Instructions for Approval to Establish Endowment Investment Funds

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Article (1): Definitions

Unless the context requires otherwise, the terms and expressions listed below shall, wherever mentioned in these Instructions, have the meanings indicated next to each of them below:

01 **The Authority (GAA):**
The General Authority for Awqaf.

02 **Instructions:**
Instructions for approval to establish endowment investment funds.

03 **The Fund:**
An endowment investment fund with all its units endowed.

04 **The Endower (Waqif):**
The person who establishes the endowment.

05 **The Trustee (Nazir):**
The board of directors of the fund.

06 **The Beneficiary:**
One or more non-profit entities licensed within the Kingdom.

07 **Fund Manager:**
A person licensed by the Capital Market Authority (CMA).

08 **The Regulation:**
The Investment Funds Regulation issued by the Capital Market Authority (CMA).

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Article (2): Objective

These Instructions aim to regulate the Authority's approval process for requests to establish funds, in order to meet community needs through the investment of the fund's endowed units.

Article (3): General Provisions

01 The fund is subject to these Instructions and any regulations issued by the Authority, as well as related regulations issued by the Capital Market Authority.

02 The Authority may impose a fee on the Fund Manager at the Authority's discretion.

03 Without prejudice to the requirements stated in the Regulation, merging endowed funds is not allowed without obtaining the Authority's approval.

Article (4): Approval Requirements

4-1

Upon establishing the fund, the Fund Manager must submit a request for approval to the Authority, including a memorandum of understanding signed between the Fund Manager and the Beneficiary, as well as a draft of the terms and conditions, prior to submitting the fund establishment request to the Capital Market Authority. The draft must include the following:

01. Objectives of the fund.

02. A binding, written, executed, and perpetual endowment declaration.

03. A statement that the endowment is established upon the launch and operation of the fund.

04. Identification of the Beneficiary, along with a brief about it, its activities, and licensing details.

Article (4): Approval Requirements

05. A statement indicating the entity to which the endowed units will be transferred in the event of liquidation or termination of the fund.

06. Profit distribution policy, provided that the share of profits distributed to the Beneficiary is not less than 50% annually from the fund's net distributable profits, if any.

07. Delegation by the Endower (Waqif) of all his powers and rights stated in these Instructions and the regulation to the Trustee in the event of his death or legal incapacity.

08. Any other information the Authority requires to be added.

4-2

The Fund Manager must obtain the Authority's approval before making any changes related to the requirements mentioned in Paragraph (1-4).

Article (5): Withdrawal of the Fund Approval

The Authority may issue a decision to withdraw or suspend its approval in any of the following cases:

01 If the Fund Manager commits an action that the Authority considers a critical failure to comply with the Instructions.

02 Based on a request from the Beneficiary.

03 Any other fundamental reason at the Authority's discretion.

Article (6): Endowers' (Waqifs) Assembly Meetings

The rules governing the unit holders meeting in the Regulation apply to meetings of the Endowers.

Article (7): Disclosure

Subject to the Regulation, the Fund Manager must:

01. Submit all preliminary and annual reports issued by the fund to the Authority within 5 days from request.

02. Submit to the Authority within 10 days after the offering period ends, a statement of the offering results.

03. Indicate the date when the fund units were terminated and registered to unit holders.

Article (8): Disposition of Endowed Assets Upon Fund Termination

8-1

Without prejudice to the endowment nature of the fund, and the laws, regulations, and instructions applicable to the fund, the Fund Manager must notify the Authority if he wishes to terminate the fund, with a statement of reasons for doing so.

8-2

The fund is terminated after obtaining the necessary regulatory approvals, including the Authority's approval.

8-3

The fund's assets shall be disposed of after liquidation according to the fund's terms and conditions. If this is not possible, the Authority may, at its sole discretion, transfer them to another Beneficiary, in a manner that does not contradict the endowers' stipulations.

Article (9): Publication and Enforcement

These Instructions shall come into effect from the date of their publication.

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