



**Bureau of Experts at the Council of Ministers
Official Translation Department**

Law of Collective Real Estate Investment Schemes

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Translation of Saudi Laws

NOTES:

1. This translation is provided for guidance. The governing text is the Arabic text.
2. The translation of Saudi laws takes the following into consideration:
 - Words used in the singular form include the plural and vice versa.
 - Words used in the masculine form include the feminine.
 - Words used in the present tense include the present as well as the future.
 - The word “person” or “persons” and their related pronouns (he, his, him, they, their, them, and who) refer to a natural and legal person.



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Law of Collective Real Estate Investment Schemes

Chapter 1: Definitions and General Provisions

Article 1

In this Law, the following words and phrases shall have the meanings assigned thereto, unless the context requires otherwise:

Law: Law of Collective Real Estate Investment Schemes.

Regulations: Implementing Regulations of this Law.

Authority: Real Estate General Authority.

Board: Board of Directors of the Authority.

CEO: Chief Executive Officer of the Authority.

Collective Real Estate Investment Scheme: A real estate development project in which a group of persons invest to realize a benefit by owning a real estate and developing it into a residential, commercial, industrial, or agricultural property or any other type of property. Such developed real estate is then sold and the scheme is terminated. This shall not include real estate investment funds.

Investor: A person who is an owner in common in a collective real estate investment scheme.

License: A license issued by the Authority for a collective real estate investment scheme.

Licensee: A person holding a license.

Manager of the Collective Real Estate Investment Scheme: A person who is appointed to manage the collective real estate investment scheme.

Escrow Account: The bank account of a collective real estate investment scheme.

Investors Register: A register in which the names of investors as well as their shares and any change to the ownership thereof are recorded.

Assembly: Assembly of investors.

Article 2

This Law aims to regulate the collective real estate investment schemes activity, raise the level of transparency and disclosure therein, and protect the rights of all parties to the investment scheme.



Article 3

Without prejudice to the functions of other government agencies, the Authority shall regulate the collective real estate investment schemes activity in accordance with this Law and the Regulations. The Authority shall in particular undertake the following:

1. Issuing, amending, and canceling licenses. The Regulations shall specify the conditions, requirements, and procedures necessary therefor.
2. Classifying collective real estate investment schemes according to size, type, or location, and setting the conditions, requirements, and time periods therefor according to their classification.
3. Setting the conditions for the qualification and classification of real estate developers for the purpose of offering collective real estate investment schemes.
4. Setting the conditions for the qualification and classification of persons engaging in the collective real estate investment schemes activity.
5. Setting the criteria for determining the fees and commissions of licensees.
6. Monitoring and supervising collective real estate investment schemes.

The Authority may seek the assistance of other government agencies or private sector entities to carry out any task assigned thereto under this Law or the Regulations.

Article 4

A collective real estate investment scheme may not be offered, advertised, or marketed, and funds may not be raised therefor without the approval of the Capital Market Authority and prior to obtaining a license from the Authority in accordance with the provisions of this Law and the Regulations. Such scheme shall satisfy the following requirements:

1. The real estate subject of the collective real estate investment scheme must be owned pursuant to a valid title deed with sound integrity pursuant to a statement from the issuing authority.
2. The approvals necessary for the development of the real estate subject of the collective real estate investment scheme must be obtained from the relevant agencies, subject to the Regulations.

Chapter 2: Licenses and Subscriptions

Article 5

The licensee must be qualified and classified by the Authority to engage in the collective real estate investment schemes activity as specified in the Regulations.

Article 6

The capital of a collective real estate investment scheme shall be determined by a licensed valuation entity based on the estimated cost, and such capital shall be approved by the Authority and the Capital Market Authority in accordance with the Regulations. The number of shares and their value shall be determined based on such capital.



Article 7

The Authority may require adding to the capital of the collective real estate investment scheme a reserve amount not exceeding 15% of its estimated cost to cover any unanticipated additional expenditures. Disbursement of the reserve amount shall be subject to the approval of the assembly. The Regulations shall specify the necessary conditions therefor and the manner of returning the reserve amount to the investors if not used.

