

**By-laws of**  
**[name of Special Purpose Entity]**  
**(A Special Purpose Entity)**

These By-Laws are made and entered into this [weekday], [Hegira date] (corresponding to the [Gregorian date]) in respect of a Special Purposes Entity (the **Special Purposes Entity**) established and licenced under the Rules for Special Purpose Entities issued by the Board of the Saudi Arabian Capital Market Authority (the **Authority**) pursuant to its Resolution Number [●] dated [●] (the Rules for **SPEs**) by [and between<sup>1</sup>]:

- (1) [name of Sponsor], a [legal form of Sponsor]<sup>2</sup> duly organised and existing under the Companies Law issued under Royal Decree No. M/6 dated 22/3/1385 H and its amendments, and having its registered office at [address of Sponsor]; having as its principal business [principal business of Sponsor]<sup>3</sup>, which is the Sponsor of the Special Purposes Entity for the purposes of the Rules for SPEs; and
- (2) [name of Shareholder], [a [legal form of Shareholder] duly organised and existing under the laws of the Kingdom of Saudi Arabia, having its registered office at [address of Shareholder] and having as its principal business [principal business of Shareholder]] or [an individual of [nationality] with [identity card] / [passport] number [identity card or passport number], having as his occupation [occupation], and having as his address [address of Shareholder]];
- (3) [●]<sup>4</sup>.

**WHEREAS**, the [Sponsor has decided] / [above named parties have agreed] to form the Special Purpose Entity.

**NOW THEREFORE**, the [Sponsor has decided] / [above named parties have agreed] as follows:

**1. NAME**

The name of the Special Purposes Entity shall be [insert name].

**2. REGISTERED OFFICE**

The Special Purposes Entity shall have its Registered Office at [insert address in Kingdom of Saudi Arabia]. The Registered Office may not be transferred to any other place except with the unanimous approval of all the Shareholders and of the Authority.

**3. PURPOSE AND ACTIVITIES**

3.1 The purpose of the Special Purposes Entity is to raise finance through the issue of one of the following types of debt instruments:

- (a) asset-backed securities;

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<sup>1</sup> Delete “and between” if the Sponsor is to be the sole shareholder.

<sup>2</sup> Where the Special Purpose Entity is to issue debt-based recourse securities, the sponsor must be a joint stock company.

<sup>3</sup> Where the Special Purpose Entity is to issue asset-linked recourse securities or asset-backed securities, the sponsor must be an authorised person whose business profile covers all securities business activities to be undertaken in connection with the activities of the Special Purpose Entity. Remove this language where the Special Purpose Entity will only issue debt-based recourse securities.

<sup>4</sup> Where the Sponsor is to be the sole shareholder, delete items (2) and (3). If there is to be a shareholder other than the Sponsor, indicate that shareholder’s details at item (2) and delete item (3). For every additional shareholder, replicate the form of wording used in item (1) as necessary, including the details of the relevant shareholder.

- (b) asset-linked recourse securities; and
- (c) debt-based recourse securities.

3.2 The activities it is permitted to undertake are limited to:

- (a) the issuance of shares to its initial Shareholders on establishment, or to shareholders as part of an increase of capital under Article 5 below;
- (b) the issuance of those debt instruments specified in Article 3.1 above;
- (c) the investment, management and realisation of the proceeds of the issuance of those debt instruments specified in Article 3.1 above; and
- (d) any ancillary activities necessary to achieve that purpose.

#### 4. CAPITAL

4.1 The capital of the Special Purposes Entity is [insert the capital of the Special Purposes Entity in numbers and words], divided into [insert the number of shares in the Special Purposes Entity in numbers and words] non-divisible cash shares of equal value, each having a nominal value of [insert the nominal value of one share in the Special Purposes Entity in numbers and words].

4.2 The capital of the Special Purpose Entity, expressed as cash shares, shall initially be subscribed for as follows:

Name of Shareholder	No. of Shares	Share Value in S. R.	Total Value in S. R.	Percentage of Total Capital
[Insert name of Shareholder]				
[Insert the name of Shareholder].				
<b>Total</b>				<b>100</b>

4.3 The person(s) listed in Article 4.2 above, together with their successors from time to time, shall each be a **Shareholder**, and shall together be the **Shareholders** for the purposes of these By-Laws.

#### 5. CAPITAL INCREASES AND DECREASES

5.1 Subject to Article 5.4 below, upon approval of all the Shareholders, the share capital of the Special Purposes Entity may be increased, either by increasing the nominal value of a Shareholder's shares or by issuing new shares; provided that all the Shareholders shall be obliged to pay their value in the same proportions as their existing holdings in the share capital of the Special Purpose Entity.

