Guidance – Restricted Securities

(VER01.061125)

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INTRODUCTION

1) This Guidance is issued under section 15(2) of the Financial Services and Markets Regulations 2015 ("FSMR"). It should be read in conjunction with FSMR and the Market Rulebook ("MKT") of the Financial Services Regulatory Authority ("FSRA"), in particular APP 8 (Restricted Securities) in MKT.

2) Restricted Securities requirements may be applicable to Issuers seeking admission of their Securities (other than Units of a Fund) to the Official List ("Applicants") and to Listed Entities, depending on the application of MKT Rule 9.6. The purpose of this Guidance is to assist Applicants and their advisers, to better understand the application of this important regulatory requirement. Given the Restricted Securities requirements are required to be understood and complied with at the Listing Application[1] stage, they should be understood and complied with in their entirety by all Applicants, as well as equally understood and complied with post listing, as part of a Listed Entity's ongoing obligations.

3) The significance of the Rules relating to Restricted Securities cannot be underestimated, as they can affect an Issuer on many different levels. For example, the number of Restricted Securities (if they are Shares) in the capital structure of Applicants will have an impact on their calculation of Shares in public hands and ultimately on their listing eligibility. The clear and upfront identification of Restricted Securities is therefore an important aspect of a Listing Application. It has significant consequences not only at the application stage but also post admission to the Official List, as both the Issuers and holders of Restricted Securities are subject to certain obligations, and provisions in an Issuer's Constitution must be compatible with the Restricted Securities regime.

4) This Guidance is not intended to replicate all the relevant Rules (hence the importance of reading this Guidance together with the applicable Rules/sections in MKT, especially APP 8), but instead aims to provide direction on how to approach and understand the Restricted Securities Rules, how to conduct relevant assessments against them, how to make calculations under the Restriction Formula, and what it means to an Applicant or a Listed Entity if it has any Restricted Securities on issue or intends to issue them. Further parts of the Guidance will present a number of exemptions from the general requirements relating to Restricted Securities and explain the process to follow if an Applicant or a Listed Entity would like to seek a waiver or modification of a particular Rule.

5) Pursuant to section 50(1) of FSMR, and in connection with its market related supervisory responsibilities, particularly those performed under FSMR and MKT and in maintaining the Official List, the FSRA may refer to itself as the Listing Authority. The Listing Authority will be the term used for the Regulator in this Guidance, given its Securities-related subject matter.

6) Unless otherwise defined, or the context otherwise requires, the terms contained in this Guidance have the same meaning as defined in FSMR, the FSRA Glossary Rulebook ("GLO") or MKT. Additionally, despite the fact that the definitions relevant to the Rules about Restricted Securities, as used in the Guidance, are mostly defined as such, a

[1] An application for admission of Securities to the Official List.

number of further defined terms, or an extended description of currently defined terms, given the complexities and needs of this area, are further set out in the 'Key terms and interpretational matters' section within this Guidance.

7) The singular includes the plural and vice versa. For example, Restricted Securities also mean a Restricted Security.

8) Any references to submitting or providing information to the Listing Authority means that such information should be sent by email to the Listing Authority's email address: LA@adgm.com

REQUIREMENTS RELATING TO RESTRICTED SECURITIES

Background

9) Under the MKT eligibility requirements, in respect of Securities which are Shares, the Listing Authority allows two types of Applicants to the Official List.[2] First, under MKT Rule 2.3.15 (profits eligibility test), Applicants can be admitted to the Official List on the basis of 'profits', 'going concern' and 'track record' requirements that collectively mean that there is full and complete information available to Shareholders/investors, in relation to a Listed Entity that has a suitable track record of audited profits and revenues. There should not be an evident concern as to Founders/Vendors or other Insiders[3] having removed or intending to remove value from the Listed Entity before the market is given sufficient time to conduct proper 'price discovery' over the assets and value of the Listed Entity. As a result, there is no need for the Listing Authority to impose any restriction on the Listed Entity's Securities.

10) In relation to the second test however, under MKT 2.3.16 (assets eligibility test), the Applicant seeking admission to the Official List cannot evidence the same basis of 'profits', 'going concern' and 'track record' requirements, meaning that the market in the Securities needs to be given further time for 'price discovery' before any Insider can sell (some or all, as applicable[4]) their Securities. While the Listing Authority deems the Listed Entity and its Securities suitable for admission to the Official List (as the Listed Entity is, for example, a start-up, is Fintech focussed, is pre-revenue, or is a Mining or Petroleum Exploration Reporting Entity, and is otherwise highly speculative, etc), there needs to be a balance in terms of further controls put in place for a Listed Entity being admitted on the basis of assets compared to profits.

11) MKT Rule 9.6, therefore, sets out that Restricted Securities requirements apply to Listed Entities and their Securities, except in a number of circumstances (see MKT Rule 9.6.2).

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[2] See paragraphs 138-172 of the Guidance Note on Listing Applications and Eligibility available at https://en.adgm.thomsonreuters.com/sites/default/files/net_file_store/ADGM1547_28297_VER01100425.pdf

[3] Being Founders, Service Providers, Relevant Service Providers, etc, all caught to one extent or another under the 11 Categories (described in paragraphs 25-92) due to taking 'value' from the Applicant / Listed Entity in a manner not provided to ordinary Security holders of the Applicant / Listed Entity.

[4] The number of Securities subject to the selling restriction (Restricted Securities) depends on whether the Restriction Formula applies to the relevant holding of Securities. The Restriction Formula is explained in paragraphs 19-22 and 193-197.

Taking into account those exceptions,[5] it can be stated that the following Issuers are subject to the Restricted Securities requirements:

(a) In respect of Shares, Issuers not applying for admission to the Official List under the profits eligibility test in MKT 2.3.15;

(b) Issuers with no track record of profitability or revenue acceptable to the Listing Authority; and

(c) Issuers with no tangible assets which, in the opinion of the Listing Authority, have a readily ascertainable value constituting a substantial proportion of the total value of their assets.[6]

12) In practice, the operation of MKT Rule 9.6 means that, where an Applicant in respect of Securities which are Shares seeks, and is admitted, to the Official List under MKT Rule 2.3.16 (assets eligibility test), the Listed Entity's Securities will be subject to the Restricted Securities requirements. An Issuer of additional Securities which are not Shares (for example, Warrants or Certificates over Shares), demonstrating similar characteristics to an Issuer complying with the assets eligibility test (despite not being directly assessed against the assets eligibility test) will also be subject to the Restricted Securities regime.

13) As a result, there are Rules in MKT imposing a Holding Lock on certain Securities (belonging to a class of Securities which are admitted to the Official List and to trading on a Recognised Investment Exchange ("RIE")), called Restricted Securities, which means that they cannot be traded on an RIE for an applicable Restriction Period. The purpose is to contribute to the integrity of ADGM's capital markets and the fair treatment of Shareholders and holders of other types of Securities, by allowing for fuller price discovery on the relevant Securities before the holders of such Securities can sell them on the open market, preventing Insiders selling of their holdings at the expense of shareholders that participated in the Offer of Securities and/or bought the Securities on the secondary market.

14) The fact that an Applicant has issued Restricted Securities will likely have an impact on how it complies with the Listing Rules,[7] and in particular, in relation to its Shares in public hands calculation. Holders of Restricted Securities will have to become aware of the regulatory consequences of owning such Securities, enter into specific agreements with

[5] Further detail on Issuers which are exempt from the Restricted Securities regime is included in paragraphs 137-143.

[6] For more detail on what it means to have tangible assets readily valued or a track record of profitability/revenue, please refer to the "Exemptions" section and in particular paragraphs 140-143.

[7] An Applicant must satisfy all applicable Listing Rules in order to be deemed eligible for admission of its Securities to the Official List, which is a prerequisite to admission of these Securities to trading on an RIE. FSRA has published a Guidance Note dedicated to Listing Applications and listing eligibility, which contains further details on specific requirements including those relating to Shares in public hands and is available here: https://en.adgm.thomsonreuters.com/sites/default/files/net_file_store/ADGM1547_28297_VER01100425.pdf

the Issuer of the Securities and comply with the terms of the agreements for a prescribed period.

15) The "Restriction" section below (paragraphs 18-93) includes a discussion on which Securities issued by an Issuer are Restricted Securities. What will be taken into account is the type of Security itself, the type of Security holders, consideration for which the Securities were acquired compared to their price at admission to the Official List,[8] as well as the expected admission date to trading on an RIE (in order to determine both the number of Restricted Securities and the length of the Restriction Period, during which they cannot be traded).

16) Once Restricted Securities have been identified in the capital structure of an Applicant, or it has been determined that a Listed Entity plans to issue Restricted Securities, it is important to understand what this then means in practice. Sections on the implications for Issuers and current and future holders of Restricted Securities (paragraphs 94-96), as well as the "Procedures" section (starting in paragraph 103), read together with the "Key terms and interpretational matters" section (starting in paragraph 151), discuss:

(a) how Restricted Securities will affect the calculation of free float (Shares in public hands);

(b) who must enter into, and the terms of, a Restriction Agreement;

(c) what information should be submitted to the Listing Authority; and

(d) whether any changes must be made to the Issuer's Constitution (which is especially relevant to Issuers from jurisdictions which do not have the concept of Restricted Securities within their regulatory regimes).

17) Separately, an Issuer can also impose voluntary restrictions relating to the trading of its Securities. Such restrictions apply on a contractual basis only (as agreed between the Issuer and a Security holder), with no regulatory underpinning, in circumstances not requiring such restrictions by MKT. This is considered in paragraphs 97-102.

Restriction

18) Under the Restricted Securities Rules, it is intended that a holder of Restricted Securities cannot dispose of them for a certain period of time, which varies depending on the circumstances in which they were acquired.[9] These circumstances can be divided into 11 Categories and are set out in detail in APP 8 in MKT. The Categories distinguish different types of Security holders based on their relationship with an Applicant / Listed Entity (for example, it matters whether a Security holder is a Director of an Applicant / Listed Entity or a non-related investor). Importantly, there is more to be considered in each Category than just the investor type. The form of consideration paid for the Securities, whether it was cash or otherwise, is relevant. Finally, each of the 11 Categories specifies whether all Securities

[8] If the admission is combined with an Offer of Securities, the admission price will be the Offer price.
[9] For exemptions from the prohibition on transfer of Restricted Securities, see paragraphs 144-147 below.

acquired in particular circumstances are considered Restricted Securities or whether this number will be reduced by the application of the Restriction Formula.

19) There are two versions of the Restriction Formula,[10] one which applies to Shares and one which applies to Warrants. Both of them are used to calculate the number of Securities which are not Restricted Securities.

20) In relation to Shares, the Restriction Formula is in the form of **(A / B) x C**, where:

(a) **A** means price per Share paid for the Shares which were issued to a Category 1, 2 or 9 investor and could therefore be Restricted Securities;

(b) **B** means price per Share as set for the time of their admission to the Official List or as otherwise determined by the Listing Authority;[11] and

(c) **C** means the total number of Shares issued to that Category 1, 2 or 9 investor that could potentially be Restricted Securities and therefore subject to the Restriction Period.[12]

21) In relation to Warrants, the Restriction Formula is in the form of **D x E**, where:

(a) **D** means the number of Shares which are not Restricted Securities; and

(b) **E** means the number of Warrants for each Ordinary Share offered under the Offer linked to a Listing Application.

22) The Restriction Formula (which calculates the form of relief attributable) is not applicable in relation to all Securities and/or Categories of Security Holders. Where it is not applicable, all Securities within a given Category are, by default, subject to the Restriction Period.

23) Each Applicant and Listed Entity should be aware of all 11 Categories, in order to determine whether they have any Restricted Securities on issue (or propose to issue them) and what further action[13] is required of them.

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[10] The Restriction Formula is further discussed in paragraphs 193-197 below.

[11] In practice, it will most likely be an Offer price (if there is an Offer of Securities). In less common circumstances, when an Applicant is seeking admission of its existing Securities to the Official List, with no Offer of Securities being made, the Applicant should contact the Listing Authority to discuss the "admission" price and how it should be determined.

[12] To determine the total number of such Shares, not only the status from the date of submission of the Listing Application should be taken into account, but also any subsequent changes to holdings of Securities (such as participation in an Offer of Securities or any disposals by selling Shareholders) which are known to take place in the period up to and including the admission to the Official List date. These changes are likely to be disclosed in a related Prospectus. There could be circumstances, however, where the exact details of certain expected changes to holdings of Securities are not necessarily known and disclosed in a Prospectus, for example where there is a price range in the Prospectus. These are discussed in the "Procedures" section starting in paragraph 103.

[13] Such as re-calculating free float, entering into a Restriction Agreement or making certain Disclosures (all discussed in the "Procedures" section below).

24) The 11 Categories, described further below,[14] involve the following Persons:[15]

(a) Category 1 – Founders, Related Parties and Relevant Service Providers;

(b) Category 2 – Non-related investors;

(c) Category 3 – Related Vendors of Unproven Assets;

(d) Category 4 – Unrelated Vendors of Unproven Assets;

(e) Category 5 – Parties to Related Party Transactions;

(f) Category 6 – Parties to Unrelated Vendor Transactions;

(g) Category 7 – Relevant Service Providers;

(h) Category 8 – Service Providers;

(i) Category 9 – Participants of Employee Incentive Schemes;

(j) Category 10 – Persons to which Restricted Securities were transferred; and

(k) Category 11 – Persons who hold Restricted Securities as a result of specific events.

Category 1 - Founders, Related Parties and Relevant Service Providers

25) Category 1 relates to three types of investors (holders or potential holders of Restricted Securities), being:

(a) Founders;

(b) Related Parties; and

(c) Relevant Service Providers.

26) These three types of investors have been grouped together in Category 1 for a number of reasons. First, they are likely to have paid, especially the Founders, much less (usually just a nominal value) for their Securities compared to the Securities' current valuation, given an Applicant's growth since inception. Second, they are likely to have better insights into the history of the Applicant, and its current and future operations, compared to a new investor who, despite having access to all the material information in a Prospectus, will lack personal involvement in the Applicant (for example, as a Director or someone with a

[14] Due to similarities or contrasts between certain Categories, they are not considered in numerical order within this Guidance.

[15] Some Persons are captured by more than one Category, therefore it is important to understand all of them in full, with all the differentiating factors (such as consideration paid for Securities), before they can be applied correctly by an Applicant or a Listed Entity.

significant influence over the Applicant, both considered Related Parties). Lastly, these early investors are likely to own larger quantities of Securities sought to be listed as compared to an average new investor in the Applicant.

27) If these early investors wanted to sell their Securities shortly after their admission to trading, it would have significant consequences. It could send a wrong message to the market (showing a disconnect between the interests (and belief in the Applicant's prospects) of these 'early' Security holders and any new or potential investors). The market would not then have a chance to naturally arrive at the right price of the Securities,[16] given the merits of the newly listed company itself, but would partially value the Securities based on the fact that such important investors[17] decided to sell down their holdings, which would drive the price of the Securities down.

28) Securities owned by Category 1 investors are considered Restricted Securities if two conditions are met, being:

(a) a Person who owns them provided capital to the Applicant either by acquiring the Securities for cash or providing a loan to the Applicant, which was later repaid in the Securities; and

(b) a number of the Restricted Securities has been determined by the outcome of the Restriction Formula,[18] discussed in paragraphs 193-197 below.

29) It is important to note how the provision of capital is interpreted. Although there is no requirement for a Person to pay cash to the Applicant as direct consideration for the Securities, to be captured by this Category, a Person must have at least provided cash to the Applicant sometime in the past (in the form of a loan) which was later repaid in Securities rather than cash. A reference to the repayment of debt in APP 8 in MKT in the context of Category 1 means the repayment of a short-term or a long-term loan, including bonds, as opposed to a payment of any liability on the Applicant's balance sheet, such as wages payable.[19]

30) Importantly, the relevant types of investors caught by Category 1 must hold that status at the time of the application for admission to the Official List. That status (whether under

[16] Noting the detail set out in paragraph 10, it is particularly true of Securities admitted to the Official List under the assets eligibility test in MKT 2.3.16. Their Issuers have no significant track record of profitability, and their business prospects often depend on the performance of Unproven Assets. This means that a market-driven value of such Issuers has not been fully realised yet, and time is needed for the market to arrive at the more informed valuation.

[17] Not being just any investors but those who actively drive, control, or participate in, the operations of the Applicant (whether by shaping its strategy due to their role, owning a certain level of voting rights, exercising significant influence over the Applicant (Related Parties), or by preparing it in some other capacity for an Offer of Securities / admission to the Official List (Relevant Service Providers)).

[18] If it applies to a particular type of Security.

[19] A Person, for example a Relevant Service Provider, can receive Securities in return for their services to an Applicant (either as full or partial consideration when combined with a partial payment of the relevant fees). Instances, where a repayment of debt means a reduction of the Applicant's liability, such as fees payable to a Relevant Service Provider, by issuing Securities to that Person (and that Person did not provide any cash to the Applicant) do not belong to Category 1 (and are likely caught within Category 7).

Category 1 or otherwise) will then influence how the total amount of the Securities held by that investor (even if acquired at different times in the past, when the investor belonged to a different Category) should be treated. An illustration of this is a Person who never held any positions at an Applicant but invested in it on several occasions by acquiring Shares. Initially, the investments never gave the Person voting rights amounting to more than 10% of the total voting rights in the Applicant. However, as a result of the Person's last investment, the acquisition of additional Shares gave them more than 10% of the voting rights in the Applicant. At this point they became a Related Party of the Applicant and the total number of their Shares (even though acquired at different times and possibly at different prices) are to be considered Restricted Securities, subject to the calculations under the Restriction Formula under Category 1. Conversely, if a Security holder used to be a Director of an Applicant but is not one at the time of the Listing Application (and have not held that position in the preceding 12 months[20]), they would no longer be captured as a Category 1 investor, unless they are caught by virtue of a reason other than being a Director of the Applicant.

31) "The time of the application for admission" referred to in APP 8 in MKT (in the context of circumstances for the acquisition of the Securities under Category 1), should be interpreted as the period leading to, and including, the day of admission of Securities to the Official List. Essentially, what matters is the position upon the admission to the Official List, which should be known, and catered for, at the time of the submission of the relevant Listing Application. For example, one of the Founders of an Applicant seeking to admit Shares to the Official List may want to sell (as a selling Shareholder) some of them as part of an Offer of Securities / admission to the Official List. That fact should be properly disclosed in a related Prospectus,[21] and all the Securities to be sold by the Founder under the Offer of Securities should be excluded from the calculation of the number of Restricted Securities held by them. Also, if a current holder of Restricted Securities, such as a Director holding Shares, intends to acquire more Shares under the Offer of Securities, that fact would have to be appropriately disclosed in the related Prospectus[22] and such Securities would have to be considered in the overall calculation of the total number of Restricted Securities held by the Founder.[23]

32) If a Category 1 investor does not participate in an Offer of Securities, the results of the Offer of Securities will not affect their position in relation to Restricted Securities. For example, if a Person holds 11% of the total voting rights in an Applicant just before admission to the

[20] Please refer to the Related Party paragraphs 175-176 for discussion on how "the last 12 months" are calculated.

[21] For example, there is a requirement under Rule A1.2.1 of APP 1 in MKT, item 3.1(c) to disclose in a Prospectus terms and conditions of the Offer of Securities, including the identity of the seller of the Securities where that person is not the Issuer. FSRA has published Guidance on Preparing a Prospectus which explains Prospectus disclosure requirements and the relevant application process, and is available at https://en.adgm.thomsonreuters.com/sites/default/files/net_file_store/ADGM1547_26574_VER01290224.pdf

[22] See Rule A1.2.1 of APP 1 in MKT, item 4.4(a), which requires, for example, disclosure of information whether Directors intend to subscribe for the Offer of Securities.

[23] However, in relation to Shares and given that under the Offer of Securities they would be acquired at the Offer price (the same price paid by any other investor), based on the relevant result of the Restriction Formula, discussed in paragraphs 193-197, such Shares would not be considered Restricted Securities.

Official List and, on admission, becomes a holder of only 9% of the total voting rights due to dilution resulting from the Offer of Securities,[24] they will remain a Related Party of the newly Listed Entity and their holding of Securities should be considered within Category 1. This is due to the definition of a Related Party[25] which includes a Person who has held more than 10% of the total voting rights in an Issuer within the period of 12 months leading up to admission of the Issuer's Securities to the Official List.

33) Relevant Service Providers are treated slightly differently due to the nature of their role. Unlike Related Parties, whose positions are not dependent on or conditional on Offers of Securities and admissions to trading, Relevant Service Providers, by definition, provide services to Applicants in connection with Offers of Securities and/or admissions of Securities to the Official List. For this reason, they may no longer provide any services to an Issuer on (and from) admission to the Official List, yet, on admission, they will still be considered as potential holders of Restricted Securities due to their role in the period leading up to the admission, subject to the calculation under the Restriction Formula, if applicable.

34) Whether Securities are Restricted Securities depends not only on the circumstances under which they were acquired (by whom, and for what consideration) but also on the type of Securities and whether they are subject to the Restriction Formula.[26] Whether any Securities issued to Category 1 investors are Restricted Securities can be determined as follows:

(a) In relation to Shares, the Restriction Formula **(A / B) x C** should be used to calculate the number of Shares which are not Restricted Securities.

(b) In relation to Warrants,[27] the Restriction Formula **D x E** should be used to calculate the number of Warrants which are not Restricted Securities.

(c) In terms of all the other Securities (apart from Shares and Warrants), they all count as Restricted Securities (regardless of the price paid for them) and the Restriction Formula does not apply to them.

