

# IPO GUIDE

**A Guidebook to Initial Public Offerings in Qatar**

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## CEO'S MESSAGE

At Qatar Stock Exchange (**QSE**), we really acknowledge and support the increasing importance of going public and listing to the sustainability and continuous growth of corporate entities in Qatar, and we deem this very important to support and achieve the milestones envisioned in Qatar National Vision 2030. Furthermore, we realize that undertaking an Initial Public Offering (**IPO**) can be complicated, time consuming and that the IPO process involves dealing with many key stakeholders. This IPO guide aims to provide companies with a comprehensive understanding of the process that needs to be undertaken when a company decides to go public.

The collective goal, in making this guide available, is to help guide companies through the listing process and provide them with an overview of the most important aspects of planning, launching and executing a successful IPO. This guide is intended to be a practical aide in the listing process and likely timelines, as well as providing insights to a post-listing environment that can be put to use right away.

We hope companies find this publication useful and that it may encourage you to consider beginning your own IPO journey.

Mr. Rashid Ali Al-Mansoori

Qatar Stock Exchange CEO

## GLOSSARY OF TERMS

<b>AGM/EGM</b>	Annual general meeting / Extraordinary general meeting
<b>Board(s)</b>	Board of directors of a company
<b>CEO / CFO</b>	Chief Executive Officer of a company/ Chief Financial Officer of a company
<b>Chairman</b>	Chairman of the Board of directors of a company
<b>Commercial Companies Law</b>	Law 11 of 2015 concerning commercial companies
<b>Governance Code</b>	The corporate governance code established by the Qatar Financial Markets Authority 2016
<b>IAS and IFRS</b>	International accounting standards / International financial reporting standards
<b>IPO</b>	Initial Public Offering of shares in a company
<b>Main Market</b>	The main market of the QSE
<b>MEC</b>	Ministry of Economy and Commerce
<b>QFMA</b>	Qatar Financial Markets Authority
<b>QFMA Auditors' Rules</b>	Rules for external auditors and financial valuers established by the Qatar Financial Markets Authority 2014
<b>QFMA Law</b>	Law No. 8 of 2012 establishing the Qatar Financial Markets Authority
<b>QFMA Regulations</b>	The Qatar Financial Market Internal Regulations of 2009 regulating the listing of securities on a financial market in Qatar
<b>QFMA Rulebook</b>	Offering and Listing Rulebook for Securities of the Qatar Financial Markets Authority 2010
<b>QSE</b>	Qatar Stock Exchange
<b>QSE Rulebook</b>	QSE Rulebook March 2020
<b>Valuer</b>	Specialist performing independent valuation of a company
<b>Venture Market</b>	The venture market of the QSE

# The Initial Public Offering Decision

## I. INTRODUCTION

Going public is usually a milestone of any company as it shows that this company has achieved a special level of success and joined an elite group of industry leaders. Overnight, this company is transformed from being a closely held company with a handful of shareholders to a company with a large number of shareholders, with an increased share of public attention.

However, executing an IPO in many cases is expensive and time consuming to reverse. Expectations from a public listed entity vary depending on the regulatory environment, investor awareness, range of market participants and market access to non-domestic participants. In light of these aspects, it is extremely important that any organization considering an IPO be well prepared.

It is fair to say, based on what has taken place in the last few years that such requirements/expectations will only increase as public markets in the region mature and catch-up with developed world standards. Furthermore, as regional markets integrate and investors increasingly seek seamless cross border market access, competing exchanges will be inclined to rewrite regulations that are benchmarked to other mature markets.

Given this background, companies must fully understand and be well advised on their long-term objectives and the need to access public capital markets. It is very important to establish the 'NEED' – why take your business public? Are the consequences fully understood? Are all key stakeholders signed-up?

## II. Steps towards a successful IPO

Typically a company looking at public capital markets will need to go through a process of preparation, based on the following:

Table 1: Ten steps towards a successful IPO

1.	<b>Set your destination</b> – know whether IPO is the right choice for the company at this time.	2.	Identify and select your ' <b>IPO advisor</b> ' who has the experience to take you through the journey.
3.	Formulate your ' <b>equity story</b> ' – highlight past success and future growth potential.	4.	<b>Pre-IPO readiness</b> – assess and identify gaps that need to be addressed.
5.	Develop a <b>plan, timeline and seek commitment</b> from all stakeholders to address any identified gaps.	6.	<b>Execute the plan</b> that brings people, systems and processes in line with market requirements.
7.	Select the <b>other key advisors</b> – lawyers, bankers, public relation advisors, etc..	8.	Create an ' <b>Investor Relations</b> ' function and define its goals.
9.	Get your <b>pricing</b> right – remember investors pay value for the future, not the past.	10.	<b>Go to market</b> – timing is everything.

### **III. Advantages & disadvantages of the IPO**

While the benefits of going public are significant, the board of directors and management should fully understand the costs and consequences of becoming a public company before proceeding with an IPO.

Going public potentially provides many advantages, including the following:

- **Raise Capital and Provide Liquidity for Current Investors**

The most obvious benefit of an IPO is the capital raised in the offering. An IPO can provide the company with additional funds to meet working capital needs, expand research and development efforts, invest in facilities and equipment, or retire existing debt.

In addition, the offering creates an active trading market that provides an avenue to liquidity for existing investors, management and employees.

- **Future Access to Financial Markets**

Following the offering, the company will have greater access to the financial markets. An established public market for a company's stock provides the advantages of name recognition, liquidity, and a readily ascertainable market value. The company may gain access to many investors who would not be interested in or suitable for an investment in a private company.

- **Increased visibility and Branding**

Going public will give companies increased and ongoing exposure through media coverage, which may enhance its reputation and its brand. Market analysts will now be analysing these companies, comparing it to peer companies. Such enhanced visibility and the publicity generated by an IPO may create opportunities for these company to expand into other global markets in the future.

- **Ease of market valuation**

After an IPO, the increased liquidity in the company's shares and the availability of its company's information will enable the market to easily discover the company's value. Further, the market valuation of a public company may be higher than its private peers.

- **Public currency for acquisitions**

Once the company is public, it can use its publicly tradable stock in whole or in part to acquire other public or private companies. Publicly tradable stock is clearly more attractive to target shareholders than illiquid private company stock.

- **Business continuity for family-owned companies**

As family businesses expand from their entrepreneurial beginnings, they face an increasing performance and governance challenges. As the number of family shareholders increases exponentially generation by generation, the commitment to carry on as owners can't be taken for granted. According to researches, less than 30 percent of family businesses survive into the third generation of family ownership.

Going public and benefiting from having a sufficient capital for growth and professional management for the business while keeping the family control over business as the main shareholders is a major advantage of having an IPO.

- **Better ability to attract and retain personnel**

Stock options and other incentive compensation plans enable personnel to participate in the company's success without increasing cash compensation. The chance to acquire stock in the company they work for may motivate employees to take a longer-term view of the company. Additionally, it enhances the company's ability to attract and retain top talent.

Benefits always come at a price, while there are numerous advantages to going public; there are also a few considerations that the company, its management and shareholders should evaluate before deciding to engage in the IPO process. The major disadvantages for being public are:

- **Loss of confidentiality and increased financial transparency**

As a publicly held corporation, company's operations and financial position are open to public scrutiny. Information not ordinarily disclosed by privately held companies concerning the company, officers, directors, and certain shareholders will be available to competitors, customers, employees, and others.

- **Management demands**

Top management frequently needs to be available to shareholders, analysts, and the press. Executive management also must be involved in preparing and certifying written information about financial results and other company matters that must be reported to the public, exchanges, and regulators. This could result in management distraction, which may prevent management from devoting time to operating the business.

There can be considerable internal and external pressures to maintain the growth rate the company has established. If its sales or earnings deviate from established trends or from expectations, shareholders may become worried and sell their stock, driving down its price. While a reduced stock price does not have a direct financial effect on a company, it may affect company reputation, employee compensation through stock options, and the viability and value of a subsequent offering (causing more dilution to existing shareholders).

- **Regulatory requirements and potential liability**

Public companies must regularly file various reports with the QSE, QFMA, and other regulators. In order to comply with disclosure requirements, companies often need to completely revamp or expand their existing documentation policies, which can be costly and time-consuming. In addition, directors and officers are potentially liable for potential misstatements and omissions in the registration statement and in the company's ongoing reporting under the Qatari laws and regulations.

- **Less control and more board of directors' influence**

The sale of shares to the public will dilute the previous owners (founders) ownership and may reduce their level of control of the company. In addition, depending on the requirements of the market that the company's share are traded in, companies are likely to be required to have a board of directors with a considerable of independent directors.

- **Expenses**

The cost of going public is substantial, both initially and on an ongoing basis.

#### **IV. IPO Success Factors**

Assessing how the market would perceive the company's equity story and future prospects is the first step toward a successful IPO. While there is no guaranteed formula to determine market interest, experience indicates that certain features that will help the company to acquire the desired market appeal.

