Cross-Border Listings Guide - Saudi Stock Exchange

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# Quick Summary

## Initial financial listing requirements

[Last updated: 1 January 2024, unless otherwise noted]

To qualify for listing on the Saudi Stock Exchange (commonly referred to as Tadawul), a company must have:

A market capitalization of at least SAR300 million (approximately US$80.01 million) at the time of listing for the Main Market, and a market capitalization of at least SAR10 million (approximately US$2.67 million) at the time of listing for the Parallel Market.

Sufficient working capital (on its own or with its subsidiaries) for 12 months from the date of the publication of the prospectus (Main Market only).

Until recently, only domestic companies were allowed to apply for listing on the 'Main Market' of Tadawul. The Listing Rules allowed for a foreign company to cross-list its securities on the Main Market and the exchange was opened up to foreign investors globally in 2015 with certain 'Qualified Foreign Investors' (QFIs) being permitted to directly invest in Saudi listed companies. In addition, the most recent amendments of the OSCOs (the latest amendment being on January 2023) were introduced to provide further guidance around the cross-listing of foreign companies on the Main Market of Tadawul, which paved the way for the first dual listing in December 2022 of Americana Restaurants International PLC on Tadawul and the Abu Dhabi Securities Exchange. In early 2017 the CMA launched the 'Parallel Market' as an alternative listing platform for Saudi or Gulf Cooperation Council (GCC) companies (which are majority owned by GCC citizens).

## Other initial listing requirements

[Last updated: 1 January 2024, unless otherwise noted]

*Share price.* No minimum trading price is required.

*Distribution.* To list its securities on the Main Market, a company must have:

At least 30% of its total issued share capital held by the public.

At least 200 public shareholders.

The above requirements also apply to foreign issuers applying to cross-list their securities on the Main Market of Tadawul.

To list its securities on the Parallel Market, a company must have:

At least 20% of its total issued share capital held by the public or the market value of the shares owned by the public is not less than SAR300 million (approx. US$80.01 million) (whichever is less).

At least 50 public shareholders.

A liquidity plan to submit to the CMA in order to satisfy the above-mentioned liquidity requirements.

*Operating history*. An operating history of three years is generally required for listing in the Main Market, and an operating history of one year is required for a listing in the Parallel Market.

*Management continuity*. The CMA expects that the company must have been carrying on, either by itself or through one or more of its subsidiaries, its main activity for at least three financial years under substantially the same management for listing on the Main Market, and at least one year for a listing on the Parallel Market.

*Accounting standards.* Audited financial statements must be prepared in compliance with the standards of the Saudi Organization for Certified Public Accountants.

*Financial statements. The financial statements must cover a period of: three years preceding the IPO application for a listing on the Main Market, but only the last year preceding the IPO application in the case of a listing on the Parallel Market.*

*Alteration in capital/restructuring. An application for registration and admission to listing of securities on the Main Market of an issuer which has undergone material restructuring or has been subject to an alteration in capital using external financing will not be accepted unless one financial year has elapsed since the date of completion of the material restructuring/alteration in capital.*

## Listing process

[Last updated: 1 January 2024, unless otherwise noted]

The CMA will review the prospectus and application forms and relevant announcements. The following is a fairly typical process and timetable for listing on the Main Market.

[Link to Timetable](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2020-update-8th-edition/saudi-arabialisting-process.pdf)

## Corporate governance and reporting

[Last updated: 1 January 2024, unless otherwise noted]

Requirements for Main Market listed companies include:

Audit committee and its composition.

Nomination committee and its composition.

Remuneration committee and its composition.

Appointment of a prescribed number of independent non-executive directors.

Adoption of a corporate governance code for the company that does not contradict the provisions of the Corporate Governance Regulations.

A listed company has continuing disclosure and reporting obligations under the Listing Rules which include:

Material developments disclosure.

Financial reporting which includes publishing interim and annual financial statements.

Other obligations include reporting any change in the board of directors or notifiable transactions.

## Fees

[Last updated: 1 January 2024, unless otherwise noted]

A company seeking to list on the Main Market must pay initial fees and annual fees. Initial listing fees are SAR40,000 (approx. US$10,668) for application submission and review, and 0.025% of the market capitalization of shares to be registered, up to a maximum of SAR225,000 (approx. US$60,008). Annual fees are split into fixed fees, which depend on the services provided to the company, and variable fees, which depend upon the number of shares of the company.

