reproduced on paper, irrespective of the medium used.

**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.

**Investor:** a natural or legal person who owns or intends to own securities, including Deposited Securities.

**Issuance programme:** a programme under which a single prospectus under the Rules on the Offer of Securities and Continuing Obligations is produced pursuant to which a number of debt instruments or convertible debt instruments may be issued in the future, as stated in the prospectus.

**Issuer:** a person issuing or intending to issue securities.

**Kingdom:** the Kingdom of Saudi Arabia.

**Lending Agent:** a Custody Member entering into an SBL transaction as a lending agent in accordance with paragraph (a) of Article 10 of the SBL Regulations.

**Limit Order:** An Order to buy or sell a security at a specified price limit or better.

**Listed:** in relation to any type of securities, means the securities approved to be listed on the Exchange.

**Listed Funds:** funds listed in accordance with the provisions of the Listing Rules.

**Listing:** listing securities on the Exchange either on the Main Market or on the Parallel Market, or, where the context permits, the application to the Exchange for listing securities.

**Listing Rules:** the Listing Rules proposed by the Board of the Exchange and approved by the Board of the Authority.

**Main Market:** the market of the Exchange in which securities, that have been registered and offered pursuant to Part 4 of the Rules on the Offer of Securities and Continuing Obligations and have been admitted to listing pursuant to Part 3 of the Listing Rules, are traded.

**Managing:** the securities activity specified in paragraph (3) of Article 2 of the Securities Business Regulations.

**Market maker:** means in the Listing Rules, for an exchange traded fund, the authorised person appointed by the fund manager to act as a market maker in accordance with the Investment Funds Regulations. Means in the Trading and Membership Rules, an Exchange Member that continuously enters buying and selling orders as principal during the trading hours for the purpose of providing liquidity for a listed security.

**Market Order:** An Order to buy or sell listed securities -except for Debt Instruments- at the best available price.

**Merger:** a transaction, however its nature, involving an offeree company listed on the exchange and resulting in any of the following:

- 1) the absorption of that offeree company by another company listed on the exchange.
- 2) the absorption of that offeree company by a company that is not listed on the exchange.
- 3) the formation of a new legal entity by merging two companies or more (including the offeree company).

**Merger and Acquisition Regulations:** the Merger and Acquisition Regulations issued by the Board of the Capital Market Authority.

**Normal Trade:** A trade with a value of (15,000) SAR or above.

**offer:** means in the Merger & Acquisition Regulations, a general tender offer, other than the offers provided by the offeree company itself, that is subject to the Merger & Acquisition Regulations, made to all holders of the shares carrying voting rights in the offeree company for any of the following purposes:

- 1) purchase shares carrying Voting Rights in the offeree company or
- 2) to effect a merger of the offeree company.

Any reference in the Merger & Acquisition Regulations to the term "offer" or "potential offer" shall be construed as the following:

- 1) a merger or potential merger;
- 2) an offer or partial offer for takeover, or a potential offer or partial offer for takeover; or
- 3) partial offer or potential partial offer, not intended for takeover

**Offeror:** any person makes an offer or invites a person to make an offer which, if accepted, would give rise to the issue or sale of Securities by such person or by another person who made arrangements for the issuance or sale of Securities.

**Opening price:** The initial price that a Security is traded for on the opening of a trading day, in accordance with the mechanism specified in the Trading and Membership Procedures.

**Order Management System:** The software system used by the Exchange Member to communicate electronically with the Exchange for sending, amending, canceling or deactivating of orders and receiving the responses from Exchange.

**Orders Aggregation Account (“Aggregation Account”):** a special account opened by a Custody Member, based on the Account Manager request, for the purpose of transferring and executing transaction on deposited Securities, in accordance with the provisions of Orders Aggregation Accounts Regulations.

**Ordinary Fund Resolution:** means a resolution requiring an affirmative vote of the holders of more than 50% of the units in the investment fund present or represented by proxy at a meeting of unitholders or by modern means of technology.