5.2 Except in the two cases mentioned in Article 5.1, any increase in the capital of the Special Purposes Entity may be undertaken only with the approval of the Shareholders holding at least [insert percentage in words] per cent ([insert percentage in numerals] %)<sup>5</sup> of the share capital.

<sup>5</sup> Must be 75% or more.

5.3 Subject to Article 5.4 below, the Special Purpose Entity's share capital may be reduced by a resolution of the Shareholders; provided that:

- (a) the capital of the Special Purposes Entity shall not fall below the minimum capital provided for in Article 8 of the Rules for SPEs.
- (b) if the reduction of the capital is on the grounds that the capital exceeds the Special Purpose Entity's needs, the Special Purpose Entity's creditors shall be invited to express their objections thereto within sixty (60) days from the date of publishing the reduction resolution in a daily newspaper distributed in the area of the Special Purpose Entity's Registered Office. If a creditor objects and presents his documents to the Special Purposes Entity within the above-mentioned period, the Special Purposes Entity shall pay him his debt if it is due or provide him with a sufficient guarantee if the maturity date of the debt is later.

5.4 No increase or decrease in the Special Purpose Entity's share capital may take place without the prior written approval of the Authority.

## **6. DEALINGS WITH RESPECT TO SHARES**

6.1 Subject to Article 22(c) of the Rules for SPEs and Article 6.2 below, shares in the Special Purposes Entity shall be freely transferable among the Shareholders and their legal heirs as disclosed under the relevant prospectus or private placement offering memorandum (as applicable).

6.2 Subject to Article 22(c) of the Rules for SPEs, no Shareholder may assign, encumber or otherwise dispose or deal with (whether with or without consideration) the whole or any part of its rights, title or interests in its shares without the prior written consent of the other Shareholders

## **7. SHARE REGISTER**

7.1 The Special Purposes Entity shall maintain a share register in which it shall enter the names of the shareholders, the number of shares owned by each shareholder, and all transactions affecting the shares. The share register shall contain all of the following information:

- (a) the name of each Shareholder and, if a natural person, his occupation, nationality, address and identity card (or passport) number;
- (b) the number and value of the shares in the Special Purposes Entity owned by each shareholder in the Special Purpose Entity;
- (c) upon a transfer of shares:
  - (i) the number and value of shares which have been transferred, along with a description of the manner in which the shares were transferred – whether by sale, purchase, inheritance, gift or otherwise;
  - (ii) the name and signature of the transferor and the transferee;
  - (iii) the date of the transfer; and
  - (iv) the number and value of shares owned by each shareholder after any such transfer.

7.2 The pages of the share register shall be numbered sequentially. No page may be deleted nor any erasure or revision made to the information contained therein.

7.3 No transfer of ownership of shares in the Special Purposes Entity shall be effective against the Special Purposes Entity or any third party unless the transfer of ownership is entered in the share register.

7.4 The register shall be conclusive evidence of the persons entitled to the shares in the Special Purpose Entity.

## **8. DIRECTORS**

8.1 The Special Purposes Entity shall always have a minimum of two (2) Directors and may have a maximum of [insert maximum in words ([insert maximum as a number])].

8.2 A Director may be appointed or removed by a Shareholders' resolution. If the removal of a Director would cause the number of Directors to drop below the minimum number specified in Article 8.1 the Shareholders shall not remove that Director without simultaneously appointing a replacement.

8.3 A Director may resign by giving not less than [insert time period] written notice to the Special Purpose Entity. If the removal of a Director would cause the number of Directors to drop below the minimum number specified in Article 8.1, the Shareholders shall appointing a replacement before the date the Director's notice to resign becomes effective.

8.4 The Directors shall be entitled to such remuneration as the Shareholders may by resolution determine.

8.5 The business and day-to-day affairs of the Special Purposes Entity shall be managed by the Directors, who together shall have all powers and authorities as are not required by the Rules for SPEs or by these By-Laws or any agreement between the Shareholders to be exercised by the Shareholders, including (without limitation):

- (a) to represent the Special Purposes Entity before the Authority, all public notaries, courts, Government agencies, private authorities and other third parties;
- (b) to negotiate any contracts or other documents to be entered into by the Special Purposes Entity and, by executing such contracts or other documents in the name of the Special Purpose Entity, to bind the Special Purposes Entity to the terms of such contracts or other documents;
- (c) to appoint and dismiss the Special Purpose Entity's representatives, agents, and lawyers;

8.6 The Directors may delegate any of their powers or authorities to any person, including (without limitation) anything specified in Article 8.5 but, as required by Article 31 of the Rules for SPEs, shall retain ultimate liability for the exercise of any such delegated powers.