# Overview of exchange

## Overview of exchange

[Last updated: 1 January 2024, unless otherwise noted]

The Saudi Stock Exchange (commonly referred to as Tadawul) was formed as a joint stock company after receiving approval from the Council of Ministers on 19 March 2007. Tadawul acts as a securities exchange in the Kingdom of Saudi Arabia enabling companies to raise capital through offerings made on a platform and list their securities. Apart from listing services, Tadawul also provides cash trading, derivatives trading, market information, client relationship and operational services.

Tadawul is amongst the largest exchanges globally by market capitalization of listed companies (approximately SAR 11.26 trillion (approximately US$3.00 trillion) as at 31 December 2023).  This is demonstrated by the successful IPO of Saudi Aramco, one of the world's largest listed company in terms of market capitalization. The growing global relevance of Tadawul is further evidenced by its inclusion in the MSCI, FTSE Russell and S&P Emerging Market indices. Since April 2022, Saudi Arabia has been added to the FTSE Russell Emerging Markets Government Bond Index.

Historically, the first Saudi joint stock companies were established in the 1930s and by 1975 there were around 14 public companies in Saudi Arabia. In a bid to formalize, regulate and develop the Saudi market, the government formed a Ministerial Committee consisting of the Ministry of Finance and National Economy, the Ministry of Commerce and the Saudi Central Bank (SAMA). However, the SAMA was tasked with regulating and monitoring all market activities.

In July 2003, with the promulgation of the Capital Market Law pursuant to Royal Decree M/30, the Capital Market Authority (CMA) was established, which took over the regulating and monitoring functions of the Saudi stock market (as it was then) from SAMA. The CMA is now the sole regulator and supervisor of Tadawul and the Saudi Arabian capital markets generally. Its basic objectives are to create an appropriate investment environment, boost confidence, and reinforce transparency and disclosure standards in all listed companies, and moreover to protect the investors and dealers from illegal acts in the market.

The CMA has implemented a number of regulations with the aim of implementing the provisions of the Capital Market Law. These regulations include the Rules on the Offer of Securities and Continuing Obligations (OSCOs), the Listing Rules (outlining the minimum requirements and procedures for a company listing on the 'Main Market' referred to below), the Parallel Market Listing Rules (outlining the minimum requirements and procedures for a company listing on the 'Parallel Market' referred to below), the Market Conduct Regulations (outlining what constitutes illegal practices in relation to the market) and the Corporate Governance Regulations (outlining the basic governance of a listed company).

Tadawul does not limit the sectors from which companies are permitted to list. Current listed companies carry out insurance, pharmaceutical, banking, petrochemical, retail and telecommunication activities, among others. As of 1 January 2024, there were 231 companies listed on the Main Market and 79 companies listed on the Parallel Market of Tadawul.

Until recently, only domestic companies were allowed to apply for listing on the 'Main Market' of Tadawul. The Listing Rules allow for a foreign company to cross-list its securities on the Main Market and the exchange was opened up to foreign investors globally in 2015 with introduction of the "Rules for Qualified Foreign Financial Institutions Investments in Listed Securities", most recently amended in March 2023, under which certain 'Qualified Foreign Investors' (QFIs) are permitted to directly invest in Saudi listed companies. In addition, the most recent amendments of the OSCOs (the latest amendment being on January 2023) were introduced to provide further guidance around the cross-listing of foreign companies on the Main Market of Tadawul.

Another key development that signified the growing maturity of the Saudi market was the introduction of derivatives, which is a significant step to further advance the Saudi capital market by providing investors with a full and diversified range of investment products and services.

In early 2017 the CMA launched the 'Parallel Market' as an alternative listing platform for Saudi or Gulf Cooperation Council (GCC) companies (which are majority-owned by GCC citizens). The Parallel Market in intended to open up new investment opportunities for all types of companies, including SMEs, through greater access to capital as the listing requirements are less rigorous than those for the Main Market. The main objectives of establishing the Parallel Market, as stated by the CMA, include promoting the role of the exchange in providing funding sources and making the exchange more stable and appealing for investment, increasing diversification and deepening the Saudi capital market, as well as supporting the national economy and accelerating development.