**Over the Counter:** outside the Trading System.

**Parallel Market:** the market of the Exchange in which shares, that have been registered and offered pursuant to Part 7 of the Rules on the Offer of Securities and Continuing Obligations and have been admitted to listing pursuant to Part 8 of the Listing Rules, are traded.

**Parallel Market Offer:** an offer of shares for the purpose of listing and trading such shares on the Parallel Market made by an issuer to Qualified Investors or shareholders of that issuer who owned the shares in that issuer before they were listed.

**Partial Offer:** an offer (except for offers made by the same offeree company) subject to the Merger & Acquisition Regulations, made to all holders of the shares carrying voting rights in the offeree company to purchase a certain percentage of shares in the offeree company.

**Participant:** the investor, referred to in Article 12 of the Orders Aggregation Account Regulations, who has signed on the Aggregation Account agreement.

**Participant Account:** the Participant's Centre Account.

**Payment System:** the Saudi Arabian riyal interbank express (SARIE) system or any other replacement thereto.

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

**Pledge:** any form of a security interest recognised under the laws of the Kingdom capable of taking effect in relation to a security.

**Private Transaction:** transaction involving the purchase and/or sale of shares carrying Voting Rights in any company listed on the Exchange, negotiated between the Offeror and selling shareholder(s) of the Offeree Company without making an Offer or involving the other shareholders or directors of the Offeree Company.

**Prospectus:** the document required to offer securities in the Main Market or in the Parallel Market in accordance with the Capital Market Law and the Rules on the Offer of Securities and Continuing Obligations.

**Prudential Rules:** the Prudential Rules issued by the Board of the Authority.

**Public:** means in the Listing Rules persons other than the following:

- 1) affiliates of the issuer;
- 2) substantial shareholders of the issuer;
- 3) directors and senior executives of the issuer;
- 4) directors and senior executives of affiliates of the issuer;
- 5) directors and senior executives of substantial shareholders of the issuer;
- 6) any relative of persons described at (1), (2), (3), (4) or (5) above;
- 7) any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above; or
- 8) persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.

**Qualified Investor:** for the purpose of Part 8 of the Listing Rules, any of the following:

- 1) Authorised Persons act for their own account.
- 2) Clients of a person authorised by the Authority to conduct managing activities provided that this Authorised Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client.

- 3) The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Depository Center.
- 4) Government-owned companies either directly or through a portfolio managed by a person authorised to carry out managing activities.
- 5) Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.
- 6) Investment Funds.
- 7) Non-resident foreigners permitted to invest in the Parallel Market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.
- 8) Qualified foreign financial institutions.
- 9) Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center.
- 10) Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfill any of the following criteria:
  - (a) has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months.
  - (b) his net assets is not less than 5 million Saudi Riyals.
  - (c) works or has worked for at least three year in the financial sector.

(d) holds the General Securities Qualification Certificate which is recognised by the Authority.

(e) holds professional certificate that is related to securities business and accredited by an internationally recognized entity.

11) Any other persons prescribed by the Authority.

**Real Estate Investment Traded Fund:** a real estate investment fund which its units are publicly offered pursuant to the Real Estate Investment Traded Funds Instructions and for which an application for listing is submitted to the Exchange or where its units are listed on the Exchange.

**Real Estate Investment Traded Funds Instructions (REIT):** the Real Estate Investment Traded Funds Instructions issued by the Board of the Authority.

**Registered Restriction:** restriction registered in the Depository and Settlement System in accordance with the provisions of the Securities Depository Centre Rules, which restricts the ownership of Deposited Securities or conducting any action on them, whether such restriction is contractual, regulatory, judicial or otherwise.

**Registered Trader:** A person registered with the Exchange who is responsible for conducting trading activities for the Exchange Member and its clients by accessing to the Trading System.

**Registration:** the registration of securities with the Authority, or where the context permits, the application to the Authority for registration and offer of securities.



