



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





The Custodian of the Two Holy Mosques  
King Abdullah Bin Abdulaziz Al-Saud





His Royal Highness

**Prince Salman Bin Abdulaziz Al-Saud**

Crown Prince, Deputy Prime Minister of Cabinet  
and Minister of Defense





His Royal Highness

**Prince Muqrin Bin Abdulaziz Al-Saud**

Second Deputy Prime Minister, Advisor and Special Envoy to  
the Custodian of the Two Holy Mosques



## The CMA Board

The CMA Board members:



Mr. Mazin Al-Romaih  
(Member)

Mr. Abdulrahman Al-Rashid  
(Vice-Chairman)

H.E. Mr. Mohammad Bin Abdulmalik Al-Sheikh  
(Chairman)

Mr. Mohamed Al-Shumrani  
(Member)

Dr. Abdulrahman Al-Barrak  
(Member)



## Vision

- ◆ The Saudi Arabian capital market is among the leading capital markets in the world.
- ◆ Investor protection is ensured by a fair, open, and efficient market with active and predictable disclosure of material information.
- ◆ Financial market stability is maintained through world-class, transparent and predictable regulation.

## Mission

- ◆ Develop the capital market in depth and breadth and enhance its innovativeness in collaboration with its players.
- ◆ Regulate and monitor the capital market, the issuance and trading of securities and the regulated entities.
- ◆ Protect investors and achieve fairness, efficiency and transparency.



# Strategic Goals

The CMA endeavors to achieve many objectives, the most important of which are as follows:

- ◆ Core task and competence of CMA is to continuously protect investors.
- ◆ Maintain an efficient, simple regime (e.g., for listing, transparency and corporate governance, market disclosure) to ensure fair and full competition and to promote capital formation as well as investment in the Kingdom of Saudi Arabia.
- ◆ Further develop the regulatory framework in order to meet the continuing and growing challenges of the capital markets.
- ◆ Encourage and support the programs for developing public awareness in all fields concerning and for the various parties of the financial community.
- ◆ Continuously develop the infrastructure of the capital market.
- ◆ Show dedicated customer and market orientation and secure speed in all market facing activities.
- ◆ Enable more products by setting a flexible & innovative regulatory framework in order to broaden, deepen and stabilize the market and specifically increase the portion of institutional investors.
- ◆ Secure a professional and effective regulatory organization staffed with skilled talent and clearly defined roles & responsibilities - internally as well as towards other agencies.

Investing Confidence





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## Chairman's Statement

On behalf of the Board of the Capital Market Authority (CMA) and its staff, I am honored to present the CMA's annual report for 1433/1434H (2012) which covers our achievements according to the main activities and functions stated by the Capital Market Law (CML). The annual report includes the initiatives and measures that we are looking forward to pursue in the upcoming years.

In 2012, the CMA continued its efforts to strengthen its role as developer and regulator of the capital market, create a sound and investment-conducive environment and support investor confidence. To further sustain this role, we worked on completing new set of rules and implementing regulations, encouraging new securities and investment instrument offerings, enforcing the CMA's regulatory role and enhancing its performance, securing confidence and credibility in the market, and protecting investors to crystalize the CMA's vision and mission.

In the realm of developing the rules and regulations governing the capital market, the CMA amended the Listing Rules, and the **Glossary of Defined Terms Used in the Regulations and Rules** of the CMA, and approved the "Prudential Rules" which aim to ensure the soundness of financial position of authorized persons in order to fend off potential risks and enhance the protection of market participants. Moreover, the CMA made an amendment on the Merger and Acquisition Regulations and increased the number of mandatory articles of the Corporate Governance Regulations to ensure shareholder's rights are well protected. The CMA also heightened its supervisory, monitoring and awareness efforts with regards to disclosure and corporate governance; it has undertaken many initiatives and awareness workshops in this area, which had a positive impact on the level of disclosure of listed companies as the number of their announcements rose by 26.4% in 2012. Similarly, compliance with the mandatory and

guidance articles of the Corporate Governance Regulations also increased.

The CMA intends, in the near future, to issue the implementing regulations for credit rating agencies (CRAs), rules governing special purpose vehicles (SPVs), and to update the Authorized Persons Regulations and the Investment Funds Regulations.

The year 2012 saw remarkable improvement in the volume of issued and listed securities, particularly in public offerings, private placements, and rights issues offerings as they exceeded SR 45.9 billion compared to SR 16.2 billion in 2011. This was accompanied by an increase in the number of listed companies from 150 in 2011 to 158 in 2012. Next year and in the years to come, the CMA looks forward to diversifying investment instruments available on the market and developing the sukuk and bonds market. We will work on overcoming legislative, regulatory and structural difficulties that hinder issuing and diversifying debt instruments so we can have a leading issuance and trading market for debt instruments.

The CMA looks forward to invigorating business relations and cooperation with listed companies to reach ideal levels that realize its ambitions about governance applications and practices. It aspires to develop and implement mechanisms built on cooperation and communication with concerned parties to attain better and more comprehensive transparency. One mechanism is to launch the electronic communication system which will enable listed companies to provide the CMA with data and information through electronic disclosure forms. In addition, the CMA is eager to benefit from international experiences to upgrade its monitoring systems' efficiency in order to reach best international practices, particularly with regard to fairness and protection for investors.



The CMA seeks to develop the organizational business structure and monitoring of the authorized persons. This has begun with issuing the “Prudential Rules”, and several initiatives will follow, including on-site visits and joint meetings, setting an integrated monitoring framework which promotes effective risk management and high level of corporate governance.