- **Earnings history and potential.**

Reported earnings and potential future earnings are considered of key importance for public companies. Questions include: What has the company's earnings history been? How effectively does its business generate future cash? What is its growth potential? Is there a strong upward trend that is likely to continue? How do the company compare (in earnings and margins) with other companies in its industry? Does the company have detailed historical and future information about its operations, including sales and gross margin analyses by product or product line, sales channel mix, geographic sales breakdown, and headcount trend reports?

- **Product quality and industry potential**

The quality and future of the company's products in the context of its industry are key. Questions include: What segment of the market is the company targeting? What is the growth potential? Who are the company's competitors? What is the life span of the company's product? Will the company have to diversify or develop new products to continue growing? Does the company have command of its technology and its intellectual property? What products are currently in research and development? What

is company's product roadmap? Is the company in a growth industry? How permanent is the company's industry?

- **Financial position**

The company's current financial position is important in assessing both how much money the company will need to raise and the effectiveness of its financial management. Questions include: How well is the company managing its assets? How is the company financing its working capital needs? How leveraged is the company and what is its effective cost of capital? Does the company have audited financial statements? Are the company's accounting policies well documented?

- **Company reputation**

Investors will consider the company's reputation in making investment decisions. Questions include: How do suppliers, customers, experts, and others in the company's industry assess its performance? How does the public perceive the company? What kind of relationship does the company have with its customers and suppliers? What types of related-party transactions has the company entered into? How committed is the company to social responsibility and sustainability initiatives?

- **Management quality**

This is a very important factor for investors. Investors will typically only entrust their money to a team with strong leadership. The departure of a key executive just before or after the IPO will potentially affect the company's market competitiveness and raise concerns with potential investors.

Investors will also look at the composition and qualifications of members of the board. Questions include: Do the top managers have the necessary experience? Do they work together as a team? Are they of high integrity? Do they inspire confidence among the company's employees? Are they committed to the company? Are they effective in developing working relationships with customers, suppliers, bankers, auditors, and so on? Is there stability in the leadership team?

## **V. Choosing the right platform for listing**

For most companies that are about to go public, the decision of where to sell its shares and which platform to list upon is straightforward. If the company is large, well established and profitable, it will list on the QSE's Main Market. Whereas small-medium size companies may prefer to list on the QSE's venture market, which has been specifically developed for such companies.

Furthermore, the decision of whether to list on the Main Market or the Venture Market is usually a question of fact. That is, either a company meets the listing requirements of the Main Market or it does not. The Venture Market is an 'easier' place to obtain a listing, as it does not have the same requirements regarding length of operations, or a profitability requirement (amongst others) compared to the Main Market.

As a background to the Venture Market, in January 2012 the QFMA adopted new regulations governing the offering and listing of securities on a secondary market of the QSE, which is now officially known as the QE Venture Market. The main distinction of the new regulations is that they provide a less stringent set of listing and disclosure requirements for issuers listing on the Venture Market.

The Venture Market is designed for smaller companies operating under a more flexible listing and disclosure regime. Its objectives are mainly to allow SMEs, being small and medium enterprises to raise capital more easily and cost efficiently than would be the case on the Main Market, while retaining the trust of the investor through a structured regulatory framework.

### **Listing requirements for Main Market**

The requirements for an issuer to be eligible to list on the Main Market are outlined in the summary table below:

**Table (2): QSE Listing Requirements**

<b>Main Market</b>	<b>QSE Listing Requirements</b>
<b>Minimum free float</b>	QFMA Rulebook requires an issuer to float a minimum of 20% and a maximum of 80% depending on the type of the company. QSE Rules require an issuer to float 20% in all cases (subject to a minimum 5% for large capitalization companies, at the sole discretion of QSE).
<b>Market Capitalization</b>	Not specified but minimum subscribed capital of QAR 40 million. 50% of the nominal value must be paid.
<b>Profitability</b>	None for purposes of the QFMA Rulebook but for transformed companies 2 year profitability test
<b>Shareholders implications</b>	A minimum of 30 shareholders
<b>Legal status</b>	Qatari public joint-stock companies with commercial registration from the MEC.
<b>Regulatory approvals</b>	QFMA's approval is required in order for an issuer to be admitted on the QSE. Adhere to all requirements under the QFMA Rulebook and QSE rules & regulations.
<b>Working Capital Requirements</b>	No specific test, but 'adequacy of working capital' statement to be provided by issuer.
<b>Disclosure Document</b>	Publish a prospectus approved by QFMA (Minimum content requirements prescribed by QFMA Rulebook).

<b>Lock-Up Requirements</b>	<ul style="list-style-type: none"> <li>•Converted company: Lock-up 50% of founders' shares for 1 year. Lock-up starts from the beginning of trading the company's shares on QSE (QFMA Rulebook). Although it is noted that it is 1 year from the establishment AGM date as per the Commercial Companies Law.</li> <li>•Newly established companies: lock-up 100% of founders' shares for 2 years from the establishment AGM date as per the Commercial Companies Law</li> </ul> <p>All Board members are required by a company's memorandum and articles of association to retain a minimum number of shares for the duration of their membership in the Board, with the exception of the independent Board member who is not required to retain any shares.</p>
<b>Foreign Issuers</b>	Non-Qatari companies must be listed on their home exchange (or on the exchange represented by the majority of a company's shareholders in terms of nationality).
<b>Track Record</b>	2 years for transformed companies
<b>Accounting Standard</b>	Reports must be drawn in accordance with IAS and IFRS.
<b>Documentation</b>	Listing Agreement, Listing Application, copy of Memorandum & Articles of Association, valid Commercial Registration and Prospectus.
<b>Document language</b>	Arabic and English.
<b>Ongoing Disclosure</b>	<p>(A) All types of information/events capable of affecting the price of the securities.</p> <p>(B) Time and venue of AGM &amp; EGM</p> <p>(C) Date of Board of directors meeting to discuss semi-annual and annual financial results.</p> <p>(D) Any decision relating to the rights of securities holders.</p> <p>(E) Details of pending or future lawsuits which may have a meaningful impact on the business.</p> <p>(F) Companies must notify the QSE without delay of all major new developments and any insider information.</p>
<b>Periodic Disclosure</b>	<p>(A) Quarterly reports within 30 days of the end of the relevant period.</p> <p>(B) Semi-annual reviewed reports within 45 days of the end of the relevant period.</p> <p>(C) Audited annual reports within 90 days of the end of the relevant period.</p>
<b>IR Rules</b>	<ol style="list-style-type: none"> <li>i) Appoint an Investor Relations Officer (the "IRO");</li> <li>ii) Create and maintain a dedicated investor relations section on its website, and,</li> <li>iii) Publish an investor presentation and hold at least one investor conference call after publication of its annual, semi-annual and quarterly reports.</li> </ol>
<b>Prospectus vetted</b>	Yes (by both the QFMA and MEC).
<b>Means of Notification</b>	QSE website & Q-Disclosure platform, issuer website and 2 local newspapers one of which shall be in the English Language.

## Listing requirements for Venture Market

The requirements for an issuer to be eligible to list on the Venture Market are outlined in the summary table below:

**Table (3): Venture Market Listing Requirements**

Venture Market	QSE Listing Requirements
Minimum free float	QFMA Rulebook requires an issuer to have a minimum free float of 10%.
Paid-up share capital	At least 50% paid up share capital (100% required in the case of public offering).
Subscribed share capital	Minimum subscribed share capital of 2 million Qatari Riyals.
Shareholders implications	A minimum of 20 shareholders.
Legal status	Joint-stock company with commercial registration from the MEC. Non-Qatari companies are eligible to list.
Regulatory approvals	QFMA's approval is required in order for an issuer to be admitted on the QSE.  Adhere to all requirements under the QFMA Regulations and QSE rules & regulations.
Disclosure Document	Publish information memorandum approved by QFMA.
Working capital Requirements	No specific test but adequacy of working capital' statement to be provided by issuer. No unsettled debt obligations.
Business Focus	At least 75% of its capital must be invested in its core business activities. Auditors must be satisfied as to company's ability as an ongoing concern.
Documentation	Listing Agreement, Listing Application, copy of Memorandum & Articles of Association, valid Commercial Registration and Information Memorandum.
Founder shareholder lock-up	<ul style="list-style-type: none"> <li>• Converted company: Lock-up 50% of the shares for 1 year. The lock-up starts from commencement of the trading of the company's shares on the QSE.</li> <li>• Newly established companies: lock-up 100% of founders' shares for 2 years from the establishment AGM date as per the Commercial Companies Law</li> </ul> <p>All Board members are required by the company's articles of association to retain a minimum number of shares for the duration of their membership in the Board, with the exception of the independent Board member who is not required to retain any shares.</p>
Published accounts	1 year track record of core business requirements and issued audited financial statement for that year.