35) Examples with numbers to illustrate the application of and some calculations under the Restriction Formula are provided in the "Examples" section starting in paragraph 217. At this point, however, it is worth noting that a Person could acquire Securities in an Applicant on more than one occasion, potentially paying a different price each time, or even acquire them for different types of consideration (for example cash and/or services). In such a scenario, it should be first established to which Category a given acquisition belongs and

[24] Information about dilution resulting from an Offer of Securities must be disclosed in a Prospectus pursuant to Rule A1.2.1 of APP 1 in MKT, item 4.2.
[25] See paragraphs 175-176.
[26] There are two variants of the Restriction Formula: for Securities other than Warrants and for Warrants. Descriptions of each of the 11 Categories of Security Holders will provide details of how exactly, if at all, the Restriction Formula should be used within each Category.
[27] Being Warrants which have the same terms as Warrants offered together with the Shares, all of which are the subject of a Listing Application.

then, if there is a requirement to use the Restriction Formula within a specific Category, each acquisition should then be calculated separately under the Restriction Formula.

36) The purpose of the Restriction Formula is to capture instances where Securities were acquired at a lower price than the Offer price / admission price (or lower than a prescribed threshold in Category 2[28]). On the one hand, the Restriction Formula helps to protect the integrity of the markets for Securities by enabling a determination of how many of such Securities should be excluded from trading for a period of time, called the 'Restriction Period'. On the other hand, it also recognises that certain Security holders, especially early investors in an Applicant in Categories 1 and 2, took on a lot of risks associated with their early investment, not knowing whether the Applicant will be ready for a listing and Offer of Securities at some point in the future, or even whether they will be able to exit their investment at all. The risks are reflected in the lower price they paid in the past and the investors are recognised in this way in how the Restriction Formula is constructed. It determines which Securities should not be considered Restricted Securities and therefore should be free from the relevant restrictions on transfer.

37) For Category 1, the Restriction Period lasts two years from the time of an Applicant's Securities' first admission to trading on an RIE (reflecting the longest period to which a Restriction Period is applied).

Category 9 - Participants of Employee Incentive Schemes

38) Category 9, similarly to Category 1, also relates to Related Parties and Relevant Service Providers of an Applicant.[29] To be captured by Category 9, these Persons must have acquired[30] Securities under an Applicant's Employee Incentive Scheme before admission of the Applicant's Securities to the Official List. The way to calculate the number of Restricted Securities and the length of the Restriction Period is the same as under Category 1.[31]

39) The term "Employee Incentive Scheme" is a broad one, given that Applicants can come from various jurisdictions where companies are allowed to set up schemes governed by different laws. For this reason, the parties that are caught by Category 9, being Relevant Service Providers or Related Parties of an Applicant, do not have to be their employees, as some incentive schemes can be extended to third party advisers and consultants. Applicants can incentivise participants of such schemes by rewarding them with different types of Securities, including Shares and Warrants over Shares.[32] To be considered as

[28] See paragraph 54.

[29] Even though Founders are not explicitly referred to within Category 9, it is likely that they would be captured by this Category by possessing the characteristics of a Related Party of an Applicant (such as being a Director, holding more than 10% of the voting rights in or exercising significant influence over the Applicant).

[30] "Acquired" in the context of Category 9 does not necessarily mean that the Securities were acquired for cash consideration. "Acquired" includes circumstances where such Securities were granted or, in relation to Warrants over Shares, exercised.

[31] See paragraphs 34 and 37 above.

[32] Warrants over Shares are also referred to as "Share Options" or "employee Share Options" in certain jurisdictions. All these terms denote the same type of Securities, which can be exercised at the holder's

potential Restricted Securities, Securities must be vested and unconditional (which means fully owned after meeting specific conditions, if any, such as completing a vesting period or meeting specific performance thresholds by the Applicant).

40) If participants of an Employee Incentive Scheme acquired, under the scheme, Warrants over Shares, and the Warrants were exercised prior to admission of the relevant Securities to the Official List and to trading on an RIE, then the resulting Shares, subject to the application of the Restriction Formula, will be Restricted Securities from the day of admission to trading on the RIE. If, however, such Warrants were not exercised prior to the admission to trading date, then the Warrants themselves will be considered Restricted Securities. They will be subject to the same Restriction Period of two years from the admission to trading as the Shares in the previous example.[33]

41) To determine the number of Restricted Securities based on the result of the Restriction Formula, the price per Security paid at their acquisition must be used. In some circumstances, however, participants of Employee Incentive Schemes may be given Securities outright as opposed to being given an opportunity to acquire them. When this happens, the Restriction Formula is not applicable, and all Securities acquired by an investor in such circumstances would be Restricted Securities. If, however, a participant of the scheme under Category 9 was granted free Warrants over Shares and later paid for each Share when they exercised those Warrants, the price paid at that time should be used for the calculation under the Restriction Formula.[34]

42) Securities acquired under an Employee Incentive Scheme, even after they vested, may be subject to transfer restrictions for a period of time, determined and imposed by an Applicant, within which they cannot be sold. Any such restrictions have no bearing on the application of the Restricted Securities regime. Regardless of the length of any other period during which the relevant Securities could not be transferred prior to listing, the applicable Restriction Period which starts from admission of the Applicant's Securities to trading on an RIE is not affected.

43) Securities in Category 9 must be acquired under an Employee Incentive Scheme before the admission of an Applicant's Securities to the Official List. The expression "before admission" is used here to indicate that it is not after admission. It refers to all acquisitions

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discretion to receive one Share for one Warrant/Option, or in any other proportion as determined by the Issuer. There can be some conditions attached before they can be exercised. There would also often be a vesting period, within which they cannot be exercised. Such Securities, issued under an Employee Incentive Scheme to its participants, are different (under FSMR) from Options which are Derivative Contracts, even though they also include Options to acquire a Security. Those Derivative Contracts would not usually have any vesting period or conditions attached. They will just have an expiry date and the exercise price, and will be used for trading (whether OTC or on an exchange). Securities offered under an Employee Incentive Scheme, on the other hand, are being used to remunerate its participants rather than as trading instruments.

[33] They can be exercised, even though they are subject to transfer restrictions. Once exercised within the Restriction Period, the resulting Shares will become subject to the balance of the originally imposed Restriction Period. Category 11 covers such conversions of Restricted Securities and is discussed in paragraphs 80-92 below.

[34] If an investor paid both for a Warrant and an additional price on the exercise of the Warrant, both amounts must be added together to be used in the Restriction Formula.

of Securities which took place before or in connection with the admission and therefore in the period up to and including the admission date.

Category 7 - Relevant Service Providers

44) Only Relevant Service Providers can be caught by Category 7. Unlike the required type of consideration for Securities in Category 1 (in the form of cash or repayment of debt), here the consideration for the Securities must be in the form of:

(a) provision of services to the Applicant; or

(b) cash, provided that under the relevant 'service' agreement this cash is used to pay for the services delivered by the Relevant Service Provider.

45) In these circumstances, the Restriction Period lasts for two years. No Restriction Formula is applicable, so no Securities are excluded by virtue of the application of the Restriction Formula, with all Securities therefore subject to the Restriction Period.

46) Despite an apparent overlap between Categories 1 and 7, when it comes to the acquisition of Securities for cash by a Relevant Service Provider, there is a crucial difference between them. In Category 1, the provision of, and the payment for, the relevant services (rendered by a Relevant Service Provider to an Applicant) is a standalone and independent transaction, separate from the subscription agreement under which the Relevant Service Provider acquires Securities in the Applicant. In Category 7, however, both types of transactions are interlinked and the consideration received for the subscription of the Securities is used to compensate the Relevant Service Provider for its services under the terms of the relevant 'service' agreement[35] between these two parties.

47) What matters in Category 7 is the linkage between the two transactions, being the acquisition of Securities and the provision of Services. The order of these transactions, how far apart from each other they take place, how quickly consideration for each transaction is received, or even whether there was an actual movement of cash in both transactions are not important. As long as there was an agreement that consideration to be paid for one transaction will be used as consideration to be received from the other transaction, then all the Securities acquired as part of this agreement by Category 7 investors are Restricted Securities.

48) Restricted Securities within Category 7 must be acquired before an Applicant's Securities are admitted to the Official List. This includes acquisition of such Securities under an Offer of Securities related to the admission.

49) A Person who provided services to an Applicant in connection with its proposed Offer of Securities / admission to the Official List at the beginning of the Applicant's preparations for listing may no longer provide these services to the Applicant at the time of the application for admission to the Official List.[36] If this happens, they will simply be

[35] The agreement does not have to be in writing.

[36] For example, because they were replaced by another Relevant Service Provider, or they already completed their engagement.

considered under Category 8 as a Service Provider of the Applicant. As discussed in the paragraphs below, the number of Securities subject to the Restriction Period and the Restriction Period itself are the same under Categories 7 and 8.

Category 8 - Service Providers

50) Those providing services to an Applicant in the capacity other than in relation to the Applicant's application for admission to the Official List / the Offer of Securities are "day-to-day" Service Providers. They can also be holders of Restricted Securities but only if they acquired Securities in return for their services or as part of an agreement where the same cash is used as consideration to pay for their services and to subscribe for the Securities.

51) All Securities acquired in the circumstances as described in the paragraph above are Restricted Securities and subject to a Restriction Period of two years from the admission of an Applicant's Securities to trading on an RIE.[37]

Category 2 - Non-related investors

52) Category 2 can be considered in contrast to Category 1, as both of them relate to early investors in an Applicant who provided (seed) capital, acquiring (potentially Restricted) Securities either for cash or in consideration for the repayment of debt.[38] What is different in Category 2 is that it captures everyone else apart from the Founders, Related Parties and Relevant Service Providers of an Applicant. These so-called 'unrelated' investors include those with no directorships in the Applicant, those with lower holdings of Securities (with up to 10% of the total voting rights in the Applicant), and those who are not involved in the process of getting the Applicant ready for an Offer of Securities / admission to the Official List.

53) Due to these differences and the investors' less impactful involvement in an Applicant, the Restriction Period is shortened to one year, as compared to Category 1 investors having a two-year Restriction Period. The risks these early investors took on, and reflected in the price they paid, are recognised differently that for Category 1 investors, as they invested in a passive way, with no meaningful (apart from the funds provided) contribution to the development of the Applicant and its future operations.

54) Further, not all Securities acquired by this group of 'unrelated' investors are considered Restricted Securities. In relation to Shares and Warrants, only those acquired for less than 80% of the Offer/admission price should be subject to the Restriction Formula (in order to determine how many of them are Restricted Securities to which the Restriction Period applies). Shares and Warrants acquired, therefore, for at least 80% of the Offer/admission price are not Restricted Securities. Securities other than Shares and Warrants are all considered Restricted Securities, subject to the Restriction Period.

[37] Please note the explanation under Category 7 relating to the type and timing of consideration paid (paragraphs 46-47) as the only difference between Categories 7 and 8 is the type of Security Holders (Relevant versus other Service Providers), whereas the type of consideration and the associated timings otherwise remain the same.

[38] Please refer to paragraph 29 for an explanation on how to interpret the provision of capital and repayment of debt.

Categories 3 and 4 - Related Vendors of Unproven Assets and Unrelated Vendors of Unproven Assets

55) Vendors of Unproven Assets who acquired Securities in an Applicant before admission of the Applicant's Securities to the Official List are captured by Categories 3 and 4, which will be considered in this Guidance together, as they share many similarities. The main difference is in the type of Vendors, whether they are related or unrelated to an Applicant, which influences the length of the Restriction Period.

56) An Unproven Asset has quite a broad meaning and it is crucial to have a good understanding of this term, which means an interest in:

(a) a Mining Tenement or Petroleum Tenement that is substantially explorative or unproven;

(b) intangible property that is substantially speculative or unproven, or has not been profitably exploited for at least three years, and which entitles an Applicant to develop, manufacture, market or distribute the intangible property;

(c) an asset which, in the opinion of the Listing Authority, cannot be readily valued; or

(d) an entity, of which a substantial proportion of its assets is property of the kind referred to in (a), (b) or (c) above.

57) An Unproven Asset is not a concept related to any particular industry. While the first association with the term[39] might be an asset owned by a Mining Exploration Reporting Entity or Petroleum Exploration Reporting Entity, its collective use relates to Unproven Assets from any industry. What matters here is that it has a potential value for an Applicant, which has not been realised yet and is not easy to ascertain. While the earning potential of any asset is subject to risks and events occurring in the future, and cannot be predicted with certainty, many assets can still be readily valued. Any associated risks impacting their future performance will be simply reflected in their price. An Unproven Asset's earning potential, however, is even less certain for such reason as insufficient information surrounding the asset due to their nature rather than deficient due diligence.[40]

58) An Applicant can acquire an Unproven Asset directly or by acquiring an interest in an entity which owns an Unproven Asset(s). The latter scenario has been incorporated into a definition of an Unproven Asset and the relevant interest in another entity (with an Unproven Asset) becomes an Unproven Asset itself.

59) An "interest" has not been defined or further specified under the Rules. For this reason, any interest, regardless of how small, is sufficient for the purposes of the definition. For

[39] See paragraph 56(a) above.

[40] In relation to mineral Exploration and development, for example, there can be no assurance that Exploration of a company's Mining Tenement will result in the discovery of economic mineralisation. Moreover, even if economic mineralisation is discovered, there is no guarantee that it can be commercially exploited.

example, if an Applicant only owns a minority interest in an exploration licence, that interest is likely to be considered an Unproven Asset. In certain industries, Unproven Assets have a very high value and it is common that they are owned by more than one entity, for example under Joint Venture arrangements.

60) The only aspect of the definition of an Unproven Asset which is qualified relates to a "substantial" proportion of an acquired entity's assets in paragraph 56(d) above. The Listing Authority does not define what a substantial proportion means (and there are no prescribed thresholds), so its common meaning should be applied here to indicate a significant proportion in terms of size and/or importance. An interest in a pre-revenue pharmaceutical company is a good example of an Unproven Asset defined in paragraph 56(d), as such a company, by its nature, will have a number of licences forming a significant and crucial portion of its assets.

61) The examples of what the Listing Authority will consider when receiving information, or queries, from an Applicant about Restricted Securities and Unproven, or potentially Unproven, Assets are set out below:

(a) In relation to Mining Tenements or Petroleum Tenements, what will be taken into account is the status and potential viability of development of a specific Mining Project / Petroleum Project. This will be often evidenced in the relevant pre-feasibility or feasibility study, if already undertaken. This type of information is required to be disclosed in a Prospectus, which must include a Valuation Report prepared by an independent expert.[41] The existence of a recent pre-feasibility or feasibility report in respect of a particular asset, with no further activities undertaken by an Applicant in relation to that asset, is an indicator that the Applicant has an interest in an Unproven Asset.

(b) In relation to intangible properties, such as licences, research & development or patents, the Listing Authority will take into consideration how they have been used so far and what the stage of operations of the company which owns them is. If they are owned by a start-up company or a pre-revenue company, it is likely they have not been profitably exploited over a period of three years yet and would therefore be considered Unproven Assets. All the relevant information about such assets will have to be disclosed in a Prospectus.[42]

(c) The Listing Authority can consider any asset as an Unproven Asset where it is of the view that its value cannot be readily obtained. It means that there is not sufficient information in the market (whether by comparison with other similar assets held in similar circumstances or otherwise) which would allow different valuers to determine a similar, objective, valuation of the asset. The fact that an Applicant could find an independent expert who valued a given asset (which was most likely needed for the purposes of determining the number of Securities to be issued to the

[41] Under such Rules as MKT 11.3.1-11.3.2, MKT 12.3.1-12.3.2 and Rule A1.2.1 of APP 1 in MKT, item 9.4.1(a).
[42] Rule A1.2.1 of APP 1 in MKT, item 9.4 requires that a special category of Company, including scientific research or a start-up Company (with less than a three-year track record), must disclose in a Prospectus an Expert report on the assets or rights owned by the Issuer.

Vendor of the asset in consideration for the asset) is not, on its own, an indication that the asset can be readily valued.

(d) If an Unproven Asset is an interest in another entity,[43] all Securities acquired in consideration for that interest are treated as Restricted Securities, regardless of the percentage of Unproven Assets, as compared to other assets, owned by that entity.

62) An Unproven Asset can relate to a small proportion of an Applicant's overall business. Conversely, it can also be at the core of an Applicant's operations, where the future and viability of such operations depend on the Unproven Asset's performance. The Rules relating to Restricted Securities are the same regardless of the significance of an Unproven Asset to the Applicant's business. The only variation of the Rules comes from the type of the Vendor, from which an Applicant acquired such an asset, and the type of consideration paid for the Applicant's Securities.

63) Under Category 3 (Related Vendors of Unproven Assets), all Securities which a Vendor of an Unproven Asset acquired in consideration[44] for the Unproven Asset are Restricted Securities, as long as the following conditions have been met:

(a) the Vendor was a Related Party of the Applicant or a Relevant Service Provider to the Applicant immediately before the acquisition; and

(b) the acquisition took place by the time of admission of the Applicant's Securities to the Official List.

64) The Restriction Period for Restricted Securities under Category 3 is two years from the time the Applicant's Securities are first admitted to trading on an RIE.

65) Category 4 (Unrelated Vendors of Unproven Assets) differs from Category 3 in three areas, as follows:

(a) Vendors of Unproven Assets are not related to the Applicant and are therefore not a Related Party or a Relevant Service Provider of the Applicant. This relationship, or rather the lack thereof, must exist up to, and immediately before, the acquisition;[45]

(b) Securities do not have to be acquired directly in consideration for an Unproven Asset. They can also be acquired under an agreement[46] between a Vendor and the

[43] Such interest must meet the requirements referred to in paragraph 56(d).

[44] This Guidance Note only concerns regulatory requirements from the perspective of Restricted Securities. In addition to Restricted Securities requirements, Applicants and Listed Entities might be subject to other obligations resulting from the fact that they want to issue Securities in consideration other than cash. For example, public companies incorporated in ADGM cannot allot Shares as fully or partly paid up otherwise than in cash unless, among other conditions, the consideration for the allotment has been independently valued in accordance with the provisions of Chapter 5 in Part 16 of the Companies Regulations 2020. These additional obligations, which may vary depending on the country of incorporation of an Applicant or a Listed Entity, are not the subject of this Guidance Note.

[45] It is irrelevant from the Restricted Securities requirements' perspective, whether this relationship changes after the acquisition of an Unproven Asset, for example, if an Unrelated Vendor becomes a Related Party of the Applicant as a result of the acquisition involving an Unproven Asset.

[46] The form of such agreements is not prescribed by the Rules. They can also be oral and informal.

Applicant, where cash to subscribe for Securities is used to pay for the Unproven Asset;[47] and

(c) The Restriction Period is one year from the time the Applicant's Securities are first admitted to trading on an RIE.

66) There are two additional requirements relating to Applicants who are seeking admission of Shares to the Official List under the assets eligibility test in MKT 2.3.16, and who acquired an Unproven Asset or propose to acquire it in connection with the proposed admission:

(a) If the Vendor of the Unproven Asset is a Related Party or Promoter,[48] or an Associate of a Related Party or Promoter, and the acquisition took place within two years of the Listing Application / will take place by admission, the consideration for the acquisition must have been, or be, Restricted Securities only (in the form of the Applicant's Shares to be listed or Warrants over those Shares).[49]

(b) If the Vendor of the Unproven Asset is not a Related Party or Promoter, or an Associate of a Related Party or a Promoter, and the acquisition took place within 12 months prior to admission of the Applicant's Securities to the Official List / will take place by admission, there is no requirement relating to the type of consideration for the acquisition. However, if the consideration (full or partial) was / will be in the form of Securities to be listed, all these Securities must be Restricted Securities.[50]

Categories 5 and 6 - Parties to Related Party Transactions and Parties to Unrelated Vendor Transactions

67) Categories 5 and 6 are similar to Categories 3 and 4 as they also relate to acquisitions of Securities by Vendors of Unproven Assets, but those which take place after, rather than before, the admission of the relevant Securities to the Official List.

68) Category 5 relates to Securities acquired only by a Related Party of a Listed Entity.[51] The position of a Related Party of a Listed Entity must be held immediately prior to the

[47] This option does not exist in Category 3. Therefore, if a Related Vendor of an Unproven Asset acquired Securities under the agreement described in paragraph 65(b), they will be simply treated as a Related Party which acquired Securities for cash under Category 1. This will still be the case even if the two transactions were netted and not accompanied by the actual transfers of cash.

[48] Promoter is defined in GLO and includes a person with a material involvement in the formation or promotion of the Applicant.

[49] MKT 2.3.16(7)(a). The only exception from the requirement to pay consideration for the acquisition only in the form of Securities is if the Applicant, in full or partial consideration, reimburses expenditure incurred by the Vendor in developing the Unproven Asset (see Guidance 2 under MKT 2.3.16).

[50] MKT 2.3.16(7)(b).

[51] This is in contrast to Category 3, which also covers Relevant Service Providers of an Applicant. However, in the context of a Listed Entity, there are unlikely to be any services left which would be performed in connection with admission to the Official List. Those providing services to a Listed Entity in connection with its further Offers of Securities (of the same class as the class of Securities already admitted to the Official List) are not included in Category 5.

acquisition.[52] Securities must be received as consideration for an Unproven Asset or under an agreement where the Related Party subscribed for the Securities and cash received from that subscription is used to acquire the Unproven Asset.