Since 27 September 2022, the CMA announced a series of amendments to its implementing regulations designed to (i) facilitate the direct listing of debt instruments (including convertibles) offered by way of private placement; and (ii) introduce a framework for equity fundraising through crowdfunding platforms. The amended OSCOs now also provide for the public offer of exchangeable debt instruments.

These initiatives expand and further diversify the available channels for issuers to raise funds to achieve their business objectives. These developments permit a listed company to place up to 15% of its capital through the suspension of preemptive rights. The amendments signal the CMA's continuing commitment to drive the development of the Saudi capital markets through the further development of its debt market and its support for innovative practices, in the form of securities crowdfunding. The introduction of these developments are primarily reflected in the amended OSCOs and the Listing Rules, with certain additional amendments to Capital Market Institutions Regulations and Investment Account Instructions.

# Principal listing and maintenance requirements and procedures

## Principal listing and maintenance requirements and procedures

[Last updated: 1 January 2024, unless otherwise noted]

A listing applicant must satisfy the conditions for registration and listing. The CMA may accept an application for listing even if a company does not satisfy all of the conditions, as long as the CMA is satisfied that a listing will be in the interests of investors and investors have received the necessary information to make an informed judgment.

Simply meeting the CMA's requirements does not guarantee a listing on Tadawul. The CMA has broad discretionary powers and its board can reject any listing application if it considers that the applicant is not suitable for listing on Tadawul or if it would not be in the best interests of investors for the company to go public.

*Financial criteria*

An issuer must have:

A market capitalization of at least SAR300 million (approximately US$80.01 million) at the time of listing for the Main Market, and a market capitalization of at least SAR10 million (approximately US$2.67 million) at the time of listing for the Parallel Market.

Sufficient working capital (on its own or with its subsidiaries) for 12 months from the date of the publication of the prospectus (Main Market only).

Submitted a liquidity plan to satisfy the liquidity requirements set out in the Listing Rules (Parallel Market only).

Once a company lists, it is not required to meet similar financial requirements in order to maintain its listing on an ongoing basis. However, listed companies are subject to other financial reporting and other ongoing obligations, which are summarized in section 4 below.

The above requirements also apply to foreign issuers applying to cross-list their securities on the Main Market of Tadawul.

*Operating history; management*

For a listing on the Main Market, an issuer must:

Be a joint stock company (except in the case of the cross-listing of securities).

Have been carrying on, either by itself or through one or more of its subsidiaries, the same main activity for at least three financial years.

Have published audited financial statements covering at least the last three financial years, prepared in accordance with the accounting standards adopted by The Saudi Organization for Certified Public Accountants (SOCPA).

In addition, the senior executives of the issuer must have appropriate expertise and experience for the management of the issuer's business.

For a listing on the Parallel Market, an issuer must:

Be a Saudi joint stock company or a GCC joint stock company with a majority of the capital owned by GCC citizens.

Have been carrying on, either by itself or through one or more of its subsidiaries, a main activity for at least one financial year.

Have published audited financial statements covering the last financial year, prepared in accordance with the accounting standards adopted by SOCPA.

*Free float; shareholders*

At the time of listing on the Main Market at least 30% of the shares must be offered to the public and there must be at least 200 public shareholders. At the time of listing on the Parallel Market at least 20% of the shares must be offered to the 'public' (defined in this instance to include various connected persons such as substantial shareholders, directors, senior executives and relatives of those persons) or the market value of the shares owned by the public is not less than SAR300 million (approximately US$80.01 million) (whichever is less), and there must be at least 50 public shareholders. In all cases these conditions are part of the issuer's continuing obligations under the relevant set of listing rules, although the CMA may allow a lower percentage to be floated and a lower number of shareholders.

At the time of the initial public offering on the Main Market, only public funds, listed companies, licensed financial institutions, government entities, certain unlisted Saudi companies and QFIs (though the book building process) and Saudi nationals (through the retail offer) may subscribe for the issuer's shares. Once the shares are listed on Tadawul, Saudi nationals, non-Saudi nationals holding valid residency permits in Saudi Arabia, GCC nationals, as well as Saudi and GCC companies, and categories of investors eligible to participate in the book building process (including QFIs) may trade in the shares. Non-Saudi individuals living outside Saudi Arabia and institutions registered outside Saudi Arabia (who do not wish to register as QFIs) can also invest in the shares by entering into swap arrangements with persons authorized by the CMA to purchase shares listed on Tadawul.