Given the particular importance of communication with the public, a call center has been established to be the main system to serve CMA clients. The center receives and records public communications via telephone calls, e-mails, faxes and regular mail. The system is directly linked with the Investor Complaints Department to ensure that all inquiries and complaints are received in an attempt to offer clients the best services.

Being keen on sustaining its regulatory and monitoring role, the CMA embarked upon introducing many initiatives and measures which will be implemented in the upcoming phase, namely:

- 1- Apply the articles of Chapter Three of the Capital Market Law (CML) which defined the powers, tasks and business controls of the Saudi Stock Exchange Co. “Tadawul” pursuant to the provisions of the CML that separated the role of market regulation and supervision, played by the CMA, and specified the powers and functions of each entity in accordance with the international professional standards applied in this domain to achieve optimum performance efficiency.
- 2- Open communication channels with various market participants, the most important of which is to establish an “advisory board” representing different market participants. It shall commence business in 2013 to offer counseling, suggestions, recommendations and opinions on regulatory and technical developments and matters of interest to all parties. This is to support participation and coordination, and enhance the CMA’s role and function to achieve its objectives in capital market development, benefiting market participants and investors.
- 3- Apply the standards and rules of corporate governance on the CMA’s business and internal and operational environment to bolster the internal organizational and regulatory structures in line with best standards and practices adopted in peer international commissions or authorities. This will make the CMA a role model to concerned parties, and based on which the functions and powers of the CMA Board shall be separated from its executive management.

- 4- Empower internal controls over the CMA’s business to promote transparency and accountability, and consider forming an autonomous audit committee which reports directly to the CMA Board. This committee shall comprise independent members and review the CMA’s business.

Currently, the CMA is conducting a comprehensive review of its internal environment with the purpose of continuing development of workflow procedures in order to improve the overall performance of functions.

Regarding the development of the annual report, for the first time, the CMA has prepared a statistical appendix that includes its data and covers activities since its inception up to date. The CMA recognizes the importance of transparency and spares no effort to make its data available to scientific bodies, researchers and knowledge seekers both domestically and internationally.

Lastly, on behalf of the CMA Board and staff, I would like to express my deepest thanks and sincere gratitude to the Custodian of the Two Holy Mosques, King Abdullah Bin Abdulaziz, His Royal Highness, Prince Salman Bin Abdulaziz Al-Saud Crown Prince, Deputy Prime Minister of Cabinet and Minister of Defense, and His Royal Highness, Prince Muqrin bin Abdulaziz Al-Saud, Second Deputy Prime Minister, Advisor and Special Envoy to the Custodian of the Two Holy Mosques, for their endless support and much appreciated care for the CMA. I also thank the CMA, represented by its staff, for their dedication, devotion and professionalism in serving this vital sector of our national economy.

Mr. Mohammad Bin Abdulmalik Al-Sheikh

CMA Board Chairman

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# Chapter One

## The Capital Market Authority (CMA)

- 1-1 Establishment
- 1-2 Main Functions and Responsibilities
- 1-3 Organizational Structure
- 1-4 Parties Regulated by the CMA



## 1-1 Establishment

The Capital Market Authority was established under the “Capital Market Law (CML)”, promulgated by Royal Decree No.(M/30) dated 2/6/1424H, corresponding to 31/7/2003, to assume the supervisory and regulatory role over the parties falling under its authority. The CMA is a government entity that enjoys financial and administrative autonomy and reports directly to the Head of the Council of Ministers. The Authority is vested with the regulation and development of the Saudi capital market, and issuance of regulations, rules and instructions essential to applying the provisions of the Capital Market Law (CML).

## 1-2 Main Functions and Responsibilities

The Capital Market Law (CML) defines the CMA's main functions, the most important of which are to:

- ◆ Regulate and develop the capital market, and seek to develop and improve the practices of entities trading in securities.
- ◆ Protect investors in securities from unfair and unsound practices, or acts involving fraud, deception, cheating, manipulation or insider trading.
- ◆ Seek to achieve fairness, efficiency and transparency in securities transactions.
- ◆ Develop control mechanisms that mitigate the risks associated with securities transactions.
- ◆ Regulate and monitor the issuance of and trading in securities.
- ◆ Regulate and monitor business activities of parties subject to the CMA's supervision.
- ◆ Regulate and monitor the full disclosure of information pertaining to securities and their issuers, the dealings of informed persons and investors, and specify and provide the information that should be disclosed by participants in the market to shareholders and the public.

## 1-3 Organizational Structure

The CMA's organizational structure comprises the following Divisions:

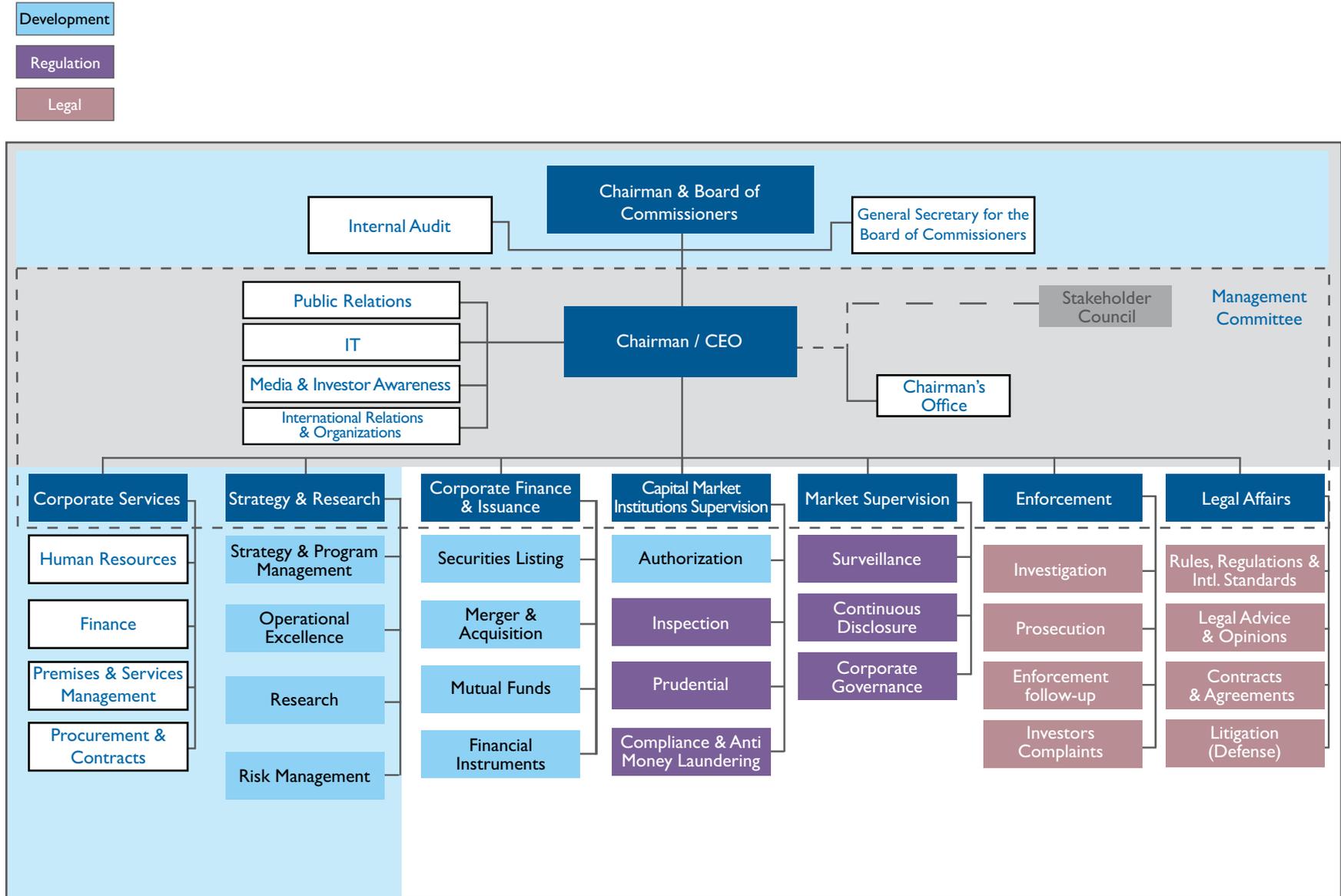
- ◆ Legal Affairs.
- ◆ Enforcement.
- ◆ Market Supervision.
- ◆ Capital Market Institutions Supervision.
- ◆ Corporate Finance and Issuance.
- ◆ Strategy and Research.
- ◆ Corporate Services.
- ◆ Internal Audit.

And the following Departments:

- ◆ Public Relations.
- ◆ Information Technology.
- ◆ Media and Investor Awareness.
- ◆ International Relations and Organizations.



# Organizational Structure





## 1-4 Parties Regulated by the CMA

### (1) The Saudi Stock Exchange Co. (Tadawul)

According to Article Twenty of the Capital Market Law (CML), “a market shall be established in the Kingdom of Saudi Arabia for trading in securities which shall be known as the “Saudi Stock Exchange”, and shall have the legal status of a joint-stock company in accordance with the provisions of this Law. This Exchange shall be the sole entity authorized to carry out trading in securities in the Kingdom” and shall be responsible for all matters relating to the operations of the Exchange.

### (2) Authorized Persons

These are the persons authorized by the CMA to carry out securities business. Only persons holding a valid license issued by the CMA are allowed to carry out securities business.

### (3) Listed Companies

They are the companies whose securities are listed on the Saudi Stock Exchange.

### (4) Traders

They represent the general public who trade securities on the Saudi Stock Exchange.



# Chapter Two

## Implementing Regulations and Regulatory Resolutions

- 2-1 Implementing Regulations
- 2-2 Regulatory Resolutions



The CMA assumes the responsibility of enacting the regulations and rules governing the capital market, issuing instructions, and applying the provisions of the Capital Market Law (CML), as well as undertaking the tasks and functions stated in Articles Five and Six of this Law. In implementation of these two articles, the CMA issued a set of regulations, rules, instructions and procedures. It also issued a number of regulatory resolutions for developing the capital market and improving the practices adopted by entities and organs involved in securities trading.

The CMA exercises its regulatory and development roles in a balanced manner that avoids overlapping and redundancy. It regulates and develops the regulations, rules and procedures that reduce the risks associated with securities transactions; achieve fairness, adequacy and transparency; and promote the principle of disclosure as stated by Article Five of the CML.

## 2-1 Implementing Regulations:

Since its establishment, the CMA has issued a number of implementing regulations and rules aimed at regulating and developing the Saudi capital market. During the period from 1/7/2004 to the end of 2011, twelve implementing regulations were issued:

1. Market Conduct Regulations.
2. Offers of Securities Regulations.
3. Listing Rules.
4. Authorized Persons Regulations.
5. Securities Business Regulations.
6. Real Estate Investment Funds Regulations.
7. Corporate Governance Regulations.
8. Investment Funds Regulations.
9. Merger and Acquisition Regulations.
10. Anti-Money Laundering and Counter-Terrorist Financing Rules.
11. The Resolution of Securities Disputes Proceedings Regulations.
12. Glossary of Defined Terms Used in the Regulations and Rules of the CMA.