69) All Securities acquired under Category 5 are Restricted Securities and the Restriction Formula does not apply here in order to modify the number of the Restricted Securities. The Restriction period lasts one year from the later of the following dates:

(a) when the Restricted Securities are issued; or

(b) all the relevant Restriction Agreements[53] are submitted to the Listing Authority.

70) Category 6 differs from Category 5 in two aspects only. To be included in Category 6, a Vendor cannot be a Related Party of a Listed Entity, and by acquiring Securities from the Listed Entity, it must gain an interest in at least 20% of its issued capital. As the Vendor is not a Related Party immediately before the acquisition, it is not bound by the Related Party Transaction Rules in MKT 9.5. Those Rules consider all transactions between the same parties on a cumulative basis over a period of 12 months. Even though Vendors from Category 6 are not subject to those Rules, the Listing Authority can also decide to aggregate separate transactions between an unrelated Vendor and a Listed Entity. The period over which transactions between them will be taken into account is not limited to 12 months.[54] The outcome of such aggregation would be to treat all Securities acquired by that Vendor as Restricted Securities, if the relevant transactions resulted in the Vendor gaining an interest in at least 20% of the issued capital of the Listed Entity.[55]

71) In practice, especially in the case of a Listed Entity with a simple capital structure with only one class of Shares (being ordinary Shares), a Shareholder with an interest in at least 20% of the Listed Entity's issued capital, as a result of an acquisition under Category 6, will most likely be considered a Related Party of the Listed Entity. This can happen on many levels (by virtue of also holding a directorship at the Listed Entity, exercising a significant influence over the Listed Entity or holding more than 10% of the voting rights in the Listed Entity).[56] Category 6, however, also allows other scenarios, taking into account a more complex capital structure of an Issuer with different classes of Shares, voting and non-

[52] An acquisition of an Unproven Asset from a Related Party of a Listed Entity (as opposed to a Related Party of an Applicant) will constitute a Related Party Transaction, which, depending on its size, requires satisfaction of certain obligations, including seeking Shareholders' approval. These are set out in MKT 9.5.3 and are not the subject of this Guidance.

[53] Details about Restriction Agreements (such as form, content, signatories and when executed agreements must be submitted to the Listing Authority) are provided in the "Procedures" and "Key terms and interpretational matters" sections below.

[54] In the case of Related Party Transactions, transactions between a Listed Entity and a Related Party are considered on a cumulative basis in terms of their value over a period of 12 months in order to ascertain whether Shareholders' approval is required (see MKT 9.5.3(3)).

[55] Depending on individual circumstances surrounding the previous acquisitions of the relevant Securities from an unrelated Vendor (the amounts and timings relative to the most recent acquisition), the Listing Authority may consider waiving the Restriction Period requirement in relation to some of these transactions. See further details in the section on waivers and modifications in paragraphs 210-216.

[56] Particularly in circumstances where one Share equals one vote and the Listed Entity has issued only one class of Shares.

voting with economic interest only. In such circumstances, an unrelated Vendor would not necessarily become a Related Party of the Listed Entity as a result of a transaction under Category 6.

Category 10 - Persons to which Restricted Securities were transferred

72) Restricted Securities are subject to a Restriction Period during which they cannot be disposed of.[57] Category 10 relates to Restricted Securities which, as a result of a transfer, are no longer owned by the original investor/Security Holder. This can only happen if a transfer took place before admission of Securities to the Official List,[58] under MKT 9.6.11 or with the Listing Authority's consent.[59] The only Securities captured under this Category are those which were issued prior to admission of an Applicant's Securities to the Official List. In effect, this Category is intended to capture transfers of Securities that the initial holder knows will be subject to one of the other Categories and seeks to obtain value by selling Securities to new investors. The application of the Restriction Period, to the Restricted Securities, then passes to the new investor.

73) The length of the Restriction Period for transferred Restricted Securities is the balance of the Restriction Period applying to the original owner of these Securities. What has to be determined is the Category they would fall under had they kept the ownership of the Restricted Securities until admission of the Applicant's Securities to the Official List. That Category would then define the length of the applicable Restriction Period.

74) In practice, in the majority of cases, such a transfer will take place before admission of Securities to the Official List, which is before any Restriction Period can start. It means that for this type of transfer, the balance of the original Restriction Period as would apply to the first owner of the Restricted Securities is the original Restriction Period itself.

75) Until an Applicant's Securities are admitted to trading on an RIE (and prior to that, to the Official List), they are not then bound by any selling restrictions, even though they may fall under a definition of Restricted Securities by virtue of being held by a particular type of investor, for example, a Director/Founder of the Applicant. Such an investor can transfer their Securities to another Person, and the same Securities can be transferred multiple times without any immediate consequence, as long as the transfers are completed before the Applicant's Securities are admitted to the Official List.

76) While the original owner of Restricted Securities, such as a Related Party of an Applicant falling under Category 1, may be able to benefit from the Restriction Formula (available under certain Categories), which can reduce the number of Securities subject to a Restriction Period, transferred Restricted Securities cannot take further advantage of the Restriction Formula. All transferred Restricted Securities are subject to the initial Restriction Period. As a Restriction Formula does not apply to transferred Restricted

[57] Paragraphs 187-188 contain further information on what else is not allowed during a Restriction Period, with paragraphs 144-147 including information on the related exceptions.
[58] As a Restriction Period cannot start earlier than on the day of admission of Securities to trading on an RIE.
[59] Consent under other circumstances than those related to MKT 9.6.11. See the section "Waivers and modifications" below.

Securities, consideration paid by the transferee and the relationship between the transferee and the Applicant are not relevant to establish the number of Restricted Securities and the length of the Restriction Period (as what applies to the initial holder (in terms of length of the Restriction Period, and the number of Restricted Securities) simply passes on to the new Security holder).

77) There is also a less common type of transfer of Restricted Securities which can take place after the Applicant's Securities were admitted to the Official List and to trading on an RIE. They do not happen very often for a simple reason, they are generally not allowed by the Listing Authority / Issuer with the exception of certain limited circumstances discussed in paragraphs 144-147 below. Transfers which are not permitted would not be valid and enforceable.[60] Restricted Securities which were transferred, as permitted by the Listing Authority,[61] would be subject to the balance of the Restriction Period applying to these Securities prior to the transfer.

78) Restricted Securities issued after an Applicant's Securities have been admitted to the Official List are not included in Category 10. However, they may still be transferred with the prior consent of the Listing Authority.[62] In those rare circumstances, terms such as the length of the Restriction Period would be separately addressed, on an individual basis.

79) If a transfer of Restricted Securities takes place after admission of the relevant Securities to the Official List, it is not required to amend the original Restriction Agreement. A reference to a party in the Restriction Agreement template includes its transferees. Please refer to paragraphs 186-192 below on Restriction Agreements.

Category 11 - Persons who hold Restricted Securities as a result of specific events

80) Category 11 circumstances include four actions which can be taken in relation to Restricted Securities already held by a Security Holder, being:

(a) substitution of existing Restricted Securities on a reorganisation;

(b) bonus issue relating to existing Restricted Securities;

(c) conversion of existing Restricted Securities; and

(d) payment of the outstanding amount on partly paid Restricted Securities.

81) All Securities issued and/or held as a result of these actions are Restricted Securities to which the balance of the Restriction Period applicable to the initially held Restricted Securities applies.

[60] And will be required to be reversed by the Issuer (pursuant to their constitutional documents (see paragraphs 156-158)).
[61] With the exception of transfers permitted under MKT 9.6.11, where no transfer restrictions are imposed on transferees.
[62] Please refer to the later "Waivers and modifications" section.

82) An Issuer making a call to request more funds until the relevant Securities are fully paid or performing other actions listed in paragraph 80 above will not result in the termination of the Restriction Period applicable to Restricted Securities subject to those actions. The Listing Authority considers them as affecting the form rather than the substance of a Security Holder's initial holding. This means that, even though the form of a holding of Restricted Securities may change (their number and/or even their characteristics), a new holding of Securities is treated as the original holding of Restricted Securities in terms of transfer restrictions with the same start date and the length of the Restriction Period.[63]

83) A substitution of existing Restricted Securities on a reorganisation[64] of an Issuer has a broad meaning and includes such events as:

(a) Dividing (Share split) or combining (Share consolidation) Shares to create new Shares with a different par value;

(i) In the case of a Share split, the par value of each Share is reduced, and the number of Shares increases by the same proportion. Share consolidation is a reverse process, where the number of Shares is reduced and their par value increases.

(ii) The result for an investor is a different number of Shares with changed par value. However, as the new holding substitutes the original holding,[65] it is treated as its continuation to which the balance of the original Restriction Period applies.

(b) Changing the structure of an Issuer / Issuer's Group, for example by introducing a new holding company at the top of the Issuer ("Topco"). This will result in a Shareholder of the Issuer becoming a Shareholder of Topco;

(c) Reorganisations where rights attaching to a particular class of Securities (the same class to which Restricted Securities belong) are being changed; or

(d) Reorganisations where Securities held in an Issuer are being replaced by Securities of another Issuer on such events as mergers and acquisitions.[66]

84) A bonus issue relating to existing Restricted Securities is a point that covers all instances where a Security Holder holding Restricted Securities receives new Securities in addition

[63] A new holding is regarded the same as the old holding in the context of Restricted Securities and this Guidance Note only. This Guidance does not constitute legal or tax advice in relation to the treatment of such holdings.
[64] Reorganisation of a company's capital (whether as an Applicant or a Listed Entity) may mean that an investor receives new Securities to replace their existing ones. This may require Shareholders' approval or even permission of a court. Prerequisites of capital reorganisations are out of scope of this Guidance Note.
[65] The event is not treated as a disposal of Restricted Securities (which is prohibited), or an acquisition of new Securities.
[66] See MKT 9.6.12 and paragraph 146 on the requirements which must be met for the Listing Authority to consent to a Takeover involving Restricted Securities.

to and as a result of their existing holding of Restricted Securities. It can be, for example, a bonus issue or a rights issue.

85) In a bonus issue, a bonus Security does not have to be of the same class as the Restricted Security to which it relates. A holder of a Share which is a Restricted Security may receive, as a bonus, a Preference Share in the same Issuer. Whether the other class of Securities (Preference Shares) will become Restricted Securities or not will depend on whether that class is admitted to the Official List and to trading as well. If it is listed and traded, then the balance of the original Restriction Period applies. If it is not listed but becomes listed before the original Restriction Period expires, such Securities will be subject to the remaining balance of the Restriction Period from the date they were admitted to trading on an RIE.

86) In reorganisations of Share capital involving bonus or rights issues, a holding of Restricted Securities by an investor will increase.[67] Even though there is no substitution of an individual Security with a different Security, a new holding of Restricted Securities, considered as a whole, replaces the original holding and carries the same transfer restrictions as those imposed on the original holding.

87) A conversion of existing Restricted Securities means a conversion of convertible Securities, for example Debentures into Shares. This Category also covers exercise of Warrants, for example Warrants over Shares.

88) A new holding of a Security Holder, following either a conversion or exercise of their Restricted Securities, does not terminate the transfer restriction terms applicable to the original Security holding. A new Security holding is treated as if it were the original Security holding.

89) A payment of the outstanding amount on partly paid Restricted Securities differs from other events in paragraph 80 above in that there is no replacement, or change in the number, of the initially held Restricted Securities. The number of, and the rights attaching to, the Securities, before and after they are fully paid, are the same.

90) The events in points (a) to (c) in paragraph 80 above can take place either before or after admission of the relevant Securities to the Official List. The Restricted Securities to which those events apply can also become Restricted Securities before[68] or after their admission to the Official List. To determine the remaining balance, the length and, most importantly, the start date of the Restriction Period, the dates of admission to trading on an RIE and of the event from paragraph 80 (a) to (c) matter. If both of them took place before admission

[67] Unless the event relates to an issue of bonus Shares of a different, not listed, class from the class of the Restricted Securities.

[68] When referring to Restricted Securities before their admission to the Official List, it is understood that due to the circumstances of their issue they have the characteristics of Restricted Securities and what follows, the potential to become subject to a transfer restriction during the Restriction Period, but only provided they (or the Securities they can convert into / be exercised into) become admitted to the Official List and to trading on an RIE. Characterising Securities as Restricted Securities before this has no consequence to their holder, unless in the context of a Listing Application when a Restriction Agreement has to be entered into prior to listing.

(for example, if an Issuer wants to carry out a capital reorganisation for the purpose of a public issue of Shares), then the applicable balance of the Restriction Period will be the Restriction Period itself, as it can only start on the first day of trading of the relevant Securities.

91) In relation to Shares and the event (d) in paragraph 80 above, and considering that only fully paid Shares can be admitted to the Official List,[69] the Restriction Period can only start once the Securities become fully paid and admitted to the Official List and trading on an RIE. Therefore, the balance of the Restriction Period in relation to point (d) simply means the Restriction Period in full.

92) There is no need for a new or updated Restriction Agreement if any of the above-mentioned events occurs. Please refer to paragraphs 186-192 below on Restriction Agreements.

Priority of Categories

93) Due to the nature of the 11 Categories, it may happen that a Security Holder (for example, a Related Party of an Applicant) appears in more than one of them. In most circumstances, by also taking into account the consideration type used to pay for Securities, one can easily identify the correct Category. Sometimes, however, it is not so straightforward. For example, a Director participating in an Employee Incentive Scheme who acquired Restricted Securities for cash under the scheme may appear to be caught within both Categories 1 and 9. In such situations, the latter Category on the list may likely take precedence over an earlier one, as it usually provides additional information. In the example above, Category 9 would be the right one for these circumstances.[70]

Implications for Issuers

94) The existence of Restricted Securities will impact their Issuers in several ways:

(a) Those applying for admission of Shares to the Official List will have to make sure that they can satisfy all listing eligibility requirements, given the final number of Restricted Securities, including having the minimum percentage of Shares in public hands.[71] Restricted Securities must be excluded from the number of Shares held in public hands.

(b) Issuers must enter into Restriction Agreements with the holders of Restricted Securities prior to admission of their Securities to the Official List or as required afterwards, depending on the circumstances.[72]

[69] MKT 2.3.8(4).
[70] In this particular example, the outcome for the Security Holder will be the same, as both the number of Restricted Securities and the Restriction Period are identical under Categories 1 and 9.
[71] See MKT 2.3.10 and paragraphs 173-178 in the FSRA Guidance on Preparing a Prospectus available here: https://assets.adgm.com/download/assets/Guidance+-+Listing+Applications+and+Eligibility+VER01.100425.pdf/11df78d01a9b11f09d2c12dc9436842e
[72] Under two Categories (5 and 6) the events giving rise to Restricted Securities (acquisitions of Unproven Assets) take place after admission of the Issuer's Securities to the Official List. In these circumstances, Restriction Agreements will be entered into post admission of the Issuer's Securities to the Official List.

(c) Restricted Securities will be admitted to the Official List but will not be admitted, for the duration of the Restriction Period, to trading on an RIE.

(d) Issuers seeking admission of their Securities to the Official List must make relevant disclosures in the related Prospectus in relation to the existence of Restricted Securities and the resultant restrictions on transfer.

(e) Listed Entities (and, to the extent required, Issuers applying for admission to the Official List) must make required Disclosures related to Restricted Securities (for example, about the fact that a Restriction Period in relation to certain Restricted Securities is coming to an end) and make necessary arrangements for having them admitted to trading on an RIE after the end of the Restriction Period. This information is important to ensure that any impact on the trading in the Securities, resulting from the Restricted Securities no longer being restricted, is noted well ahead of their release.

(f) Listed Entities cannot have provisions in their constitutional documents which would prevent them from entering into and enforcing compliance with Restriction Agreements. However, it is not required that the Issuer's Constitution must explicitly refer to Restriction Agreements (especially that foreign Issuers may come from jurisdictions where there is no Restricted Securities regime).

(g) Listed Entities must have appropriate systems and controls in place to be able to apply the Restricted Securities regime and enforce compliance with Restriction Agreements. In particular, this means being able to do the following:

(i) Recognise when a Restriction Agreement is required, properly calculate the number of Restricted Securities and the applicable Restriction Period under a correct Category, and enter into (with the relevant parties) and validly execute a Restriction Agreement;

(ii) Hold the Restricted Securities on a register with a Holding Lock applied to them, which would prevent them from being transferred during a Restriction Period;

(iii) Refuse to acknowledge a disposal of Restricted Securities during the Restriction Period, unless allowed by the Listing Authority or otherwise under MKT;

(iv) Make relevant Disclosures, in the prescribed timeframe, about the fact that a Restriction Period is due to expire;

(v) Make relevant arrangements to have Securities which are no longer Restricted Securities admitted to trading on an RIE; and

(vi) At all times, comply with and operate in conformity with its Constitution, and with the applicable Listing Rules, including the Listing Principles.

Implications for holders of Restricted Securities

95) A holder of Restricted Securities must enter into a Restriction Agreement and agree not to transfer those Securities for the duration of a prescribed Restriction Period. During that time, the holder can still exercise rights attaching to those Securities, such as voting rights or rights to dividends.

96) It does not make a difference from the perspective of the regulatory obligation to enter into a Restriction Agreement whether, at the time of the acquisition of Securities, the holder of the Securities knew that they are or would become Restricted Securities. For that reason, attention is drawn again back to paragraph 94(g)(i), which requires an Issuer / Listed Entity to have in place suitable controls for such purpose.

Voluntary restrictions on transfer

97) Issuers can enter into voluntary agreements with holders of their Securities restricting their rights to transfer them for a period of time. Such agreements are neither required by nor governed under MKT, and are not the subject of this Guidance Note apart from this section (paragraphs 97-102).

98) Voluntary restrictions on transfer, also known as contractual lock-up restrictions, bind parties under a mutually agreed contract, which can be amended or terminated by the parties. For example, there could be provisions in Founder Share Purchase Agreements, decided on a case-by-case basis, which prevent company founders from selling their Shares for a specific period of time following an Offer of Securities. This is in contrast to a Restriction Agreement which has terms imposed by the Listing Authority that cannot be changed by the parties to the agreement.

99) Securities subject to voluntary restrictions differ from Restricted Securities in a number of areas. They do not have to have the same restrictions (involving also Controllers of the holder of the Securities) with the same binding period (one or two years) as compared to Restricted Securities. Unlike Restricted Securities, they are not only admitted to the Official List, but also to trading on an RIE.

100) It is important to note that whatever restrictions are agreed between a Security holder and the Issuer, they cannot contravene any specific listing eligibility Rules, nor the spirit and intent of the Listing Rules in general. This includes, for example, Listing Principle 6[73] and free transferability of listed Securities.[74] For this reason, even though they are not regulated under MKT, any voluntarily imposed restrictions on transfer should be disclosed in the

[73] See MKT 2.2.6. Listing Principle 6 requires that a Listed Entity treats all holders of the same class of its Listed Securities equally in respect of the rights attaching to such Listed Securities. For this reason, the Listing Authority would not accept such voluntary restrictions on transfers which would allow the Issuer to withhold dividend payments or entitlement to vote in respect of a holder of Securities who is in breach of the voluntary arrangements.

[74] See MKT 2.3.8(3). Restrictions on transfer which do not contravene this Rule are discussed in the Guidance Note on Listing Applications and Eligibility, paragraph 112, available at https://en.adgm.thomsonreuters.com/sites/default/files/net_file_store/ADGM1547_28297_VER01100425.pdf.

relevant Prospectus[75] and disclosed to the Listing Authority as part of a Listing Application (or later, as part of ongoing obligations of Listed Entities, if transfer restrictions are to be imposed post admission to the Official List). Such restrictions will be examined and assessed from the perspective of listing eligibility at the time of admission to the Official List and on an ongoing basis.

101) Appropriate Disclosure must be also made both at the beginning of a voluntary restriction period (if not already disclosed in the related Prospectus) and 10 Business Days prior to the end of the voluntary restriction period during which the relevant Securities cannot be transferred.[76]

102) Even though it is a voluntary restriction, in the case of Shares, such Securities are likely to be excluded from the Shares in public hands (free float).[77]

PROCEDURES

103) Restricted Securities requirements are a complex area. If in any doubt as to their application, those contemplating applying for admission of Securities to the Official List, which is a prerequisite to admission of Securities to trading on an RIE, should contact the Listing Authority to discuss whether any of the Securities they had issued or propose to issue are / will be considered Restricted Securities upon admission. In particular, if an Applicant wants to rely on MKT 9.6.2,[78] especially points (2) and (3) which require the Listing Authority's discretion, they should engage with the Listing Authority at the beginning of the listing process to gain confirmation whether MKT 9.6.2 indeed applies to them.

104) Once an Applicant or Listed Entity identifies that they have issued or are planning to issue Restricted Securities, they need to enter into a Restriction Agreement with each relevant party, provide copies of Restriction Agreements to the Listing Authority and make necessary disclosures. Since Restricted Securities might be issued, and consequently, Restriction Agreements might be entered into, prior to or after admission of Securities to the Official List and to trading on an RIE, there are two different processes to adhere to. They will be discussed separately in the following paragraphs which distinguish between the different requirements pertaining to Applicants, and then for Listed Entities.

[75] Rule A1.2.1 of APP 1 in MKT, items 2.1(c) and 4.4(b).
[76] These are the same Disclosures as those required to be made in respect of Restricted Securities. Further information can be found in the "Procedures" section.
[77] MKT Rule 2.3.10(3)(f) refers to holders of Restricted Securities and not to holders of Securities subject to voluntary restrictions on transfer. However, pursuant to MKT 9.6.1(3), the Listing Authority can deem Securities to be Restricted Securities also in circumstances not covered by APP 8 in MKT.
[78] This Rule, providing exemption for certain types of Issuers from the application of restrictions in certain Categories, is discussed in paragraphs 137-143.

