



Implementing Regulations of the Law of Collective Real Estate Investment Schemes

January ٢٠٢٤



Article ١

The definitions provided in Article ١ of the Law shall apply to these Regulations. The following words and phrases, wherever mentioned in these Regulations, shall have the meanings assigned thereto, unless the context requires otherwise:

License Applicant: A real estate developer applying for a collective real estate investment scheme license.

Collective Real Estate Investment Scheme Capital: The contributions provided in cash and in-kind for a collective real estate investment scheme, divided into shares of equal value.

Collective Real Estate Investment Scheme Agreement: The agreement between the licensee and the investors for the purposes of collective real estate investment scheme.

Article ٢

A real estate development project, as outlined in Article ١٠ of the Law, shall require a license if it involves five or more persons.

Article ٣

Collective real estate investment schemes are classified by capital size as follows:

- a. Small Collective Real Estate Investment Schemes: Capital of less than (fifty) million riyals.
- b. Medium Collective Real Estate Investment Schemes: Capital between (fifty) million riyals and (three hundred) million riyals.
- c. Large Collective Real Estate Investment Schemes: Capital exceeding (three hundred) million riyals.

Article ٤

Multiple collective real estate investment schemes may not be licensed for the same property within the same time period.

Article ٥

The property subject of the collective real estate investment scheme shall be in one of the following forms:

١. It shall be an in-kind contribution registered in the collective real estate investment scheme.
٢. It shall be purchased for the benefit of the collective real estate investment scheme.

Article ٦

١. If the property is to be purchased for the benefit of the collective real estate investment scheme, an agreement shall be signed with the property owner, stipulating his obligation to transfer the ownership to the collective real estate investment scheme upon the issuance of the license.
٢. The property owner shall transfer ownership of the property subject of the collective real estate investment scheme after the license is issued and before the offering and collecting of funds for the scheme. The sale agreement shall specify that the transfer of ownership is contingent on the timely payment of the due amount.
٣. Participation in a collective real estate investment scheme may be made through an in-kind contribution, in the form of a property to be the subject of the scheme, provided that the in-kind contribution:
 - a. is owned by the investor at the time of the contribution.
 - b. is included in the Collective Real Estate Investment Scheme Agreement.
٤. The investor shall transfer ownership of the property to the collective real estate investment scheme no later than five working days upon the issuance of the license.
٥. If the offering and the collection of funds for the collective real estate investment scheme are not completed, the property ownership shall revert to the original owner pursuant to a letter from REGA.
٦. The investor shall retain full ownership of his in-kind contribution during the first year the collective real estate investment scheme and may dispose of no more than ٥٠% of his shares during the second year, until the expiration of the investment scheme.

Article ٧

The provisions regulating the collective real estate investment scheme offering, advertising, marketing, and collection of funds, issuance of associated certificates, and the maintenance of the investors' register, shall in accordance with the CMA's Instructions on the Offering of Collective Real Estate Investment Scheme Certificates.

Licensing Procedures

Article ٨

The license application shall be submitted to REGA on the form prepared by REGA for this purpose, and shall be accompanied by the following:

١. A certificate from a licensed credit services provider, confirming the integrity of the applicant's credit record. The certificate issuance date shall not exceed (three) months from the application date.
٢. The real estate register number or the title deed of the property subject of the collective real estate investment scheme, which shall be valid and nontransferable, based on a statement from the issuing authority.
٣. The necessary regulatory approvals, as the case may be, from the Ministry of Municipal and Rural Affairs and Housing, the Ministry of Energy, REGA, or other relevant government agencies, in compliance with their regulations.
٤. A feasibility study in Arabic for the collective real estate investment scheme, certified by a licensed firm in the Kingdom, which includes the estimated financial, construction, and marketing data, expected financial and administrative expenses of all development works of the collective real estate investment scheme project, estimated completion time, implementation phases, expected financing sources, and the possibility of adding the reserve amount.
٥. A description of the property subject of the collective real estate investment scheme.
٦. Specifying the collective real estate investment scheme capital.
٧. The form of the collective real estate investment scheme agreement.
٨. Agreement entered into with engineering consultant, outlining his duties and responsibilities.
٩. Agreement entered into with the chartered accountant, outlining his duties and responsibilities.
١٠. Agreement entered into with the manager of the collective real estate investment scheme.
١١. Agreement entered into with property owner as per Article ٦ of the Regulations, if any.
١٢. Valuation of the property subject of the collective real estate investment scheme by three accredited valuers.
١٣. Appointment of a capital market institution, in accordance with the CMA's Instructions on the Offering of Collective Real Estate Investment Scheme Certificates.