The CMA has been keen on strengthening the procedures that regulate the issuance, monitoring of, and dealing in securities, as well as surveillance of full disclosure of information associated with securities and their issuers. Determined to continuously improve the implementing regulations governing the capital market in the Kingdom to contribute to market development and investor protection, the CMA Board issued Resolution No. (1-4-2012) dated 28/2/1433H corresponding to 22/1/2012, to amend the Listing Rules and the Glossary of Defined Terms Used in the Regulations and Rules of the CMA. In addition, the CMA Board issued Resolution No. (2-4-2012) dated 28/2/1433H corresponding to 22/1/2012, which included changes to the Merger and Acquisition Regulations: amendment of paragraph (a) of Article Two, and omission of paragraph (o) of Article Three, both of which are now regulated under the amended Listing Rules.

The CMA Board also issued Resolution No. (1-36-2012) dated 11/1/1434H corresponding to 25/11/2012, to amend Article 50 of the Listing Rules to be as follows: "The directors and senior executives of the issuer and any person related to them may not deal in any securities of the issuer during the following periods:

- 1) during the 15 calendar days preceding the end of the financial quarter and until the date of the announcement and publication of the reviewed interim financial statement of the issuer; and
- 2) during the 30 calendar days preceding the end of the financial year and until the date of the announcement of the issuer's annual financial statements".

As an addition to the Implementing Regulations, and after soliciting the views of professionals at concerned entities and relevant parties, the CMA Board issued Resolution No. (1-40-2012) dated 17/2/1434H corresponding to 30/12/2012, approving the "Prudential Rules". These rules are to enhance investor protection and maintain a fair and stable market in which authorized persons remain financially sound in accordance with the capital adequacy requirements.

The CMA endeavors to instill the best practices in corporate governance, and develop relevant standards and principles to create a protective environment for shareholders' rights. Based on its strategy to gradually make some of the articles stated in the Corporate Governance Regulations mandatory, and pursuant to paragraph (b) in Article One of the Corporate Governance Regulations, the CMA Board issued Resolution No. (3-40-2012) dated 17/2/1434H corresponding to 30/12/2012 which includes the following:



“Paragraphs (i) and (j) of Article 5, and paragraph (g) of Article 12 of the Corporate Governance Regulations shall be mandatory on all companies listed on the Saudi Stock Exchange “Tadawul”, effective from 1/1/2013.

Paragraphs (c) and (d) of Article 10 of the Corporate Governance Regulations shall be mandatory on all companies listed on the Saudi Stock Exchange “Tadawul”, effective from 30/6/2013”.

## 2-2 Regulatory Resolutions

During 2012, the CMA Board held 40 sessions and issued 342 resolutions, the most important of which were:

1. Resolution No.(2-8-2012) dated 27/3/1433H corresponding to 19/2/2012, to lift the suspension on trading the shares of Etihad Atheeb Telecommunication Co. on the Saudi Stock Exchange “Tadawul”, as of 1/5/1433H corresponding to 24/03/2012.
2. Resolution No.(2-9-2012) dated 4/4/1433H corresponding to 26/2/2012, to approve the IPO of 6,000,000 shares (30%) of Tokio Marine Saudi Arabia Co..
3. Resolution No.(2-13-2012) dated 10/5/1433H corresponding to 2/4/2012, to approve Najran Cement Company's IPO of 85,000,000 shares (50% of the company's total outstanding shares).
4. Resolution No.(5-15-2012) dated 23/5/1433H corresponding to 15/4/2012, to approve the IPO of 24,000,000 shares, which represent 30% of Al Tayyar Travel Group's shares.
5. Resolution No.(2-17-2012) dated 8/6/1433H corresponding to 29/4/2012, to approve the “Securities Depository Center Rules”.
6. Resolution No.(2-17-2012) dated 8/6/1433H corresponding to 29/4/2012, to approve the “Glossary of Defined Terms Used in the Exchange Rules”.
7. Resolution No.(5-19-2012) dated 6/7/1433H corresponding to 27/5/2012, to approve the Saudi Airlines Catering Company's IPO of 24,600,000 shares, 30% of the company's total outstanding shares.
8. Resolution No.(2-27-2012) dated 19/9/1433H corresponding to 7/8/2012, to approve the IPO of 94,600,000 shares, representing 50% of City Cement Company's shares.
9. Resolution No.(2-31-2012) dated 9/11/1433H corresponding to 25/9/2012, to amend the instructions on announcements of listed companies, effective from Tuesday 19/2/1434H corresponding to 1/1/2013.
10. Resolution No.(1-34-2012) dated 28/11/1433H corresponding to 14/10/2012, to approve the IPO of 14,200,000 new shares to increase the capital of Dallah Healthcare Holding Co.. The offered shares comprised 30.1% of the company's shares after the increase.
11. Resolution No.(3-35-2012) dated 26/12/1433H corresponding to 11/11/2012, to approve introducing a new mechanism to list and trade rights issues as securities (renounceable rights) of companies listed on the Saudi Stock Exchange “Tadawul”.
12. Resolution No.(14-37-2012) dated 18/1/1434H corresponding to 2/12/2012, to approve Northern Region Cement Company's IPO of 90,000,000 shares, comprising 50% of the company's total outstanding shares.
13. Resolution No.(13-37-2012) dated 18/1/1434H corresponding to 2/12/2012, to approve the offering of Saudi ORIX Leasing Company's sukuk.
14. Resolution No.(4-39-2012) dated 10/2/1434H corresponding to 23/12/2012, to approve the National Medical Care Company's IPO of 13,500,000 shares, comprising 30.1% of the company's total outstanding shares.