Applicants

Restriction Agreements

105) Restriction Agreements,[79] duly entered into and executed, are part of the listing eligibility requirements. Preferably, copies of them should be submitted to the Listing Authority as part of the submission of a draft Listing Application[80] (which includes a listing eligibility checklist and a cover letter as a minimum, so that the Listing Authority can start the assessment).

106) If, in order to calculate the number of Restricted Securities, the Restriction Formula has been used, then together with copies of the Restriction Agreements, the Applicant must also submit evidence of the price paid at the time of the acquisition of the relevant Securities. In circumstances where Restricted Securities were acquired not for cash but in consideration for the repayment of debt, then the evidence of the loaned amount should be submitted.[81]

107) It is recognised, however, that there are a number of Categories under which the existence and number of Restricted Securities can be determined (depending, to a large extent, on whom they were issued to). Some of these Categories require the use of the Restriction Formula and therefore the Offer/admission price, to calculate the number of Restricted Securities. That Offer/admission price may not be known as early as at the time of the submission of a draft Listing Application. If this is the case, and all other details are known (the fact that Restricted Securities will exist on admission under a specific Category and who their holder/Controller is) except the price of the Security to be listed, the Listing Authority will expect that a draft Restriction Agreement (which would include details of the relevant parties and an estimated number of Restricted Securities) is submitted for its review as early as possible in the application process.

108) Copies of final, executed Restriction Agreements must be submitted to the Listing Authority as early as possible, commencing from the date of submission of a draft Listing Application, and no later than:

(a) together with the pricing statement[82] (if there is an Offer of Securities and the Offer price is needed to calculate the number of Restricted Securities); or

[79] See paragraphs 186-192 below on Restriction Agreements, including in relation to what terms they must include and who the signatories are.
[80] For details on the listing eligibility requirements and the process relating to Listing Applications please refer to the Guidance Note on Listing Applications and Eligibility available at https://en.adgm.thomsonreuters.com/sites/default/files/net_file_store/ADGM1547_28297_VER01100425.pdf
[81] For the price per Share calculation, only the loaned amount (the principal) should be used, not including the interest due on repayment.
[82] Under MKT 2.4.5(2), a pricing statement must be submitted to the Listing Authority before 9 AM on the Business Day the Listing Authority is to consider a related Listing Application.

(b) with the submission of the final form of a Listing Application.[83]

Holding Locks

109) If a Holding Lock in relation to Restricted Securities is administered by a third party rather than an Issuer itself, then the Issuer must, still at the Listing Application stage, provide a relevant undertaking from the third party[84] to the Listing Authority within two Business Days after entering into a related Restriction Agreement and prior to admission of the relevant Securities to the Official List. To avoid delays in the assessment of a Listing Application, Applicants are encouraged to submit draft undertakings early in the application process, to make sure there is time to address any potential comments from the Listing Authority prior to the expected date of admission to the Official List.

110) In circumstances where it is an Applicant who will impose and manage the Holding Lock in respect of Restricted Securities, the Applicant must have appropriate systems and controls to do that, which will be part of the listing eligibility assessment by the Listing Authority.

Free float calculation

111) The number of Restricted Securities is also important from the perspective of the calculation of an Applicant's free float (Shares in public hands), if the Securities to be listed are Shares.[85] Even though the final admission price, which is a required input into a Restriction Formula, may not be known at the Listing Application stage, the Applicant must be aware of the expected minimum and maximum Offer/admission price. They should therefore then use the maximum price for the calculation of the estimated number of Restricted Securities (using the Restriction Formula), which should then allow the maximum number being determined for exclusion from being included as free float. If anything changes, including if the final Offer/admission price is expected to be outside of the initial pricing bracket (which must have been disclosed in a related Prospectus),[86] the Applicant will be required to provide an updated calculation of its Shares in public hands. The updated numbers will also have to be entered in the Shareholder statement, to be submitted by 9 am on the day the Listing Authority is to consider a Listing Application.

[83] This should be done, pursuant to MKT 2.4.4, by 12 PM two Business Days before the Business Day the Listing Authority is due to consider the Listing Application. Paragraph 108(b) applies to direct listings with no Offers of Securities or Offers of Securities where the Offer Price is not needed to calculate the number of Restricted Securities.

[84] See paragraphs 170-174 for further information on Holding Locks and related undertakings.

[85] See MKT 2.3.10 for the free-float requirement. Further information on this Rule can be found in the Guidance on Listing Applications and Eligibility in paragraphs 173-178, available at https://en.adgm.thomsonreuters.com/sites/default/files/net_file_store/ADGM1547_28297_VER01100425.pdf

[86] If it was a price range Prospectus as opposed to a Prospectus with a fixed price of the offered Securities. Note that if the Offer price is outside of the price range disclosed in a related Prospectus, a Supplementary Prospectus must be published with the new price (see MKT 4.9(1)).

Prospectus disclosure

112) Under the Prospectus disclosure requirements, the existence of Restricted Securities is to be disclosed in specific circumstances, being when:

(a) a Prospectus relates to certain types of Securities (Shares, Warrants over Shares, Certificates over Shares and Structured Products); and

(b) the holders of Restricted Securities are Persons exercising Senior Management functions at an Applicant.[87]

113) This disclosure requirement covers a broad range of restrictions imposed on Securities by referring to any lock-up arrangements relating to the class of Securities to be admitted to the Official List and trading on an RIE. This includes different types of lock-up arrangements, such as those imposed on Applicant's Directors under their home (foreign) legislation, any voluntary arrangements, as well as Restricted Securities.

114) As this is a minimum disclosure requirement it does not prevent an Applicant from disclosing any other arrangements (not only those involving Senior Management) which result in Restricted Securities. In any event, if such arrangements, due to the number of Restricted Securities or for another reason, are considered material for investors, they must be disclosed in a Prospectus irrespective of this particular disclosure requirement in MKT.

115) The details of the arrangement to be disclosed include the Persons subject to them, the number of Securities subject to the lock-up / transfer restrictions, the relevant procedures and the period of the lock-up. In relation to Restricted Securities, the exact number of Restricted Securities subject to a Restriction Period may not be known at the time of the publication of a Prospectus, especially if it is a price-range Prospectus.[88] In such situations, the relevant estimates should be disclosed, considering the highest expected Offer price, as it would result in the highest number of Restricted Securities when a Restriction Formula is applied (which can then be pared back if the final price comes in lower than the maximum).

116) Restriction Agreements, if entered into prior to the publication of a Prospectus, and if considered material contracts, will have to be summarised in the material contracts section in the Prospectus.[89] If the exact number of Restricted Securities is not known at the stage of drafting a Prospectus but the Applicant already knows that it will have to enter into Restriction Agreements with certain Persons, this information, if considered material, should also be disclosed in the Prospectus.

[87] See Rule A1.2.1 of APP 1 in MKT, item 4.4(b).
[88] It means that the exact Offer price is not known but it is expected to be within the provided price-range (as opposed to one Offer price disclosed in a fixed-price Prospectus).
[89] See Rule A1.1.1 of APP 1 in MKT, item 4.2.

Other Disclosure

117) An Applicant with Restricted Securities on issue will be required by the Listing Authority, as a condition of admission of Securities to the Official List, to Disclose,[90] on the day of the admission, the number of Restricted Securities being admitted and the length of the Restriction Period or Periods they will be subject to.[91] When requiring this to be Disclosed, the Listing Authority will take into account what information relating to Restricted Securities has already been disclosed in a related Prospectus and how complete/accurate it is at the time of admission. From that day onwards, any other Disclosures will be made by the Issuer as a Listed Entity (via its Reporting Entity, if different from the Listed Entity).

118) When a Restriction Period is coming to an end,[92] a Listed Entity is required to make a relevant Disclosure 10 Business Days before the end of the Restriction Period.[93] This requirement applies to Shares, Warrants over Shares, and Certificates over Shares. The information to be Disclosed includes the name(s) of the holder(s) of Restricted Securities, the number of Securities to which the Restriction Period will no longer apply, the length of the Restriction Period and the day on which these Securities will be admitted to trading on the same RIE on which the Securities of the same class are being traded. This is expected to happen on the day the Restriction Period expires, (being the 10 Business Days after such Disclosure), or soon thereafter.

119) It is a Listed Entity's responsibility to arrange for the admission to trading of the Securities which will cease to be bound by trading restrictions with the relevant RIE and remove a related Holding Lock (see section below in paragraph 133).

Listed Entities

120) In Categories 5 and 6, it is a Listed Entity, no longer an Applicant, which issues Restricted Securities in certain circumstances. As in the case of Applicants, such Restricted Securities will only be admitted to the Official List and not to trading on an RIE for the duration of the applicable Restriction Period.

121) The paragraphs below refer to actions to be taken by Listed Entities which propose to issue Restricted Securities or have had Restricted Securities on issue post the day of admission to the Official List / trading on an RIE.

[90] By way of a Disclosure made via the Listing Authority' Disclosure Platform, as referred to in MKT 7.7.1(1).
[91] If there are numerous holders of Restricted Securities and they are subject to different Restriction Periods under different Categories, they will not have to be listed individually. What will have to be disclosed, as a minimum, is the consolidated numbers of Restricted Securities subject to particular Restriction Periods. The other information required to be disclosed includes the total number of Securities to be admitted to the Official List and the number of any convertible Securities or Warrants, which can be converted or exercised into Restricted Securities.
[92] This will be due to the natural expiry of the Restriction Period, or, in unusual circumstances, it may be a result of an earlier termination of the Restriction Period, as permitted under MKT or with the Listing Authority's consent (see MKT 9.6.11 and paragraphs 144-147).
[93] Rule A2.1 of APP 2 in MKT, item 4.5.

Restriction Agreements

122) If a Listed Entity wants to issue Restricted Securities to a Vendor of an Unproven Asset, in consideration for that Unproven Asset, then it must enter into a Restriction Agreement with the Vendor / intended holder of Restricted Securities and submit a copy of the Restriction Agreement to the Listing Authority, as required by MKT 9.6.8. This must be done in advance of any Person receiving the Restricted Securities and before any rights in relation to the Restricted Securities are issued, transferred to or received by a Person, including a Controller of the intended holder of Restricted Securities. A Listed Entity is permitted to grant the intended holder of Restricted Securities the right to receive them on the condition that a Restriction Agreement is entered into.

123) Once the Listing Authority receives a copy of the relevant Restriction Agreement and provided the Restricted Securities are already issued but not yet received by their intended holder, the Restriction Period of one year applicable to the Restricted Securities will start. In a scenario where a Restriction Agreement is entered into and submitted to the Listing Authority before the Restricted Securities are issued, the Restriction Period binding them for one year will start on the day of issue of those Securities.

Admission to the Official List

124) Once Restricted Securities are issued by a Listed Entity under Category 5 or 6, regardless of their number, the Listed Entity must submit a Listing Application to apply for their admission to the Official List.[94] The application[95] is not required to include an Approved Prospectus if the Restricted Securities are Exempt Securities.[96]

125) A Listing Application, in its final form, must be submitted as soon as possible after the Securities have been issued. This is a listing eligibility requirement under MKT 2.3.11, which requires the whole class of Securities to be listed.

[94] Details on the process can be found in the Guidance Note on Listing Applications and Eligibility, available at https://en.adgm.thomsonreuters.com/sites/default/files/net_file_store/ADGM1547_28297_VER01100425.pdf

[95] The Listing Application is available at https://assets.adgm.com/download/assets/Application+for+admission+of+Securities+to+the+Official+List+MKT+2-4.pdf/b2a19160500511efb77de27828504259

[96] Pursuant to section 61(3)(b) in FSMR. For example, if their number is below a specific threshold (see MKT 4.4.1(1) which states that Shares representing, over a period of 12 months, less than 10% of the number of Shares of the same class already admitted to trading on the same RIE are one type of Exempt Securities not requiring a Prospectus for admission to trading). The Securities in the example discussed are Restricted Securities and would not be admitted to trading on the RIE until the end of the Restriction Period. Despite that delay in the admission to trading, if Restricted Securities were not Exempt Securities, then the relevant Listing Application would have to include an Approved Prospectus.

Holding Locks

126) If a Holding Lock in relation to Restricted Securities is to be administered by a bank, trustee or another third party, then a Listed Entity must provide a relevant undertaking[97] from the third party to the Listing Authority within two Business Days after the issue of Restricted Securities. There is no prescribed form of such undertaking and when examining its content, the Listing Authority will take into account the terms of the Restriction Agreement and whether a Holding Lock imposed by the third party will prevent the occurrence of the actions forbidden under the agreement.

127) In circumstances where it is a Listed Entity who will impose and manage the Holding Lock in respect of Restricted Securities, the Listed Entity must have appropriate systems and controls to do that.

128) At the end of the Restriction Period, the Listed Entity is responsible for lifting the Holding Lock or arranging for it to be lifted if it is managed by a third party.

Free float calculation

129) The requirement relating to the minimum percentage of Shares in public hands[98] is not only a listing eligibility requirement considered by the Listing Authority when assessing a Listing Application. It is also, by virtue of MKT 2.7.2, part of continuing obligations of every Listed Entity which has Shares admitted to the Official List. A Listed Entity, which no longer complies with the minimum required percentage of Shares in public hands must notify the Listing Authority of the breach as soon as it becomes aware of it. Such a breach can warrant a suspension or delisting of the Shares by the Listing Authority.[99]

130) Each new issue of Restricted Securities by a Listed Entity, if it is in the absence of a wider offer of Securities which are not Restricted Securities, will result in the decrease of the percentage of Shares held in public hands.[100] To avoid a breach and its possible consequences, especially if a Listed Entity's percentage of Shares in public hands is already close to the required minimum under MKT 2.3.10(2), the Listed Entity should review, prior to issuing Restricted Securities and entering into a Restriction Agreement, whether this new issue would affect its ability to comply with its ongoing obligations and take appropriate action to avoid the breach.[101]

[97] To place a Holding Lock on the Restricted Securities held by it, and not to release it without the Listing Authority's prior written consent (see MKT 9.6.9).
[98] MKT 2.3.10.
[99] MKT 2.6.6(2).
[100] The newly issued Restricted Securities will not be part of that percentage pursuant to MKT 2.3.10(3)(f).
[101] This may include no issuance of Restricted Securities or lowering their number to an acceptable level by, for example, also offering Shares to other potential investors whose holdings would count toward Shares in public hands, resulting in a prevention of a breach of the Rules.

Prospectus disclosure

131) If a Listed Entity plans to issue Restricted Securities under Categories 5 or 6, and this issue is part of a wider Offer of Securities which requires a Prospectus,[102] then it has the same obligations in terms of what to disclose in a Prospectus about Restricted Securities as described in paragraphs 112-116 above. This is because Prospectus disclosure requirements are the same regardless of whether the Issuer is applying for admission of its Securities to the Official List for the first time, or whether it is planning to offer more Securities of the same class already admitted to the Official List.

Other Disclosure

132) There are several types of Disclosures required to be made[103] by a Listed Entity in relation to Restricted Securities.

(a) The purpose of the first one is to Disclose that Restricted Securities have been issued to a particular Person, with such details as the name of the holder of Restricted Securities, the number of these Securities, the length and the starting date of the applicable Restriction Period and the date of their admission to the Official List. This Disclosure should be made on the day of admission of these Restricted Securities to the Official List.[104] If an Issuer has also issued:

(i) Securities which are not Restricted but will be admitted to the Official List; or

(ii) Warrants or convertible Securities which will not be admitted to the Official List but, if exercised/converted, would become Restricted Securities,

the relevant details should also be Disclosed, such as the number of such Securities, their exercise/conversion price and the expiry date, if applicable.

(b) Another Disclosure must be made 10 Business Days before the end of the Restriction Period imposed on these Restricted Securities. As in the case of the first Disclosure, there is no prescribed template for it, but it should include the same details, and be made in relation to the same Securities, as those described in paragraph 118 above.

(c) Any admission of previously Restricted Securities to trading on an RIE (after the applicable Restriction Period has ended) must be Disclosed[105] on the day of the admission, pursuant to Rule A2.1 of APP 2 in MKT, item 4.2.

[102] A Prospectus would not be required if the Listed Entity planned to issue Restricted Securities which are Exempt Securities under MKT 4.4.1 (for example, in relation to Shares, they would represent, over a period of 12 months, less than 10% of the number of Shares of the same class already admitted to trading on the same RIE on which the Restricted Securities would be traded after the end of the Restriction Period).
[103] By way of a Disclosure as referred to in MKT 7.7.1(1).
[104] This Disclosure must be made even if the issue of these Restricted Securities is part of an Offer of Securities in relation to which a Prospectus has been published, which contains all the information required to be disclosed, including the fact that the relevant Restriction Agreement(s) have been entered into.
[105] By way of a Disclosure as referred to in MKT 7.7.1(1).

(d) Any event relating to conversion or exercise of Securities which resulted in new Restricted Securities in a Listed Entity, or the fact that the related option to do that expired, must be Disclosed on the day of the relevant conversion/exercise or expiry.

Admission to trading on an RIE

133) At the end of a Restriction Period, the Listed Entity must apply for admission of Restricted Securities[106] to trading on the same RIE on which the Securities of the same class are traded. This process is managed by the relevant RIE. The admission to trading must take place as soon as possible after the Restriction Period has ended, as, under section 52(5) of FSMR, Securities admitted to the Official List must be admitted to trading on an RIE as soon as possible.[107]

Takeovers

134) In the event of a proposed Takeover, in whatever form and even if it involves a conditional offer for a Listed Entity's Securities, the Listed Entity, if it has any Restricted Securities on issue, should contact the Listing Authority as soon as possible to request permission towards getting the Holding Lock lifted.[108] If such permission is received and the Takeover is set to take place, the Restricted Securities can be transferred or cancelled, and, prior to that, the holders of Restricted Securities can accept a related offer for Securities under the Takeover.

135) The Listing Authority will not unreasonably withhold consent provided all applicable conditions in MKT 9.6.12 are met. Once the relevant details are provided to the Listing Authority (there is no specific template for a Listed Entity to complete), including the evidence of meeting the relevant requirements in MKT 9.6.12, the relevant timeframes and related conditions (if any), the Listing Authority will respond in writing within two Business Days (with consent or further queries). Depending on how early in the Takeover process the request is made, the Listing Authority may ask for a draft or executed agreement between the relevant parties in relation to MKT 9.6.12(1)(c) or 9.6.12(2). The Listing Authority may provide consent to release a Holding Lock conditional on meeting the relevant requirements in MKT 9.6.12.

136) If a Holding Lock is released as permitted by the Listing Authority and Restricted Securities get transferred to a new holder(s) as part of a Takeover transaction, the restrictions under the Restriction Agreement do not pass to the new holder(s). However, when the transaction is considered from the perspective of the original holder of Restricted Securities (who had a holding of Restricted Securities in Listed Entity A, and, as a result of a Takeover, that holding was replaced by a holding of Securities in Listed Entity B[109]), then the Securities in

[106] This applies to Restricted Securities which existed on the day of admission to the Official List and to those which were issued at a later stage by the Listed Entity.
[107] Restricted Securities are the only exception from this requirement, as they cannot be admitted to trading during the applicable Restriction Period, which is allowed pursuant to section 52(7) of FSMR and the relevant MKT Rules relating to Restricted Securities.
[108] As offers must be made for all Securities of the same class, including Restricted Securities.
[109] Listed Entity B did not have to be a Listed Entity prior to the acquisition of Listed Entity A. The result of the transaction is that Listed Entity A had their Securities delisted and only Securities of its parent (Listed Entity B) are admitted to the Official List.

Listed Entity B will be considered Restricted Securities subject to the remaining balance of the Restriction Period applicable to the original Securities in Listed Entity A.[110] There is no need to enter into a new Restriction Agreement given that a party (Listed Entity A in this example) can also mean its successor (Listed Entity B in this example), as stated in the Definitions and Interpretation section in a Restriction Agreement.

EXEMPTIONS

Issuers which are exempt from the Restricted Securities regime

137) The 11 Categories in APP 8 of MKT set out different circumstances in which Restricted Securities can be acquired, and how to calculate their number and apply the relevant Restriction Period. Three types of Applicants[111] are exempt from the assessments under these Categories. Therefore, if an Issuer (which is not a Listed Entity) meets at least one of the following characteristics then even if a holder(s) of its Securities falls under one of the Categories in MKT APP 8, it will not have any Restricted Securities on issue[112] (at least not at the time of admission to the Official List and to trading on an RIE):

(a) It applies for admission of Shares to the Official List under the profits eligibility test in MKT 2.3.15;[113]

(b) It has a track record of profitability or revenue which is acceptable to the Listing Authority; or

(c) It has tangible assets which, in the opinion of the Listing Authority, have a readily ascertainable value constituting a substantial proportion of the total value of its assets.

Profits eligibility test

138) To qualify for admission to the Official List under the profits eligibility test, Applicants must meet several criteria including reaching certain profit-related thresholds. Details can be found in the Guidance Note on Listing Applications and Eligibility.[114] The relevant thresholds relate to a minimum aggregated Profit From Continuing Operations for the last three financial years and a minimum consolidated Profit From Continuing Operations for a period of 12 months prior to a Listing Application.