Article ٩

١. REGA shall review the license application within a period not exceeding ten working days. If REGA requires additional necessary data or documents, it shall notify the license applicant, who shall complete the requirements within a period not exceeding sixty days from the date of notification. REGA may extend this period by an additional thirty days; otherwise, the application shall be deemed rejected.
٢. REGA may either grant conditional approval for the license application, subject to completion of the licensing procedures, or reject the application, stating the reasons thereof.
٣. After obtaining a conditional approval for the license application, the applicant shall complete the procedures for the offering of collective real estate investment scheme certificates in accordance with the CMA's Instructions on the Offering of Collective Real Estate Investment Scheme Certificates.
٤. Upon fulfillment of the requirements outlined in paragraphs (٢ and ٣) of this Article, REGA shall issue the license, that includes the following:
 - a. License number.
 - b. Licensee's name.
 - c. License term.

- d. Name of the collective real estate investment scheme and the financial and planning data of the property.

Article ١٠

REGA shall create a template for the collective real estate investment scheme agreement, which shall, at a minimum, include the following information:

١. Data of the parties to the agreement.
٢. Name, head office, and contact details of the collective real estate investment scheme.
٣. Description of the property subject of the collective real estate investment scheme.
٤. Term of the collective real estate investment scheme and the mechanism for its extension.
٥. Capital of the collective real estate investment scheme.
٦. Financial expenses of the collective real estate investment scheme.
٧. Proposed reserve amount for the collective real estate investment scheme capital, if any.
٨. Amount of cash and in-kind contributions.
٩. Mechanisms for the disposition of contributions by investors.
١٠. Regulating provisions for borrowing against the funds and assets of the collective real estate investment scheme.
١١. Licensee's commission.
١٢. Preparation of semi-annual financial statements and investors' disclosures, as well as with annual audits.

Article ١١

Upon the licensee's request prior to the offering of the collective real estate investment scheme, the license may be amended following the procedures stipulated in the Law, the Regulations, and the CMA's Instructions on the Offering of Collective Real Estate Investment Scheme Certificates, or it may be canceled entirely. Cancellation of the license shall not affect rights accrued before the cancellation.

Provisions on the Capital of the Collective Real Estate Investment Scheme

Article ١٢

If REGA requires, under Article ٧ of the Law, that a reserve amount be added to the collective real estate investment scheme capital, the disposition of such amount shall be subject to the following conditions:

١. The disposition shall be approved by the assembly.
٢. The purpose of the disposition shall be to cover unforeseen expenses not anticipated when determining the collective real estate investment scheme capital.
٣. REGA shall be notified of the disposition and its amount no later than (five) working days after the assembly's approval of the disposition.

Article ١٣

١. If the reserve amount referred to in Article ٧ of the Law has not been fully disposed of, or if only part of it has been disposed of, it shall be returned to the investors upon the expiration of the collective real estate investment scheme, in proportion to each investor's respective share in the reserve amount.
٢. Before disposing of the reserve amount of the collective real estate investment scheme capital to cover additional unforeseen expenses, the licensee shall submit the matter to the assembly for a vote.

Article ١٤

An investor may dispose of his share in the collective real estate investment scheme according to the following:

١. The collective real estate investment scheme agreement shall specify the mechanism for disposition.
٢. The disposition shall be registered according to the CMA's Instructions on the Offering of Collective Real Estate Investment Scheme Certificates.

Article ١٥

The licensee may borrow against the funds or assets of the collective real estate investment scheme subject to the following conditions:

١. The collective real estate investment scheme agreement shall include provisions for borrowing against the funds or assets of the collective real estate investment scheme.
٢. The assembly shall approve any borrowing.
٣. Borrowed amounts shall not exceed ٥٠% of the collective real estate investment scheme capital.
٤. Borrowed funds shall be allocated for the purposes of the collective real estate investment scheme.
٥. Borrowed funds shall be deposited directly into the escrow account.

Article ١٦

The licensee's share in the collective real estate investment scheme shall not be less than (٥%). The licensee shall retain ownership of this share until the expiration of the collective real estate investment scheme.

Persons Engaging in Collective Real Estate Investment Scheme Activities & Their Powers

Article ١٧

REGA classifies those engaged in the collective real estate investment scheme activities as follows:

١. Licensee.
٢. Manager of the collective real estate investment scheme.
٣. Engineering consultant.
٤. Chartered accountant.
٥. Accredited valuer.

Article ١٨

REGA shall issue, by a board resolution, controls governing the qualification and classification of persons engaging in the collective real estate investment scheme activities.

Article ١٩

The manager of a collective real estate investment scheme shall:

١. Have the necessary experience to manage the collective real estate investment scheme.
٢. Not be convicted of a crime against honor or trust.
٣. Have successfully completed the collective real estate investment scheme practice program approved by REGA.

