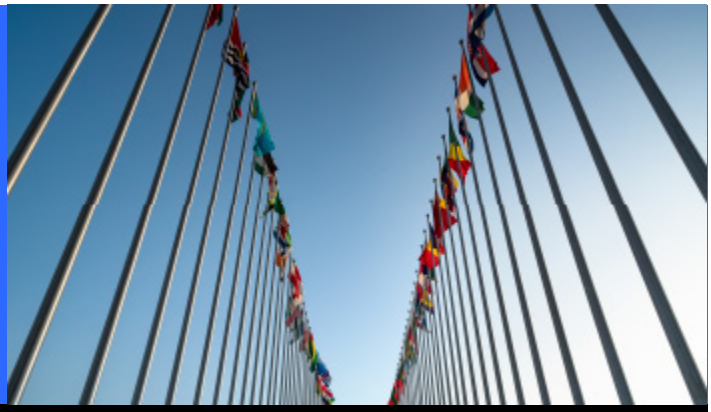
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Capital Markets Update November 3, 2026

Saudi CMA Issues New Requirements for IPOs: Hard Underwriting, Bookbuilding Controls and Mandatory Forward-Looking Disclosure

Effective 2 November 2026, the Saudi Capital Market Authority (CMA) now requires underwriters in IPOs to assume binding underwriting obligations before the start of bookbuilding, tightens the controls on institutional bids, and requires issuers to include forward-looking statements and financial performance indicators in the prospectus. Together, these changes reallocate risk among issuers, selling shareholders and underwriters, and will reshape how Saudi IPOs are prepared, marketed and priced.

On 28 October 2026, the Board of the Capital Market Authority (**CMA**) of the Kingdom of Saudi Arabia (**KSA**) approved the Regulatory Provisions to Enhance IPO Practices (the **Revised Rules**), after they were published for public consultation on 22 September 2026. The CMA announced the approval and published the Revised Rules by way of a circular on 2 November 2026, with immediate effect.

The Revised Rules are issued as standalone regulatory provisions, and they do not directly amend the Rules on the Offer of Securities and Continuing Obligations, which currently govern private and public offerings of securities (including IPOs), or the Instructions for Book Building Process and Allocation Method in Initial Public Offerings. Instead, they apply alongside those regulations and supplement specific provisions of each.

The CMA has built the Revised Rules around the objective of enhancing the reliability of the order book in IPOs as the basis for setting the offer price. They introduce three main changes:

- **Hard underwriting:** The underwriting agreement must be signed and in force before bookbuilding begins, with the underwriter committing to purchase all of the offer shares from that point, including where the issuer is unable to list.
- **Bookbuilding controls:** Investors' bids must reflect their real cash or cash-equivalent liquidity, and are binding for payment once made.
- **Forward-looking guidance:** The prospectus must include forward-looking financial performance indicators covering the remainder of the current financial period and at least the following financial year, prepared on reasonable and measurable grounds.

With underwriters committed from the outset and orders backed by real cash, price ranges will need to be set with greater discipline, and the guidance in the prospectus will carry more weight in how investors bid. More of the pricing risk will be assumed by the underwriters earlier in the process, and issuers and selling shareholders should expect this to shape how their deals are negotiated, structured and timed.

1. From Settlement Risk to Market Risk: Underwriters Commit Before the Book Opens

What has changed

Saudi Main Market IPOs have historically been subject to a full underwriting requirement. However, the underwriting agreement only had to be executed (and the underwriters' commitment attached) at pricing, after bookbuilding had closed and investor demand was known. This largely limited the underwriters' exposure to settlement risk, consistent with practice in many international markets.

The Revised Rules now require the underwriting agreement to be signed and in force before bookbuilding begins, with the underwriter's obligation to purchase all of the offer shares becoming effective before bookbuilding commences. Underwriters will therefore remain committed throughout the price discovery process, before the strength of investor demand is known. This gives underwriters a direct stake in the outcome of the offering and brings the Saudi framework closer to a firm commitment model, while transferring meaningful risk from issuers and selling shareholders to the underwriting syndicate.