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# Chapter Three

## Securities Issuance and Trading

- 3-1 Securities Issuance and Regulation
- 3-2 Securities Trading

## 3-1 Securities Issuance and Regulation

In implementation of Paragraph (a) of Article Five and Paragraph (a) of Article Six of the CML on the CMA's responsibility with respect to regulating, monitoring, dealing in securities, and approving the offering of such securities, the CMA has exerted every effort to encourage investment in securities by regulating the issuance of securities and approving their offering. It has also enhanced the procedures governing securities issuance, monitoring and dealing, including the full disclosure of securities/issuer-related information.

Assuming this responsibility, the CMA processed 126 securities offering/regulation operations in 2012 compared to 99 operations in 2011, increasing by 27.3%. These operations included the approval of initial public offerings, debt instruments, and rights issues. Public offerings approved by the CMA in 2012 rose by 33.3% to 8 compared to 2011. The number of companies issuing bonus shares for capital increase purposes rose by 120.0% compared to the previous year. Private placement notifications received by the CMA increased by 21.6% compared to the preceding year. Table (3-1).

Table (3-1): Applications for Securities Offerings, Acquisition, Capital Reduction and Bonus Shares Approved by the CMA and Private Placement Notifications Received

Operation Type	Number		Change (%)
	2011	2012	
Initial Public Offerings <sup>1</sup>	6	8	33.3%
Share Private Placement Notifications <sup>2</sup>	74	90	21.6%
Debt Instruments	2	1	- 50.0%
Rights Issues	5	3	- 40.0%
Acquisitions	1	1	0.0%
Capital Reduction	1	1	0.0%
Bonus Shares <sup>3</sup>	10	22	120.0%
<b>Total</b>	<b>99</b>	<b>126</b>	<b>27.3%</b>

1) Including the Northern Region Cement Co., and National Medical Care Company that were approved in 2012, but not offered in the same year.

2) Represent the number of private placement notifications. The number of completed private placements amounted to 50 in 2012.

3) Including the United Electronics Co.(eXtra), Etihad Etisalat Co.(Mobily), and Al Sorayai Trading & Industrial Group which had the CMA's approval on increasing their capital through bonus shares in 2012. The capital increase did not occur in the same year.



The total value of offered securities went up by 112.2% to SR 46.2 billion in 2012 compared to SR 21.8 billion in 2011 due to a significant increase in the value of private placements. Private placements stood at 72.0% of total amounts of offerings in 2012 compared to 46.1% in 2011.

Initial public offerings of shares increased by (208.4%) over the previous year. Also, total amounts of rights issues offerings rose by 65.1% to SR 7.4 billion compared to 2011. Table (3-2).

Table (3-2): Total Amounts of Securities Offerings by Type

Type	2011		2012		Change (%)
	Amount (SR Million)	Percentage out of Total (%)	Amount (SR Million)	Percentage out of Total (%)	
Initial Public Offerings <sup>4</sup>	1,727.0	7.9%	5,326.0	11.5%	208.4%
Share Private Placements <sup>5</sup>	10,042.0	46.1%	33,276.4	72.0%	231.4%
Rights Issues Offerings <sup>6</sup>	4,458.0	20.5%	7,362.0	15.9%	65.1%
Debt Instruments Public Offering	5,549.9	25.5%	240.0	0.5%	- 95.7%
<b>Total</b>	<b>21,776.9</b>	<b>100%</b>	<b>46,204.4</b>	<b>100%</b>	<b>112.2%</b>

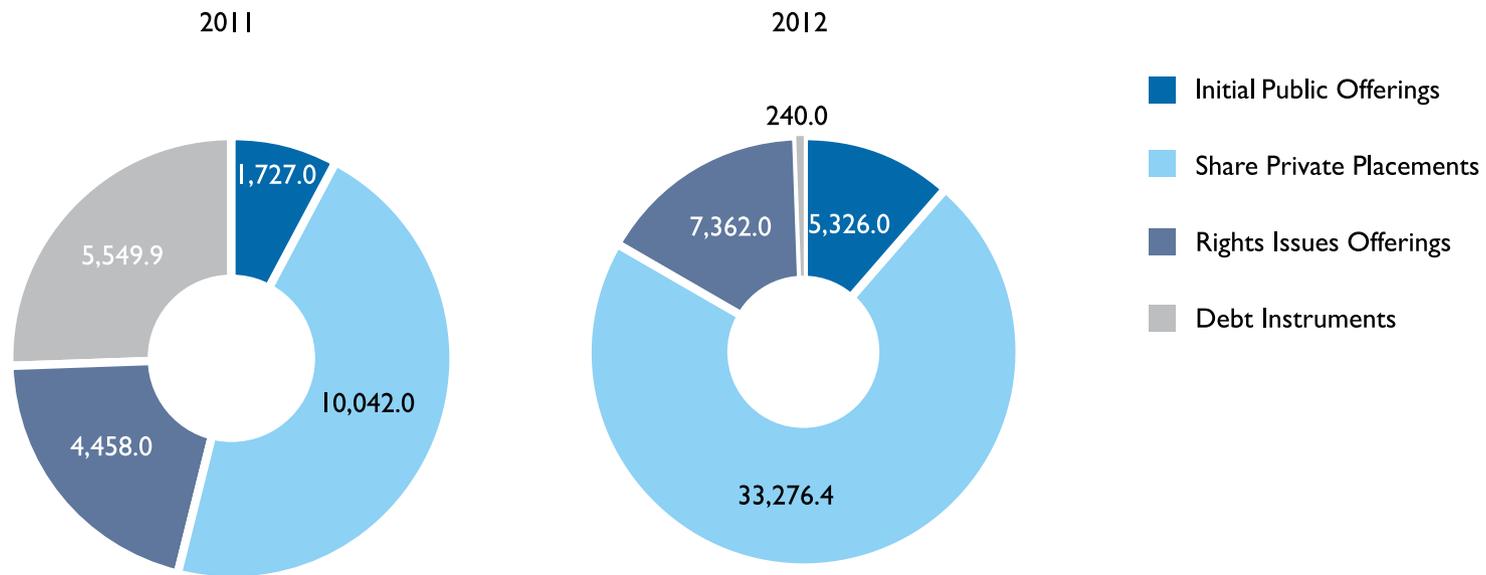
4) Excluding the National Medical Care Company and the Northern Region Cement Co. (approved in 2012, but did not go public in the same year); including, however, Takween Advanced Industries Co. (approved in 2011, and went public in 2012).