[110] See the section on Category 11, and in particular paragraph 83(d) relating to a substitution of existing Restricted Securities on an Issuer's reorganisation.
[111] Pursuant to MKT 9.6.2. This Rule does not provide exemptions from the Restricted Securities requirements to Listed Entities intending to issue Restricted Securities under Categories 5 and 6, and to holders of Restricted Securities under Categories 10 and 11.
[112] Unless decided otherwise by the Listing Authority, which has discretion in deeming Securities to be Restricted Securities irrespective of the assessments under MKT 9.6.2. See MKT 9.6.1(3).
[113] Detailed interpretation of the profits eligibility test is provided in the Guidance Note on Listing Applications and Eligibility which can be found at https://en.adgm.thomsonreuters.com/sites/default/files/net_file_store/ADGM1547_28297_VER01100425.pdf (see paragraphs 138-149)
[114] Ibidem.

139) This is in contrast to Issuers seeking listing under the assets eligibility test, to which this Restricted Securities regime applies. Such Issuers do not have a sufficient track record of profitability. They can also be characterised, for example mining exploration companies, as capital intensive, with no guaranteed positive outcome of their operations. There is often no certainty that they will be able to generate any operating revenue unless and until one of their projects is successfully developed.

Track record of profitability/revenue

140) Whether an Applicant has an acceptable track record of profitability or revenues to be exempt from the full application of the Restricted Securities regime, will be determined on a case-by-case basis. The Listing Authority may take into consideration whether the history of profits meets (or is close to meeting) the requirements imposed under the profits eligibility test, even if the Applicant is not applying for admission under this test. If an Applicant is loss-making or does not have a sufficient track record of profitability, then its revenue will be taken into account instead of profits. Important considerations in that respect, for the Listing Authority, will be the history of revenues over a period of time, how they have changed in absolute values and relative to the incurred losses/profits over that period, and what trends these figures represent.

Tangible assets readily valued

141) Applicants with a large proportion of tangible assets which can be readily valued on their balance sheet are another group of Issuers which are likely to be exempt from the full application of the Restriction Securities regime. Tangible assets which can be readily valued are those whose value can be objectively, and in a timely manner, arrived at by different third parties.[115] This implies that the operations of such Applicants are more established, better understood, easier to predict, and it is expected that it will be quicker for the market to reflect the value of the Issuer in the price of their Securities.

142) Such Applicants are the opposite of those holding mainly Unproven Assets on their balance sheet. The latter have business models based on assets which are not easy to value from a long-term perspective. For example, a Mining Exploration Reporting Entity may have acquired an Exploration licence (granting it the exclusive right to explore for a specified Mineral within the Exploration licence area in the specified period of time), which had a certain value at the time of its acquisition. However, it would be considered an Unproven Asset[116] as, in the long-term, it is not certain what value it will have. The granting of an Exploration licence does not give the Mining Exploration Reporting Entity any right to mine. It does not guarantee that a mining licence will be granted within the Exploration licence area, either. That is why Applicants with Unproven Assets / those applying under the assets eligibility test are often high-risk undertakings due to high level of uncertainty relating to their future profitability. Such companies and their Securities are therefore subject to the Restricted Securities regime, to make sure that the uncertain position of a Listed Entity is not worsened by added volatility in the price of its listed Securities, which could be exacerbated by a large sell-off of Securities within a short period of time after admission of the relevant Securities to trading on an RIE for the first time.

[115] Valuers do not have to arrive at exactly the same figure but they have to be within a similar range.
[116] Further described in paragraphs 206-208.

143) It is important to note that exceptions under MKT 9.6.2(2) and (3) require the Listing Authority's assessment of the relevant facts and decision on a case-by-case basis. Also, even in relation to Issuers applying under the profits eligibility test referred to in MKT 9.6.2(1), the Listing Authority can deem their Securities / some of them to be Restricted Securities, taking into account the purpose of the Restricted Securities regime and how a given Applicant with its individual characteristics fits into it. For these reasons, an Applicant should not assume that MKT 9.6.2 applies to them but should always seek the relevant confirmation from the Listing Authority.

When a Restricted Security can be transferred

144) Once a Restriction Agreement has been executed, the parties to it cannot amend its terms or terminate it. Any such action will not be valid. There are only two circumstances in which Restricted Securities[117] can be transferred:

(a) The Listing Authority, pursuant to MKT 9.6.11, may consent to a party[118] managing a Holding Lock to release it in order to enable holders of Restricted Securities to accept an offer, or to cancel or transfer Securities, under a Takeover; or

(b) The Listing Authority may agree to it by granting a waiver or modification of the relevant MKT Rule.

145) The circumstances to which point (a) above relates encompass different events, given a broad definition of a Takeover. It refers to both takeover and merger transactions however effected (including by means of contractual offer, statutory merger or scheme of arrangement), and even partial offers.

146) For the Listing Authority to allow the release of a Holding Lock in the event of a Takeover, the following conditions must be met:

(a) In the event of an offer for Securities:

(i) the offer must be for all the Securities which are in the same class as the Restricted Securities;[119]

(ii) holders of at least half of the Securities that are not Restricted Securities, to which the offer relates, have accepted; and

(iii) if the offer is conditional, the offeror and the holder of Restricted Securities must agree in writing that the Holding Lock will be immediately re-applied to Restricted Securities if they are not acquired by the offeror under the offer; and

[117] This relates to a transfer within a Restriction Period. Once the Restriction Period ends, the Securities which were subject to it are no longer Restricted Securities and are freely transferable.
[118] It will be a third party such as a bank or Securities registry, or possibly the Issuer itself.
[119] This excludes a partial offer which, although made to all holders of Securities, is not made for all the Securities. The holders of the Securities can accept a partial offer for the relevant percentage of their holdings.

(b) In the event of a scheme of arrangement, or similar,[120] the holders of Restricted Securities and the Listed Entity which issued them must agree in writing that the applicable Holding Lock will be immediately re-applied if the Takeover does not take effect.

147) In relation to point (b) in paragraph 144 above, the Listing Authority has a power to modify or waive a Rule in MKT under certain circumstances. This includes agreeing to a transfer of Restricted Securities despite the existence of a binding Restriction Agreement. The section on Waivers and Modifications in paragraphs 210-216 below contains further information, with the related examples, on when such action can be taken by the Listing Authority and the relevant process. It is important to note, however, that in order to protect the integrity of capital markets in ADGM and the spirit and intent of the Restricted Securities regime, any such waivers or modifications will be very rare and reserved for use in only the most exceptional circumstances.

When a Controller does not have to sign a Restriction Agreement

148) A Restriction Agreement must be signed by an Applicant or a Listed Entity,[121] a holder of Restricted Securities and each Controller of the holder of Restricted Securities (where applicable). There are exemptions from this requirement, which exclude certain Controllers from the obligation to sign a Restriction Agreement.[122]

149) A Controller(s) of a holder of Restricted Securities does not need to be a party to a Restriction Agreement in the following circumstances:

(a) The value of the Restricted Securities is less than 10% of the total value of the assets of the holder of the Restricted Securities or an intermediate entity through which the Controller has its interests;

(b) The holder of Restricted Securities, or an intermediate entity through which the Controller has its interests, is a Listed Entity (or an entity listed on exchange that is a full member of the World Federation of Exchanges) or a trustee, custodian or nominee; or

(c) The holder of Restricted Securities acquired them under Category 2, 4, or 6.

150) The purpose of the exemption in point (a) above is to not disadvantage investment vehicles where they indirectly own Restricted Securities, and the Restricted Securities are only one of many holdings in their portfolios. In terms of point (b) in the previous paragraph, whenever the legal and beneficial ownership is split between different Persons, the legal owner of Restricted Securities, for example a trustee, must act in accordance with a trust deed. This means that it cannot be influenced when making decisions relating to Restricted

[120] Depending on the jurisdiction in which the Issuer is incorporated.
[121] They will be signed by an Applicant if it is in relation to admission of Securities to the Official List for the first time, where all the relevant Restriction Agreements must be signed before admission.
[122] MKT 9.6.7.

Securities by its Controllers.[123] This is the reason they are not required to enter into a Restriction Agreement. Point (c) refers to acquisitions of Restricted Securities by Persons other than Related Parties and Relevant Service providers of an Applicant / Listed Entity.

KEY TERMS AND INTERPRETATIONAL MATTERS

151) Most of the capitalised terms used in this Guidance are defined either in GLO or MKT and this section does not aim to provide alternative definitions but rather further interpretations of the existing ones, in the context of this Guidance and the examples discussed here. However, this section also includes several new definitions such as a "Holding Lock" or "Service Provider", not formally defined elsewhere.

Category

152) A Category in this Guidance Note refers to one of the 11 Categories in APP 8 of MKT,[124] which provide circumstances of acquisitions of Securities which (depending on an investor who acquired them and their relationship with the Issuer, the consideration paid and the time of the acquisition) are considered Restricted Securities.

153) Each Category also specifies the length and the starting date of the Restriction Period, and whether all Securities acquired under given circumstances are Restricted Securities or whether some of them should be excluded, for example by using a Restriction Formula.

154) Paragraphs 137-143 discuss the types of Issuers to which certain Categories do not apply. The Listing Authority also can, under MKT 9.6.1(3), deem Securities acquired in other circumstances than those covered by the 11 Categories to be Restricted Securities. It is important to note that, in the context of these Categories, the term "acquired" covers not only cash acquisitions but also grants or acquisitions made in exchange for other forms of consideration, such as services provided to the Issuer or Unproven Assets.

155) When considering the type of investor under these Categories, if the legal title and the beneficial title to Restricted Securities are split, the Listing Authority will generally take into account the relationship between the beneficiary and the Applicant / Listed Entity rather than the relationship with the legal owner, to determine the relevant Category. However, depending on the circumstances, the Listing Authority can take a different view.

Constitution

156) A Constitution in respect of an Issuer of Restricted Securities denotes an instrument of incorporation or any other instrument creating the legal form of the Issuer. There are no Rules in MKT requiring Issuers to amend their constitutional documents to include specific

[123] Please refer to the definition of a Controller in paragraphs 159-162. When a trustee is a holder (legal owner) of Restricted Securities, it is a beneficiary who is considered its Controller. In this case a Controller does not need to sign a Restriction Agreement, as it is a legal owner (trustee) not a beneficial owner (Controller) who can legally transfer the Securities and must be therefore a party to a Restriction Agreement. A beneficial owner would not be able to affect a transfer or create any interest in the Restricted Securities held by the trustee under a trust deed.
[124] Discussed in detail in paragraphs 25-92.

provisions.[125] However, an Issuer must not be prevented by the provisions in its Constitution to comply with, and enforce, Restricted Securities related Rules.

157) In particular, an Issuer's Constitution should enable the Issuer to take the following actions:

(a) To keep Restricted Securities in a listed class on the register managed by the Issuer or a third party chosen by the Issuer, with a Holding Lock applied to them (by the Issuer or the third party);

(b) To refuse to action or acknowledge[126] a disposal of Restricted Securities (or any other event which is prohibited under the Restriction Agreement) during the Restriction Period (unless permitted by MKT or the Listing Authority); and

(c) In the case of a breach of a Restriction Agreement, not to return capital to a holder of Restricted Securities and not to allow them to exercise voting rights attaching to the Restricted Securities for as long as the breach continues.

158) If an Issuer's Constitution does not allow that then they will have to make the necessary amendments, seeking Shareholders' approval as appropriate, prior to admission of their Securities to the Official List (if there are any Restricted Securities on issue on admission) or later, as a Listed Entity, before issuing any Restricted Securities.

Controller

159) In the context of Restricted Securities, a Controller refers to a Person controlling the holder of Restricted Securities. Depending on the circumstances, it can be further described as follows:

(a) If a holder of Restricted Securities is a Natural Person who holds the Securities on their own behalf, then they have no Controllers.

(b) If a holder of Restricted Securities is a nominee or a trustee who, as a legal owner, owns the Securities on behalf of the beneficiary, who is a beneficial owner, then the beneficiary is considered a Controller.

(c) If a holder of Restricted Securities is a Legal Person, then any Person (individually or acting in concert[127] with another Person(s)) holding more than 50% of the voting rights in the holder of Restricted Securities, having the right to appoint or remove the majority of the Board of the holder of Restricted Securities, or having significant economic interest in the holder of Restricted Securities, is considered their Controller.

[125] Transfer and other restrictions are imposed on holders of Restricted Securities not by the provisions of an Issuer's Constitution but by the provisions of a Restriction Agreement.
[126] Depending on whether the register with Restricted Securities is managed by a third party or the Issuer.
[127] To act in concert, they have to have an agreement (either oral or written) to make the same decisions relating to their Controller Interests.

160) A Controller, just like a holder of Restricted Securities, can be a Legal or Natural Person. If it is a Legal Person, then it can have its own direct and indirect Controllers[128] and all of them are considered Controllers of the holder of Restricted Securities who have to sign the Restriction Agreement. This is to prevent situations where the ultimate Controller of a holder of Restricted Securities is taking advantage of the structure including a number of intermediate holding companies where they could sell one of them (being a direct or an indirect owner of the Restricted Securities) in order to circumvent the Rules about transfer restrictions during the Restriction Period.

161) Paragraph 159 above provides a general indication of who will be considered a Controller depending on whether a holder of Restricted Securities is a Natural or Legal Person. However, there could be instances where it may not be clear for an Applicant or a Listed Entity whether there are any Controllers of a holder of Restricted Securities, for example, where a discretionary trust is involved, or due to the fact that a significant economic interest is not defined in MKT by any threshold.

162) Such situations always have to be considered by the Listing Authority on a case-by-case basis, bearing in mind the spirit and intent of the Rules and in the context of individual circumstances of each Applicant / Listed Entity. The Issuer (as an Applicant or a Listed Entity) should engage with the Listing Authority as soon as practicable so that it can determine whether there are any Controllers of a holder of Restricted Securities.

Controller Interest

163) A Controller Interest refers to situations where:

(a) a holder of Restricted Securities is a Legal Person and has a Controller(s); or

(b) where a holder of Restricted Securities is a trustee, nominee or custodian who holds a legal title to the Restricted Securities.

164) Controller Interests mean rights or interest through which a Controller controls, or has a substantial economic interest in, the Restricted Securities or their holder. In practice, such control will be most likely a result of having a majority Shareholding in the holder of Restricted Securities or in their Controller (in the scenario (a) above), or having a beneficial interest in Restricted Securities, where their legal and beneficial ownership is split (in the scenario (b) above).

165) For example, a beneficiary, under a trust deed, has a beneficial interest in the Restricted Securities even if they do not hold control over the Restricted Securities or the trustee (when they are not allowed to remove the trustee under the trust deed). In this case, their beneficial interest in the Restricted Securities held on trust will still be considered Controller Interest by virtue of being a substantial economic interest in the Restricted Securities.

[128] If a Person holds more than 50% of the voting rights in, or has the right to appoint or remove the majority of the Board of, a Controller of the holder of Restricted Securities, such a Person is considered an indirect Controller of the holder of Restricted Securities.

Employee Incentive Scheme

166) GLO provides an example of an Employee Incentive Scheme, where it is a scheme for the issue or acquisition of Equity Securities in a Listed Entity to be held by, or for the benefit of, participating employees or non-executive directors of the Listed Entity, or a Related Entity or their Associates.

167) Given the diversity of home jurisdictions of Issuers (and therefore Listed Entities), the use of the definition of an Employee Incentive Scheme is to be considered broadly, as it should also be able to accommodate other schemes which are legally acceptable outside of ADGM. For this reason, any scheme involving a number of participants who receive Securities from an Issuer due to their work related connection to it, irrespective of whether it is for null or other consideration, with or without a vesting period and/or other conditions, is likely to be considered, especially if recognised as such a scheme in the Issuer's home jurisdiction, an Employee Incentive Scheme by the Listing Authority for the purposes of the Restricted Securities regime.

168) In the context of Restricted Securities, out of the different types of Persons who may participate in an Employee Incentive Scheme, only two types of them matter: Related Parties and Relevant Service Providers of Applicants. They are the only ones who, under Category 9, hold Restricted Securities.

169) In the context of Category 9, an Employee Incentive Scheme means a scheme operated by an Applicant, as the acquisition of Securities which are later subject to a Restriction Period must take place before the Applicant's Securities are admitted to the Official List.

Holding Lock

170) A Holding Lock is not defined in GLO or any other Rulebook. It is used to denote a facility that prevents a transfer of Securities between different Persons on the relevant register of Securities. In the context of Restricted Securities, it means that, once a Holding Lock is applied, these Securities cannot be transferred to or from another Person's holding, and, also, a third party's interest cannot be created over them.

171) Restricted Securities can be recorded on a Listed Entity's sponsored Securities register (as opposed to non-Restricted Securities of the same class which will likely be managed by a third party as part of the arrangements for electronic settlement of trading in Securities admitted to an RIE).[129] If this is the case, it is a Listed Entity which is responsible for the imposition and administration of the Holding Lock.[130]

172) A Listed Entity, however, can also choose a third party to provide infrastructure to register and manage Securities (for example, record transfers of Securities) which are not admitted to trading. In this instance, it is the responsibility of the Listed Entity, under MKT 9.6.9, to

[129] See MKT 2.3.12, which is part of the listing eligibility criteria, and requires that an Applicant's Securities are eligible for electronic settlement, and the arrangements for clearing and settlement of trading of those Securities are acceptable to the Listing Authority.
[130] As part of the listing eligibility assessment, the Listing Authority will review the relevant systems and controls of an Applicant relating to its administration of Holding Locks.

obtain an undertaking from the third party (for example, a bank, trustee, custodian, Recognised Body, CSD, Share registry or other entity which has been deemed suitable by the Listing Authority) to place a Holding Lock on the Restricted Securities held by it, and not release the Holding Lock before the end of the relevant Restriction Period without the Listing Authority's prior written consent.

173) A Listed Entity, who is one of the parties to a Restriction Agreement, must, under the agreement, refuse to register[131] or acknowledge[132] any action (transfer or creation of a third-party interest) which is in breach of the Restriction Agreement and in particular of the Holding Lock.

174) Conversion of convertible Securities to which a Holding Lock applies and exercise of Warrants to which a Holding Lock applies are permitted. The Holding Lock will continue to apply to the newly converted or exercised Securities for the remaining balance of the original Restriction Period.

Related Party

175) MKT 9.5.2(1) provides a definition of a Related Party in the context of Related Party Transactions, which can be entered into by Listed Entities. For the purposes of the Restricted Securities related Rules, Related Party is applicable in the context of Issuers and holders of Restricted Securities and therefore can also mean a Related Party of an Applicant rather than a Listed Entity itself.

176) In all these circumstances where, in order to determine the existence of Restricted Securities, their number and the length of the relevant Restriction Period, a relationship between the Applicant[133] and the Securities holder must be established, the definition in MKT 9.5.2(1) should be considered such that a Person is a Related Party of an Applicant if that Person:

(a) is or was within the 12 months before the date of admission of Securities to the Official List:

(i) the Applicant's Director or a member of its Group; or

(ii) a Related Party Associate of a Person referred to in point (i) above;

(b) owns, or has owned within 12 months before the date of admission of Securities to the Official List, voting Securities carrying more than 10% of the voting rights attaching to all the voting Securities of either the Applicant or a member of its Group; or

(c) is a Person exercising or having the ability to exercise significant influence over the Applicant or a Related Party Associate of such a Person.

[131] If a Holding Lock is administered by the Listed Entity.
[132] If a Holding Lock is administered by a third party.
[133] As opposed to a Listed Entity under Categories 5 and 6.

Relevant Service Provider

177) A Relevant Service Provider is a term used in relation to Applicants only. It means a Person (or an Associate of a Person) who provides a service to an Applicant (or a Related Party of the Applicant) in connection with the Applicant's application for admission to the Official List and, if applicable, its Offer of Securities.[134]

178) Relevant Service Providers are relevant to several Categories (being 1,3, 7 and 9) where Securities must be acquired prior to admission to the Official List to be considered Restricted Securities. Under all these Categories, the Restriction Period lasts for two years from the day of admission of Securities to trading on an RIE. The Restriction Formula may apply depending on the type of consideration paid for the Securities or circumstances in which they were acquired.

179) An Applicant for admission to the Official List must prepare a significant amount of financial or commercial information under MKT. They may also have to undergo a group restructuring or personnel changes prior to the listing. Therefore, Relevant Service Providers can render services in a number of different areas depending on the needs of an Applicant. They include lawyers, accountants, underwriters, Sponsors, mineral experts and others. Even though certain services will remain ongoing (such as a requirement to prepare periodic financial statements post admission to the Official List and trading on an RIE), no acquisitions of Securities post admission to the Official List and trading on an RIE by any service providers will result in Restricted Securities.

180) The definition of a Relevant Service Provider also covers their Associates and Related Parties of Applicants. This is to prevent circumstances where the relevant parties would try to circumvent the Rules by making small changes to the transactions. For example, where Securities could be acquired not by the Relevant Service Provider but by a company controlled by it, or where the services could be provided not to an Applicant but to its Director although still in respect of the Applicant's planned Offer of Securities. If the definition did not cover Associates and Related Parties, the transactions in both examples above would not result in Relevant Service Providers holding Restricted Securities.

Restricted Securities

181) Restricted Securities are Securities which are admitted to the Official List but, under the provisions of a Restriction Agreement, are subject to transfer restrictions[135] and cannot be admitted to trading on an RIE for a prescribed period of time (the duration of the applicable Restriction Period).

182) This definition extends to certain classes of Securities which are not admitted to the Official List (for example Warrants over Shares or convertible loan notes), however, if exercised or converted, they would become listed Securities.[136]

[134] As per its definition in APP 8 in MKT.

[135] See paragraphs 187-188 for full details of the transfer restrictions.

[136] See paragraphs 87-88 relating to Category 11 for further information on how a Restriction Period is calculated in such circumstances.