Article ٢٠

An engineering consultant engaging in the collective real estate investment scheme shall:

١. Be accredited by the Saudi Council of Engineers.
٢. Have a minimum of three years of experience in construction, building, and project management.
٣. Have successfully completed the collective real estate investment scheme practice program approved by REGA.

Article ٢١

A chartered accountant engaging in the collective real estate investment scheme shall:

١. Be accredited by the Saudi Organization for Chartered and Professional Accountants (SOCPA).
٢. Have successfully completed the collective real estate investment scheme practice program approved by REGA.
٣. Be registered with the Capital Market Authority if the collective real estate investment scheme certificates are to be publicly offered.

Article ٢٢

An accredited valuer engaging in the collective real estate investment scheme shall:

١. Be accredited by the Saudi Authority of Accredited Valuers (TAQEEM).

٢. Have successfully completed the collective real estate investment scheme practice program approved by REGA.

Article ٢٢

١. REGA shall adopt the average value from property valuation reports prepared by accredited valuers.
٢. A valuation shall be excluded and replaced if the difference from the other two reports exceeds (١٠٪), whether higher or lower.

Article ٢٤

The licensee's powers and responsibilities include:

١. Fulfilling all necessary requirements and obtaining all approvals for issuing the license as per the Regulations.
٢. Appointing a manager of the collective real estate investment scheme, supervising his work and enabling him to carry out his duties.
٣. Appointing a chartered accountant and an engineering consultant for the collective real estate investment scheme.
٤. Opening an escrow account in the name of the collective real estate investment scheme at a licensed bank.
٥. Making and managing withdrawals from the escrow account according to the withdrawal procedures.
٦. Entering into contracts necessary for the benefit of the collective real estate investment scheme.
٧. Borrowing against the funds or assets of the collective real estate investment scheme, in accordance with the Law and Regulations.
٨. Selling assets of the collective real estate investment scheme in accordance with the Law and Regulations.
٩. Chairing, or appointing a representative to chair, the assembly.

Article ٢٥

A licensee shall:

١. Appoint a licensed capital market institution in accordance with CMA's Instructions on the Offering of Collective Real Estate Investment Scheme Certificates.
٢. Disclose to investors, without delay, any substantial development in the collective real estate investment scheme operations, financial position, organizational structure, or ownership.
٣. Not receive any amounts related to the collective real estate investment scheme, whether in cash or as deposits into a special bank account. All deposits shall only be made into the escrow account.
٤. Submit periodic reports to investors and REGA, including technical and financial reports, along with any additional reports.

Article ٢٦

The engineering consultant shall be responsible for supervising projects in accordance with professional standards. Specifically, the engineering consultant shall:

١. Supervise and monitor the collective real estate investment scheme works in accordance with engineering specifications and standards, regulatory requirements, engineering designs, and the terms of the contract entered into with him.
٢. Audit and approve withdrawal requests.
٣. Notify REGA of any violations to the provisions of the Law or the Regulations.

Article ٢٧

The chartered accountant shall perform his duties in accordance with professional standards. Specifically, the chartered accountant shall:

١. Review and audit the necessary financial documents of withdrawals related to the collective real estate investment scheme.
٢. Verify the financial data of the collective real estate investment scheme and ensure that all its funds are deposited into the escrow account.
٣. Audit and approve withdrawal requests.
٤. Perform any other tasks within the scope of his powers as instructed by REGA.
٥. Notify REGA of any violations to the provisions of the Law or the Regulations.

Article ٢٨

The powers and responsibilities of the manager of the collective real estate investment scheme shall include:

١. Verify that all proceeds are deposited into the escrow account.
٢. Distribute the profits of the collective real estate investment scheme in accordance with the provisions of the Law and Regulations.
٣. Notify the licensee and REGA of any significant event or development that may affect the collective real estate investment scheme.
٤. Review and archive reports on the works of the contractor, engineering consultant, and chartered accountant regarding the collective real estate investment scheme.
٥. Call for meetings of the assembly.
٦. Execute the sale of the collective real estate investment scheme assets, subject to authorization from the licensee and in compliance with the procedures outlined in the Regulations.
٧. Submit periodic reports to all relevant parties (including REGA, the assembly, and the licensee).
٨. Communicate with authorities regarding the collective real estate investment scheme.
٩. Perform any other tasks assigned by the licensee within the scope of the collective real estate investment scheme.

Article ٢٩

١. The licensee or the assembly may dismiss the manager of the collective real estate investment scheme if he misuses his powers or fails to fulfill his obligations, in accordance with the following procedures:
 - a. Submit a request for dismissal to REGA, accompanied by the justifications for such request.
 - b. REGA shall decide on the request no later than five working days.
٢. REGA may dismiss the manager of the collective real estate investment scheme if it is proven that he has violated the provisions of the Law or Regulations and shall notify the licensee accordingly.
٣. The licensee shall appoint a new manager for the collective real estate investment scheme within five working days from the date of notification of REGA's decision approving the dismissal of the previous manager.