5) The amount represents only the completed private placements.

6) Including Etihad Atheeb Telecommunication Co. (Rights issues were approved in 2011, but offered in 2012).



Chart (3-1): Total Amounts of Securities Offerings (SR Million) by Type



### 3-1-1 Public Offering

The CMA adopted the book building mechanism in 2007 to regulate initial public offerings (IPOs). The purpose of book building is to determine the share price before going public. The process begins with a financial advisor specifying the share price range, and then receiving subscription applications from institutional investors according to the specified price range. Afterwards, the final share price is determined if the total offered shares are subscribed to by institutional investors within the price range.

During 2012, 352 institutional investors (investment funds, authorized persons, and listed joint-stock companies) participated in the book building process of four companies which offered part of their shares in IPOs.

#### (A) Initial Public Offerings (IPOs)

In 2012, the shares of seven companies were partially offered for public subscription, amounting to SR 5.3 billion. The size of shares offered for subscription in 2012 ranged from SR 1.4 billion (Al Tayyar Travel Group) to SR 60 million (Alinma Tokio Marine Co.). Shares over-subscription (by individuals) in 2012 ranged between 16.1 times (Alinma Tokio Marine Co.) and 2.2 times (Saudi Airlines Catering Co.). The total number of individual subscribers to IPOs in 2012 amounted to 11.2 million, 3.2 million of which took part in the IPO of "City Cement Co.". Table (3-3).

Table (3-3): Companies that Offered Part of their Shares for Public Subscription in 2012<sup>7</sup>

No.	Company Name	Offering Value (SR Million)	Ratio of Offered Shares (%)	Over-subscription Times (Individuals) <sup>8</sup>	Over-subscription Times (Institutions) <sup>9</sup>	Over-subscription Times <sup>10</sup>	Number of Subscribers (Thousand)
1	Takween Advanced Industries Co. <sup>11</sup>	234.0	30.0%	5.7	2.3	5.2	687.9
2	Alinma Tokio Marine Co.	60.0	30.0%	16.1	--	16.1	1,465.9
3	Najran Cement Co.	850.0	50.0%	3.1	--	3.1	2,713.9
4	Al Tayyar Travel Group	1,368	30.0%	2.4	4.9	6.1	1,024
5	Saudi Airlines Catering Co.	1,328.4	30.0%	2.2	4.5	5.6	937.8
6	City Cement Co.	946.0	50.0%	3.0	--	3.0	3,230.6
7	Dallah Healthcare Co.	539.6	30.1%	3.1	3.0	4.6	1,164.4
<b>Total</b>		<b>5,326.0</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>11,224.6</b>

7) Excluding the Northern Region Cement Co., and the National Medical Care Company (approved in 2012, but did not go public in the same year).

8) Level of oversubscription was calculated by dividing the number of shares subscribed by individuals by the number of shares allotted to them.

9) Level of oversubscription was calculated by dividing the number of shares subscribed by institutions by the number of shares allotted to them.

10) Level of oversubscription was calculated by dividing the number of shares subscribed by both individuals and institutions by the total number of shares offered.

11) Takween Advanced Industries Co.; it was approved in 2011, and went public in 2012.



Chart (3-2): Value of Offering and Number of Subscribers to Corporate Shares Partially Offered for Public Subscription in 2012