<b>Profitability</b>	None for purposes of the QFMA Rulebook, however the shareholders' equity shown in the last audited financial statements, must not be less than 50% of the paid-up capital.
<b>Reporting</b>	Annually, and semi-annual. Reports must be drawn up in accordance with IAS and IFRS.
<b>Document language</b>	Arabic and English.
<b>Ongoing Disclosure</b>	<p>(A) All types of information/events capable of affecting the price of the securities.</p> <p>(B) Time and venue of AGM &amp; EGM</p> <p>(C) Date of Board of directors meeting to discuss semi-annual and annual financial results</p> <p>(D) Any decision relating to the rights of securities holders.</p> <p>(E) Details of pending or future lawsuits which may have a meaningful impact on business.</p> <p>(F) Companies must notify the QSE without delay of all major new developments and any insider information.</p>
<b>Periodic Disclosure</b>	<p>(A) Semi-annual reviewed reports within 60 days of the end of the relevant period.</p> <p>(B) Audited annual reports within 120 days of the end of the relevant period.</p>
<b>IR Rules</b>	<p>i) Appoint an Investor Relations Officer (the "IRO");</p> <p>ii) Create and maintain a dedicated investor relations section on its website, and,</p> <p>iii) Publish an investor presentation and hold at least one investor conference call after publication of its annual, semi-annual and quarterly reports.</p>
<b>Means of Notification</b>	QSE website & Q-Disclosure platform, issuer website and 2 local newspapers one of which shall be in the English Language.
<b>Listing Advisor</b>	Issuers will be required to have a listing advisor licensed by QFMA for 1 year.

**The full submission checklist requirements can be found in Appendix No.1**

# The IPO Team

In addition to having a qualified management team, taking the company public requires the expertise of other professionals, including listing advisor, legal counsel, auditors, and independent Valuer. The arrangement of professional service providers, and the time demands made on company management, will be costly. However, these costs are simply part of the price of going public. The success of the IPO and the future prosperity of the company depend in part upon the talents of this team, so the company should resolve to engage the most qualified team possible.

The key team members that work together to undertake an IPO process are:

- **Management team;**
- **Board of directors;**
- **Listing advisor;**
- **Legal counsel;**
- **Company's auditors; and**
- **Independent Valuer**

### **Management Team**

Throughout the IPO process, management will serve as the tangible representatives of the company. The impression management gives to the investment community should not be underestimated.

At least a Chief Executive Officer (CEO) and a Chief Financial Officer (CFO) usually head the organisational structure. Additional executives that may be useful, depending on the industry and the company's size are a Chief Risk Officer, Chief Operations Officer, Chief Information Officer, and Chief Technology Officer. Most public companies also have a Head of Legal, Head of Human Resources, and a Head of Investor Relations.

Management is also the link between the IPO team and the issuer's Board. The company's management and Board will have to sign the prospectus and take on

responsibility if the prospectus includes false, inaccurate or misleading information or omits certain important information, as part of the process.

### **Board of Directors**

Boards have been thrust into the spotlight because of extensive legislation during the past decade, which has placed greater emphasis on the role of a public company's Board in overseeing the activities of the company. The Board and its structure – its skills and knowledge, process, behaviour, and how it communicates – have never been more critically important. The expansion of regulatory requirements mandate that Boards of public companies comply with enhanced independence standards, maintain specific committees, and clearly articulate prescriptive responsibilities in their charters. Furthermore, as the ownership base changes, companies and Boards may be subject to the governance policies of institutional investors, proxy advisors, and governance rating agencies.

Corporate governance issues should be addressed in the early planning stages of the IPO process as these changes may take time to implement.

### **Listing Advisor**

The appointment of a listing or financial adviser is a requirement for companies to go public. The value added by a listing advisor should be the assurance that an IPO will be properly managed and successfully marketed and supported, both before and after going public.

When selecting the listing advisor, the issuer or selling shareholders should look to a number of criteria, such as:

- Reputation
- Qualified team
- Industry experience
- Distribution strength
- Aftermarket share performance

A typical scope of work for the listing advisor would include, amongst other things, the following:

- Assisting the issuer in appointing third-party advisors including legal advisors, financial due diligence consultants, business plan consultants, etc.;
- Coordinating the efforts of all third-party advisors:
  1. Organizing kick-off meeting with all parties;
  2. Assigning roles and functions to each party;
  3. Setting-up regular conference call meetings to ensure timely deadlines and deliverables;
  4. Preparing and presenting periodical status reports to the Issuer's management.
- Reviewing due diligence findings and ensuring all issues are addressed;
- Advising on optimal transaction structure;
- Setting-up and attending meetings with regulatory authorities regarding the restructuring process and the envisaged IPO;
- Assisting alongside business plan consultants in preparing a 5-year business plan for the issuer;
- Supervising the full valuation exercise conducted by the valuation advisors, using various valuation methodologies;
- Submitting applications to the relevant regulators (MEC, QFMA, QSE, etc.);
- Assisting the issuer in obtaining approvals from the relevant regulators (MEC, QFMA, QSE, etc.);
- Preparing the roadshow / marketing materials as required
- Appointing the lead receiving bank.
- Announcing the transaction and managing the PR / marketing campaign;
- Setting the IPO offering period and listing date;
- Implementing the allocation process;
- Refunding proceeds (in case of oversubscription) and informing investors of allocations; and
- Listing shares on the QSE.

## **Legal Counsel**

The selection of law firms should take into consideration the following:

- Local law capabilities in equity capital markets
- Relationships with key regulators;

- Industry expertise
- Reputation
- Qualified team

A typical scope of work for the issuer's legal counsel would include, amongst other things:

- Liaising with the advisors involved in the transaction;
- Conducting legal due diligence on the company undergoing an IPO for the purpose of preparing the prospectus;
- Advising on the required approvals from the QFMA, QSE, MEC and any other regulator as necessary;
- Advising on Qatari law in particular the Commercial Companies Law, QFMA Rulebook and QSE rules and regulations;
- Drafting and reviewing, where relevant, all documents, letters and applications required to obtain the necessary regulatory approvals related to the IPO, including drafting and agreeing the prospectus in Arabic and English;
- Advising the company and its directors on their responsibilities and obligations under the prospectus, disclosure and listing requirements
- Reviewing and commenting on the draft prospectus to be prepared by the issuer's counsel;
- Reviewing and commenting on ancillary documentation to be prepared by the issuer's counsel including responsibility statements, memorandum on director's responsibilities and Board minutes;
- Reviewing publicity guidelines
- Reviewing and commenting on the verification notes to be prepared by the issuer's counsel relating to the prospectus, and other offering materials or public announcements;

### **The Company's Auditors**

As strategic and technical advisors, the issuer's independent auditors will play a key role throughout the IPO application process. They must ensure that the most recently audited financial statements are properly presented in the prospectus.

The selection of an auditing firm should be based on its:

- Reputation and experience with IPOs and other capital market transactions;
- Qualified team
- Experience with public company financial reporting;
- Expertise in Auditing Standards as prescribed by the IAS and Generally Accepted Accounting Principles (GAAP);
- Ability to continue service to the issuer appropriately through its growth and global expansion.

Some of the specific services the independent auditors will provide include:

- Guidance on the identification of potentially sensitive or problematic accounting issues, financial disclosure issues, and the overall transparency of financial reporting;
- Providing a comfort letter to assist the listing advisor in its due diligence efforts. This letter details certain procedures that the company's external auditor performed at the request of the listing advisor, along with other representations the auditor made concerning the financial statements or other information contained in the prospectus; and
- Review the prospectus and assist in responding to any of the regulator's comments / concerns.

### **Independent Valuer**

Having an independent valuation of the company performed by a formally appointed specialist (or Valuer) is a fundamental requirement for listing a company on the QSE.

The applicable rules and regulations referred to are the rules for external auditors and financial evaluators of listed entities and entities subject to the authority's jurisdiction issued by the QFMA (the QFMA Auditors' Rules).

### **The purpose of an independent valuation**

Understanding the value of a company is important to ascertain the likely listing price for the shares of the company (i.e. the price at which the shares of the company may be offered to the public). In an IPO context, the share subscription price may be fixed but a valuation helps ascertain the number of shares to be listed. In either case, the emphasis is on gauging a likely market capitalization level for a company once it is listed.