Participation in any offer made by a company seeking a listing on the Parallel Market and in any secondary trading on the Parallel Market, is limited to "Qualified Investors" which include licensed financial advisors (acting for their own account), government entities, investment funds, GCC company and funds, QFIs and certain individuals who meet "professional investor" type criteria. Non-Saudi individuals living outside Saudi Arabia can also invest in the Parallel Market, subject to certain restrictions. These restrictions include, but are not limited to, the investor being a QFI and entering into swap arrangements with an authorized person. A non-resident foreign investor in the Parallel Market may not own 10% or more of the shares of any issuers whose shares are listed or convertible debt instrument of the issuer.

*Lock-up requirements*

The CMA requires that all founding shareholders of a company listing on the Main Market be subject to a lock-up period. The lock-up period is set as six months from the date that the shares of the issuer commenced trading on Tadawul. However, in some cases, the CMA has requested that the restrictions on founding shareholders remain for up to five years (as was the case with telecommunication companies). A company may set a lock-up period in excess of six months provided that it is stated in the prospectus and registration document.

Existing shareholders of an issuer seeking a listing on the Parallel Market are subject to a 12-month lock-up period from the date of commencement of trading in the issuer’s shares under the Parallel Market Listing Rules.

*Appointment of advisors and representatives*

The issuer must appoint independent financial and legal advisors for listing on the Main Market, but only an independent financial advisor for a listing on the Parallel Market. In all cases the issuer must also appoint two representatives (a director and a senior executive) to act as its representatives before the CMA. Foreign issuers applying to cross-list their securities on the Main Market of Tadawul are also required to appoint independent financial and legal advisors.

*Corporate governance*

The CMA has issued the Corporate Governance Regulations which provide basic governance guidelines for all listed companies. The Corporate Governance Regulations cover various topics, including related party transactions, the composition and duties of the board of directors and the formation and duties of board committees. It should be noted that the Corporate Governance Regulations are deemed indicative to all issuers whose shares are listed on the Parallel Market. See section 5 below for further information.

*Other requirements*

*Alteration in capital and restructuring.* The CMA will not accept an application for registration and admission to listing on the Main Market from an issuer that has undergone a material restructuring or has been subject to an alteration in capital using external financing (including through any shareholder current account), unless one financial year has lapsed since the date of completion of the material restructuring or alteration in capital. The CMA has defined "material restructuring" to mean the following:

Disposing of any of the issuer's assets that generate 30% or more of the issuer's revenue or net income as per the most recent annual financial statements.

Acquiring assets with a value exceeding 30% or more of the net asset value of the issuer as per the most recent annual financial statements.

Acquiring a company with a shareholder equity constituting 30% or more of the issuer's shareholder equity as per the most recent annual financial statements.

*Class of listed securities*. The whole class of the relevant securities must be listed on the Tadawul.

*Currency*. Securities must be traded and settled in Saudi Arabian Riyals.

*Board approval*. A company cannot offer securities to the public unless it has the approval of its board.

# Listing documentation and process

## Listing documentation and process

[Last updated: 1 January 2024, unless otherwise noted]

*Listing application*

An issuer seeking a listing on Main Market must submit the following items, among others:

Letter of appointment of the financial advisor.

Letter of appointment of the legal advisor.

Listing application documents, which include a formal letter of application to the CMA, a standard form declaration, and declaration and undertaking signed by each director.

Draft prospectus in Arabic.

Audited financial statements of the issuer (and those of its subsidiaries if applicable) for each of the three financial years immediately preceding the listing application, as well as the latest interim audited financial statements, prepared in accordance with the standards set by SOCPA.

Certified copies of all corporate documents of the issuer, including the by-laws and the commercial registration certificate, and its subsidiaries if applicable.

Legal due diligence report prepared by the issuer's legal advisor.

Financial due diligence report prepared by the reporting accountant.

Letters of consent from all of the issuer's advisors and experts in relation to the use of their names, logos and statements for which they are responsible in the prospectus.

All signed underwriting, sub-underwriting and distribution agreements entered into in connection with the IPO.

Any other documents as may be required by the CMA.