**Regulatory Body:** any regulatory body in the Kingdom.

**Related party:** 1) In relation to senior executives or directors or a single shareholder holding majority of the shares, a related party means any of the following:

(a) Husband, wife and minor children (shall be jointly referred to as “person’s family”); or

(b) Any company that a person or any member or more of the person’s family has an interest in, or that a person and any member or more of the person’s family are jointly interested in, whether directly or indirectly, which enables them to:

- Vote or control the votes of 30% or more of the voting rights in the general assembly in relation to all or most of the issues presented therein; or
- Appoint or dismiss directors having the majority of the voting rights in the board meetings in relation to all or most of the issues presented therein.

2) In relation to a company holding a majority of the shares, a related party means any of the following:

(a) Any other company that is a subsidiary, holding, or affiliate that is owned by the same parent company;

(b) Any company in which the directors are used to take instructions from the company that holds a majority of the shares; or

(c) Any company that falls within the scope of both paragraphs (a) and (b), and any company that the company which holds a majority of the shares is interested in its capital, whether directly or indirectly, which enables it to:

- Vote or control the votes of 30% or more of the voting rights in the general assembly in relation to all or most of the issues presented therein; or
- Appoint or dismiss directors having the majority of the voting rights in the board meetings in relation to all or most of the issues presented therein.

**Relending transaction:** an SBL transaction in the form specified in paragraph (a) of Article 9 of the SBL Regulations.

**Restricted Account:** an account opened at the Centre, which Securities trading cannot be executed through, except upon instructions from the Authority.

**Reverse takeover:** it shall mean where a listed company makes an offer of new shares in itself to the shareholders of an unlisted company on the Exchange for their shares and these new shares will represent more than 50% of the listed company voting shares after the acquisition.

**Rights issue:** an offer of additional shares to existing shareholders which enables those shareholders to subscribe in proportion to their existing holdings.

**Rules For Special Purposes Entities:** the Rules for Special Purposes Entities issued by the Board of the Capital Market Authority

**Rules on the Offer of Securities and Continuing Obligations:** the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Authority.

**SAMA:** the Saudi Arabian Monetary Authority.

**Securities:** in accordance with Article 2 of the Capital Market Law, Securities shall mean:

- a. convertible and tradable shares of companies;
- b. tradable debt instrument issued by companies, the government, public institutions or public organisations;
- c. investment units issued by investment funds;
- d. any instruments representing profit participation rights, any rights in the distribution of assets or either of the foregoing; and
- e. any other rights or instruments which the Board of the Authority determines should be included or treated as Securities.

**Securities borrowing and lending transaction or SBL transaction:** a transaction in the form specified in paragraph (b) of Article 3 of the SBL Regulations and entered into in accordance with the conditions set out in the SBL Regulations.

**Securities Borrowing and Lending Regulations or SBL Regulations:** the Securities Borrowing and Lending Regulations proposed by the Board of Directors of the Exchange and approved by the Board of the Authority.

**Securities Depository Centre Rules:** The Securities Depository Centre Rules proposed by the Board of Directors of the Exchange and approved by the Board of the Authority.

**Securities Ownership Register:** a register that shows the identity of the owners of a certain category of the issuer's Securities.

**Seller:** the seller party in a transaction.

**Senior executives:** any natural person to whom the governing body of the firm, or a member of the governing body of the firm, has given responsibility, either alone or jointly with others, for management and supervision and either reports to:

- 1) the governing body directly;
- 2) a member of the governing body; or
- 3) the CEO.

**Settlement Member:** a person who has obtained the Centre membership of settlement category.

**Share:** a share of any company, wherever incorporated. The definition of "share" includes every instrument having the characteristics of equity.

**Shareholders' circular:** the document required in the context of certain capital alterations of an issuer pursuant to the Rules on the Offer of Securities and Continuing Obligations to enable the shareholders to make an informed vote at the relevant general assembly.

**Short Selling Regulations:** the Short Selling Regulations proposed by the Board of Directors of the Exchange and approved by the Board of the Authority.

**Short selling transaction:** a transaction in the form specified in paragraph (b) of Article 3 of the Short Selling Regulations and entered into in accordance with the conditions set out in the Short Selling Regulations.

**Small Trade:** A Trade with a value less than (15,000) SAR.

**Special Account:** a Centre Account opened for a special purpose in accordance with the provisions of the Securities Depository Centre Rules.

