

Classification Table for Violations and Penalties Under the Law of Collective Real Estate Investment Schemes and its Implementing Regulations

Shawwal 1445H

| Item | Violation * | Large Schemes | Medium Schemes | Small Schemes |
|------|---|--|----------------|---------------|
| 1 | Offering, advertising, marketing, or raising funds for collective real estate investment schemes without the approval of the Capital Market Authority (CMA) or a license from REGA. | The matter shall be referred to the Public Prosecution for investigation and prosecution before the competent court under Article 35 of the Law. | | |
| 2 | The licensee or manager of the collective real estate investment scheme takes a decision or action involving an existing or potential conflict of interest without complying with the Regulations' conflict of interest procedures. | | | |
| 3 | Selling the collective real estate investment scheme assets without valuation by accredited valuers in accordance with the Accredited Valuers Law. | | | |
| 4 | Failure to deposit financial returns related to the collective real estate investment scheme directly into the escrow account. | | | |

***A violator shall rectify the violation no later than 10 working days of the imposing of the penalty.**



| Item | Violation * | Large Schemes | Medium Schemes | Small Schemes |
|------|--|---|----------------|---------------|
| 5 | Providing misleading information as part of the license application. | <ul style="list-style-type: none"> - A fine of ten thousand to thirty thousand riyals. - The licensee shall be prohibited from engaging in any collective real estate investment scheme activity for a period not exceeding five years. | | |
| 6 | Granting loans from the collective real estate investment scheme capital by the licensee, engineering consultant, or chartered accountant. | <ul style="list-style-type: none"> - A fine of 1% of the loaned amount, up to a maximum of one million riyals for each violator. - The licensee shall be prohibited from engaging in any collective real estate investment scheme activity for a period not exceeding five years. | | |
| 7 | The property owner, as an in-kind investor, fails to transfer the property ownership to the collective real estate investment scheme after obtaining a license as stipulated by the Regulations. | A fine of 0.5% of the property value, up to a maximum of five hundred thousand riyals. | | |
| 8 | An in-kind investor disposes of his entire contribution within the first year or disposes of more than 50% of it during the second year, | A fine of 2% of the disposed in-kind contribution, up to a maximum of one million riyals. | | |

***A violator shall rectify the violation no later than 10 working days of the imposing of the penalty.**



| Item | Violation * | Large Schemes | Medium Schemes | Small Schemes |
|------|---|---|---|--|
| | before the collective real estate investment scheme expires. | | | |
| 9 | The licensee fails to comply with the procedures for dismissal of the manager of the collective real estate investment scheme | First time: warning; thereafter: | | |
| | | A fine of twenty thousand to fifty thousand riyals. | A fine of fifteen thousand to thirty thousand riyals. | A fine of ten thousand to twenty five thousand riyals. |
| 10 | The licensee acts or refrains from acting in a way that would hinder the work of the manager of the collective real estate investment scheme, the engineering consultant, or the chartered accountant. | First time: warning; thereafter: | | |
| | | A fine of twenty thousand to fifty thousand riyals. | A fine of fifteen thousand to thirty thousand riyals. | A fine of ten thousand to twenty-five thousand riyals. |
| 11 | The licensee or the manager of the collective real estate investment scheme borrows against the funds or assets of the collective real estate investment scheme without being granted the borrowing power under the collective real estate investment scheme agreement, or if the | A fine of 10% of the borrowed amount, up to a maximum of five million riyals. | | |

*A violator shall rectify the violation no later than 10 working days of the imposing of the penalty.



| Item | Violation * | Large Schemes | Medium Schemes | Small Schemes |
|------|---|---|---|--|
| | assembly has not approved the borrowing, or if the borrowed amount exceeds half of the collective real estate investment scheme capital, or if the borrowed amounts are allocated for purposes other than those of the collective real estate investment scheme, or if the borrowed amounts are not transferred directly to the escrow account. | | | |
| 12 | The licensee or the manager of the collective real estate investment scheme taking any decision or action that would hinder the work of the assembly of investors. | First time: warning; thereafter: | | |
| | | <ul style="list-style-type: none"> - A fine of twenty thousand to fifty thousand riyals - The licensee or the manager of the collective real estate investment scheme shall be prohibited from engaging in any collective real estate investment scheme | <ul style="list-style-type: none"> - A fine of fifteen thousand to thirty thousand riyals - The licensee or the manager of the collective real estate investment scheme shall be prohibited from engaging in any collective real estate investment scheme | <ul style="list-style-type: none"> - A fine of ten thousand to twenty-five thousand riyals - The licensee or the manager of the collective real estate investment scheme shall be prohibited from engaging in any collective real estate investment scheme |

*A violator shall rectify the violation no later than 10 working days of the imposing of the penalty.