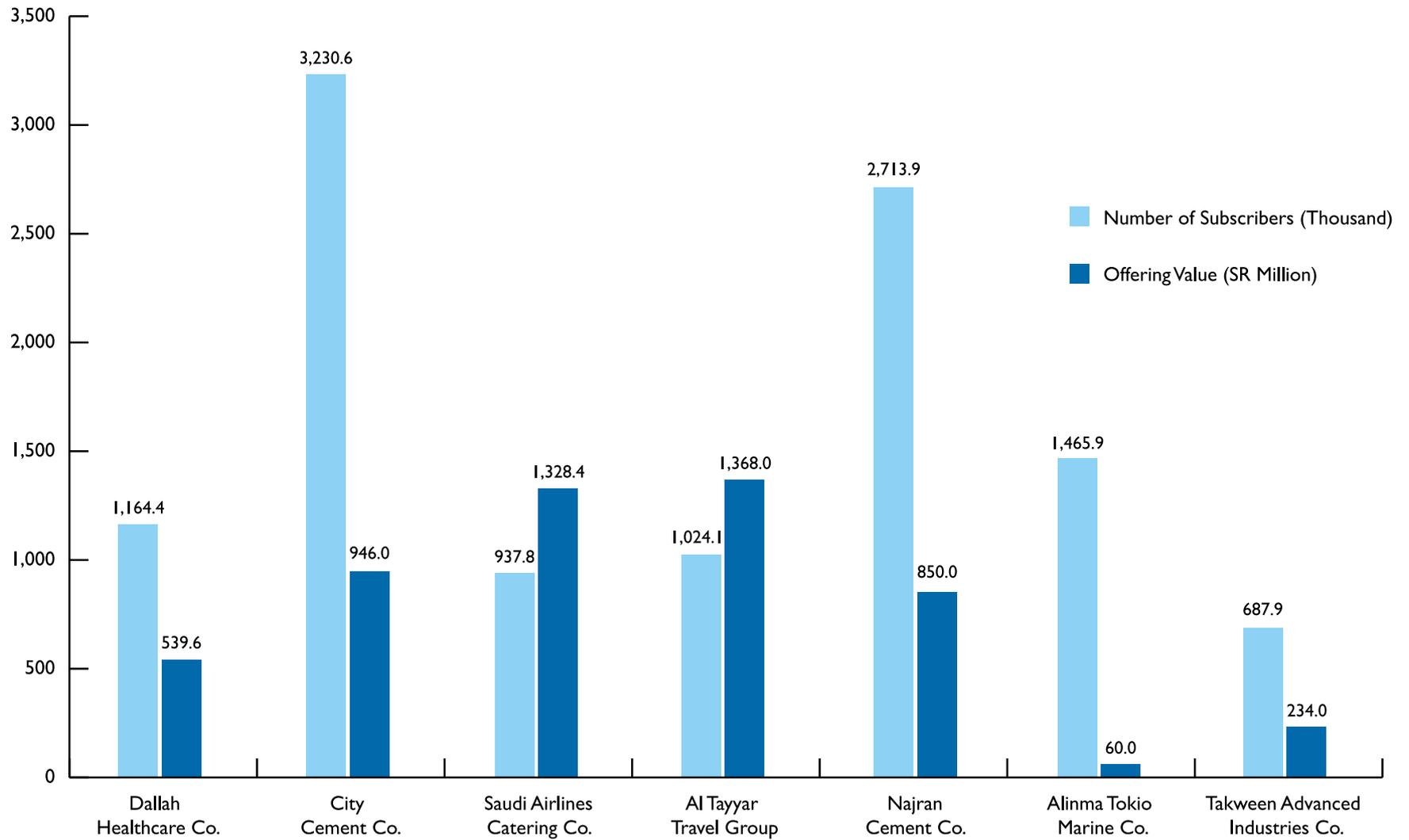
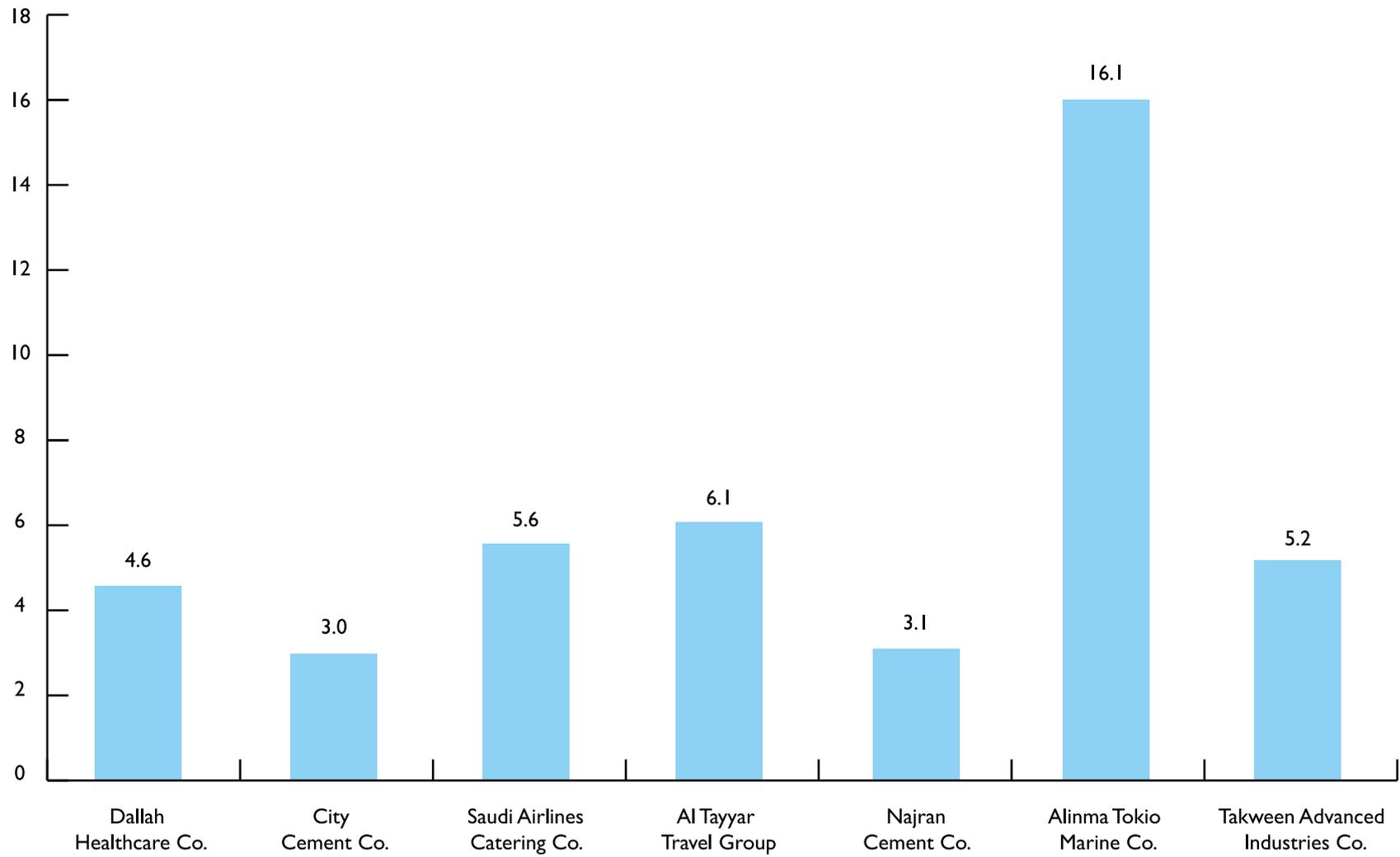