Article 8

The investor shall have the right to participate in the collective real estate investment scheme with an in-kind or cash contribution. The Regulations shall specify the types of in-kind contributions and the conditions therefor.

Article 9

1. The capital of the collective real estate investment scheme shall be divided into shares of equal value and rights, and the investor's liability shall be limited to the amount of shares he owns in the investment scheme.
2. The Capital Market Authority shall regulate the investors register for the collective real estate investment scheme.

Article 10

The capital of the collective real estate investment scheme may not be used to extend loans; however, loans may be obtained using the funds or assets of the investment scheme as security, if provided for in the investment scheme agreement. The Regulations shall specify the governing provisions.

Article 11

The net assets of the collective real estate investment scheme, whether fixed financial and in-kind assets or rights with third parties, shall be owned by the collective real estate investment scheme. The rights of the creditors of the investors, the licensee, or the manager of the collective real estate investment scheme shall be limited to their shares in the collective real estate investment scheme, and shall not include the funds or assets of the investment scheme.

Article 12

1. The licensee's share in the collective real estate investment scheme shall not be less than the percentage specified in the Regulations, and he shall retain such percentage until the termination of the real estate investment scheme.
2. The remaining investors in the collective real estate investment scheme may dispose of their shares in accordance with the conditions specified in the Regulations.



Chapter 3: Management of the Collective Real Estate Investment Scheme

Article 13

The licensee shall be responsible for all matters relating to the collective real estate investment scheme towards the investors, the Authority, the Capital Market Authority, and any relevant government agencies and third parties. The Regulations shall specify the licensee's powers and the limits of his responsibilities.

Article 14

Subject to the provisions of Article 19 of this Law, the licensee shall supervise the work of the manager of the collective real estate investment scheme and enable him to carry out his duties.

Article 15

The licensee shall open an escrow account with a licensed bank in the name of the collective real estate investment scheme. The Authority shall, in coordination with the Saudi Central Bank, set the necessary controls for the escrow account.

Article 16

The Capital Market Authority shall regulate the issuance of a collective real estate investment scheme certificate establishing the investor's ownership of a share in the investment scheme.

Article 17

The collective real estate investment scheme shall acquire legal personality upon the issuance of the license by the Authority and shall be subject to this Law and the Regulations.

Article 18

The licensee shall appoint a chartered accountant and engineering consultant for each collective real estate investment scheme. The Regulations shall specify the conditions and requirements for the appointment of said accountant and consultant as well as their responsibilities, duties, work procedures, and liabilities relating to the investment scheme.

Article 19

The collective real estate investment scheme shall be managed by the manager of the investment scheme who is appointed by the licensee. The Regulations shall specify the conditions and requirements for the appointment of said manager as well as his powers, duties, and responsibilities.



Article 20

The licensee, the Authority, and the assembly shall have the right to dismiss the manager of the collective real estate investment scheme as specified in the Regulations if said manager abuses his powers or breaches his obligations, without prejudice to any other penalty that may be imposed on him.

Article 21

Without prejudice to the provisions of Article 14 of this Law, neither the licensee nor the manager of the collective real estate investment scheme may take any decision or action in case of an existing or potential conflict of interest in such decision or action. The Regulations shall specify the manner of dealing with cases of conflict of interest.

Chapter 4: Assembly of Investors

Article 22

The collective real estate investment scheme shall have an assembly consisting of the investors registered in the collective real estate investment scheme register. The Regulations shall specify the powers of the assembly.

Article 23

Assembly meetings shall be held upon a call by the licensee, the manager of the collective real estate investment scheme, or investors representing 10% of the capital of the collective real estate investment scheme, or at the request of the Authority; the meeting venue shall be specified in the meeting invitation.

Article 24

The licensee or his representative shall preside over assembly meetings, and all the investors shall have the right to attend said meetings.

Article 25

The first assembly meeting shall not be valid unless attended by investors representing at least two-thirds of the capital of the collective real estate investment scheme. If the necessary quorum is not met at the first meeting, a call shall be made for a second meeting to be held within fifteen days following the first meeting. The second meeting shall not be valid unless attended by investors representing at least half of the capital of the collective real estate investment scheme. Assembly decisions in the first and second meetings shall be passed by the majority vote of the shares represented at the meeting; in case of a tie, the vote shall be repeated. If the necessary quorum is not met at the second meeting, a call shall be made for a third meeting to be held within seven days following the second meeting. Such meeting shall be valid regardless of the percentage of shares



represented therein, provided that the number of attendees is not less than three. Assembly decisions shall be passed by the majority vote of the shares represented at the meeting.