# IPO Readiness

## **IPO Readiness**

This activity refers to the process the company undertake to prepare for its IPO. Businesses often begin their preparations for becoming public companies well before they launch the IPO process. Typically, pre-IPO preparations take 12-18 months, but it can take considerably longer. Advance preparation is a key success factor that allows for a smooth and efficient execution process and the ability to take advantage of market windows. This process admittedly covers the following:

### **I. IPO Pre-Planning**

Going public is not something to be achieved in a one day or one month. It takes long-term planning and many months, or sometimes even a year or more, to complete. This pre-public planning is necessary to demonstrate to the market that the company is ready to be a public company. From the start of the IPO process, the better prepared is the company, the faster it can respond to capital markets requirements and needs. Its IPO readiness can inspire greater confidence from all stakeholders, which may increase the likelihood of a smooth IPO process. Consequently, companies are advised to undertake the following activities:

- Maintain adequate records and internal controls
- Produce monthly financial statements for internal reporting purposes
- Generate reliable and meaningful monthly financial statements on a quarterly basis
- Conduct business through a clear organizational structure
- Review organization documents
- Review all related-party transactions and material contracts
- Anticipate company's major corporate actions

### **II. DUE DILIGENCE**

The term “due diligence”, from a corporate and business perspective, refers to the process of investigating a company's business, its legal and financial affairs. In the specific context of an IPO due diligence, the term refers to the investigation that enables IPO stakeholders, and particularly the listing advisor, to have a clear understanding of the issuer's position as well as the nature of the business and any risks in relation to the business.

Most importantly, the IPO due diligence process allows all the relevant parties (particularly directors and the listing advisor) to confirm the statements made in the prospectus and in the offering documents; in order to avoid any potential liabilities that may arise from incorrect, incomplete or misleading disclosure.

If the IPO, the prospectus and/or the IPO documents are inaccurate, incomplete or misleading, the issuer, its directors, advisors and the listing advisor may be at risk

of criminal sanction. Moreover civil liabilities may be imposed if investors, who have relied on the IPO documents, suffer a loss as a result of such reliance.

To minimise the risks of liability for the issuer and/or the listing advisor, confirmation must be obtained that the IPO documents contain all necessary information and comply with rules of the QFMA (particularly the QFMA Rulebook). Further, all stakeholders to an offering should exert their best endeavours to reduce the risk of any material omissions; and to ensure that the prospectus and/or the IPO documents inform potential investors of any risks associated with investing in the company. To achieve this, a comprehensive process of due diligence must be carried out in relation to the issuer and its business whether the outcome is in the form of a written report or not.

Under Qatari laws there is no uniform set of due diligence procedures that are required to be followed. The scope of what constitutes necessary diligence varies from case to case, depending on the circumstances of the transaction and the business of the issuer. Accordingly the due diligence process must be calculated in light of the particulars of the proposed transaction. The IPO due diligence should be tailored to investigate all information needed to be disclosed in the IPO documents, and to explore any significant imperceptible issues that might mislead potential investors.

The IPO due diligence plays an integral part in preparing the issuer for admission to the QFMA. The comprehensive investigation involved in carrying out due diligence in relation to an issuer, its subsidiaries and their operations will assist in minimising any potential liability for the issuer, its directors and the listing advisor by helping to ensure that the IPO documents contain all the relevant details relating to the issuer and that the same comply with the QFMA Rulebook. Importantly, the due diligence process provides a layer of protection to public subscribers given that the resulting level of disclosure that will entail from the due diligence process will be reflected in the prospectus.

Generally, from a practical perspective, the IPO due diligence may be divided into the following five categories:

- Business due diligence;
- Financial due diligence;
- Accounting due diligence;
- Legal due diligence; and
- Technical due diligence.

### III. Valuation

Once the company decides that it is ready for an IPO, the question that will come, is: What value should our shares be priced at? The valuation of the company and the related price at which the shares are offered to the investors is a critical aspect of the IPO preparation phase.

This is a relevant question for:

- Shareholders who want the value of their' shares to reach full potential;
- Management who need to:
  - (i) Meet shareholders expectations,
  - (ii) Get recognition for their efforts in managing the company;
- Regulators to make sure the price is within reasonable limits; and
- Potential investors to transact at the price that they perceive as fair.

Given the importance of valuing the share price, usually an independent expert valuation company would be appointed to estimate the market value of the company.

Determining the appropriate offering size is important, as it may affect the company's ability to attract high-quality investors. If the offering is not large enough, many institutional investors will be hesitant to invest due to potential lack of liquidity in the aftermarket.

The number of shares to be issued is a function of price and total valuation of the company. Issuing too many or too few shares can unfavourably alter the share price and thus the total amount to be raised in the offering.

The QFMA Rulebook requires that each company that wants to list on the QSE to perform valuations, in addition to meeting the listing requirements. The QFMA normally requires that the valuation is determined through two valuation reports, conducted by two independent valuation advisors. The valuation reports, which most likely include a price range, are presented to the QFMA for approval before setting the issue price.

#### **What is involved in the valuation process?**

An independent valuation requires gathering relevant internal and external information, conducting detailed analysis on that information, rationalizing key assumptions, applying the right approach and judgment in order to summarize the results and form a view on the value of the company. Since a Valuer does not

conduct an audit or financial due diligence review, having robust historical and forecast financial information is essential to the valuation process.

Valuers may apply a combination of valuation approaches to value a company, depending on the nature and features of a business, the typical approaches applied are:

## THE INCOME APPROACH



**The Income Approach** involves estimating the value with reference to the income generated through earnings, discounted cash flows, capitalisation of earnings and/or dividends. Discounting cash flows, being the most common method applied, involves estimating the present value of the total expected cash flows from the company using a relevant discount rate. The discount rate reflects the return expectations from the asset depending on the inherent risks in the cash flows.

## THE MARKET APPROACH

**The Market Approach** involves ascertaining relevant market based pricing from comparable companies and transactions multiples such as EV/EBITDA, Price/Earnings, Price/Book Value. The relevant multiples are adjusted for factors like size, growth, profitability are then applied to the respective financials of the company to estimate and indicative enterprise and resulting equity value.



## THE NET ASSET METHOD



**The Net Asset Method** is more often used for asset heavy businesses and measures value based on the fair market realisable value of the individual net assets of a company.

#### IV. WRITING A PROSPECTUS

##### *What is a prospectus and why is it important*

A prospectus is a disclosure document that describes a financial security for potential investors. It provides potential buyers with important information about the shares on offer, as well as a description of the company's business, financial statements, biographies of directors and managers, detail of any litigation occurring that may affect the company or its business, a description of the company's assets and any other material information.

The process of drafting a prospectus is lengthy and involves a detailed review and diligence of the company's current business practices, financial status and corporate governance among other things.

Experts from various sectors, whether legal advisors, financial advisors, listing advisors, offering managers, the company's management and its personnel all co-operate in the conduct of an extensive legal and financial due diligence exercise on the company.

Given the important consequences of the IPO on the company's growth and the liability that accrues to the directors and officers of the company (as well as the liability accruing to advisors involved in this process), the prospectus must reflect a true and transparent overview of the company.

Investors will need to go through the prospectus in detail in order to make an informed investment decision. Companies need to remember that the prospectus is not only a document that provides information about the company and about its business, but also provides a detailed description of the risks in relation to investing in the offered shares of the company.

The QFMA Rulebook provides that a company is not permitted to offer or list securities until it has submitted a prospectus containing a comprehensive, adequate and accurate disclosure of all information that may be of interest to investors (as determined by the QFMA) and the approval for such prospectus has been obtained from the QFMA whose aim is to protect investors. As such, the focal point while writing a prospectus is and should always be the investors.

▪ **Guidelines when drafting a prospectus**

**Table(4):** Guidelines when drafting a prospectus

<b>1.</b>	A prospectus needs to be clear, concise and effective	<b>2.</b>	Avoid misleading or deceptive statements
<b>3.</b>	Forecasts and other forward-looking statements need to be made on reasonable basis.	<b>4.</b>	Make sure that any last minute change to the company's circumstances are reflected in the prospectus.
<b>5.</b>	Do not confuse the investors and make sure the information is intelligible.	<b>6.</b>	Minimise marketing statements.
<b>7.</b>	Avoid disclosure of descriptive information with little or no analysis on its relevance or impact.	<b>8.</b>	Keep away from unnecessary length due to repetition and arguably irrelevant information.
<b>9.</b>	Avoid overusing definitions and use simple definitions.	<b>10.</b>	Make sure the document is correctly translated where a translation takes place.

**What should the prospectus include?**

Annex (1) to the QFMA Offering & Listing Rulebook sets out information that needs to be included in the prospectus and which information will need to be reviewed and approved by the QFMA prior to release to investors. The key segments of the prospectus is listed in Appendix No.2

# IPO Timeline & Marketing

## **IPO PROCESS TIMELINE**

Following the undertaking of the required due diligence and obtaining all the necessary information required for the preparation of the prospectus and the IPO documents and valuation report, the listing advisor will submit the IPO application, attached with all required documents, to QFMA. The diagram No.1 is illustrating the typical flow of an IPO process:

The timeline of the IPO process after submission of the application up to the actual trading date may be summarized as follows:

- Submission of an application to the single window, which is delegated by QFMA to receive and review offering & listing applications. In most cases, the single window team comes back with comments, queries and requirements, which should be satisfied in order to secure the single window approval and then QFMA approval.
- Simultaneously, an application should be submitted to QSE to admit the trading on issued shares. Such application may be submitted to the QSE either at the same time of submitting the offering application, or after obtaining the QFMA's approval on the offering. In the first scenario the issuer will not be required to submit the same information twice.
- Within thirty days from the date of submitting the application and all required documentation, the issuer will secure QFMA final approval. Such period may be extended for another thirty days upon the discretion of the QFMA. This is the most critical phase of the whole process, as QFMA approval will contain a specific date to complete the IPO. However, the QFMA does not set an offering date without coordinating with issuers, in practice an interactive discussion takes place between the issuer, QSE and the QFMA.
- At least one week prior to the starting date of the IPO subscription period, the issuer must place public announcements regarding the offering in two newspapers (one of which must be in the Arabic language), in which the issuer invites the public to subscribe in the shares.
- The IPO subscription period commences on the date determined by the QFMA and the IPO subscription period may not be less than two weeks and

not more than four weeks. However, it may be extended for another two weeks if there are sufficient grounds to do so.