183) There are 11 Categories in APP 8 of MKT which specify circumstances of acquisitions of Securities by different investors and for different consideration, which are used to determine which Securities are Restricted Securities and what the applicable Restriction Period is. In addition, pursuant to MKT 9.6.1(3), the Listing Authority can deem other Securities to be Restricted Securities.[137]

184) Restricted Securities have the same rights attaching to them as other Securities from the same class, which are not only admitted to the Official List but also to trading on an RIE. This includes voting rights or rights to dividends and other distributions. The only circumstances when the rights can be taken away[138] is where a holder of Restricted Securities or its Controller is in breach of the Restriction Agreement. Then all the rights are suspended until the breach is rectified.

185) The term Restricted Securities is fully applicable to Securities which are listed and traded. Even though an Applicant must recognise at the Listing Application stage which of its Securities will be Restricted (in order to enter into the relevant Restriction Agreement prior to listing), yet none of the relevant restrictions are binding until the Applicant's Securities (of the same class as Restricted Securities) are admitted to trading on an RIE. If, post admission to trading and still within the applicable Restriction Period, a Listed Entity's Securities are delisted, then the restrictions under the relevant Restriction Agreement will fall away, as the agreement was entered with a Listed Entity.

Restriction Agreement

186) A Restriction Agreement is an agreement which must be entered into by a holder of Restricted Securities, all its Controllers and an Issuer of such Securities (either as an Applicant or a Listed Entity[139]) in order to satisfy the requirements in MKT 9.6.3 and impose relevant restrictions in respect of the Restricted Securities for the duration of the applicable Restriction Period.

187) The form and content of the agreement is prescribed by the Listing Authority. Its template, MKT Form 9-1, can be found on the Listing Authority's website.[140] It lists all the actions related to Restricted Securities which are the subject of the agreement and which are forbidden during the applicable Restriction Period. Those are not only simple transfer restrictions but also other actions which may lead to the transfer. A holder of Restricted Securities must not, in relation to these Restricted Securities during the Restriction Period:

(a) dispose of, or agree or offer to dispose of, them;

(b) create, or agree or offer to create, any interest in them; or

[137] By giving notice to an Applicant or a Listed Entity.
[138] It must be permitted under the Issuer's Constitution (see paragraph 157).
[139] Whether it is an Applicant or a Listed Entity entering into a Restriction Agreement will depend on the Category under which an Issuer's Securities are considered Restricted Securities. For example, Categories 5 and 6 relate to Listed Entities only.
[140] https://www.adgm.com/financial-services-regulatory-authority/listing-authority/forms-and-checklists

(c) do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of them.

188) The same actions, but by the direct or indirect Controllers of the holder of Restricted Securities and in relation to the relevant interests held by the Controllers in the holder of Restricted Securities are also forbidden and also form part of the Restriction Agreement.

189) An executed Restriction Agreement binds all the parties which signed it, including the Issuer. It is therefore crucial that the Issuer's constitutional documents[141] have such provisions that will not prevent it from taking the necessary steps to enforce the Restriction Agreement in the event of a breach (which means not only a transfer or other action forbidden in the agreement, but also in relation to incomplete information being provided, for example, in relation to the identity of all the Controllers). The Issuer / Listed Entity must not register a transfer of Restricted Securities in the event of breach of a Restriction Agreement. Any such breach should result in the Listed Entity ceasing to pay dividends or distributions in respect of, and removing any rights (such as voting rights) attaching to, the Restricted Securities.

190) A Restriction Agreement cannot be terminated early or amended by its signatories. Any changes to it, including early termination, must be permitted under MKT or by the Listing Authority in writing.[142] To protect the spirit, intent and fully consistent treatment within the Restricted Securities regime, the Listing Authority expects that any changes to a Restriction Agreement will only be permitted in exceptional circumstances.

191) If a Restriction Agreement is entered into in respect of Warrants or convertible Securities, and they get exercised or converted[143] within the Restriction Period, the Restriction Agreement does not need to be amended (as the Restriction Period and applicable Holding Lock will then apply to the new Securities). However, all the characteristics of the Restricted Securities, including the conversion/exercise terms, must be included in the Particulars of Restricted Securities section in the Restriction Agreement.[144]

192) A Restriction Agreement requires input of the start date and end date of the Restriction Period before it can be signed by the parties. In the case of Applicants, the parties might often be ready to sign the agreement before they know the start date of the Restriction Period (which is the date of admission of Securities to trading on an RIE for the first time). In this situation it is acceptable, in the Restriction Agreement, to refer to the first day of trading on an RIE and to the period of one or two years from that date, instead of the actual dates indicating the beginning and the end of the Restriction Period.

[141] See paragraphs 156-158 above in relation to constitutional documents.
[142] See paragraphs 144-146 on MKT 9.6.11-9.6.12 (regarding Takeovers) and paragraphs 210-216 on waivers and modifications.
[143] Such actions are permitted. For details, please refer to paragraphs 87-88 on Category 11.
[144] Also, due to the definitions used in the Restriction Agreement, where "a party" includes its successors, personal representatives and transferees, there is no need to amend the Restriction Agreement in circumstances where a Listed Entity changes as a result of a Takeover or internal reorganisation.

Restriction Formula

193) A Restriction Formula exists in two variants[145] and is used to calculate how many of the Securities identified under Category 1, 2 or 9 in APP 8 in MKT constitute Restricted Securities to which a Restriction Period under that Category applies. It can only be used by Applicants, as Restricted Securities issued at a later stage, by a Listed Entity, are not subject to it.

194) The Restriction Formula for Securities other than Warrants determines the number of Securities which are not Restricted Securities subject to a Restriction Period as follows:

(A/B) x C, where:

A denotes cash[146] paid per Security acquired by an investor under Category 1, 2 or 9.

B denotes price per Security at the time of admission to the Official List. In practice, it will be an Offer price (if there is an associated Offer of Securities) or admission price as determined by the Listing Authority.

C denotes the number of all Securities issued to the investor under Category 1, 2 or 9.

If an early investor acquired Securities under different Categories, on different occasions or at different prices, then each acquisition should be considered separately, which includes a repeated use of the Restriction Formula, if applicable.

195) The Restriction Formula for Warrants applies only to those Warrants which are offered together with other Securities, all being the subject of a Listing Application. The formula determines the number of Warrants which are not Restricted Securities subject to a Restriction Period as follows:

D x E, where:

D indicates the number of Securities (Shares) which are not Restricted Securities (subject to a Restriction Period); and

E indicates the number of Warrants for each Security (Share) offered and related to a Listing Application.

[145] As per its definition in APP 8 in MKT.

[146] In the case of Categories 1 and 2, it might have to be calculated taking into account the amount of money loaned by the acquirer of the Securities to the Applicant, if a repayment of that loan was the consideration for the Securities. What can be taken into account for the purposes of the calculation under the Restriction Formula is only cash provided to the Applicant, so just the principal amount of the loan. Any added interest used by the Applicant to determine the number of Securities to be paid in consideration for the repayment of the loan cannot be used as a contributing amount to the price per Share in the Restriction Formula.

196) The exact number of Restricted Securities on issue is critical to an Issuer's Listing Application, as that number has an impact on the Issuer's eligibility for listing.[147] However, the Restriction Formula can only produce an accurate number near the time of admission to the Official List, as one of the inputs needed is the Offer/admission price. At an early stage of the Listing Application process, an Applicant should therefore use (maximum Offer/admission price) estimates of the final numbers of Restricted Securities held by early investors. Such numbers should be presented to the Listing Authority as estimates and kept being updated, as needed.

197) When an Applicant is a foreign company, its functional currency (and the currency used to value Securities at the time of their issue to early investors) may not be the same as the currency in which the Securities will be quoted in ADGM when admitted to trading on an RIE. In this situation, the price at which the Securities were initially acquired will have to be translated, using the spot rate from the time of the acquisition, to the currency to be used to quote the Securities when traded on the RIE. This translated price must be used as an input for the Restriction Formula.

Restriction Period

198) A Restriction Period denotes a period during which Restricted Securities are subject to a Restriction Agreement, under which they cannot be transferred or subject to any other action (for example, by creating any interest in them) which could result in their eventual transfer.

199) The length of a Restriction Period differs depending on the Category under which it applies. It can be one or two years from the time of admission of Securities of the same class to trading on an RIE for the first time or a year from the relevant event under Category 5 or 6.

200) It is not the same as a lock-up period required by law in certain jurisdictions or agreed by parties, which may, for example, affect Shares held by Directors of an Applicant / Listed Entity, so that they cannot be sold within a particular period of time, often shorter than a Restriction Period. A Restriction Period is part of a standalone Restricted Securities regime which cannot be replaced or modified due to the fact that similar restrictions may already apply to an Issuer in its home jurisdiction or under a voluntary agreement between the Issuer and the investor.

201) One of the reasons for the introduction of the Restricted Securities regime is to provide support to the price of newly listed Securities and avoid price volatility. Price fluctuations are also possible when a Restriction Period is coming to an end. Such fluctuations, however, given the passage of time since the initial admission to trading, are unlikely to have the same proportions and impact on Security prices in the long term as if they happened closer to the admission to trading.

[147] See paragraphs 111 and 129-130 on free float, and in relation to Restriction Agreements which must be entered into prior to admission to the Official List.

Security Holder

202) In the context of the Restricted Securities regime, a Security Holder is a term used to denote a legal owner[148] of Restricted Securities. Even though Restricted Securities regime binds the holders and Issuers of Listed Securities only, in preparation for listing, the term Security Holder can also refer to holders of Securities which are not listed yet but are due to be admitted to the Official List as Restricted Securities. For example, one of the signatories of a Restriction Agreement is a Security Holder, who can sign the agreement either before or after the relevant Securities have been listed, depending on the circumstances of their acquisition / Categories.

Service Provider

203) A Service Provider refers to a Person (or their Associate) providing professional services to an Applicant (or their Related Party), which are not related to the Applicant's application for admission to the Official List and, if applicable, an Offer of Securities.

204) The main difference between a Relevant Service Provider and a Service Provider is the reason for the provision of services, whether it is in relation to a listing of Securities or not. The associated timings are likely to be different as well. Service Providers are mostly those professionals who were engaged by an Applicant in earlier stages of its operations. The nature of the services may be the same, for example, to prepare financial accounts.

Share

205) A Share in the context of this Guidance Note means an ordinary Share in the Share capital of an Applicant or a Listed Entity, where one Share equals one vote and there are no other classes of Shares on issue (unless stated otherwise). Any references in this Guidance Note to a Person holding "more than 10% of the voting rights" or "more than 10% of Shares" in an Applicant / Listed Entity indicate a Person who is a Related Party of the Applicant / Listed Entity by virtue of holding voting Securities carrying more than 10% of the voting rights attaching to all the voting Securities of the Applicant / Listed Entity.

Unproven Asset

206) Unproven Asset is defined in GLO as an interest in:

(a) a Mining Tenement or Petroleum Tenement that is substantially explorative or unproven;

(b) intangible property that is substantially speculative or unproven, or has not been profitably exploited for at least three years, and which entitles the Issuer to develop, manufacture, market or distribute the intangible property;

(c) an asset which, in the opinion of the Listing Authority, cannot be readily valued; or

[148] For example, a trustee or a nominee, as opposed to a beneficiary, in circumstances where the legal and beneficial ownership is split.

(d) an entity, of which a substantial proportion of its assets is property of the kind referred to in (a), (b) or (c).

207) This is a very important concept as the Restricted Securities regime is, to a large extent, designed for Issuers whose business model is based around an Unproven Asset or has characteristics of a business with an Unproven Asset (such as the inability to predict with reasonable certainty the direction in which the business is going or the inability to show a steady record of outcomes from an Issuer's operations over a period of time). That is why the regime directly applies to Issuers admitted to the Official List under the assets eligibility test in MKT 2.3.16.

208) The definition is purposely broad to capture all types of Issuers which rely in their operations, to a large extent, on assets which are speculative, explorative, unproven, with no history of being profitably exploited or which cannot be readily valued. The outcome of such Issuers' future operations is unpredictable and therefore the Restricted Securities regime is needed to help protect markets and investors from trading volatility.[149]

Vendor

209) A Vendor is a Person who disposes of an Unproven Asset to an Applicant (or a Related Party of an Applicant)[150] or a Listed Entity. There are four Categories (3,4, 5 and 6) under which a Vendor may become a holder of Restricted Securities. The number of Restricted Securities and the length of the Restriction Period depend on whether the transaction took place before or after admission of Securities to the Official List, whether the Vendor was a Related Party or a Relevant Service Provider of the Applicant, and on the type of consideration paid for Securities.

WAIVERS AND MODIFICATIONS

210) The Listing Authority, under section 9(1) of FSMR, has a general power to waive or modify the Rules. To request a waiver or modification of a Rule in MKT (which includes Restricted Securities regime), a Person subject to that Rule, or another Person with their consent, should submit a completed MKT Form 1-1 available on the Listing Authority's website.[151]

211) A waiver or modification request is usually associated with another process, such as an application for admission of Securities to the Official List. In such instances, the request will be considered together with the related application and within the timeframes relevant to that application. If it is a standalone request for a waiver or modification, for example relating to Securities to be issued under Category 5 or 6 by an Issuer with Securities already admitted to the Official List, then the expected review time and the initial response[152] from the Listing Authority is five Business Days. Any subsequent response from the Listing Authority, unless a longer time is warranted by the nature or complexity of the waiver or

[149] Paragraphs 56-62 provide further insights into the Unproven Asset concept.
[150] As per its definition in APP 8 in MKT.
[151] https://assets.adgm.com/download/assets/Waiver+Modification+Request+MKT+1-1.pdf/3b6ebc5c7eff11ef80738681c52da287
[152] This may include a request for further information, if necessary.

modification request, should be provided within three Business Days from the date further information was submitted by the Applicant.

212) Granted waivers and modifications of Rules in MKT will be published on the Listing Authority's webpages. The publication may be delayed (but not withheld) if justified by the confidentiality surrounding the affected parties.

213) It is important to emphasise that any waiver or modification of a Rule related to Restricted Securities, due to the nature of the Restricted Securities regime, and to protect and ensure full consistency of treatment within it, is likely to be granted only in unusual and rare circumstances. The Listing Authority, under section 9(3) of FSMR, will take into account not only whether compliance with an unmodified Rule would be unduly burdensome to a Person subject to that Rule, but also whether granting a waiver or modification would adversely affect the advancement of any of the Listing Authority's objectives. The Restricted Securities regime exists to help protect the integrity of and confidence in the capital markets, and one of the Listing Authority's objectives is to promote and enhance the integrity of the ADGM Financial System, which requires this Restricted Securities regime to be applied in an equal and fair manner.[153]

214) Examples of when a waiver or modification in the area of Restricted Securities may be granted include situations, where:

(a) a transfer of Restricted Securities is sanctioned by a court order. Even then, if the transfer is subsequently permitted by the Listing Authority, the Securities are likely to remain Restricted Securities subject to the remaining balance of the applicable Restriction Period;

(b) a holder of Restricted Securities has a number of indirect Controllers, and due to the group reorganisation[154] interests of one of indirect Controllers will be disposed of; or

(c) the legal and beneficial ownership of Restricted Securities is split, and a legal owner (for example, a trustee) is replaced, however, there are no changes to the beneficiary/beneficiaries. This can happen if, in relation to trustees, it resigns, is removed by a court action or is changed under a process permitted in a trust deed.

215) Any waiver or modification, if granted by the Listing Authority, will be in writing. After the permitted transfer, the Securities which were transferred will remain the Restricted Securities subject to the remaining length of the relevant Restriction Period. It is unlikely that any such transfer will require entering into a new Restriction Agreement. This is due to the definitions and interpretation provided in a Restriction Agreement itself, where a reference to a party includes its successors and transferees.

216) In addition to its general power in section 9(1) of FSMR, the Listing Authority was granted specific powers in the context of the Restricted Securities regime, which allow it to:

[153] Section 1(3)(e) of FSMR. ADGM Financial System includes financial markets and trading venues.
[154] As opposed to the sale of these interests to a Person from outside of the group to which the holder of Restricted Securities belongs.

(a) deem Securities to be Restricted Securities,[155] whether outside of circumstances from one of the 11 Categories or by modifying specific Categories, for example by disapplying the usage of a Restriction Formula. With this decision will also come a determination of the length and the starting date of the Restriction Period;[156]

(b) disapply the exclusions from MKT 9.6.2, which state what type of Issuers are not subject to certain Categories under which the number of Restricted Securities is determined;[157]

(c) require a submission of a Restriction Agreement in a different form than MKT Form 9-1;[158] or

(d) impose other restrictions related to Restricted Securities than those in APP 8 of MKT.[159]

EXAMPLES

217) The following examples illustrate how to calculate the number of Restricted Securities held by investors under different Categories. In addition, Example 1 also explains what to do if the number of Restricted Securities resulting from the Restriction Formula is not a whole number. As the purpose of the examples is to demonstrate matters related to Restricted Securities only, they ignore other, such as free-float, requirements.

Example 1 (relating to Categories 1 and 2)

Applicant A is a company which develops and distributes software products in the educational sector. It made a modest profit (insufficient to apply for listing under the profits eligibility test in MKT 2.3.15) in the last financial year and is on track to record an even higher profit in the current financial year.

It submitted a draft Listing Application on 15 January 2025 in connection with its planned Initial Public Offering ("IPO"). The Offer[160] comprises 10,000,000 new Shares and 8,000,000 Shares from the selling Shareholders (4,000,000 from Shareholder 7 and 4,000,000 from Shareholder 6).

A draft Prospectus has been submitted to the Listing Authority for approval.

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[155] MKT 9.6.1(3).
[156] See point (d) below.
[157] See MKT 9.6.2. The Listing Authority has also discretion as to the interpretation of characteristics of Issuers referred to in MKT 9.6.2, and can, for example, decide on a case-by-case basis whether an Issuer has a track record of profitability acceptable to it.
[158] See MKT 9.6.4. The Restriction Agreement cannot be modified by the parties. However, if warranted by unusual circumstances of an Issuer, the Listing Authority can modify it to better reflect the individual position of the parties to the agreement.
[159] MKT 9.6.5.
[160] This scenario assumes there is an IPO and takes into account the Offer price. However, in the event when there is no related fundraising and only admission of existing Securities to the Official List, the Offer price will have to be replaced with the "admission" price. It can be set by the Applicant but with the Listing Authority's consent. If in disagreement, the Listing Authority will determine it.

Table 1 below presents a summary of the changes to the issued Share capital of Applicant A from its incorporation to the expected date of admission of its Securities (Shares) to the Official List on 14 April 2025 ("Admission").

Table 1: Changes to the issued Share capital

Date	Allotment		Shares in issue	Price paid per Share (USD)	Shareholder
	Number of new Shares	Percentage of new Shares			
12 Jun 2019	5,000,000	50%	10,000,000	0.1	Shareholder 1
	5,000,000	50%	10,000,000	0.1	Shareholder 2
7 Aug 2019	2,000,000	16.7%	12,000,000	0.15	Shareholder 3
23 Jan 2020	3,000,000	20%	15,000,000	0.35	Shareholder 4
1 Sep 2021	2,000,000	11.8%	17,000,000	0.6[161]	Shareholder 5
17 Jul 2022	8,000,000	32%	25,000,000	0.75	Shareholder 6
10 Oct 2023	10,000,000	28.6%	35,000,000	1	Shareholder 7
7 Feb 2024	850,000	2.4%	35,850,000	1	Shareholder 8
14 Apr 2025	10,000,000	21.8%	45,850,000	1.5	All Shareholders (including new investors)

Shareholders referred to in Table 1 above acquired Shares for cash (unless stated otherwise in the section below) and have the following relationships with Applicant A at the time of submission of the Listing Application:

- Shareholders 1 and 2 are Founders and Directors.[162]
- Shareholder 3 can exercise significant influence over Applicant A.
- Shareholder 4 has provided no services / held no positions at Applicant A.
- Shareholder 5 has provided no services / held no positions at Applicant A and received Shares in consideration for the repayment of debt.
- Shareholder 6 was a Director until 30 September 2024.
- Shareholder 7 is a Director.
- Shareholder 8 has provided advisory services in relation to the IPO and 60% of its remuneration was in Shares.

Two Directors (one as a selling Shareholder) will participate in the IPO. Directors' holdings (as at the date of the submission of the Listing Application and immediately following the fundraising and Admission) are set out in Table 2 below.

[161] Repayment of debt was the consideration for the Shares. Share price of USD 0.6 was used to calculate the number of Shares needed to repay a loan (principal only) from Shareholder 5 to Applicant A.

[162] There could be more Shareholders than one who acquired Shares on the same day. If this is the case, each Shareholder will have to be considered individually, just like transactions from 12 June 2019 in this example.

Table 2: Directors' interests

	As at the date of the Listing Application		Immediately following the fundraising and Admission	
Name	**Number of existing Shares**	**Percentage of existing Shares held**	**Number of Shares in enlarged Share capital**	**Percentage of Shares in enlarged Share capital**
Shareholder 1	5,000,000	13.9%	5,000,000	10.9%
Shareholder 2	5,000,000	13.9%	6,000,000	13%
Shareholder 7	10,000,000	27.9%	6,000,000	13.1%
Shareholder 9	nil	n/a	1,834,000	4%

Save for the Directors in Table 2 above, the following Shareholders own, or will own immediately following the Admission, ten per cent or more of the Applicant's issued Share capital.