Key implications

The earlier commitment changes the economics and mechanics of an IPO for all parties:

- **Market risk:** Underwriters will now bear the risk of weak demand for the full bookbuilding period, and will be required to take up any shares not placed with investors. Internal commitment approvals will therefore need to be obtained before launch, on the basis of pre-marketing feedback rather than a closed book.
- **Valuation and price range:** Because underwriters will be exposed to taking up the full offering, they are likely to push for more conservative and narrower price ranges, and to place greater weight on early investor feedback. Issuers and selling shareholders should anticipate this in their valuation expectations.

- **Commitment price:** The Revised Rules do not specify the price at which the commitment applies. Since the final offer price is not known when the commitment takes effect, the most workable approach appears to be a two-stage commitment. Until pricing, the underwriters' commitment would apply at the bottom of the price range. Once the shares are priced and placed, it would convert into a settlement commitment at the final offer price.
- **Conditions and termination:** The Revised Rules do not address whether, and to what extent, the underwriting commitment may be subject to conditions or termination rights. Because the commitment must be in force from the start of bookbuilding, conditions linked to the level of demand or to agreement on pricing are unlikely to be consistent with the Revised Rules. Customary protections, such as termination for material adverse change or force majeure, are not expressly excluded, but the extent to which the CMA will accept them remains to be seen. Parties should expect these provisions to be closely negotiated, and clarification may follow in the FAQs the CMA has indicated it will publish.
- **Front-loaded documentation and diligence:** The underwriting agreement, and the deliverables that support it, such as legal opinions, comfort letters and officers' certificates, will be required at launch rather than at pricing.
- **Underwriting capacity:** A commitment that remains live throughout bookbuilding will attract capital under the Prudential Rules for longer, which may limit the number of offerings an institution can underwrite at the same time, particularly in busy issuance windows.
- **International bank participation:** International banks with a U.S. presence (including many international banks active on Saudi IPOs) may face additional challenges under U.S. banking regulations, such as the Volcker Rule, in assuming an underwriting commitment before bookbuilding begins. Issuers should engage early with prospective syndicate banks to confirm their ability to participate under the new framework, as this may affect the composition of the syndicate and access to international investors.

Practical considerations

Beyond the underwriting agreement itself, the timing at which this commitment attaches (i.e., before bookbuilding starts) is likely to have broader consequences for how offerings are structured and executed. Underwriters may seek to manage their increased exposure through higher fees, more conservative price ranges or larger syndicates, and early investor education and cornerstone commitments are likely to play a greater role in building confidence before the book opens. For issuers and selling shareholders, this means that key underwriting terms should be agreed well in advance, so that the offering timetable is not affected.

2. <u>When Listing Fails: Underwriters Stand Behind the Full Offering</u>

What has changed

The previous framework did not address what would happen if an underwriter's take-up of offer shares caused the issuer to fall short of the requirements for listing, such as those relating to public float and the minimum number of public shareholders. The Revised Rules now provide that, in that case, the issuer's shares will not be listed and the underwriter must nonetheless purchase all of the offer shares. The offering is therefore completed even though the issuer remains a private company. The Revised Rules also permit the underwriting agreement to set out a mechanism for dealing with those shares.

Key implications

This is an unusual commitment by international standards. In most markets, admission to listing is a fundamental condition precedent to the underwriting commitment: if admission does not occur, the underwriters' obligations fall away, the offering lapses and subscription monies are returned. Under the Revised Rules, the commitment survives a failed listing, effectively converting an underwriting position into a long-term principal investment in a company with no public market for its shares. The implications for underwriters are significant:

- **Purchase price:** The Revised Rules do not specify the purchase price in this scenario, and this point will need to be addressed in the transaction documents.
- **Capital and risk appetite:** A material stake in an unlisted company is likely to attract a heavier capital treatment under the Prudential Rules than a short-term underwriting exposure, and may test internal concentration limits, particularly for smaller syndicate members. For banks with a U.S. presence, U.S. regulatory considerations, including the Volcker Rule, may further limit their ability to hold a stake in an unlisted company following a failed listing.
- **Regulatory approvals:** Depending on the size of the stake and the issuer's sector, the acquisition may require merger control clearance or sector regulator consent, which would need to be anticipated in advance.
- **Exit and shareholder rights:** Underwriters will be concerned with governance and information rights, transfer restrictions and a realistic path to exit, whether through a private sale or a future listing attempt, none of which are typical features of IPO documentation. The ability to agree a mechanism for dealing with the shares in the underwriting agreement provides a contractual route to address these points upfront.