**Special purposes entity:** means an entity established and licensed to issue debt instruments under the Rules for Special Purposes Entities.

**Spin-Off:** a type of Demerger where all or a portion of the shares in the spun-off entity/new entity to be formed to hold the asset, are distributed on a pro-rata basis to the Listed Company's shareholders as dividend, resulting in a full separation of the two entities in a single transaction. In a Spin-Off transaction a portion of the shares of the spun-off entity/ new entity to be formed to hold the asset, may be offered to the public through a public offering and listing on the Exchange.

**Split-Off:** a type of Demerger transaction where the Listed Company makes an offer to its shareholders to exchange their parent shares which will be acquired by the Listed Company as treasury shares, in exchange for all or a portion of the shares of the spun-off entity/ new entity to be formed to hold the asset.

**Sponsor:** the person responsible for sponsoring the special purposes entity in accordance with the Rules for Special Purposes Entities.

**Submitting Orders:** Submitting orders in the specified channels as specified in the Trading and Membership Procedures

**Target:** the subject of a Reverse Takeover, consisting of either businesses, assets or an unlisted company.

**Technical Equipment:** An Exchange Member's hardware and software, including the Order Management System, that are used for conducting trading activities on the Trading System and for connecting the Exchange Member thereto.

**Technical Procedures:** The mechanisms relevant to listing and trading securities to execute transaction including settlement, clearing, ownership registration, transfer and deposit of securities including, but not limited to, the following:

1. Exchange procedures emerging from the Exchange Rules to regulate securities trading, listing and post trade procedures including the registration, depositing and settlement of securities;
2. The procedures of listed securities classification and the standards of market sectors identification, and setting up the necessary amendments in accordance with the practices used in this area;
3. The procedures of continuously amending reference price of the cross listed securities;
4. The procedures of cancelling the transmitted orders resulting from technical error in the trading system;
5. The procedures of trading suspension of a specific security in emergency situations and lifting the trading suspension in accordance with the provisions of the Trading and Membership Rules;
6. Providing and cancelling Market Maker status and specifying the maximum number of market makers on a specific security and apply requirements for all mechanisms relevant to market making;
7. The procedures relevant to indices including implementing, amending and cancelling a new index and approve the calculation methodology of

the relevant index and the standards of inclusion and exclusion of a certain securities from the calculation of the index; and

8. The procedures relevant to information security and connection requirements to all the Exchange, Depository Centre and Clearing Centre systems for beneficiaries of market services.

**Temporary trading halt:** the suspension of trading in the securities during the trading period.

**Tick size:** The minimum price movement for a listed security as specified in the Trading and Membership Procedures.

**Tradable Rights:** Tradable securities that entitle right holders to subscribe to new shares offered during a capital increase.

**Traded:** in relation to Securities, it shall mean Securities traded in the Exchange.

**Trade Rejection Account:** a Special Account opened by an Exchange Member for the purpose of receiving rejected transactions.

**Trading and Membership Procedures:** The Trading and Membership Procedures approved by the Board of Directors of the Exchange emerging from the Trading and Membership Rules.

**Trading and Membership Rules:** The Trading and Membership Rules proposed by the Board of Directors of the Exchange and approved by the Board of the Authority.

**Trading Day:** A Day where trading is available as determined by the Exchange from time to time.

**Trading System:** all electronic systems used by the Exchange for trading in Listed Securities or any supporting system thereof.

**Transaction:** purchase or sell transaction executed through the Trading System or over the counter on Deposited Securities.

**Transmitting Orders:** Sending Orders to the Trading System through the Exchange Member's systems.

**Unitholder:** a person who owns units in an investment fund.

**Unitholders from the public:** for the purpose of the Real Estate Investment Traded Funds and the Closed-Ended Investment Traded Funds, means unitholders who own units in the fund other than the following:

- 1) any unitholder owning (5%) or more of the fund's units.
- 2) the fund manager and its affiliates.
- 3) the fund's board of directors.

**Unlisted:** in relation to Securities, it shall mean Securities that are unlisted in the Exchange.