



KINGDOM OF SAUDI ARABIA

Capital Market Authority

**INSTRUCTIONS ON THE PRICE STABILISATION MECHANISM IN
INITIAL PUBLIC OFFERINGS**

English Translation of the Official Arabic Text

Issued by the Board of the Capital Market Authority

Pursuant to its Resolution Number 4-87-2018

Dated 24/11/1439H Corresponding to 6/8/2018G

Based on the Capital Market Law

issued by Royal Decree No. M/30 dated 2/6/1424H

Amended by Resolution of the Board

of the Capital Market Authority Number 1-94-2022

Dated 24/1/1444H Corresponding to 22/8/2022G

Arabic is the official language of the Capital Market Authority

Important Notice:

The current version of these Instructions, as may be amended, can be found at the Authority website: www.cma.org.sa



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Part 1: Preliminary

- a) The purpose of these Instructions is to regulate the price stabilisation activities on shares of companies newly listed on the Exchange after the initial public offering.
- b) These Instructions shall not prejudice the provisions of the Capital Market Law and its Implementing Regulations.

Part 2: Definitions

- a) Any reference to the “Capital Market Law” in these Instructions shall refer to the Capital Market Law issued by the Royal Decree No. M/30 dated 2/6/1424H.
- b) Expressions and terms in these Instructions have the meaning which they bear in the Capital Market Law and in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority, unless the context indicates otherwise.
- c) For the purpose of implementing these Instructions, the following expressions and terms shall have the meaning they bear as follows, unless the context indicates otherwise:

Price Stabilisation Mechanism: A mechanism that contribute to the price stabilisation of the newly listed shares on the Exchange, by means of Over-Allotment, and where all or any of the following transactions are conducted:

- a) Borrowing a number of shares from lending-shareholders prior to the initial public offering, in an amount not exceeding the number resulted from the maximum limit allowed for Over-Allotment.
- b) The short selling of shares during the offer period.
- c) The Over-Allotment of shares not exceeding the limit set out in paragraph (a) of Part 3 of these Instructions.
- d) Purchasing of shares from the Exchange during the Price Stabilisation Period or by a Purchase Option in order to close any position under paragraph (a) above.

Over-Allotment: A process upon which a number of additional shares is allocated to the shares offered for subscription. Such shares are borrowed from the lending-shareholders and sold to the public during the initial public offering at the subscription price, in accordance with the over-allotment agreement.

Purchase Option: A contractual option whereby the price stabilisation manager is granted the right to buy an amount of shares not exceeding the amount of the shares included in the Over-Allotment at the subscription price in the initial offer period, during the price stabilisation period or after its end.

Price Stabilisation Period: A period of time for the Price Stabilisation Mechanism that is agreed upon between the price stabilisation manager and the issuer, provided that such period shall not exceed (30) calendar days from the first day of listing the shares on the Exchange.



Part 3: General Provisions

- a) The maximum amount allowed for an Over-Allotment shall not exceed 15% of the number of shares offered for subscription in the initial public offering.
- b) The issuer shall, in case of conducting a Price Stabilisation Mechanism, disclose the following in the prospectus:
 1. Maximum number of additional shares to be over-allotted in accordance with the Over-Allotment agreement.
 2. The Price Stabilisation Period.
 3. Any other restrictions imposed by the issuer or the underwriter on the price stabilisation manager.
 4. The price stabilisation manager.
- c) The Price Stabilisation Period is deemed concluded in the event that the entire over-allotted shares were purchased by the price stabilisation manager.
- d) The price stabilisation manager must be an Authorised Person by the Authority to carry out dealing activities as principal.

Part 4: Obligations of the Price Stabilisation Manager

- a) Upon completion of the book building process, the price stabilisation manager, before the trading session of the next day, must disclose to the public the following:
 1. The percentage of over-allotted shares among the total amount of shares offered, during the offer period.
 2. The number of over-allotted shares.
 3. The Price Stabilisation Period, with indication that the Price Stabilisation Mechanism may not be conducted and may end at any time.
- b) At the end of the Price Stabilisation Period, the price stabilisation manager, before the trading session of the next day, must disclose to the public the following:
 1. Whether the Purchase Option has been exercised.
 2. The number of shares that the Purchase Option has been exercised upon.
 3. The start and the end of the Price Stabilisation Period.
 4. The price range in which the purchase orders were executed in order to achieve the price stabilisation.
- c) The price stabilisation manager must hold an account with the Depository Center, in which its operations are limited to transferring the shares purchased during the exercise of the Price Stabilisation Mechanism to the lending-shareholders without executing a transaction.
- d) The price stabilisation manager must have an investment account to hold the amounts obtained from the Over-Allotment, and which the transactions in it are limited to carrying out price stabilisation transactions.
- e) Starting from the first day of listing the shares on the Exchange, the price stabilisation manager must disclose to the public at the end of every fifth trading day and until the end of the Price Stabilisation Period the details of all price stabilisation transactions it



conducted, including the disclosure of the amount of shares purchased and the price range of such shares.

- f) The price stabilisation manager, during the Price Stabilisation Period, shall not cancel the order entered in the last two minutes of the opening and closing auctions on the Exchange.
- g) The price stabilisation manager shall not execute any sale transactions on the shares purchased to conduct the Price Stabilisation Mechanism during the Price Stabilisation Period.
- h) The Price Stabilisation Mechanism shall be exercised at a price not exceeding the offer price or at a price not exceeding 2% of the last trade price, whichever is lower.
- i) The price stabilisation manager must treat any conflict of interest in accordance with the provisions of the Authorised Persons Regulations.
- j) The price stabilisation manager shall act in the interest of the issuer when carrying out the Price Stabilisation Mechanism, and in line with these Instructions.

Part 5: Exemptions

- a) For the purposes of implementing these Instructions, the shares purchase transactions from the Exchange executed by the price stabilisation manager during the Price Stabilisation Period in accordance with the provisions of these Instructions shall be exempted from the acts and actions stated in paragraph (a) of Article 49 of the Capital Market Law and Article 2 and subparagraph (5) of paragraph (b) of Article 3 of the Market Conduct Regulations.
- b) For the purpose of implementing these Instructions, the price stabilisation manager shall be waived from the obligations and restrictions stated in paragraph (a) of Article 12 of the Market Conduct Regulation and Article 86 of the Authorised Persons Regulations.
- c) For the purposes of implementing these Instructions, the lending-shareholders shall be waived from the obligations and restrictions stated in Article 23 and Article 24 of the Merger and Acquisition Regulations and paragraph (a) of Article 87 of the Rules on the Offer of Securities and Continuing Obligations.

Part 6: Records for the Price Stabilisation Transactions

- a) The price stabilisation manager shall establish and maintain an updated record of each transaction conducted in accordance with these Instructions.
- b) The price stabilisation manager shall ensure that the record referred to in paragraph (a) of this Part contains the following information:
 - 1. Quantity and price of shares per transaction during the conduct of the Price Stabilisation Mechanism.
 - 2. Date and time of the transaction.
 - 3. Details of the counter party in the purchase transaction executed during the Price Stabilisation Mechanism, or a statement explaining that the purchase has been executed through the Exchange.
- c) The record referred to in paragraph (a) above shall be maintained for a period not less than ten years after the end of the Price Stabilisation Period.



Part 7: Publication and Entry Into Force

These Instructions shall be effective in accordance to its approval resolution.