Practical considerations

We expect underwriters to price this risk into their participation and to look for ways to mitigate it. This may take the form of higher fees, more conservative price ranges, or greater reliance on cornerstone commitments to reduce the likelihood of a failed listing. A larger number of underwriters may also be appointed, so that the exposure of each institution in a non-listing scenario is reduced to a manageable level.

In secondary offerings, underwriters may further seek back-to-back arrangements with the selling shareholders, under which any shares acquired by the underwriters in a non-listing scenario would be sold back to the selling shareholders on pre-agreed terms. The express recognition in the Revised Rules that the underwriting agreement may set out a mechanism for dealing with the shares provides a basis for such arrangements, although their structuring will still need to be considered carefully.

Some institutions may also limit the size of their commitments, which could concentrate underwriting capacity among those with larger balance sheets. For issuers and selling shareholders, the provision offers considerable certainty of execution, but they should engage with their underwriters early on how the non-listing scenario will be documented, and on how far any of these protections can be accommodated within the CMA's objective of a firm commitment from the start of bookbuilding.

3. Real Money, Real Orders: Tighter Discipline in Bookbuilding

What has changed

Bookbuilding is the central price-setting mechanism in Saudi IPOs, and its reliability depends on the quality of the orders placed. The CMA has already been requiring financial advisors to obtain proof of funds from institutional investors participating in the bookbuilding process. In practice, however, many recent IPOs have been heavily oversubscribed, with headline coverage levels that did not always reflect the demand investors were in a position to fund, and verification practices have varied across institutions.

The Revised Rules formalize these requirements, so that all bookrunners apply the same discipline in tying institutional bids to investors' actual capacity to pay. Bids will be accepted only through the official channel designated by the issuer's financial advisor and within the timeframe set out in the prospectus, with any change made through a revised or supplementary bid. Each bid must reflect the true value of the liquidity available to the investor, and verification of financial solvency will be limited to cash or cash equivalents, such as securities that can be converted into cash within the funding period. In addition, a bid at any price within the range will be treated as covering all lower price points, and official bids will be binding for payment no later than the final funding date.

Key implications

These controls should make the order book a more reliable indicator of real demand, but they will require a change in approach from institutional investors:

- **Cash-backed orders:** Investors will need to evidence cash or cash-equivalent resources for the full size of their bids, and bids that rely on less liquid assets may need to be resized or restructured. Since other common evidence of funding capacity, such as committed credit facilities, may not qualify, some investors may need to set aside or raise cash in advance, including by selling existing holdings.
- **Price-sensitive orders:** The Revised Rules confirm the market convention that a bid at a given price also covers all lower prices in the range, so investors should size bids on the basis that they may be allocated at any price at or below their bid.
- **Binding payment:** The payment obligation should be factored into liquidity planning, particularly where investors participate in several offerings at the same time. It also strengthens the position of the issuer and underwriters against investors who fail to pay, an important protection now that underwriters are committed from the start of bookbuilding.
- **Coverage levels:** Headline oversubscription levels are likely to be lower than in recent IPOs, but more representative of executable demand, which should in turn support more robust pricing and aftermarket performance.

Practical considerations

For issuers and their advisors, market messaging around coverage levels should be calibrated to reflect the new basis on which orders are placed. Bookrunners will need to ensure that their bidding process, solvency verification procedures and order intake systems are consistent with the Revised Rules, and maintain records supporting each verification. Institutional investors, for their part, should review their internal bidding and funding processes ahead of their first

participation under the new framework, so that their bids can be verified and settled without delay.