During the period of the CMA's review of the issuer's listing application, the issuer is prohibited from engaging in any publicity relating to the offering or doing anything that could be deemed to be stimulating an interest in the issuer's securities. The issuer is required to restrict its public communications and use of offering related materials until the final allocation of shares has been completed.

The requirements for companies seeking to list on the Parallel Market are much reduced, with only one year of financial statements for the immediately preceding year required.

*Prospectus*

The main disclosure requirements for companies listing on the Main Market include, among others:

Summary of the terms of the offering.

Summary of the key information relating to the issuer.

Risk factors relating to the business and operations of the issuer, the market or industry in which the issuer operates and the securities being offered to the public.

Market overview summarizing the trends and industry information that are specific to the issuer's business.

Description of the general nature of the business of the issuer.

Details of the current and historical shareholding and capital structure of the issuer and the substantial shareholder(s) of the issuer.

Detailed discussion by the management of the issuer's financial condition (particularly for the three years preceding the application).

Summary of all material contracts and related party transactions entered into by the issuer (and its subsidiaries if applicable).

Summary of the constitutional documents of the issuer.

Summary of any intangible assets such as trademarks, patents or copyrights material to the issuer's business.

Summary of any litigation or claim which may have a material effect on the issuer's business or financial position.

Details of indebtedness of the issuer.

Summary of the issuer's dividend policy.

The issuer's intended use of proceeds.

Details of the directors of the issuer and its senior management.

Details of the general subscription terms and conditions.

The content requirements for a prospectus issued in connection with a Parallel Market listing are much reduced. For example, no market overview or detailed management discussion of the issuer's financial condition is required. The content requirements of the cross-listing document are also much reduced to those of prospectuses issued in connection with Main Market listings. However, specific information is required, including the purpose of the listing and the risk factors related to the listing.

*Typical process and timetable*

The length of time required to list a company on the Main Market from the kick-off meeting to the commencement of trading of its securities depends on many factors, such as the quality of the internal records of the company, the due diligence process and whether all requisite documents and approvals are available or have been obtained. In general, assuming there are no material threshold issues, a listing application for the Main Market will take approximately six months to file with the CMA and then up to a further six months for the application to be processed and trading in the company's securities to commence. However, depending on the circumstances of the issuer, it is not unusual for this process to take much longer. The timeline for the Parallel Market listing process is significantly shorter.

Below is an example timetable for a Saudi IPO listing its shares in the Main Market which reflects the anticipated timing  and illustrates the key steps in the IPO process. The timeline has been prepared on the assumption that the process is not delayed or interrupted by a complicated restructuring, complex due diligence issues, difficulties in preparing financial accounts or valuation on a timely basis, and that there are generally no significant threshold issues.

[Link to Timetable](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2020-update-8th-edition/saudi-arabialisting-doc-and-proc.pdf)

# Continuing obligations/periodic reporting

## Continuing obligations/periodic reporting

[Last updated: 1 January 2024, unless otherwise noted]

A Saudi listed company owes disclosure and reporting obligations both to Tadawul and the CMA. Once listed, a company must publish its interim and annual accounts. In addition, the Listing Rules prescribe other continuing disclosure requirements for listed companies, such as immediate disclosure to the CMA and the public of any material developments.

*Financial reporting*

An issuer must publish its interim and annual financial statements once they have been approved by the board of directors. The financial statements cannot be shared with shareholders or third parties unless they are first announced through Tadawul.

An issuer must publish its interim financial statements (first, second and third quarter interim statements) within 30 days of the end of the period relating to the statements for listings in the Main Market and half-yearly financial statements within 45 days of the end of the financial period for listings on the Parallel Market . Annual financial statements must be published within 90 days from the end of the relevant financial year. All financial statements must be prepared in accordance with the standards set by the Saudi Organization for Certified Public Accountants. Interim financial statements need not be audited, but must be reviewed by the auditors of the issuer.

Foreign issuers applying to cross-list their securities on the Main Market of Tadawul are subject to the same financial reporting requirements as domestic issuers listing on the Main Market.

*Board of directors report*

Issuers listed on the Main Market must include within their annual financial statements a report issued by the directors, 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. Information to be included in this report includes:

Description of the issuer's significant plans and decisions (including any restructuring, business expansion or discontinuance of operations of the issuer), the future prospects of the issuer's business and any risks facing the issuer.