- Within one week from the end of the IPO subscription period date, the process of allocation and distribution of shares to the subscribers must be completed.
- Within two days from the distribution of shares, the issuer must announce the results of the allocation of shares.
- Within one week from the announcement of allocation, QFMA will review the allocation results and send its approval to QSE for listing the shares.
- The QSE trading admission application should be submitted to QSE within a period, not exceeding six months from the date of obtaining the listing approval from the QFMA; if it was not previously submitted or if there are any additional required documents. Failure to do so will result in the approval being cancelled, unless the application presents reasons considered satisfactory to the QFMA.
- Within one week from the date of allocation of the shares, the issuer should refund the amount of money to the investors whose subscription was fully or partially unattained.
- Within one week from QSE receipt of the QFMA's approval to list, the issuer should secure QSE approval to admit the shares, and obtain the market notice regarding the trading date.
- Within two working days from obtaining the approvals from the QFMA and the QSE for listing and one week prior to the first trading date, the issuer must place the necessary public announcements in the newspapers concerning such trading date.
- Finally trading can commence on the set date.

## **IPO marketing**

Planning for the IPO marketing strategy and techniques is very important for a successful IPO execution. Although the IPO prospectus will be the primary selling document for the offering, investors and media will look as broadly as possible for further insight into the company, its business and its competitive position. The company should therefore conduct a thorough assessment of its brand and reputation, as perceived by customers/clients, employees, vendors, regulators, industry analysts and other key stakeholders as early as possible in the IPO process so that any corrective actions can be taken before the start of the IPO.

The key segments that should be considered to have a successful marketing campaign are:

- **Media relations activities:** the IPO will attract attention from an expanded media universe focused on performance, growth potential and other financial events. Hence, the company should ensure that key industry reporters accurately understand its business strategies. Activities could include a series of reporter briefings, updates to executive biographies and the creation of company fact sheets, which can be posted to the website. Additionally, the company should review its press release strategies to maximize opportunities for a consistent coverage.
- **Website:** many prospective investors and covering reporters will visit the company's website, so it is important that the site reflect the image the company wishes to convey, that corporate information is easily accessible and that all data points are consistent with those provided in the IPO prospectus. In addition to reviewing the site for accuracy, the company should consider adding information about its mission, vision, and values; an online media kit; executive biographies; lists of historical accomplishments and other reference documents. These materials will be important media and investor relations tools to bridge the gap when communicators are unable to speak directly with their constituents.
- **Marketing materials and other customer communications:** the company should review its marketing materials and customer communications to ensure that messaging and statistics are consistent with the language in the IPO prospectus. Equally important, it should train public-facing employees (e.g., receptionists, sales force, customer service representatives and others) to respond to external inquiries and to forward questions outside their respective areas of responsibility to the appropriate communications representatives.
- **Roadshows:** The roadshow's purpose is to make presentations to key potential investors, portfolio managers, and analysts. These meetings allow people to ask questions about the company and the material contained in the prospectus. They are meant to build enthusiasm and momentum for the offering. These meetings should be viewed as opportunities to present the story of the company to those people who may buy its stock or influence the people who buy.

# Life After IPO/Listing On The QSE

## **LISTED COMPANIES AND CORPORATE ACCOUNTABILITY**

When an investor buys shares in a listed company, that investor expects to be compensated with reasonable returns by way of dividends and/or capital gains by selling its' shares at a good premium. Needless to say the level of dividends and capital gains depend on the performance of the company and to what extent the company has been, and will, after listing, be managed successfully and honestly. To a large extent, this depends, on the actions of those to whom the shareholders entrust the management of the company.

In a listed company, the shareholders delegate the power to manage the company on their behalf to the Board, as it is impossible to manage the company by holding meetings involving all the shareholders. The members of the Board, in turn, delegate day to day decision making powers to executive managers. The appointment, by the Board, of the right people to the executive management team, and more importantly the appointment, by the shareholders, of the right Board members is imperative to ensure that performance, and accountability is maintained.

The necessity to delegate powers in a listed company, can lead to an imbalance of company control, whereby executive managers have more control over the management of the company than the Board members and the shareholders. Also, separation between ownership and management where there is no controlling shareholder, can lead to issues whereby the Board becomes too removed from the interests of shareholders. Further there are many stakeholder interests (shareholders, creditors, suppliers, customers and employees) in a public company, with competing interests, rights and responsibilities which need to be addressed.

In line with most other jurisdictions, Qatar law recognises these potential conflicts of interest for public companies. In order to mitigate or prevent such conflicts there are four key areas of corporate accountability in Qatar, under which obligations are imposed on listed companies and of which listed companies should be aware. The four key areas of corporate accountability for companies following upon listing can be summarised, as:

- 1. Disclosure obligations;**
- 2. IR Rules**

- 3. Corporate governance; and**
- 4. Insider trading.**

## **DISCLOSURE OBLIGATIONS**

The QFMA Rulebook imposes a number of ongoing and periodic obligations on listed companies to make disclosures. Adequate disclosure helps investors assess an issuer's corporate governance practices.

### **Ongoing obligations**

The QFMA & QSE Rulebooks govern the periodic and ad hoc disclosure of information by listed companies.

Ad hoc disclosures includes major shareholding notifications and details of significant developments and material events that might affect the price of the traded securities.

The main material events that listed companies should notify both QFMA & QSE with immediately are listed in appendix No.3

### **Periodic obligations**

In addition to the ongoing disclosure requirements, under the QFMA Rulebook there are also periodic disclosure requirements. A listed company must prepare and publish and file with the QFMA and the QSE periodic reports on a quarterly, semi-annual and annual basis. The semi-annual reports are to be reviewed and the annual reports audited by the company's auditors. The annual report shall include operating results for the entire fiscal year, the cash flows and the financial position at the end of the year, together with a comprehensive analysis of the performance compared with previous years and expectations for the next year.

The QFMA Rulebook sets out in detail how ongoing and periodic disclosures should be made, and also provides that, in certain circumstances, the QFMA may accept a delay in disclosure, a limited or preliminary disclosure or permit an exemption from disclosing certain information.

### **IR Rules**

QSE has published a set of mandatory IR Rules which have become effective as of 1st October 2019.

Investor relations is the term used to describe the activity of companies communicating with the broader investment community. While the communication that listed companies undertake is a mix of regulatory and voluntary activities,

investor relations is that part of stock market life that sees companies interacting with existing shareholders, potential investors, analysts and journalists.

QSE wants to see our listed companies committed to improving the standards of investor relations across the market. We want this because the companies listed on our exchange are the corporate ambassadors that represent Qatar.

The IR Rules are intended to assist companies in promoting the three central pillars of good investor relations - transparency, disclosure, and even-handed dealings with investors. These, coupled with an appropriate regulatory regime, are what give investors the confidence to invest their capital.

Investor relations should very much be viewed as a long-term undertaking with the aim of enabling the investment community to have greater awareness of the company's investment case so that shareholders, potential investors and traders, can each take an informed view and a decision as to their involvement with that listed company.

The IR Rules are designed to assist the IR function in its central and critical role in building trust in listed companies' disclosure practices. In summary, each QSE listed company is required to

- i) Appoint an Investor Relations Officer (the "IRO");
- ii) Create and maintain a dedicated investor relations section on its website, and,
- iii) Publish an investor presentation and hold at least one investor conference call after publication of its annual, semi-annual and quarterly reports.

### **Investor Relations Officer**

Listed companies must appoint an IRO to oversee its investor relations activities. The IRO must have the appropriate qualifications and experience to carry out the role. As such, the IRO should have an academic qualification and at least 3 years of practical experience in investor relations, public relations, finance, business administration, legal, accounting, or equivalent field of expertise.