4. Guidance Goes Public: Forward-Looking Disclosure Moves into the Prospectus

What has changed

Forward-looking financial information has long played an important role in Saudi IPOs, but it has generally sat outside the prospectus. Issuers have typically communicated financial guidance to research analysts and institutional investors during the marketing process, with supporting materials made available to the public through the physical data room, while the prospectus itself did not include any such projections.

The Revised Rules bring this information into the prospectus. Issuers must now include forward-looking statements and expectations, including financial performance indicators covering the remainder of the current financial period following the last financial period included in the prospectus and at least the following financial year, which must be clear, not misleading and based on reasonable and measurable grounds, and must be included in the documents available for inspection. For example, where an issuer's financial year ends on 31 December and the latest financial period included in the prospectus ends on 30 June 2026, the forward-looking statements must cover the period from 1 July to 31 December 2026 and, at a minimum, the financial year ending 31 December 2027. The financial advisor, in turn, must exercise the necessary professional care and reach a reasonable opinion on these statements. The Revised Rules also require the prospectus to include clear disclosure of the methodology used to prepare these statements, the material assumptions on which they are based, and the key risks and factors that could cause actual results to differ. As a result, the core guidance on which investors base their bids will be available to all investors on the same basis.

Key implications

This is the most significant change for issuers, and it raises a number of disclosure and liability questions:

- **Scope of disclosure:** The Revised Rules require forward-looking financial performance indicators, but do not specify whether the CMA expects directional financial guidance or a profit forecast. The distinction is significant. Guidance on the outlook for key financial items leaves issuers more room to meet expectations, whereas a profit forecast (under UK and EU practice, any statement from which a figure or range for profits can be calculated) typically carries heavier verification requirements and greater liability exposure. Pending further clarity, issuers will need to consider which indicators to disclose, and whether to present ranges rather than point figures, and should engage with the CMA early on the expected level of disclosure.
- **Business plan readiness:** Issuers will need to pay closer attention to the readiness of their business plans, which will now underpin public prospectus disclosure rather than marketing materials alone. The underlying assumptions should be reasonable, well documented and capable of withstanding scrutiny by the financial advisor and investors, and the principal assumptions should be clearly identified, distinguishing between factors within management's influence and those outside its control. As required by the Revised Rules, the methodology, material assumptions and key risks underlying the guidance should be clearly disclosed.

- **Liability:** The forward-looking statements will form part of the prospectus for liability purposes under the Capital Market Law, and board approval and verification processes will need to reflect this.
- **Time horizon:** The Revised Rules require indicators covering the remainder of the current financial period and at least the following financial year. For many issuers, guidance will therefore extend across more than one reporting period, increasing both the diligence burden and the exposure after listing.

Practical considerations

The new requirement will add to the diligence workstream. Financial advisors will need a documented basis for their reasonable opinion, and we expect broader use of commercial due diligence on the business plan and of reporting accountant procedures on any profit forecast. The scope of this work should be agreed with the auditors and commercial due diligence advisors at an early stage. In addition, analyst research, investor presentations and management meetings should be fully consistent with the prospectus.

Looking beyond the IPO, issuers will be measured against the guidance they publish. It should therefore be set at a level they are confident of meeting, and performance against it should be monitored in light of their continuing disclosure obligations.

What It Means for the Saudi IPO Market

The Revised Rules are a significant step in the CMA's efforts to strengthen price discovery and investor protection in Saudi IPOs. At the same time, they depart in several respects from established international practice, and their full impact will depend on how market participants adapt. We expect the Revised Rules to affect the market in the following ways:

- **More reliable order books:** Linking investor bids to real liquidity and binding payment obligations should make the order book a more accurate measure of demand, supporting more robust pricing and aftermarket performance.
- **Greater underwriter exposure:** An underwriting commitment that is live during bookbuilding gives underwriters a direct economic stake in the outcome of the bookbuild. Underwriters taking on this risk earlier may also take a more cautious approach to pricing and to the size of the offering.
- **Greater role for cornerstone investors:** With underwriters exposed from the outset, cornerstone and anchor commitments secured before launch are likely to become a more important tool for derisking offerings, and may be sought earlier and in larger proportions.
- **Greater transparency:** Forward-looking disclosure in the prospectus gives all investors, including retail investors, access to the same core guidance, on a basis subject to verification and liability. Issuers, their boards and financial advisors will need to approach this disclosure with care, given the inherent uncertainty of projections and the related liability exposure. Once listed, that guidance will also become a public benchmark against which the issuer's performance is measured, placing greater emphasis on investor relations.
- **More selective pipeline:** The higher preparation burden and the earlier commitment of underwriters may lead to more careful assessment of IPO readiness, longer preparation timelines and more conservative valuation expectations, particularly for smaller or less

established issuers. Some issuers may also reconsider their timing or weigh alternative routes to liquidity.

- **Changes in syndicate composition:** The appetite and ability of banks, particularly international banks, to act as underwriters under the new framework may vary. This could shape the size and make-up of syndicates and the reach of offerings to international investors.
- **Changes to deal economics:** Issuers and selling shareholders should anticipate discussions on underwriting fees and price range setting, reflecting the reallocation of risk. Commercial due diligence advisors and reporting accountants are also likely to play a larger role, adding to transaction costs and to the time required to prepare an offering.

Getting Deal-Ready: Practical Considerations

Stakeholder	Key actions
Issuers and selling shareholders	• Assess IPO readiness against the forward-looking disclosure requirement, including stress-testing the business plan and its assumptions • Ensure the equity story, analyst presentations and research are consistent with the guidance in the prospectus • Brief the board early on directors' responsibility for forward-looking statements • Agree scope of commercial due diligence and accountant procedures early • Consider syndicate composition early, taking into account the appetite and regulatory constraints of international banks • Negotiate underwriting terms (commitment price, conditions, termination, non-listing scenario) as early as possible • Prepare for the non-listing scenario, including corporate approvals and the agreed mechanism for dealing with the shares (such as back-to-back arrangements) • Prepare investor relations capability to manage market expectations against published guidance after listing
Financial advisors and underwriters	• Update engagement letters, underwriting agreements and bid forms • Agree the basis for the "reasonable opinion" on forward-looking statements and document the supporting diligence • Assess the capital impact of earlier commitments under the Prudential Rules • Assess internal regulatory constraints, including, for international banks, home-country rules on underwriting positions and holdings in unlisted companies

	• Agree upfront in the underwriting agreement the mechanism for dealing with shares acquired in a non-listing scenario, including any back-to-back arrangements with selling shareholders • Establish procedures to verify investor liquidity and process order amendments and cancellations through formal channels, with appropriate record-keeping • Refine investor education and cornerstone strategies to derisk the book
Institutional investors	• Review internal bidding and funding processes to evidence cash or cash-equivalent capacity for the full size of orders • Size orders on the basis that a bid covers all lower prices within the price range • Factor the binding payment obligation into liquidity planning across concurrent offerings

Transactions that are already in progress should be reviewed against the Revised Rules without delay, since submissions to the CMA from 2 November 2026 are expected to comply with the Revised Rules.

Looking Ahead

The Revised Rules mark a notable change in the Saudi IPO framework, with a clear emphasis on the reliability of demand, the accountability of underwriters and the quality of information available to investors. Several practical questions, including the price and conditions of the underwriting commitment and the expected depth of forward-looking disclosure, are likely to be settled through market practice and further CMA guidance. The CMA has indicated that it will publish frequently asked questions on the Revised Rules, which may address some of these points. We will continue to monitor developments and expect early transactions under the new framework to set important precedents.

The following Gibson Dunn lawyers prepared this update: Najla Al-Gadi and Ibrahim Soumrany.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding these developments. If you wish to discuss any of the matters set out above, please contact the Gibson Dunn lawyer with whom you work or any member of Gibson Dunn's Capital Markets team, including the following members in Riyadh:

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