Summary of the assets and liabilities of the issuer and of the issuer's business results for the last five financial years or from incorporation, whichever is shorter.

Geographical analysis of the issuer's gross revenues and its subsidiaries.

Explanation for any material differences in the operating results of the previous year or any announced forecast made by the issuer.

Explanation for any departure from the accounting standards issued by the Saudi Organization for Certified Public Accountants.

The content requirements above are 'indicative' only for reports issued by the boards of companies listed on the Parallel Market.

*Disclosure of material information*

The Listing Rules and the Parallel Market Listing Rules require an issuer to notify both the CMA and the public (without delay) of any material developments in its sphere of activity that:

Are not within the public domain.

May have an effect on the assets, liabilities or financial position or the general course of the issuer's subsidiaries.

May lead to movements in the price of the listed securities.

Although there is no exhaustive list of what would be classified as "material developments", the OSCOs provide the following as examples, among others:

Any transaction to purchase or sell an asset at a price equal to or greater than 10% of the net asset 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.

Any changes in the composition of the directors or to CEO's position of the issuer.

Any significant legal proceedings where the value involved is equal to or greater than 5% of the net assets of the issuer.

The increase or decrease in the net assets of the issuer equal to or greater than 10%.

The increase or decrease in the gross profit of the issuer equal to or greater than 10%.

The entering into, or the unexpected termination of, any contract with revenues equal to or greater than 5% of the gross revenues of the issuer.

Any interruption in the principal activities of the issuer or its subsidiaries equal to or greater than 5% of the gross revenues.

Any transaction between the issuer and a related party or any arrangement through which the issuer and a related party invest in any project or asset or provide financing, if such transaction is equal to or greater than 1% of the gross revenues.

Any change in the issuer's external auditors.

In addition to disclosing any material developments and the issuer's financial statements, the Listing Rules and Parallel Market Listing Rules impose other continuing disclosure obligations on listed companies such as changes of directors and notifiable transactions (such as any significant change in the holding or identity of a shareholder that holds 5% or more of a listed company).

Foreign issuers applying to cross-list their securities on the Main Market of Tadawul are subject to the same disclosure requirements as domestic issuers listing on the Main Market.

*Market Conduct Regulations*

In Saudi Arabia, any allegation or dispute relating to market misconduct falls under the jurisdiction of the Committee for the Resolution of Securities Disputes. The Market Conduct Regulations broadly split market misconduct into three main categories: market manipulation (involving acts such as price rigging), insider trading, and making untrue statements (this includes omission of a material fact when making a statement). In accordance with the Capital Market Law, any person who commits insider trading or is found guilty of market manipulation is liable to pay compensation by way of damages to any other person for any pecuniary loss sustained by the other person as a result of such market misconduct. In certain cases based on the request of the CMA, the Committee for the Resolution of Securities Disputes may impose imprisonment terms (not exceeding five years) on persons guilty of market manipulation and insider trading.

# Corporate governance

## Corporate governance

[Last updated: 1 January 2024, unless otherwise noted]

The CMA has issued the Corporate Governance Regulations which set out general governance guidelines and requirements applicable to all listed companies. At present the requirements under the Corporate Governance Regulations are generally only mandatory for Main Market listed companies, with some provisions being categorized as guiding provisions.

*Mandatory requirements*

Over time, the CMA has gradually issued resolutions making certain requirements under the Corporate Governance Regulations mandatory. A listed company must comply with these requirements, some of which include:

Appointment of a prescribed number of independent and non-executive directors to the board.

Appointment of an audit committee and its composition.

Appointment of a remuneration committee and its composition.

Appointment of a nomination committee and its composition.

Adoption of a corporate governance code for the company and board committee charters that do not contradict the provisions of the Corporate Governance Regulations.

*Audit committee*

Under the Corporate Governance Regulations, an issuer must have an audit committee that comprises at least three members and no more than five members, provided that at least one of its members is an independent director and that all members are non-executive (if all members are board members). Furthermore, at least one member of the committee must be a specialist in finance and accounting matters.

Some of the responsibilities of an audit committee include:

Supervising the internal audit department of the company.

Reviewing the internal audit reports.

Supervising the external auditors of the company.

Reviewing the interim and annual financial statements before they are presented to the board of directors.

*Remuneration committee*

Under the Corporate Governance Regulations, an issuer must have a remuneration committee, and its members cannot be executive directors and must include at least one independent director. The chairman must be an independent director.