Table 3: Substantial Shareholdings

	As at the date of the Listing Application		Immediately following the fundraising and Admission	
Name	**Number of existing Shares**	**Percentage of existing Shares held**	**Number of Shares in enlarged Share capital**	**Percentage of Shares in enlarged Share capital**
Shareholder 10	nil	n/a	4,600,000	10.03%

Example 1 - discussion

Taking into account all the information above, each Shareholder (1-10) is to be considered separately to decide whether any of their Shares in Applicant A will be Restricted Securities on Admission and therefore subject to a Restriction Period.

Shareholder 1, as a Founder and current Director who paid cash for the Shares, is a Related Party of Applicant A and falls under Category 1. The Restriction Formula should apply to its holding to determine how many of their Shares are Restricted Securities:

A = 0.1
B = 1.5
C = 5,000,000

(A/B) x C = 333,333.33, which is the number of Shares that are not Restricted Securities and therefore not subject to a Restriction Period.

If the calculated number is not a whole number, as in the current scenario, it must be rounded down to the nearest whole number. Even if a fraction after the decimal place is close to 1, like 0.999.

5,000,000 – 333,333 = 4,666,667, which is the number of Restricted Securities held by Shareholder 1 and subject to the Restriction Period of two years from the day of admission of Applicant A's Securities[163] to trading on an RIE.

Shareholder 2 is also a Related Party of Applicant A and falls under Category 1 for the same reasons as Shareholder 1. However, their holdings are different, as Shareholder 2, in addition to their current 5,000,000 Shares, will also participate in the IPO and acquire another 1,000,000 Shares in Applicant A. Whenever an investor acquires Securities on different occasions and at different prices, and a Restriction Formula applies, each such acquisition should be considered separately.

As seen above, out of the current 5,000,000 Shares, 4,666,667 Shares will be subject to a two-year-Restriction Period.

The additional 1,000,000 Shares will not be subject to a Restriction Period as determined by the Restriction Formula:

A = 1.5
B = 1.5
C = 1,000,000

(A/B) x C = 1,000,000, which means that none of the Shares acquired in the IPO are Restricted Securities. New Shareholders participating in the IPO are not disadvantaged and paid the same price per Share as Shareholder 1.

Shareholder 3 is a Related Party of Applicant A by virtue of exercising significant influence over it. As they acquired Shares for cash, their shareholding should be considered within the context of Category 1 and therefore is subject to the Restriction Formula.

A = 0.15
B = 1.5
C = 2,000,000

(A/B) x C = 200,000, which is the number of Shares not subject to the Restriction Period.

2,000,000 – 200,000 = 1,800,000 (This is how many Shares held by Shareholder 3 are Restricted Securities and subject to a two-year-Restriction Period from the day of Applicant A's Securities' admission to trading on an RIE).

Shareholder 4 will not be considered within Category 1, as despite the appearance, they are not a Related Party of Applicant A. Even though they held more than 10% of voting rights in Applicant A in the past, it was more than 12 months ago.[164] However, they fall under Category 2 as a non-related investor who acquired Shares for cash.

[163] In these examples, whenever there is a reference to admission of an Issuer's Securities to trading on an RIE, it is in relation to Securities of the same class to which Restricted Securities belong, but excluding the Restricted Securities. It also means admission to trading on an RIE for the first time.
[164] For a Related Party definition and an explanation of the 12-month period, please refer to paragraphs 175-176.

Under Category 2, the Securities of Shareholder 4 would be subject to the Restriction Formula if they paid for them less than 80% of the IPO price, which they did (0.35 is less than 80% of 1.5). The Restriction Formula therefore applies.

A = 0.35
B = 1.5
C = 3,000,000

(A/B) x C = 699,999.99

699,999 Shares are not Restricted Securities. Only 2,300,001 (3,000,000 – 699,999) of Shareholder 4's Shares in Applicant A will be subject to a Restriction Period, which under Category 2 lasts one year from the day Applicant A's Shares are admitted to trading on an RIE.

Shareholder 5 is a non-related investor who acquired Shares in consideration for the repayment of debt. Their shareholding will be considered within Category 2. The Restriction Formula is applicable in this case, as consideration per Share was less than 80% of the IPO price (0.6 is only 40% of the IPO price of 1.5)

A = 0.6
B =1.5
C = 2,000,000

(A/B) x C = 800,000

The Securities of Shareholder 5 are a good illustration of how the Restriction Formula works under Category 2. It is used to acknowledge that although early investors in an Applicant may have acquired Shares or Warrants at a lower price, they also assumed a lot of risks associated with the early stage of the Applicant, given its unknown prospects and uncertain future liquidity of the Securities, with no possibility to actively influence the Applicant's operations in the way Related Parties can. For this reason, and in relation to non-related investors, up to 20% difference between the IPO price and the price at which they acquired Shares or Warrants is acceptable and such Securities are not Restricted Securities.

In this example, as the consideration for the Shares was less than 80% of the IPO price, some of these Shares are Restricted Securities and the Restriction Formula has to be used to determine their number.

800,000, as calculated above, represents exactly 40% of the Shares owned by Shareholder 5, as their consideration per Share was 40% of the IPO price. These Shares are excluded from the total number of Shares of Shareholder 5 leaving 1,200,000 (2,000,000 – 800,000) Shares as Restricted Securities to which a Restriction Period of one year from admission to trading on an RIE applies.

Shareholder 6 was a Director of Applicant A until 30 September 2024 and, as a selling Shareholder, will reduce its holding (acquired by cash) in the Applicant from over 10% to below 10% by the day of admission to trading. Despite their lower holding resulting from the IPO and no

current directorship at Applicant A, Shareholder 6 is considered a Related Party[165] of Applicant A and their Shares subject to the Restriction Formula and Restriction Period under Category 1.

A = 0.75
B = 1.5
C = 4,000,000

(A/B x C) = 2,000,000

As a result of the IPO, Shareholder 6 will own 4,000,000 Shares, 2,000,000 (4,000,000 – 2,000,000) of which will be Restricted Securities and subject to a selling restriction for two years starting from the date of admission of the relevant Securities to trading on an RIE.

Shareholder 7 is a current Director of Applicant A who acquired Shares for cash and even after selling some of them at the IPO will retain more than 10% of Shares in Applicant A. Given these characteristics, Shareholder 7 is a Related Party of Applicant A, and their Shares should be considered under Category 1.

A = 1
B = 1.5
C = 6,000,000

(A/B x C) = 4,000,000

Based on the result of the Restriction Formula, only 2,000,000 (6,000,000 – 4,000,000) Shares of Shareholder 7 will be subject to a Restriction Period of two years starting from the date of admission of the relevant Securities to trading on an RIE.

Shareholder 8 is a Relevant Service Provider of Applicant A and therefore their Shares fall under Category 1.

A = 1
B = 1.5
C = 850,000

(A/B x C) = 566,666.67

283,334 (850,000 – 566,666) Shares of Shareholder 8 are Restricted Securities to which a Restriction Period of two years from admission of Applicant A's Securities to trading on an RIE applies.

Other Shareholders, including **Shareholder 9,** who will become a Director of Applicant A, and **Shareholder 10,** who will hold more than 10% of Shares in Applicant A, are acquiring their Shares

[165] Please refer to the definition of a Related Party in the "Key terms and interpretational matters" section above. Shareholder 6 is a Related Party of Applicant A as they were a Director within 12 months before admission to the Official List. They also owned more than 10% of Shares in Applicant A within the same 12-month period, which is another reason to be considered a Related Party.

in the IPO at the IPO price. For this reason, despite holding a directorship and a significant percentage of Shares, they will not own any Restricted Securities.

Example 2 (relating to Categories 3 and 4)

Applicant B is a Mining Exploration Reporting Entity which has a portfolio of Exploration rights in several jurisdictions. It engaged in discussions with the Listing Authority and plans to apply for admission of its Shares to the Official List in March 2025.

A table below lists all Exploration rights of Applicant B, the Vendors they were acquired from, the relevant dates and consideration paid.

Table 4: Exploration rights of Applicant B

Date	Vendor	Consideration (for Unproven Assets)		Licence[166] (Unproven Assets)
		Ordinary Shares	Cash (USD)	
10 Jan 2021	Vendor 1	10,000,000	nil	Licence 1
6 Jun 2021	Vendor 2	12,000,000	500,000	Licence 2
6 Nov 2023	Vendor 1	10,000,000	1,000,000	Licence 3
17 Jan 2024	Vendor 3	nil	7,000,000	Licence 4
1 Feb 2025	Vendor 1	4,500,000	nil	Licence 5 (20% interest)

Additional information about the Vendors and the transactions is as follows:

- Vendor 1 is a major Shareholder, who, before the transaction in January 2021, owned more than 10% of Shares in Applicant B.
- Vendor 2 has provided no services to and held no positions at Applicant B. 12,000,000 Shares acquired in consideration for Licence 2 have been the only Securities held by Vendor 2 in Applicant B and constitute less than 10% of all the Shares in Applicant B.
- Vendor 3 is a current Director of Applicant B who has been holding this position since March 2024.

Example 2 - discussion

Vendors 1 and 2 from Table 4 are potentially holders of Restricted Securities, as all Licences acquired from them by Applicant B constitute interests in Mining Tenements that are substantially explorative or unproven, and therefore are Unproven Assets. The relevant Categories concerning acquisitions of Securities in consideration for Unproven Assets are Categories 3 and 4. For these Categories no Restriction Formula applies and all Restricted Securities are subject to a Restriction Period of either two years (under Category 3) or one year (under Category 4) from when Securities, of Applicant B in this case, are first admitted to trading on an RIE.

[166] Applicant B owns 100% interests in the licences in the table unless stated otherwise.

Vendor 1 is a Related Vendor of Unproven Asset. It undertook three transactions with Applicant B which are considered below.

Transaction on 10 January 2021
10,000,000 of ordinary Shares acquired in consideration for Licence 1 are Restricted Securities subject to a Restriction Period of two years from the time the relevant Securities are admitted to trading on an RIE, as prescribed under Category 3.

Transaction on 6 November 2023
Consideration paid for Licence 3 is in the form of both Securities and cash. As the transaction took place within the period of two years prior to the date of the Listing Application, the only acceptable form of consideration in this type of transaction is Securities. Otherwise, the Securities sought to be admitted to the official List would not meet the listing eligibility criterion under the assets eligibility test in MKT 2.3.16(7)(a). In this particular scenario, the Rule does not apply and consideration paid in cash will be acceptable,[167] as USD 1,000,000 paid as part of the consideration for Licence 3 is reimbursement of expenditure incurred by Vendor 1 on geophysics and drilling, therefore developing that Unproven Asset.[168] For this reason, as a result of this transaction, Vendor 1 will hold 1,000,000 of Restricted Securities in Applicant B, subject to the same Restriction Period as in the previous transaction.

Transaction on 1 February 2025
4,500,000 of Shares acquired in this transaction are Restricted Securities subject to the same Restriction Period as in the previous two transactions. It is irrelevant that Applicant B acquired less than a 100% interest in Licence 5.

In total, Vendor 1 is the holder of 24,500,000 of Restricted Securities which cannot be traded for a period of two years from the date of admission of Applicant B's Securities to trading on an RIE.

Vendor 2 is an unrelated Vendor of Unproven Assets. All 12,000,000 Shares in Applicant B are Restricted Securities. It does not matter that part of the consideration was paid by cash and part of the consideration was paid in Shares.[169] The applicable Restriction Period is one year from the first day of admission to trading of the relevant Shares, in line with Category 4.

Vendor 3 received no Shares in consideration for Licence 4, so no Restricted Securities are involved. As Vendor 3 became a Director only after the transaction, it is not a Related Party of

[167] See Guidance 2 under MKT 2.3.16(7).
[168] In other circumstances, when cash consideration could not be considered as reimbursement of the relevant expenditure, a Vendor of an Unproven Asset who is a Related Party of an Issuer and the Issuer would have two options, if the Securities were to meet this particular listing eligibility Rule: to use USD 1,000,000 to buy Securities of the Issuer, this time likely at the IPO price, or to wait for the necessary number of months before the Issuer can apply for admission of its Securities to the Official List. It is important to note that regardless of what option will be chosen, and what would be the acquisition price per Share in the first option, the result will be the same: all the Shares acquired in consideration for the Unproven Asset will be Restricted Securities subject to a Restriction Period starting on the day of admission of the relevant Securities to trading on an RIE.
[169] Even if this transaction took place within 12 months prior to the submission of a Listing Application, the cash element of the consideration would not be an obstacle to compliance with the listing eligibility requirements, as long as the Vendor is not a Related Party of the Applicant. See MKT 2.3.16(7)(b).

Applicant B and a cash only consideration for an Unproven Asset is allowed. However, if Vendor 3 was a Director of Applicant B at the time of the transaction, given that it took place within the last 24 months prior to the submission of a Listing Application, it would make the Shares of Applicant B ineligible for listing under MKT 2.3.16.

Example 3 (relating to Categories 5 and 6)

Listed Entity A has had its Shares admitted to trading on an RIE since January 2024. It is a Mining Exploration Reporting Entity with a number of Exploration rights. In its first year as a Listed Entity, it acquired a few more Exploration licences as specified in Table 5 below:

Table 5: Exploration rights of Listed Entity A which were acquired in 2024

Date of transaction[170]	Date of submission of Restriction Agreements[171]	Vendor	Consideration (for Unproven Assets)		Licence[172] (Unproven Assets)
			Shares	Cash (USD)	
15 Mar 2024	15 Mar 2024	Vendor 1	1,000,000	nil	Licence 1
23 Jun 2024	23 Jun 2024	Vendor 2	15,000,000	nil	Licence 2
3 Sep 2024	n/a	Vendor 3	5,000,000	nil	Licence 3
30 Oct 2024	28 Oct 2024	Vendor 2	1,000,000	nil	Licence 4

Additional information related to the transactions above is as follows:

- Vendor 1 owned 23% (23,000,000) of Shares in Listed Entity A prior to the transaction.
- Vendor 2 owned 9% (9,090,000) of Shares in Listed Entity A prior to the transaction on 23 June 2024 and this holding increased to 20.8% (24,090,000) as a result of the transaction.
- Vendor 3 did not own any Securities in and was not a Related Party of Listed Entity A immediately before the acquisition of Licence 3.

Example 3 - discussion

Vendor 1 is a Related Party of Listed Entity A and therefore the acquisition of Licence 1 fell under Category 5. All 1,000,000 Shares received by Vendor 1 in consideration for this acquisition were subject to a Restriction Period of 12 months from 15 March 2024.

Vendor 2 was not a Related Party of Listed Entity A immediately before the acquisition of Licence 2. After the acquisition, as a result of their combined holding of Shares from the previous and current acquisitions, they became a Related Party by holding more than 20% of the issued capital of Listed Entity A. Depending on the circumstances, especially in relation to the circumstances in which Vendor 2 acquired the first 9,090,000 Shares, the Listing Authority may consider all

[170] The date of transaction is also the date when the related Restricted Securities were issued, if applicable.
[171] If applicable.
[172] Listed Entity A owns 100% interests in the licences in the table unless stated otherwise.

24,090,000 Shares as Restricted Securities or only 15,000,000 of them (those from the most recent transaction with Vendor 2).

The Listing Authority can decide to aggregate the number of Shares held by Vendor 2 for the purposes of determining the number of Restricted Securities if they were all acquired after the admission of Securities to the Official List, in consideration for an Unproven Asset, in circumstances where, when considered together, they would fall under Category 6, and no Restriction Period applied to those Securities in the past.

On the other hand, an example of circumstances where the Listing Authority is less likely to aggregate Vendor 2's holdings to determine the number of Restricted Securities is where its previous holdings of Shares in Listed Entity A were not acquired in consideration for an Unproven Asset or in consideration for an Unproven Asset but before the admission of these Securities to the Official List and they are already subject to the relevant Restriction Period, since admission of the relevant Securities to trading on an RIE.

In the current example, assuming Vendor 2 acquired the first 9,090,000 Shares for cash, by participating in Listed Entity A's IPO, the Listing Authority is likely to treat only 15,000,000 of its Shares are Restricted Securities subject to a Restriction Period of 12 months from 23 June 2024.[173]

Even though Vendor 2 only held 20% or more of Listed Entity A's issued capital for a few months (until the transaction with Vendor 3 on 3 September 2024, which reduced Vendor 2's holding to 19.9 %), 15,000,000 of their Shares remain Restricted Securities to which transfer restrictions apply until the end of the relevant Restriction Period.

The next transaction with Vendor 2, on 30 October 2024, increased their holding to above 20% (to be exact 20.6%). However, as the Securities from the previous transaction are already subject to a Restriction Period, the new Securities will not be aggregated with the previously acquired ones for the purposes of calculation of the number of Restricted Securities. The Shares held by Vendor 2 in Listed Entity A were only added together to establish whether the 20% threshold relating to the issued capital has been reached. As it has, the newly acquired Shares, 1,000,000, are considered Restricted Securities and subject to a Restriction Period of 12 months from 30 October 2024.

Vendor 3 was not a Related Party before the transaction involving Licence 3. They only acquired 5,000,000 in consideration for the relevant acquisition, which constitutes 4.1% interest in Listed Entity A's issued capital. As it is below 20%, the 5,000,000 Shares owned by Vendor 3 are not Restricted Securities and therefore are not subject to any Restriction Period.

Example 4 (relating to Categories 7 and 8)

Applicant C is a biotechnology company seeking funds for its new research and admission of its Shares to the Official List. A draft Listing Application was submitted in March 2025. Applicant C

[173] The Vendor's recently acquired Securities have to be aggregated with their previous holdings of Securities of the same class in order to establish whether the 20% threshold relating to interest held in Listed Entity A's issued capital has been met. However, the Restriction Period calculated under Category 6 does not have to apply to all these holdings.

has a number of advisers who are contracted to assist it in the number of areas including getting the company ready for the planned IPO. Most of them are remunerated in cash, but some of them, listed in the table below, have received/will receive Shares in Applicant C in consideration for their services.

Table 6: Service Providers of Applicant C remunerated in Shares

Date of transaction	Service Provider	Consideration (for the services)	
		Shares	Cash (USD)
15 Jan 2025	Service Provider 1	1,000,000	100,000
29 Mar 2025	Service Provider 2	3,000,000	nil
Expected after admission to trading on an RIE	Service Provider 3	3,000,000	To be agreed

Additional information about services provided to Applicant C is as follows:

- Service Provider 1 is an Expert engaged to prepare a report on the assets and rights owned by Applicant C to be included in the related Prospectus.[174]
- Service Provider 2 are auditors contracted to review the most recent interim financial statements of Applicant C, to be included in the related Prospectus.
- Service Provider 3 is a law firm specialising in intellectual property, which will be engaged by Applicant C post admission of its Securities to trading on an RIE in order to manage its IP portfolio.

Example 4 - discussion

Service Provider 1 is a Relevant Service Provider of Applicant C, as it prepares information to be included in the Prospectus, which is required for the IPO and admission of Securities to the Official List. For this reason, all 1,000,000 Shares, which it received in consideration for the provision of its services, are Restricted Securities and subject to a Restriction Period of two years commencing on the day of admission of Applicant C's Securities to the Official List, under Category 7. The fact that Service Provider 1 was paid partly in cash and partly in Shares does not change anything. There are no Rules prescribing the type of consideration for services received by an Issuer under Category 7 or 8.

Service Provider 2 is also a Relevant Service Provider which, in relation to its 3,000,000 Shares being Restricted Securities, is subject to the same Restriction Period under Category 7 as Service Provider 1. This is due to the fact that the review of the interim accounts must be done to satisfy one of the listing eligibility requirements under the assets eligibility test in MKT 2.3.16(4).

Applicant C changed its auditors in the past. The firm which audited its annual accounts is not the same as Service Provider 2. However, when the annual accounts were audited (even though they are also needed for the purposes of the IPO), it was for another reason, to present them to a

[174] Pursuant to Rule A1.1.1 of APP 1 in MKT, item 9.4.

potential investor. Therefore, the auditors of the annual accounts, if also remunerated (at least partially) in Shares in Applicant C, would be considered Service Providers under Category 8. It would not change anything from the perspective of Applicant C or the Service Provider. Both Categories 7 and 8 capture all the Securities received in consideration for services (no Restriction Formula applies), to which the same Restriction Period of two years applies.

Service Provider 3 will not be a holder[175] of Restricted Securities, as it will be engaged after the admission of Applicant C's Securities to the Official List.

If Applicant C entered into a retainer agreement (or similar) with Service Provider 3 before the admission of Securities to the Official List and, as a condition of this agreement taking effect, it issued Shares (or Shares and a retainer fee) to Service Provider 3, Service Provider 3 would be considered (depending on the nature of the contracted services and irrespective of whether all or any of these services will be performed before the admission of Securities to the Official List) a Service Provider / Relevant Service Provider under Category 7 or 8. As a result, all the Shares it received from Applicant C under the relevant agreement would be Restricted Securities and subject to a two year Restriction Period.

Example 5 (relating to Category 9)

Applicant D applied for admission of its Shares to the Official List (by submitting a draft Listing Application) on 10 April 2025. It undertook an Offer of Securities with the Offer price per Share of USD 0.8. The admission to the Official List took place on 27 May 2025. Applicant D operated an Employee Incentive Scheme for about one year prior to submission of its Listing Application. During that period, it rewarded a number of Employees[176] with Shares and Warrants. Details have been included in Table 7 below.