### **Issuer's Websites**

Listed companies will be required to create and maintain a dedicated section on their websites, both in Arabic and in English, where all information that may reasonably be required by investors to make informed investment decisions must be made available to the public. This includes information that is subject to immediate and periodical company disclosure obligations under the QSE Rulebook, provided that such information has already been submitted to, and subsequently been disseminated by QSE. In addition, companies should publish the following information on the investor relations section of their websites:

- News: company news contained in press releases, publications, reports, or transcripts of senior management interviews, provided that any information that is subject to immediate disclosure requirements must have been submitted to and disseminated by QSE first;
- Pricing: real time (or near real time) pricing information in respect of the Issuer's Securities, including historical data covering last traded prices, volume, and high's and low's over a period of at least one year;
- Financial information: annual, semi-annual and quarterly reports covering the last three reporting years, provided that such reports have previously been submitted to and disseminated by QSE;
- Company information: information in respect of the company's legal structure and incorporation, its history, strategy and equity story;
- Investor information: information in respect of annual general meetings and extraordinary general meetings, dividend policy, dividend history, investor presentations, and regulatory news;
- Management information: a list of Board Members and executive managers, the company's governance structure, governance reports and shareholdings disclosure policies;
- Investor relation services: contact information and means to engage with the company.

### **Investor Conference Calls**

After the publication of the annual, semi-annual and quarterly reports, within 5 working days the company should publish an investor presentation, and organize at least one investor conference call.

### **Disclosure Calendar for companies listed in the Main Market**

January NA	February NA	March - Audited Annual Statements	April - Conference Call for Annual Statements - Q1 results
May - Conference Call for Q1	June NA	July - Semi Annual Reviewed - Conference Call for Semi Annual	August NA
September NA	October - Q3 results - Conference Call for Q3	November NA	December NA

### **Disclosure Calendar for companies listed in Venture Market**

January NA	February NA	March - Audited Annual Statements	April - Audited Annual Statements
May - Conference Call for Annual Statements	June NA	July NA	August - Semi Annual Reviewed
September - Conference Call for Semi Annual	October NA	November NA	December NA

### **Corporate Governance Code for Companies and Legal Entities Listed on the Main Market**

Corporate Governance is one of the most important management and control systems for companies in general, and for shareholding companies and all other legal entities listed on the financial markets in particular. Such importance is due to that Governance entrenches the principles of good Governance and determines the functions and responsibilities of the Board of Directors, Senior Executive Management and employees of the Company. It also promotes principles of justice and equality among Stakeholders, productive control and risk management, transparency and disclosure, regulates Stakeholder’s rights, and encourages the society development and its advancement. This can improve the Company’s performance in general, and contributes to the real meaning of principle of upholding the interests of the public, the Company, and its Stakeholders to be priority before any other interest.

The QFMA introduced a corporate governance framework in 2016. The Governance Code for Companies and Legal Entities Listed on the Main Market “this Code” has been drafted from the above mentioned perspective and as part of the desire of the QFMA in establishing those principles and values, and based on the best international and regional codes of governance.

This Code has been provisioned with the following key parts:

- Scope of implementation;
- Provisions of compliance with governance principles;

- Content of the governance report;
- Terms and conditions of candidacy for Board membership;
- Board functions and responsibilities;
- Functions and procedures of the Board Chairman and members;
- Composition of Board committees and their membership provisions and terms of reference;
- Provisions of internal and external audit and risk management in the company; and
- Provisions of disclosure and transparency, and regulating the Stakeholders' rights in the light of the principle of upholding the public interest and the rights equality among Stakeholders.

To learn more about the QFMA governance requirements, please refer to the complete requirements outlined in the Governance Code for Companies and Legal Entities Listed on the Main Market, which can be accessed online at: [https://www.qfma.org.qa/English/RulesRegulations/RulesDox/Governance\\_Code%20for%20Companies\\_and\\_Legal%20Entities\\_Listed\\_on\\_the\\_Main\\_Market.pdf](https://www.qfma.org.qa/English/RulesRegulations/RulesDox/Governance_Code%20for%20Companies_and_Legal%20Entities_Listed_on_the_Main_Market.pdf)

## **Corporate Governance Report**

According The QFMA's Corporate Governance Code for Companies and Legal Entities Listed on the Main Market, listed company's Board of directors should prepare an annual corporate governance report signed by the Chairman. The corporate governance report must include the Board's assessment of the company's compliance with the provisions of the Governance Code, and must be submitted to the QFMA on an annual basis or whenever required by the QFMA and must be published.

## **INSIDER TRADING**

Insider trading is prohibited in most jurisdictions across the world and Qatar is no exception. Insider trading is acting on non-public information to buy or sell (or advise someone else to buy or sell) shares or other securities in a listed company. Non-public information is typically held by someone who either works for or advises a listed company. For example, if an accountant discovers a discrepancy in the accounts of a listed company and advises his wife to sell her shares in the company before their price falls, that would be insider trading.

Qatari law provides for a general prohibition on insider trading that has a broad application, even by international standards, as well as other legal restrictions.

Therefore, it is essential that issuers both a) understand their obligations and restrictions in relation to insider trading and b) develop comprehensive systems to define, monitor and identify potential insider trading in order to ensure that they stay on the right side of the law, as breaking the law can lead to severe financial penalties and even prison terms.

### **Lock up periods**

The QFMA Rulebook also allows the QFMA to provide for lockup periods. The purpose of a lock up period is normally to prevent trade in securities in periods where key individuals within an issuer will have insider information. This would normally be, for example, the period leading up to the release of audited accounts to the market. These are specific periods in which specified individuals are not able to trade for their own account or that of others. This applies to the Chairman, the members of the Board and executives officers who cannot trade on their own behalf or for the benefit of others, during such periods.

In addition, the QFMA Rulebook provides for the monitoring of trading activity, where an issuer relies on an exemption from disclosure of information due to the commercial sensitivity of such information, the issuer must monitor the trading activity of relevant individuals (for example the Chairman, board members, the executive officers, their relatives and associates and any other person to whom insider information has been disclosed).

There are also restrictions on the offering manager, listing advisor and sponsor which can also be seen as falling within the concept of monitoring and preventing insider trading.

# Appendices

- 1. Single Window Checklist**
- 2. Prospectus components**
- 3. Material Information**

# **Appendix No.1**

## **Single Window Checklist**



4. The Memorandum and Articles of Association of the company shall provide for the issuance of shares for a public offering, or the company got licensed to do so by the legal competent authority.	<input type="checkbox"/>
5. The minimum subscribed capital shall be at least (40,000,000) forty million Qatari riyals.	<input type="checkbox"/>
6. The paid up value of the nominal value shall not be less than 50%, in case of an application for listing.	<input type="checkbox"/>
7. <ul style="list-style-type: none"> <li>- The company shall have been in operation for at least three years (if applicable).</li> <li>- Issued audited financial statements for each year</li> <li>- The company shall comply with the complete prohibition from trading of the founders shares, which shall not be less than 20% and not more than 60% of the capital for a period of two years from the date of the company's final establishment.</li> <li>- Any member of the Board of Directors, senior executives or major shareholders shall not have been convicted of a crime of honor or integrity unless been rehabilitated.</li> </ul>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
8. The company shall not have any overdue debts.	<input type="checkbox"/>
9. There shall be no doubts or reservations by auditors regarding the ability to continue practicing its activities.	<input type="checkbox"/>
10. For companies subject to the Qatar Financial Center (QFC) Law, the Company shall meet the following additional requirements:	
- Approval of the QFC Authority and the QFC Regulatory Authority.	<input type="checkbox"/>
- The number of members of the Board of Directors shall not be less than (5) and not more than (11) members.	<input type="checkbox"/>
- Regarding the voting rates needed for amending the Memorandum or the Articles of Association, or increasing or reducing the company's capital, or the quorum at the meeting of the General Assembly or its equivalent, the company shall comply as a minimum with the requirements applicable to the Qatari shareholding companies in this regard.	<input type="checkbox"/>
- The prospectus – offering – issuing or listing shall include on the front cover, in clear and inside a frame, the following text: "The Issuer Company is a limited liability company established in the QFC in accordance with the QFC rules and regulations".	<input type="checkbox"/>
- Upon listing, the company shall comply with the QFMA law, rules, regulations and decisions issued in implementation thereof.	<input type="checkbox"/>



7	In order to admit a security into trading, a sufficient number of shares shall be distributed to the public upon acceptance for trading, and this condition is met when the ratio of 20% of the subscribed capital represented by the relevant securities class is owned by general public investors.	<input type="checkbox"/>
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# **Appendix No.2**

## **Prospectus components**

- ***Announcement***

Although the QFMA Rulebook lists in detail the information that needs to be provided in the prospectus, the QFMA (as well as the MEC) are entitled to request any additional information that may help an investor in deciding to invest in the offered securities.

Companies preparing a prospectus need to be aware that the QFMA will not be held liable for the feasibility of investing in the offered securities, or for the accuracy of the information mentioned in the prospectus; such liability remains with the Board and company's management.

- ***The Auditor***

The company needs to include the name and contact details of its auditors. Careful consideration needs to be made in relation to the auditors, as the QFMA will not accept that the current auditors of the company are appointed to undertake a financial due diligence and prepare a valuation of the company's share to be offered to investors. Nevertheless, this should not prevent the company's auditors from signing the financial statements that will be included in the prospectus as this is a requirement of the MEC.