8.7 Subject to the following, the Directors may regulate their proceedings and resolution-making procedures as they see fit:

- (a) the quorum for a meeting of Directors shall be two (2);
- (b) a resolution in writing signed by all directors shall be as valid and effectual as if it had been passed at a meeting of directors;
- (c) a Director shall not vote on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty which is material and which conflicts or may conflict with the interests of the Special Purpose Entity.

## **9. REGISTER OF DIRECTORS**

9.1 The Special Purposes Entity shall maintain a register of Directors in which it shall enter the following details in relation to each Director:

- (a) name and address;
- (b) national identification number, permanent resident number or passport number, as appropriate;
- (c) nationality;
- (d) business occupation (if any);
- (e) date of appointment; and
- (f) date of removal or resignation (if applicable).

9.2 The pages of the Directors' register shall be numbered sequentially. No page may be deleted nor any erasure or revision made to the information contained therein.

## **10. GENERAL MEETINGS**

10.1 The Special Purposes Entity shall in each year during the six (6) months following the end of the Special Purpose Entity's financial year hold an Annual General Meeting of Shareholders:

- (a) to discuss and approve the balance sheet, profit and loss account and report on the financial position of the Special Purposes Entity for the foregoing year that the Directors have caused to be prepared, and the report those documents prepared by the Auditor of the Special Purpose Entity; and
- (b) to decide on the appointment of the Auditor for the following year and the amount of its remuneration.

10.2 All meetings other than such Annual General Meetings shall be called Extraordinary General Meetings. Annual General Meetings and Extraordinary General Meetings are collectively referred to herein as General Meetings.

10.3 An Extraordinary General Meeting shall be called by a decision of the Directors or at the request of:

- (a) the Auditor;
- (b) any shareholder or group of shareholders with a shareholding representing at least [20%] of the shares of the Special Purpose Entity; or
- (c) the Authority.

10.4 The Directors shall determine the date for General Meetings. The General Meetings shall be held at the Special Purpose Entity's Registered Office unless otherwise agreed by all the Shareholders.

10.5 General Meetings shall be called by at least twenty-one (21) days' notice in writing, unless all Shareholders have agreed to shorter notice. The notice for the General Meeting shall state the place, day, and time of the Meeting.

10.6 Such notices shall be sent to all the Shareholders and Directors, and shall include an agenda of items to be discussed at the General Meeting.

- 10.7 Each Shareholder shall be entitled to a number of votes equal to the number of shares held by it.
- 10.8 Resolutions duly passed in the General Meeting shall be binding on all Shareholders.
- 10.9 General Meetings may be held by conference telephone or video conferencing using equipment by which each participant can speak with and hear the others. Resolutions passed by the Shareholders in a meeting conducted by conference telephone or similar equipment shall be set forth in writing and circulated for signature to each Shareholder present at the meeting.
- 10.10 A Shareholder shall have the right to designate any person to attend General Meetings and to vote on its behalf by means of a written proxy.

## **11. SHAREHOLDERS' RESOLUTIONS**

- 11.1 Subject to Article 11.2, a Shareholders' resolution shall be adopted as follows:-
- (a) by the approval of a majority of Shareholders who own at least [insert majority required – not less than 75%] of the Special Purpose Entity's share capital in relation to any amendment to the By-Laws;
  - (b) by the approval of a majority of Shareholders who own at least [insert majority required – not less than 75%] of the Special Purpose Entity's share capital in relation to the adoption of third party obligations; and
  - (c) except as mentioned in paragraph (a) above, Shareholders' resolutions shall be adopted by the approval of Shareholders who own more than fifty percent (50%) of the Special Purpose Entity's share capital.
- 11.2 No amendment to the By-Laws which would be in breach of the Rules for SPEs shall be effective.

## **12. TRUSTEE OR AGENT**

Where the Special Purposes Entity makes an issuance of debt securities, the directors shall appoint an agent or trustee to represent the interests of the holders of those debt securities.