Table 7: Securities awarded to Employees of Applicant D under the Employee Incentive Scheme

Issue/grant date	Employee	Type of Securities	Number of Securities	Vesting date	Expiry date
25 Mar 2024	Employee 1	Shares	350,000	25 Mar 2025	n/a
25 Mar 2024	Employee 1	Shares	350,000	25 Mar 2026	n/a
23 Mar 2024	Employee 2	Shares	150,000	10 Apr 2025	23 Sep 2025
			150,000	n/a	
23 Sep 2024	Employee 3	Warrants	200,000	10 Mar2025 (exercise date)	23 Sep 2026
24 Feb 2025	Employee 4	Warrants	250,000	n/a	24 Feb 2027

[175] Under Categories 7 or 8, or any other.

[176] It is a broad term and can mean employees as well as external advisors and other contractors (external service providers).

Various (post admission date)	Employees 5-10	Shares and Warrants	450,000	various	various

Additional information relating to the Employees and Securities is as follows:

- Employee 1 was a Director of Applicant D until 1 April 2025. There are no conditions relating to the performance of Applicant D which must be met within the vesting period.
- Employee 2 is a lawyer contracted to assist in the preparation of all the necessary documents required for listing, including a Prospectus. He acquired unvested Shares under the scheme which expire at the end of the 18-month period if Applicant D's Securities are not listed and traded on an RIE by then. Otherwise, half of them vests on the day of submission of a draft Listing Application and the other half vests on the day of admission of the relevant Securities to trading on an RIE. Employee 2 did not pay for the unvested Shares and there is no payment due on the vesting dates.
- Employee 3 is a controlling Shareholder[177] of Applicant D. They acquired (for nil consideration) 200 Warrants on 23 September 2024 and exercised all of them on 10 March 2025. One Share per one Warrant, at the exercise price of USD 0.5.
- Employee 4 is a Sponsor appointed by Applicant D pursuant to MKT 5.1.2(1)(a). The exercise price of a Warrant is USD 0.9 to receive one Share.
- Employees 5-10 are employees who are neither Related Parties nor Relevant Service Providers of Applicant D.

Example 5 - discussion

Employee 1 was issued 700,000 unvested Shares in March 2024. Half of them vested on 25 March 2025, when Employee 1 was a Director, therefore a Related Party of Applicant D. These Shares (350,000) fall under Category 9[178] and are Restricted Securities to which the Restriction Formula would ordinarily apply to determine the number of Securities subject to a Restriction Period. However, as Employee 1 did not pay for the Shares (and the acquisition price of the Security is one of the inputs in the Restriction Formula), in this scenario the Restriction Formula cannot be used. This means that all 350,000 Shares will be subject to a Restriction Period of two years from the time Securities of Applicant D are admitted to trading.

350,000 unvested Shares with the vesting date on 25 March 2026 are not Restricted Securities prior to that date.

Employee 2 is a Relevant Service Provider of Applicant D, and all their vested Shares (150,000) are Restricted Securities. Restriction Period relating to these Shares and lasting two years will start on the first day of trading of Applicant D's Securities on an RIE. Restriction Formula cannot be used as Employee 2 did not acquire these Shares for cash.

[177] A controlling Shareholder, given its definition in MKT 2.3.6(3), is a Related Party of Applicant D.

[178] To be captured under Category 9, a Person has to be a Related Party or a Relevant Service Provider of an Applicant at the time of the acquisition of Securities which are considered Restricted Securities, even if their relationship with the Applicant changes by the time it applies for admission of Securities to the Official List. Unvested Securities cannot be Restricted Securities, therefore the relevant relationship with an Applicant (Related Party or Relevant Service Provider) has to exist at the time Securities vest.

150,000 Shares which have not vested yet are not Restricted Securities. If Applicant D has its Securities admitted to trading on an RIE by 23 September 2025, then these 150,000 Shares will vest on the admission to trading day and will be subject to the same Restriction Period as 150,000 Shares which vested on 10 April 2025.

Employee 3 is a Related Party and a holder of Restricted Securities (Shares) subject to a Restriction Period of two years starting on the day Applicant D's Securities are first admitted to trading on an RIE. To calculate the number of Restricted Securities, a Restriction Formula will have to be applied to 200,000 Shares held by Employee 3.

A = 0.5
B = 0.8
C = 200,000

(A/B x C) = 125,000

125,000 would not be subject to a Restriction Period. The total number of Restricted Securities held by Employee 3 is 75,000 (200,000 – 125,000).

Employee 4 is a Relevant Service Provider of Applicant D. They have not exercised their Warrants (for which they did not pay cash consideration) and therefore hold 250,000 Restricted Securities. No Restriction Formula applies here as there is no acquisition price per Warrant. It does not matter that the Warrants were not exercised. Under Category 9, these Restricted Securities are subject to a two-year Restriction Period starting on the day of admission of Applicant D's Securities to trading on an RIE.

Employees 5-10 do not hold Restricted Securities under Category 9, given the issuance occurs post admission to the Official List and to trading on an RIE.

Example 6 (relating to Category 10)

Listed Entity B had its Shares admitted to the Official List and to trading on an RIE on 17 March 2025, having made an Offer of Securities at USD 0.9 per Share. It had a significant number of Restricted Securities on admission. Some of these Restricted Securities were not owned by the initial investors, having been transferred from them in three separate transactions in 2024.Table 8 below shows the relevant details relating to these transfers.

Table 8: Restricted Securities owned by new investors

Issue date	Number of Shares	Price per Share (USD)	Initial (selling) investor	New investor	Number of Shares transferred[179] on 1 April 2024
23 May 2022	4,000,000	0.4	Investor 1	Investor 4	500,000
				Investor 5	500,000

[179] From the selling investor to a new investor.

4 Jun 2023	5,000,000	0.5	Investor 2	Investor 6	5,000,000
4 Jun 2023	5,000,000	0.5	Investor 3	Investor 7	2,500,000

Additional information about the selling investors is as follows:

- Investor 1 was a Director of Listed Entity B at the time of the transfer. He was no longer a Director (for at least 12 months) but still held 3,000,000 Shares in Listed Entity B at the time of listing and admission to trading.
- Investor 2 was a Director of Listed Entity B at the time of transfer, however by the time of listing and admission to trading he did not hold any Securities in Listed Entity B and no directorship / other positions either.
- Investor 3 was a Director of Listed Entity B at the time of transfer. He was not a Director at the time of listing and admission to the Official List, although he was still a Shareholder with 2,500,000 of Securities (below the 10% threshold, crossing of which would make them a Related Party of Listed Entity B).
- Investor 4 was a Director of Listed Entity B at the time of listing and admission to trading.
- Investor 5 was never a Related Party or a Relevant Service Provider of Listed Entity B.
- Investor 6 was a Relevant Service Provider of Listed Entity B at the time of listing and admission to trading.
- Investor 7 was never a Related Party or a Relevant Service Provider of Listed Entity B.

Information on the price paid for the Shares by the new investors is not needed in this example to determine the number of Restricted Securities held by transferees, as the Restriction Formula does not apply to them.

Example 6 – discussion

Considering that Restricted Securities cannot be transferred,[180] Category 10 mostly applies to Securities which were not only issued but also transferred before their Issuer's Securities were admitted to trading on an RIE. In such cases, a Restriction Period for such Securities, regardless of the Category under which they are considered Restricted Securities, always starts on the first day of admission to trading of the Issuer's Securities.

In the cases of acquisitions of Securities by first investors prior to listing, what matters when determining which Category applies to the given circumstances (and how many Securities are Restricted Securities and for how long), is the position of the investor at the time of the submission of a Listing Application / time of admission to the Official List (for example, whether they are a Related Party or a Relevant Service Provider).

Once the Securities have been transferred from the first (or subsequent) investors (selling investors) to new investors, the same reasoning applies[181] unless the selling investor no longer has any relevant connection or holds Securities in the Issuer. If there is no longer a relevant

[180] Unless under MKT 9.6.11 or as agreed by the Listing Authority (see paragraphs 144-147).
[181] Which means that the relationship of the selling investor with the Issuer at the time of admission matters to determine the Category.

connection, then the relationship between the selling investor and an Applicant at the time of the transfer of Securities is used to determine the relevant Category.

The number of Restricted Securities and the length of the relevant Restriction Period is then determined having assumed that it is the selling investor who holds the Securities transferred to a new investor[182] at the time of admission of the Issuer's Securities to the Official List and trading on an RIE. This will be illustrated by the analysis of the transactions in this example.

The holder of transferred Securities (new investor), at the time of listing and admission to trading (the submission of a Listing Application), will hold the same number of Restricted Securities as have been transferred to them (as no Restriction Formula applies to the transferred Securities), and they will be subject to the same Restriction Period as the Restriction Period that would have applied if the selling investor still owned the transferred Securities.

The position / relationship with the Issuer of a new investor or the price they paid for Securities will not influence the number of Restricted Securities held by them or the length of the Restriction Period.[183]

Investor 1 held 4,000,000 Shares prior to the transfer. If he held all of them until admission to the Official List and trading, then, as a non-Related Party and not a Relevant Service Provider, the Restriction Formula would apply to this holding under Category 2 (given they acquired the Shares for cash), to determine how many Shares are Restricted Securities subject to a Restriction Period.

A = 0.4
B = 0.9
C = 4,000,000

(A/B x C) = 1,777,777.78

1,777,777 Shares were deducted from the total number of Shares held by Investor 1 (4,000,000), to arrive at 2,222,223 Shares which were Restricted Securities under Category 2.[184] Accordingly, under Category 2, the relevant Restriction Period will last for one year from the admission to trading day.

Investor 1 owned both Restricted (2,222,223 Shares) and not Restricted Securities (1,777,777 Shares) and they could choose which Securities to sell/transfer to new investors (Investor 4 and

[182] Even if the new investor, had he acquired the Securities directly from an Issuer rather than the selling investor, would have acquired them under a different Category (for example as a Related Party, if a new investor, as opposed to the selling investor, is a Director of the Issuer at the time of listing and admission to trading).

[183] It could happen that if a new investor invested in an Applicant directly not as a Related Party, the Restriction Period of one year only would apply, as opposed to acquiring Securities from a Director, to which a two-year Restriction Period applies. In circumstances giving an unusual outcome like this one, the Listing Authority may grant a modification relating to the length of the Restriction Period. It will always have in mind the reason for the Restricted Securities regime and what it tries to achieve, when granting waivers or modifications of the relevant Rules. See the relevant section in paragraphs 210-216.

[184] The price of USD 0.4 is 44% of the IPO price of USD 0.9, therefore the Restriction Formula and Restriction Period apply.

Investor 5). In this example, they chose to transfer Securities which were not Restricted Securities. As a result of that, Listed Entity B had to enter into a Restriction Agreement with Investor 1, relating to the Restriction Period of one year) in respect of his holding of 2,222,223 Shares which were Restricted Securities.

If Investor 1 chose instead to transfer 1,000,000 of Restricted Securities to Investors 4 and 5, then the new investors would hold Shares subject to the Restriction Period of one year starting from the date of admission to trading. The position of new investors (one of them being a Related Party of Listed Entity B) would not make a difference when it comes to determination of the number of Restricted Securities and the length of a Restriction Period. As a result of such transfers, Listed Entity B would have to enter into three Restriction Agreements (with Investor 1 in respect of 777,777 Restricted Securities, Investor 4 in respect of 500,000 Restricted Securities and Investor 5 in respect of 500,000 Restricted Securities).

Investor 1 could have also chosen a combination of Restricted and not Restricted Securities to transfer to each new investor. If this had happened, then Listed Entity B would have entered into Restriction Agreements with all three investors in relation to their respective numbers of Restricted Securities held.

Investor 2 was a Related Party of Listed Entity B at the time of transfer. At the time of admission to the Official List and trading, they had no relationship with Listed Entity B, which could have been used to determine the number of Restricted Securities (and whether the Restriction Formula applies) held by Investor 6 and the length of a Restriction Period.

In these circumstances it had to be assumed that it was Investor 2 who held 5,000,000 Shares at the time of listing. The assumption only relates to the number of Securities held, not to his previous directorship. For this reason, the Restriction Formula applies under Category 2.

A = 0.5
B = 0.9
C = 5,000,000

(A/B x C) = 2,777,777.78

The implication for Investor 6 is that the acquired/transferred Securities (5,000,000) include 2,222,223[185] (5,000,000 – 2,777,777) of Restricted Securities subject to one year Restriction Period commencing on the day of admission of Listed Entity B's Securities to trading on an RIE.

Investor 3 held 2,500,000 Securities and was not a Related Party of Listed Entity B at the time of admission to the Official List and trading. Had he held the original number of Securities (5,000,000) before the transfer to Investor 7, he would have been a Related Party of Listed Entity B by virtue of holding more than 10% of Shares in the issued Share capital of Listed Entity B.

In such situations, each holding of 2,500,000 Shares (owned by Investors 3 and 7) will be considered individually.

[185] As in all these examples where a number of Restricted Securities is calculated at the time of admission to the Official List, the relevant Restriction Agreements will have to be entered into prior to the admission. Paragraphs 186-192 explain the requirements relating to Restriction Agreements.

Investor 3 was not a Related Party upon admission, therefore their holding fell under Category 2 and was subject to a Restriction Formula.

A = 0.5
B = 0.9
C = 2,500,000

(A/B x C) = 1,388,888.89

1,111,112 Shares (2,500,000 – 1,388,888) of Investor 3 were Restricted Securities at admission subject to a Restriction Period of one year commencing on the day of admission Listed Entity B's Securities to trading on an RIE.

Given that Investor 3 was not a Related Party of Listed Entity B at admission, Category 2 requirements relating to the number of Restricted Securities and the length of the Restriction Period will also apply to Investor 7. As a result, Investor 7 will hold the same number of Restricted Securities on admission as Investor 3, subject to the same length of a Restriction Period.

Example 7 (relating to Category 11)

Listed Entity C had its Shares admitted to the Official List and to trading on an RIE on 23 April 2023. The IPO price was USD 1.1 per Share. The Shares, including those which were Restricted Securities at the time, were subject to a number of events/transactions falling under Category 11. They are summarised in the table below.

Table 9: Transactions involving Securities of Listed Entity C (or its successor)

Date	Type of transaction	Restriction Period
2 May 2023	Final payment for Shares	No impact
23 May 2023	Admission to the Official List and trading on an RIE	n/a
20 May 2024	Share split	The balance of the Restriction Period applicable prior to the Share split[186]
7 Jul 2024	Conversion of Debentures	The balance of the Restriction Period applicable prior to the conversion[187]

[186] Unless the Share split took place before 23 May 2023, in which case the full length of the Restriction Period applicable under the relevant Category and starting on 23 May 2023 would apply.
[187] Unless the conversion took place before the Securities of Listed Entity were admitted to trading on an RIE, in which case a full Restriction Period under the relevant Category would apply from the admission to trading date.

1 Sep 2024	Insertion of a new holding company above Listed Entity C ("Topco")	The balance of the Restriction Period applicable prior to the reorganisation[188]
30 Oct 2024	Bonus issue	The balance of the Restriction Period applicable prior to the bonus issue[189]

Further details and discussion of each transaction is as follows:

1. **Final payment for Shares.** On 2 May 2023, prior to and in connection with admission of Listed Entity C's Securities to the Official List, all amounts unpaid on issued Shares in the capital of Listed Entity C were paid up in full. The Shares which were not fully paid prior to 2 May 2023 were owned by a Director. Initially, they only paid half of the price for 450,000 Shares they acquired when they were issued (USD 0.3) and the other half (USD 0.3) on 2 May 2023. The fact that these Shares were not fully paid on issue, but at a later time (it had to be prior to admission to the Official List[190]), had no impact on the number of Restricted Securities, the starting date or the length of the applicable Restriction Period. They were calculated under Category 1 (given the cash acquisition by a Related Party), having applied the Restriction Formula to determine the number of Restricted Securities subject to the two-year Restriction Period starting on 23 May 2023.

A = 0.6 (0.3 + 0.3)
B = 1.1
C = 450,000

(A/B x C) = 245,454.54

204,546 (450,000 – 245,454) Shares belonging to the Director were Restricted Securities to which a Restriction Period until 23 May 2025 applied. The number of payments until the Securities were fully paid does not have an impact on the final determination of the number of Restricted Securities and the applicable Restriction Period.

2. **Share split.** On 5 May 2023, Listed Entity C underwent a sub-division of each Share in issue into four Shares of the same class and having a new nominal value of USD 0.00025 each (compared to the original nominal value of a Share of USD 0.001). Apart from the nominal value, no other changes were made to the Shares or the rights attaching to them. Even though this transaction affected the amount of Restricted Securities held by Shareholders, it affected holdings of all Shareholders equally, so the overall percentage of Restricted Securities as compared to non-Restricted Securities, whether held by one Person or in relation to the whole issued Share capital of Listed Entity C remained the same.

[188] Unless the change took place before 23 May 2023, in which case the full length of the Restriction Period applicable to the relevant Shareholders of Topco would apply from 23 May 2023.
[189] Unless the bonus issue took place before 23 May 2023 or 1 September 2024, in which case the full length of the Restriction Period applicable to the relevant Shareholders of Listed Entity "C" or Topco would apply from 23 May 2023 or 1 September 2024 respectively.
[190] See listing eligibility requirement in MKT 2.3.8(4).

Listed Entity C only had two types of Restricted Securities in issue at the time of the Share split (those falling under Categories 1 and 2 and therefore subject to a one-year or two-year Restriction Period, until 23 May 2024 and 23 May 2025). Following the Share split, all new Shares issued to replace the original Restricted Securities became subject to the remainder of the Restriction Period which applied to these original Shares.

To illustrate this with numbers, a Director who initially owned 450,000 Shares (204,546 of them were Restricted Securities subject to a Restriction Period of two years until 23 May 2025), had his holding increased as a result of the Share split to 1,800,000 Shares (with proportionately lower nominal value) including 818,184 Restricted Securities subject to a Restriction Period until 23 May 2025.

3. **Conversion of Debentures**. On 7 July 2024, an investor who held convertible Debentures in Listed Entity C, converted all of them into 3,000,000 Shares. These additional 3,000,000 Shares made the investor a Related Party of Listed Entity C, as they now owned more than 10% of its total Share capital. The investor acquired the convertible Debentures from Listed Entity C for cash in January 2023. At the time of admission to the Official List, the investor was not a Related Party. Conversion price was set at USD 0.9.

The convertible Debentures in this example are considered Restricted Securities under Category 2,[191] and the applicable Restriction Period of one year applies from the date of admission of Listed Entity C's Shares to trading on 23 May 2023. Once the convertible Debentures are converted into Shares, these Shares are subject to the remaining balance of the Restriction Period which applied to the convertible Debentures. The Restriction Formula does not apply to them, as it does not apply to converted Securities in general, regardless of the Category under which the original Securities became Restricted Securities.[192]

4. **Insertion of Topco**. On 1 September 2024, Shareholders of Listed Entity C became Shareholders of Topco in a transaction involving a one-for-one Share exchange. Listed Entity C was delisted and became a wholly owned subsidiary of Topco. Topco's Shares were admitted to the Official List and to trading on an RIE.

Those Restricted Securities in Listed Entity C, which were exchanged for Securities in Topco, continued to be Restricted Securities on the same terms as the original Securities. The Restricted Securities in Topco were therefore subject to the balance of the Restriction Period which applied to the Restricted Securities in Listed Entity C. Given the date of the reorganisation and the fact that Listed Entity C only issued Restricted Securities under Categories 1 and 2, only those Shareholders who originally held Restricted Securities under Category 1, continued to hold Restricted Securities post 1 September 2024 (until 23 May 2025).

5. **Bonus issue.** On 30 October 2024, Topco paid bonus Shares to its existing Shareholders of one Share for every eight Shares (whether Restricted Securities or not) of the same class already

[191] To determine which Category is applicable in given circumstances, the position of an investor at the time of admission to the Official List is taken into account as opposed to the position of an investor at the time of conversion, if it took place post admission.

[192] In this example, given the type of Securities, the Restriction Formula does not apply to convertible Debentures either, even though it applies to other types of Securities acquired under Category 2.

held by each Shareholder. Those bonus Shares which were issued in respect of Shares which were Restricted Securities, automatically became Restricted Securities as well, on the same terms as those applying to the original Restricted Securities, including sharing the same balance of the Restriction Period.[193]

A Director who held 1,800,000 Shares (including 818,184 Restricted Securities subject to a Restriction Period until 23 May 2025) just before the bonus issue, received additional 225,000 Shares (1,800,000 / 8), which included 102,273 (818,184 / 8) Restricted Securities. As the original 818,184 Restricted Securities, the additional 102,273 ones were also subject to a Restriction Period until 23 May 2025.

A bonus issue can also involve unlisted Securities. For example, existing Shareholders of Topco could have received not only one listed Share for every eight Shares in the same class, but also one unlisted Preference Share for the same eight Shares. Preference Shares would only become subject to a Restriction Period if they became listed and traded on an RIE after the bonus issue but prior to the end of the Restriction Period applicable to those Restricted Securities in relation to which they were granted. In this example, if Topco's Preference Shares were listed and admitted to trading on an RIE on 1 December 2024, then those Shares which were Restricted Securities issued as part of the bonus issue on 30 October 2024, would be Restricted Securities subject to a Restriction Period until 23 May 2025.

None of the transactions in this example warrant entering into a new Restriction Agreement. This is discussed in a separate section in paragraphs 80-92 (on Category 11) and 191.

[193] The same reasoning applies when it is a rights issue instead of a bonus issue. Any Shares acquired in a rights issue in relation to Shares which are Restricted Securities become Restricted Securities as well, on the same terms as the initially held Restricted Securities, which includes being subject to the balance of the original Restriction Period.