Article 26

Assembly meetings may be held and decisions voted on by means of technology as specified in the Regulations.

Chapter 5: Termination of a Collective Real Estate Investment Scheme

Article 27

The assets of the collective real estate investment scheme may only be sold after valuation thereof by accredited valuers in accordance with the Accredited Valuers Law and the procedures specified in the Regulations. Any action entailing a breach of the provisions of this Article shall be deemed null and void.

Article 28

The sale of the assets of the collective real estate investment scheme shall be through one of the following methods:

1. Sale by public auction.
2. Direct sale of all or part of the assets.
3. Any other method specified in the Regulations.

Article 29

Without prejudice to Article 17 of this Law, the collective real estate investment scheme shall retain its legal personality until its liquidation is completed, and shall terminate in any of the following cases:

1. If it is sold in accordance with the provisions of this Law and the Regulations.
2. If its term expires, unless such term is extended in accordance with the provisions of this Law and the Regulations.
3. If the purpose for which it was created becomes impossible to achieve.
4. If it is canceled in accordance with the provisions of this Law and the Regulations.
5. If a final court judgment for its liquidation is issued.

Article 30

All the financial returns of the collective real estate investment scheme shall be directly deposited into the escrow account.



Chapter 6: Violations and Penalties

Article 31

Violations of the provisions of this Law or the Regulations shall be detected and recorded by Authority employees and by the employees of any other entity whose assistance the Authority decides to seek; such employees shall be appointed pursuant to a decision by the CEO upon the approval of their entities. Detection officers may access sites and projects related to the activities covered by this Law, including the licensee's offices. Said officers shall, under the Authority's supervision, detect and record violations and seize relevant documents and evidence in accordance with the detection and recording procedures issued by the Authority. Such officers may seek the assistance of law enforcement agencies when necessary. The Regulations shall specify their work procedures, powers, and remuneration.

Article 32

Without prejudice to the provisions of Article 35 of this Law, any person who violates any of the provisions of this Law or the Regulations shall be subject to one or more of the following penalties:

1. Warning.
2. Suspension of the license for a period not exceeding one year.
3. Cancellation of the license.
4. A fine not exceeding ten million (10,000,000) riyals.
5. Barring the licensee or the manager of the collective real estate investment scheme from performing any activities related to collective real estate investment schemes for a period not exceeding ten (10) years.

The Board shall issue a table containing a classification of the violations and the penalties prescribed therefor in accordance with the provisions of this Article.

Article 33

A committee or more shall, pursuant to a decision by the CEO, be formed consisting of not less than three members, including a Sharia or legal advisor; one of the members shall be named the chairman. Such committee(s) shall review the violations and impose the penalties stipulated in Article 32 of this Law, according to the type, gravity, and impact of the violation. The committee's decisions shall be approved by the CEO or his designee. The CEO shall issue the committee's procedures and determine the remuneration of its members.

Article 34

Decisions of the committee referred to in Article 33 of this Law may be appealed before the Administrative Court within sixty days from the date of notification.



Article 35

Without prejudice to any other penalty provided for in any other law, a person who violates any of the provisions of Articles 4, 21, 27, and 30 of this Law shall be subject to imprisonment for a period not exceeding three years, and shall be referred to the Public Prosecution for investigation and prosecution before the competent court.

Chapter 7: Final Provisions

Article 36

Without prejudice to the functions of the Authority, the Capital Market Authority shall regulate, in agreement with the Authority, the collection of funds for the purpose of offering a collective real estate investment scheme.

Article 37

The Board shall issue the Regulations in agreement with the Capital Market Authority within one hundred and twenty days from the date of issuance of this Law. The Regulations shall become effective from the date this Law enters into force.

Article 38

This Law shall be published in the Official Gazette and shall enter into force one hundred and twenty days following the date of its publication, and it shall repeal any provisions conflicting therewith.