Article ٣٠

١. Any person engaging in the collective real estate investment scheme shall disclose to the assembly any direct or indirect interest, or any interest involving an actual or potential conflict of interest, for themselves or any of their relatives up to the fourth degree, in any project or agreement entered into with the collective real estate investment scheme. Any action in violation of this Article shall be deemed void.
٢. The licensee and the manager of the collective real estate investment scheme shall not participate in voting on the assembly's decisions in which either of them has a direct or indirect interest, or which involve an actual or potential conflict of interest.
٣. Any person engaging in the collective real estate investment scheme may, after obtaining the assembly's approval, complete the procedures involving a conflict of interest.
٤. Any person engaging in the collective real estate investment scheme activity shall be liable, as the case may be, for any consequences resulting from conflicts between his personal interests and those of the collective real estate investment scheme if he fails to disclose such conflicts to the assembly, without prejudice to any more severe penalties prescribed by other laws.

Assembly of Investors

Article ٣١

The assembly has the following powers:

١. Approving the cancellation of the license and the liquidation or sale of the collective real estate investment scheme.
٢. Approving amendments to the collective real estate investment scheme agreement.
٣. Approving the financial statements of the collective real estate investment scheme.
٤. Voting on the dismissal of the manager of the collective real estate investment scheme.
٥. Approving the disposition of the reserve amount of the collective real estate investment scheme capital.
٦. Approving the borrowing against the funds or assets of the collective real estate investment scheme.

Article ٣٢

Modern technological means for attending meetings shall refer to all communication methods approved in accordance with the Electronic Transactions Law, issued by Royal Decree No. M/١٨ dated, ٠٨/٠٣/١٤٢٨H and its amendments.

Article ٣٣

When calling for an assembly meeting, appropriate procedures shall be implemented to verify the identity of investors participating via modern technological means, as well as those attending in person. Their right to vote on any agenda item shall be confirmed, including login through the National Platform (Nafath).

Distribution of Profits & Liquidation of the Collective Real Estate Investment Scheme

Article ٣٤

١. Distributable profits consist of the net income of the collective real estate investment scheme after deducting any amounts set aside for the reserve allocated for specific purposes in the collective real estate investment scheme agreement, if any.
٢. The collective real estate investment scheme may distribute interim profits from the sale proceeds to its investors on a semi-annual or quarterly basis, if the collective real estate investment scheme agreement permits such distribution, subject to fulfilling the following requirements:
 - a. The approval of the assembly of investors.
 - b. The collective real estate investment scheme shall have a good and consistent profitability.
 - c. The collective real estate investment scheme shall have reasonable liquidity and be able to forecast its profit levels with reasonable degree.
 - d. The collective real estate investment scheme shall have distributable profits, according to the latest audited financial statements, sufficient to cover the proposed dividends.
٣. The manager of the collective real estate investment scheme shall notify REGA and the investors immediately upon deciding to distribute dividends.

Article ٣٥

In implementing the provisions of Article ٣٧ of the Law, the following provisions shall apply:

١. The assets of the collective real estate investment scheme shall be valued by three valuers accredited by the Accredited Valuers Law who are independent of the licensee.
٢. The valuation report shall be submitted to the assembly for approval. The assembly may request a revaluation, no more than two times.
٣. The period between the valuation report and the sale date shall not exceed (three) months.
٤. The sale procedures shall be carried out by the licensee or the manager of the collective real estate investment scheme, as stipulated in the collective real estate investment scheme agreement.

Supervision, Inspection, and Enforcement

Article ٣٦

To conduct inspections, an inspection officer may take any of the following actions:

١. Inspect the licensee's premises, documents, and projects related to activities covered by the Law, as well as any documents, records, data, registers, and facilities related to the collective real estate investment scheme.
٢. Obtain copies of any license, permit, certificate, register, or any other document.
٣. Retain documents, records, and the like.
٤. Take photographs by any available means.

Article ٣٧

Upon detecting a violation, the inspection officer shall prepare a report containing:

١. Necessary information and data, including the details of the inspection officer, the date, time, and place of the inspection.
٢. Licensee's details.
٣. Facts, including a summary of the actions taken by the inspection officer.
٤. A record of violations detected and their description.
٥. A list of assets, documents, information, or other items that have been seized or retained.

Article ٣٨

The inspection officer shall submit the violation report to the committee responsible for reviewing violations of the Law, as stipulated in Article ٣٣ of the Law.

Article ٣٩

The inspection officer shall be entitled to a performance-based bonus equal to three basic salaries.

Article ٤٠

These Regulations shall be published in the Official Gazette and shall enter into force from the effective date of the Law.