- ***Selected Financial Statements***

This is a key document in the prospectus as it allows investors to understand the financial position of the company. The financial statements provide a snapshot of the company's finances, solvency, profits, assets and equity. The QFMA will normally require statements going back to the last three financial years; however an exemption can be obtained from the QFMA if the company has been incorporated for less than three years. Although it is not an obligation, some companies choose to provide forward looking statements.

- ***Risk Factors***

The prospectus will need to provide a detailed description of the risk factors relating to the investment in the shares. The company needs to identify and clearly explain such risks. This information is highly important for both the investors and the company. The investors need to understand and assess the risks surrounding their investment in the securities ahead of investing. The detailed description of the risk factors is a very important exercise for the company to go through in order to mitigate any liability arising from claims that may be brought forward by investors. The company needs to consider

risks to the issuer, risks of the offer, industry risks and general risks. These risks will need to be organised logically with key risks being explained first.

▪ ***Issuer***

The purpose of this section is to provide as much detail as possible on the company, its structure, the group of companies of which it is a part (if any) and the company's branches and affiliates. Investors will be interested to ascertain particular information such as who are the founders and current owners of the company; when the company was established; how long has the Company been in the market; what are the company's affiliates' activities and how do they contribute to its success. As such the prospectus will need to include a summary of the above information, which will need to be verified and compiled following a due diligence exercise, and which summary should include the company's structure, corporate documentation (memorandum and articles of association and relevant resolutions) systems, shareholders, mission, values, strategy, objectives, marketing plan, committees and their scope of work.

▪ ***Investments***

A description of both past and proposed investments will allow investors to understand the business strategy of the company and how past and future investments have and will reflect on the company's profitability and ability to generate profits in the future. Although detailed investments of the company's affiliates may not be required, any substantial investment that may affect the company's performance will need to be disclosed.

▪ ***Summary of Activities***

The purpose of this requirement is to underline the company's object, the types and size of activities it conducts, the nature of services it provides and the products with which it deals. Any research or development activity, intellectual property rights material to the business will need to be detailed as well as a description of the main markets where the company competes.

▪ ***Property and Equipment***

All information concerning tangible or fixed assets of the company or planned to be acquired, including any leased properties will need to be reflected in the prospectus. Any charges or liabilities related thereto must also be identified as well as any environmental issues that may arise from the use of the same.

▪ ***Operational and Financial Review***

The prospectus should include a description of the financial status of the company and any changes thereto showing the results of operations for each year and the interim period to be covered by the previous financial statements, including the principal reasons for any changes in financial statements from year to year, and to be provided to the extent necessary to understand the company's overall business. Information concerning rare and one off events or new developments, that may materially affect the operating income of the company should also be included.

Whenever the financial statements show material changes in net revenues of sales, the prospectus shall include a detailed analysis of the reasons causing such changes.

Information regarding any governmental, economic, financial, monetary or political factors or policies that have affected or are likely to affect, whether directly or indirectly, the operations of the company must also be included as well as information about the effect of inflation and/or fluctuation of foreign currency exchange rates, if deemed important.

▪ ***Capital Resources***

Information about the capital resources of the company (in the short and long term), and any information about any restrictions imposed on the use of such capital resources that may have materially affected or are likely to affect, whether directly or indirectly, the operations of the company need to be set out. Furthermore, a detailed description as well as clarification of the sources and values of cash flow of the issuer needs to be provided. Borrowing requirements and funding structure of the company in addition to sources of income to meet the company's requirements and obligations are also necessary.

▪ ***Projections and Forecasts of Profits***

In the event the company decides to include projections or forecasts, the prospectus shall include the following information:

- A summary of the economic feasibility study.
- A report prepared by independent accountants or auditors, clarifying that the forecast or projection in their opinion was properly prepared according to relevant principles and confirm that the accounting

principles used to project or forecast the profits conform to the accounting policies of the company.

- The forecasts or projections of profits must be prepared on the basis that the same are comparable to the previous financial statements.

If the forecasts or projections were previously published by the company and are still valid, there must be a statement which clarifies if such projections are still valid at the time of the prospectus or where such projections are no longer valid, it is necessary to explain the reasons for the same.

If the company submitted a feasibility study or plan, it must include a description of the main elements of the plan and details of the main assumptions underlying any forecast or projections in the plan together with and a confirmation from the board of directors of the company stating that each projection/forecast was made properly (after taking all reasonable care to ensure the same).

#### ▪ ***Research and Development***

Where material includes a description of the research and the development activities of the company for each financial year then this should be covered by the financial statements including a description of the amounts spent on research and development activities that the company sponsors.

#### ▪ ***Information on the General Trend***

Information on the latest general business directions in relation to production, stock, sales and prices from the end of the last financial year up until the date of submission of the prospectus ought to be included. The information needs to include any reservations, claims, obligations or events that are reasonably likely to materially affect the company's future business for at least the current financial year.

#### ▪ ***Board of Directors and Senior Management***

The identity and background of the directors and senior managers is always important to investors and the level of detail required to be provided in the prospectus is high. The directors and senior managers also need to disclose any principal activity outside the activities of the company which may be important to the company and can have an impact on it. In addition to a description of the experience of said persons, they need to provide information about:

- the name of the companies in which they were members of the Board at any time during the past five years while clarifying if said persons are still members of said Boards;
- any accusations in relation to any violations or fraud during the last past five years;
- details of any bankruptcy, administration or liquidation to which they were related in the past five years; and
- details of any official crime accusations or sentences issued by the legislative or judicial authority (including relevant professional associations) and if such persons were prevented by a court from acting as a board member or manager of an issuing entity.

The prospectus will also need to clearly detail any potential conflict of interest between the personal interests of the directors and managers and the interests of the company. Any arrangement between the main shareholders, the customers, suppliers or others concerning appointment of the said director or manager must also be disclosed as well as any family relationship between any of the directors and the managers.

▪ ***Bonuses and Benefits***

The purpose of this disclosure is to identify the nature and value of any paid bonus or benefit paid by the company and its affiliated companies to the Board, senior management, main shareholders or consultants. This will allow the investors to assess whether these bonuses and benefits are reasonable and adequate, or perhaps too onerous or unreasonable.

The company also needs to disclose information about the ownership of shares in the company by the Board, senior management, main shareholders or consultants and the existence of option contracts regarding these shares.

Additional information to be included in the prospectus includes details of employment contracts concluded between the members of the Board and the company or any of its affiliates, that provides for end-of-service benefits, as well as the total amount retained or due from the company or its affiliates for settling retirement entitlements or end-of-service benefits or similar payments.

▪ ***The Employees***

Information about the employees such as to enable investors to identify the size of the company should be disclosed. This information covers:

- the number of employees at the end of the financial year or the average number of employees in each financial year for the period covered by the previous financial statements, until the date of the prospectus, including any changes that may be made to such numbers, if deemed essential;
- the average number of the temporary employees, for companies that employs a large number of temporary employees; and
- if employees are permitted to participate in the capital of the company, a description of this arrangement must feature in the prospectus.

▪ ***Main Shareholders***

The prospectus must include information about the main shareholders of the company. In practice, the QFMA deems shareholders owning 5% or more of the capital as the “main shareholders”. It must also be clear who owns or controls the company and how this control is conducted. A description of the identity of the shareholders, the nature of the control and means of direct or indirect control must be provided.

▪ ***Related Party Transactions***

In the prospectus the company will need to provide details of transactions concluded with related parties and a justification must also be provided by the company when a transaction is not undertaken on an “arm’s length” basis. Provision for the same can be found in the QFMA Rulebook. This will assist investors to judge whether the company gives related parties a preference and if the terms and provisions of such transactions are acceptable.

According to the Corporate Governance Code for Companies Listed in Markets Regulated by the QFMA (as amended) ("**Governance Code**"), a person is considered to be a related party to the company if he:

- (a) is a member of the board of directors of the company or an affiliated company;
- (b) is a member of the senior executive management of the company, or an affiliated company;
- (c) owns or controls 5% or more of the voting shares in the company or any of its affiliated companies;
- (d) is a relative of any of the natural persons mentioned in paragraphs (a), (b) and (c) above;
- (e) joint ventures with any other party; or
- (f) companies controlled by the Board of directors, the senior executive management and their relatives.

Details of any transactions concluded within the period covered by the previous financial statements until the date of the submission of the prospectus with a person matching one of the above listed definitions must be provided in the prospectus.

Finally, the percentage of these transactions of the total operations of the company also needs to be included.

▪ ***Financial Statements***

The prospectus must include the audited financial statements covering the last three financial years and the auditor's report for each year.

The financial statements should be prepared in accordance with IAS and IFRS. The audited financial statements for the last two years shall be prepared and submitted in conformity with the method adopted for the following annual financial statements of the company, and in conformity with the accounting standards, the legislation and the policies applied thereto.