Some of the responsibilities of the remuneration committee include:

Laying down policies regarding the remuneration of board members and senior executives.

Periodically reviewing the remuneration policy and assessing its effectiveness.

Providing recommendation to the board in respect of the remuneration of its members.

*Nomination committee*

Under the Corporate Governance Regulations, an issuer must have a nomination committee. Members of the committee cannot be executive directors and must include at least one independent director. The chairman must be an independent director.

Some of the responsibilities of the nomination committee include:

Reviewing the structure of the board of directors and recommending changes.

Ensuring the independence of the independent board members.

Annually reviewing the skills and expertise required of the board members and executive managers.

The Corporate Governance Regulations provides that an issuer may combine the remuneration and nomination committees into one committee, subject to certain conditions.

*Form 8*

As mentioned above, there are numerous documents that are submitted to the CMA when an issuer applies for listing on the Main Market. This includes "Form 8" which is a report on the corporate governance procedures followed by an issuer. In Form 8 the issuer, through a series of yes or no answers explains:

How it has applied the principles of the Corporate Governance Regulations and its own internal corporate governance code.

Whether it has deviated from the provisions of the Corporate Governance Regulations or its own internal corporate governance code, and, if so, the reasons for any such deviation.

For most issuers undertaking an IPO on the Main Market, it is not possible to comply with all the provisions of the Corporate Governance Regulations. Therefore, there is usually a post-listing undertaking given by the issuer in the prospectus to complete and provide the CMA with an updated Form 8.

# Specific situations

## Specific situations

[Last updated: 1 January 2024, unless otherwise noted]

Other than the requirements of the Capital Market Law and its implementing regulations, there are no additional formal CMA requirements that apply to companies listing in Saudi Arabia whether on the Main Market or Parallel Market. However, certain ministries that regulate specific industry sectors in Saudi Arabia may impose additional requirements. For example, the Ministry of Industry and Mineral Resources used to require all cement companies to float at least 50% of their share capital to the public. As noted above, the CMA has discretionary powers when considering a listing application and it may allow a company to float less than 30% of its shares to the public. The CMA may also require additional disclosure depending on the application received.

# Presence in the jurisdiction

## Presence in the jurisdiction

[Last updated: 1 January 2022, unless otherwise noted]

At present, only domestic or GCC companies which are majority owned by GCC citizens (in the case of the Parallel Market) are listed on Tadawul. However, the OSCOs allow for a foreign company to cross-list its securities on Tadawul. Since the Listing Rules for the Main Market and the OSCOs has allowed for a foreign company to cross-list its securities on Tadawul, which paved the way for the first dual listing of Americana Restaurants International PLC on Tadawul and the Abu Dhabi Securities Exchange (ADX) in December 2022, showcasing the development and adaptability of the Saudi capital markets as well as the successful implementation of the newly introduced cross-listing regulations in the OSCOs and Listing Rules.

# Fees

## Fees

[Last updated: 1 January 2024, unless otherwise noted]

A company undertaking an IPO must pay fees to the CMA for the registration of the securities. The fees payable to the CMA for listing on the Main Market are:

SAR30,000 (approximately US$8,001) upon submitting an application for registration of the securities.

SAR10,000 (approximately US$2,667) for reviewing the IPO application.

025% of the value of the shares to be registered, up to a maximum of SAR225,000 (approximately US$60,008).

Once a company has listed it must also pay annual fees to Tadawul. These fees are split into fixed fees, which depend on the services that Tadawul provides a company, and variable fees, which depend upon the number of shares of a listed company.

Additional costs include financial advisor fees, legal counsel fees, accountant's fees, underwriting fees as well as printing expenses.

# Additional Information

## Additional Information

[Last updated: 1 January 2024, unless otherwise noted]

All materials to be submitted to the CMA must be submitted in the Arabic language, with the exception of the legal due diligence report, the financial due diligence report and the market consultant report. The CMA approves the Arabic prospectus and this prevails over any English translation to the extent that there is any inconsistency.

# Contacts

## Contacts within Legal Advisors

Karim Nassar and Robert Eastwood of Legal Advisors, a member firm of Baker & McKenzie International, are the most appropriate contacts for inquiries about prospective listings on the Tadawul.

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