| Item | Violation * | Large Schemes | Medium Schemes | Small Schemes |
|------|--|--|--|---|
| | | activity for a period not exceeding four years. | activity for a period not exceeding three years. | activity for a period not exceeding three years. |
| 13 | Persons engaging in the collective real estate investment scheme activity provide misleading information to obtain a classification from REGA. | A fine of ten thousand to thirty thousand riyals. | | |
| 14 | The licensee fails to notify investors of significant changes affecting the collective real estate investment scheme operations, financial position, organizational structure, or ownership. | <ul style="list-style-type: none"> - A fine of twenty thousand to seventy thousand riyals - The licensee shall be prohibited from engaging in any collective real estate investment scheme activity for a period not exceeding four years. | <ul style="list-style-type: none"> - A fine of fifteen thousand to fifty thousand riyals - The licensee shall be prohibited from engaging in any collective real estate investment scheme activity for a period not exceeding three years. | <ul style="list-style-type: none"> - A fine of ten thousand to thirty thousand riyals - The licensee shall be prohibited from engaging in any collective real estate investment scheme activity for a period not exceeding three years. |
| 15 | The licensee or the manager of the collective real estate investment scheme collects any amount related to the collective real estate | <ul style="list-style-type: none"> - A fine of 5% of the collected amount, up to five million riyals. | | |

*A violator shall rectify the violation no later than 10 working days of the imposing of the penalty.



| Item | Violation * | Large Schemes | Medium Schemes | Small Schemes |
|------|---|---|--|--|
| | investment scheme in cash or in a private bank account. | - The licensee or the manager of the collective real estate investment scheme shall be prohibited from engaging in any collective real estate investment scheme activity for a period not exceeding five years. | | |
| 16 | The licensee or the manager of the collective real estate investment scheme fails to submit periodic reports specified in the collective real estate investment scheme agreement to the investors. | A fine of fifteen thousand to thirty thousand riyals. | A fine of ten thousand to twenty-five thousand riyals. | A fine of ten thousand to twenty-five thousand riyals. |
| 17 | The engineering consultant fails to supervise and oversee the collective real estate investment scheme activities in accordance with the engineering specifications and standards, designs, regulatory requirements, and contractual terms. | A fine of twenty thousand to fifty thousand riyals. | A fine of fifteen thousand to thirty thousand riyals. | A fine of ten thousand to twenty-five thousand riyals. |
| 18 | The engineering consultant or chartered accountant fails to notify REGA of any violations of the Law or the Regulations detected in the course of their work. | A fine of fifteen thousand to thirty thousand riyals. | A fine of ten thousand to twenty-five thousand riyals. | A fine of five thousand to fifteen thousand riyals. |

*A violator shall rectify the violation no later than 10 working days of the imposing of the penalty.



| Item | Violation * | Large Schemes | Medium Schemes | Small Schemes |
|------|--|---|---|--|
| 19 | The engineering consultant signs a withdrawal request in violation of legal withdrawal rules. | A fine of fifty thousand to seventy thousand riyals. | A fine of thirty thousand to fifty thousand riyals. | A fine of twenty thousand to forty thousand riyals. |
| 20 | The chartered accountant signs a withdrawal request in violation of legal withdrawal rules. | A fine of fifty thousand to seventy thousand riyals. | A fine of thirty thousand to fifty thousand riyals. | A fine of twenty thousand to forty thousand riyals. |
| 21 | The chartered accountant fails to check the financial data of the collective real estate investment scheme and fails to ensure that all the funds of the collective real estate investment scheme are deposited into the escrow account. | A fine of twenty thousand to fifty thousand riyals. | A fine of fifteen thousand to thirty thousand riyals. | A fine of ten thousand to twenty five thousand riyals. |
| 22 | The collective real estate investment scheme manager fails to disclose decisions on the distribution or non-distribution of dividends of the collective real estate investment scheme after approval. | A fine of twenty thousand to fifty thousand riyals. | A fine of fifteen thousand to thirty thousand riyals. | A fine of ten thousand to twenty five thousand riyals. |
| 23 | The collective real estate investment scheme manager fails to notify the licensee and REGA of any substantial events or developments that | - A fine of twenty thousand to seventy thousand riyals. | - A fine of fifteen thousand to fifty thousand riyals | - A fine of ten thousand to thirty thousand riyals |

*A violator shall rectify the violation no later than 10 working days of the imposing of the penalty.



| Item | Violation * | Large Schemes | Medium Schemes | Small Schemes |
|------|---|--|--|--|
| | would affect the collective real estate investment scheme. | - The manager of the collective real estate investment scheme shall be prohibited from engaging in any collective real estate investment scheme activity for a period not exceeding three years. | - The manager of the collective real estate investment scheme shall be prohibited from engaging in any collective real estate investment scheme activity for a period not exceeding two years. | - The manager of the collective real estate investment scheme shall be prohibited from engaging in any collective real estate investment scheme activity for a period not exceeding two years. |
| 24 | The collective real estate investment scheme manager fails to supervise and oversee the work of the engineering consultant, the chartered accountant, or the scheme project progress, leading to a negative impact on the scheme. | A fine of fifteen thousand to thirty thousand riyals. | A fine of ten thousand to twenty-five thousand riyals. | A fine of ten thousand to twenty five thousand riyals. |

*A violator shall rectify the violation no later than 10 working days of the imposing of the penalty.