If the company published quarterly or half-yearly financial statements from the date of the last audited financial statements, such information shall be provided in the prospectus. In case the quarterly or half-yearly financial statements were reviewed or audited, the audit or review report also needs to be included. In case the quarterly or half-yearly financial statements were not reviewed or audited, this shall be clearly stated.

If the prospectus is issued more than nine months following the end of the last audited fiscal year, it will need to include provisional financial statements that may not be audited (this must be stated), covering at least the first six months of the fiscal year.

In case of material and substantial change on the financial status, the following must be disclosed:

- the possible effects of the transaction on the assets, liabilities and profits of the company, and if such transaction was undertaken in the beginning of the relevant period for which the report was prepared, or on the date covered by the report;
- initial financial information, including description of the transaction, the relevant businesses or entities, the relevant period, an explanation of the purpose of preparing such information, the fact that such information has been prepared for clarification purposes only and that the relevant information, by its nature, reflects a hypothetical condition and, therefore,

the information is not a true representation of the actual financial position of the company or its results;

- the sources of the initial financial information (if applicable, include the financial statements of the acquired businesses or entities in the prospectus);
- such information shall be accompanied by a report prepared by an independent accountant or auditor confirming, in the opinion of such accountant or auditor, that the initial financial information has been properly collected on the basis of the relevant practice and that such basis is consistent with the accounting policies of the company;
- if the financial information in the prospectus is not extracted from the audited financial statements of the company, the source of the information and the fact they are not audited must be stated; and
- a statement that the previous financial statements in the prospectus were audited.

If the audit reports of the previous financial statements were rejected by the chartered auditors, or if the same include amendments or disclaimers, such rejection, amendment or disclaimer with reason thereto shall be mentioned.

In addition, the prospectus shall clarify any other statements that were reviewed by the auditors.

▪ ***Dividends Distribution Policy***

Of particular interest to investors is the policy set-out by the company for the distribution of dividends and the prospectus will need to set-out a description of this policy.

▪ ***Legal and Arbitration Proceedings***

It is important for investors to be aware of any legal proceedings whether in litigation or arbitration which will affect the company's business, financial condition and cash flow. Therefore the company needs to disclose such information including any pending or threatened proceedings the company is aware of arising during at least the last 12 (twelve) months and which may have or had lately a material effect on the company or its affiliates in terms of its financial position or profitability.

▪ ***Material Change***

Any material changes in the company whether related to the financial or commercial status of the company as of the last financial period when an audited or interim financial statements were published needs to be disclosed in the prospectus.

Material changes may include change of management, acquisition of shares, change of control in the company, acquisition of a parent or subsidiary company.

▪ ***Share Capital***

This entails a full description of the amount of the issued share capital; the number of authorised and issued shares; the nominal value of the share; the date of issuance of the shares; the amount of any appropriate transferable securities while explaining the conditions governing such securities and the transfer procedures. The importance of this information lies not only in the description of the company's capital but provides valuable information about any potential future dilution of the investor's shares.

▪ ***The Constitutional Documents***

The prospectus needs to include a summary of the main provisions of the constitutional documents, the memorandum of association, the articles of association or the bylaws (if any) of the company. It also should include a description of the rights, benefits and restrictions attached to each class of the existing shares and a description of the required procedures to change the equities and specifying the cases in which the conditions are more stringent than required by law as well as a description of the procedure for convening annual ordinary general meetings and extraordinary general assembly of the shareholders.

▪ ***Main Contracts***

This requires the company to provide a summary of every main contract, other than the contracts made in the ordinary course of business, in which the company or any other member of the group is a party, during the two years directly preceding the publication of the prospectus. In addition the company also needs to provide a summary of any other contract (not made in the ordinary course of business) made by any member of the group, which may include any condition under which any member of the group has an obligation or right that is significant to the group, as of the date of the prospectus.

▪ ***Working Capital***

A statement must be submitted by the company confirming that in its opinion the working capital is adequate for its current requirements (for a period of 12 months) or, if not, the proposed method to provide such required additional working capital.

▪ ***Capitalization and Indebtedness***

A statement of capitalisation and indebtedness must be included.

▪ ***Use of Proceeds***

This basically covers an explanation of the reasons for the offering and, if applicable, the estimated net proceeds, intended use of the proceeds and clarifying each aspect of proposed main use. If the issuer is aware that the expected revenues shall not be adequate to finance all the proposed uses, the required amount and other financing sources shall be specified. This information is important to investor who will be able to understand the reasons for raising funds through an offering and if further funds will need to be obtained either through external financing or further capital raising exercises.

▪ ***Securities accepted to be offered***

This requirement provides a description of the type and category of the securities accepted to be offered, which includes information regarding:

- a description of the type and class of the securities accepted to be offered;
- the law under which the accepted securities are or will be offered;
- the currency of the securities accepted to be offered;
- reference to whether such accepted securities are in the form of "to order" or "to bearer";
- a description of the rights attached to the accepted securities, including any restrictions or limits of such rights and the applicable procedure for exercising such rights;
- in the event of new issues, a statement of the resolutions, authorisations and approvals under which the appropriate securities are or shall be offered and the expected date of issue of such securities; and

- a description of any restrictions on the transfer of such accepted securities.

▪ ***Offering Terms and Conditions***

The prospectus will need to describe the detailed terms and conditions of the offer which include:

- the offering statistics, the expected timetable and the subscription procedure for the accepted securities in accordance with the offering process;
- the conditions governing the offering such as who are the eligible investors, whether the offering is open to Qatari and non-Qatari investors, and whether it will be marketed solely in Qatar or extended outside of Qatar in certain jurisdictions;
- the total amount of the offering, provided that the relevant securities offered for sale are to be distinguished from those offered for subscription.
- the offering period;
- a statement of the events and circumstances where the offering shall be cancelled or suspended;
- a description of the circumstances (if any) in which the price of the shares offered for subscription may be decreased and, if applicable, refund the excess amount to the subscribers;
- details of the minimum and/or maximum subscription (whether in terms of the number of the securities or the total amount proposed to be invested);
- the method and timetable to pay the whole outstanding instalments of the accepted securities so as to deliver the accepted securities and a full description of the method and date of announcing the results of the offering to the public;
- the applicable procedure for exercising pre-emptive rights in connection with the shares;
- the various categories of prospective investors to whom the accepted securities shall be offered and, to the best knowledge of the company, a statement indicating the intention of the major shareholders and the

members of the senior management to participate or not to participate in the offering;

- a description of any previously determined preferential treatment to particular investors or other categories in terms of allocation, the percentage of the number of the shares offered and allocated for such preferred categories and the listing standards of such categories; and
- a statement of the sale price at which the relevant securities shall be offered.

▪ ***Registration and Trading Arrangements***

The company must provide a statement confirming whether there is an application submitted in connection with the listing of the offered securities for trading and, if known, the nearest expected date of listing.

▪ ***Sale of Approved Securities by their Holders***

The purpose of this requirement is to allow the investor to identify:

- the name and business address of any person offering accepted securities for sale through the offering process and the number and class of the security offered by each seller of the accepted securities; and
- the details of any conditional agreement.

▪ ***Issuance Expenditures***

The company needs to disclose the total revenue and estimation of the total offering expenses.

▪ ***Capital Distribution***

The amount and percentage of change in the distribution of the share capital directly arising from the public offering needs to be disclosed in the prospectus.

▪ ***Taxes***

Necessary information about any taxes that may be imposed on the approved holders of securities holders in the state.

▪ ***Transfer Controls***

The information provided in this section is of utmost importance to international investors not residing in the state where the company resides as

it provides a description of any applicable laws, decrees, regulations or other legislations in the State of Qatar that may affect the capital inflow and outflow, the transfer of dividends, the interest and other amounts payable to the holders of the accepted securities who are not residing in the State of Qatar.

▪ ***Statements of Experts***

If the prospectus contains a statement or a report prepared by an expert, the prospectus shall include the name, address and qualifications of such person and a sentence that such statement or report has been published in the relevant prospectus with the consent of such expert.

# **Appendix No.2**

## **Material Information**

According to QFMA Rulebook, material events include the following:

1. If trading is stopped or listing in foreign exchange suspended or cancelled;
2. If securities of any affiliate is traded in a local or foreign exchange;
3. If a receiver is appointed for the company, parent company or affiliate;
4. A petition to appoint or if a liquidator is appointed for the company, parent company or affiliate;
5. If the shareholders take a decision to liquidate and dissolve the company, parent company or affiliate;
6. Sale of more than 10% of the total assets of the company, parent company or affiliate;
7. If the listed company enters into negotiations for any merger or acquisition;
8. If a lawsuit is brought against the company or a court order issued in favor or against the company;
9. If a court issues an order which affects the capacity of the company, parent company or affiliate to dispose of more than 10% of the total assets;
10. If any change is made to the memorandum of association or the articles of association or the address;
11. Any change to the information related to members of the Board and the senior executive management; and
12. Convening a general assembly meeting.