## **13. AUDITOR**

- 13.1 The Shareholders shall appoint an auditor, in accordance with Article 68 of the Rules for SPEs, annually by a resolution of the Annual General Meeting.
- 13.2 No person may hold the office of auditor and at the same time take part be a director of the Special Purposes Entity or perform any technical or administrative work for the Special Purpose Entity, even in an advisory capacity, nor may an auditor be a partner or an employee of, or be associated with any shareholder or director of the Special Purpose Entity.
- 13.3 The annual remuneration of the Auditor shall be fixed by a Shareholders' resolution.
- 13.4 The auditor may be removed at any time by a Shareholders' resolution, without prejudice to any right of the auditor to compensation. Where an auditor is removed the Shareholders shall adopt a resolution appointing as soon as is reasonably practicable.

## **14. BOOKS AND RECORDS**

- 14.1 The Directors shall be responsible for ensuring that proper books and records are kept in accordance with Article 70 of the Rules for SPEs.

- 14.2 Those books and records shall be kept at the Registered Office of the Special Purposes Entity (or such other place in the Kingdom of Saudi Arabia as the Directors may determine), and shall always be open to inspection by the Directors, Shareholders and the Authority.

## **15. FINANCIAL YEAR**

The financial year of the Special Purposes Entity shall commence on the date of its registration in the register prepared by the Authority and shall end on [insert Hegira date] H, corresponding to [insert Gregorian date] G, and each fiscal year thereafter shall be of twelve (12) months.

## **16. PROFIT DISTRIBUTION; TREATMENT OF LOSSES**

- 16.1 Any annual net profit of the Special Purpose Entity's, shall be divided among the Shareholders [in proportion to their share in the Special Purpose Entity's share capital] / [as follows [insert method for dividing profit]].
- 16.2 In the event of loss, such loss shall be divided among the Shareholders [in proportion to their share in the Special Purpose Entity's share capital] / [as follows [insert method for dividing loss]] or to be carried forward to the following fiscal year.

## **17. SINGLE SHAREHOLDER**

- 17.1 Where the Special Purposes Entity has only one Shareholder, the provisions of these By-Laws shall be construed accordingly. All Shareholder resolutions and other decisions required by these By-Laws or the Rules for SPEs to be made by the Shareholders shall be made by written resolution of the Shareholder rather than by a resolution passed at an Annual General Meeting or an Extraordinary General Meeting, as the case may be.
- 17.2 Where the Special Purposes Entity has only one Shareholder, the Shareholder may not give proxy, or otherwise delegate power, to another person to pass Shareholder resolutions on his behalf.

## **18. LIQUIDATION AND DISSOLUTION**

The Special Purposes Entity may be dissolved and liquidated in the circumstances provided for under the laws of the Kingdom of Saudi Arabia.

## **19. LAW AND ARBITRATION**

- 19.1 These By-Laws and the relationship between the Special Purpose Entity, the Shareholders, and the Directors are subject to the laws and regulations of the Kingdom of Saudi Arabia, in particular the Rules for SPEs.
- 19.2 Unless otherwise agreed by the Shareholders, any dispute, controversy, or claim arising out of or in connection with these By-Laws shall be settled by the Shareholders amicably. In the event that any such dispute cannot be resolved amicably within thirty (30) days from the date such dispute arose, then, unless otherwise agreed by the Shareholder, any Shareholder may submit the matter for final and conclusive decision by the Committee for the Resolution of Securities Disputes. Each Shareholder shall pay its own expenses pending the award thereof to the prevailing Shareholder.

## **20. MISCELLANEOUS**

- 20.1 Unless otherwise specified in these By-Laws, all notices to be served pursuant to these By-Laws shall be in the form of registered letters or confirmed facsimile, or shall be delivered by hand against a written acknowledgement or receipt at the Registered Office in the case of the Special Purpose

Entity, and in the case of the Shareholders at their addresses as shown in the register of Shareholders or such other address as notified by a Shareholder to the Board of Directors.

20.2 These By-Laws has been drafted and signed in Arabic and English. The Arabic version of these By-Laws shall be the authoritative version.

20.3 These By-Laws have been signed in [insert number of copies in words] ([insert number of copies in numerals]) copies in Arabic and English. One (1) copy is delivered to each Shareholder, and the remaining copies are to be used for the registration and publication formalities.

References in these By-Laws to years or months shall be Gregorian years or months.

**IN WITNESS WHEREOF**, these By-Laws was signed by the Sponsor [and the other Shareholders] or by their duly authorised representatives on the day and year first written above.

**[Insert name of Sponsor]**

**By:** \_\_\_\_\_

**[[Insert name of other Shareholder]**

**By:** \_\_\_\_\_ ]