Chart (3-3): Times of Over-subscription to Corporate Shares Partially Offered for Public Subscription in 2012





## (B) Subscription Channels

The breakdown of the number of individual IPO subscribers shows that subscriptions through ATMs held the largest share with 56.8% compared to 43.7% in the previous year. Subscriptions through bank branches, internet and phone banking amounted to 9%, 22% and 12% respectively. Table (3-4).

Total individual subscription amounts collected through different subscription channels (before returning over-subscribed amounts) in 2012 stood at SR 11.0 billion against SR 3.0 billion in 2011. Amounts subscribed via ATMs accounted for 41.8% in 2012 compared to 33.4% in 2011. Percentages of amounts collected through internet banking, bank branches and phone banking in 2012 stood at 31.9%, 15.4% and 10.9% respectively. Table (3-5).

Table (3-4): Individual Subscribers to IPOs by Subscription Channel

Subscription Channel	2011		2012	
	Number (Thousand Subscribers)	Percentage out of Total (%)	Number (Thousand Subscribers)	Percentage out of Total (%)
Phone Banking	582.2	19.6%	1,367.3	12.2%
Internet Banking	907.5	30.6%	2,447.9	21.8%
Bank Branches	178.9	6.0%	1,029.2	9.2%
ATMs	1,295.6	43.7%	6,380.2	56.8%
<b>Total</b>	<b>2,964.2</b>	<b>100%</b>	<b>11,224.6</b>	<b>100%</b>

Chart (3-4): Number of Individual Subscribers (Thousand) to IPOs by Subscription Channel

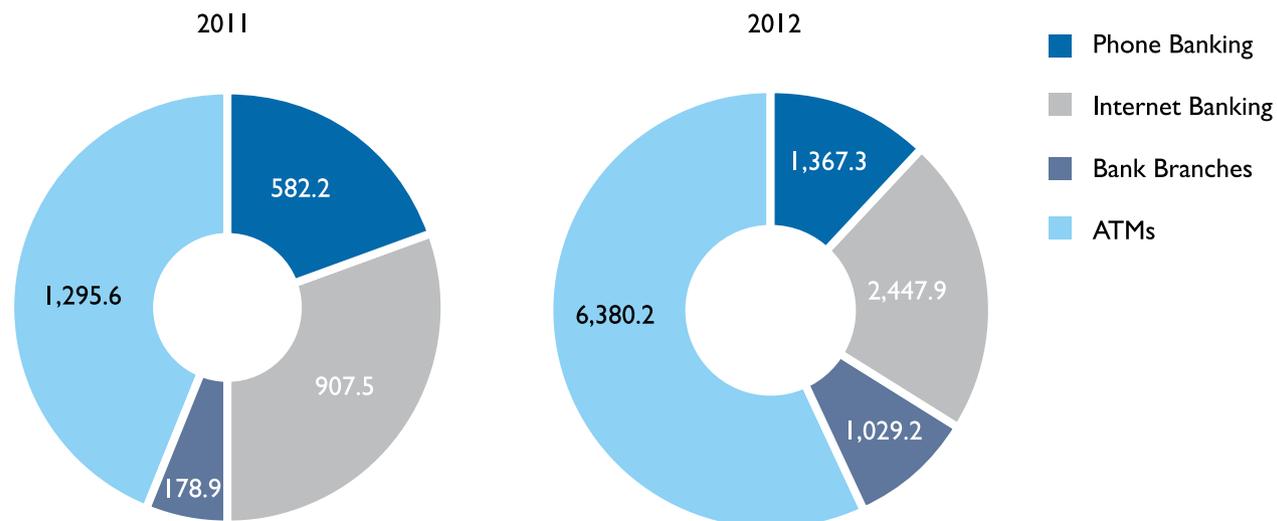




Table (3-5): IPO Amounts Collected, by Subscription Channel before Returning Oversubscribed Amounts

Subscription Channel	2011		2012	
	Amount (SR Million)	Percentage out of Total (%)	Amount (SR Million)	Percentage out of Total (%)
Phone Banking	509.0	16.8%	1,200.9	10.9%
Internet Banking	1,091.6	36.1%	3,525.1	31.9%
Bank Branches	413.6	13.7%	1,701.2	15.4%
ATMs	1,011.2	33.4%	4,621.8	41.8%
<b>Total</b>	<b>3,025.4</b>	<b>100%</b>	<b>11,049.0</b>	<b>100%</b>

### (C) Handling Complaints Pertaining to Subscription Applications

The number of complaints relating to subscription applications received by the CMA in 2012 stood at 4,275 complaints as 4,269 of which were resolved, while 6 are still under review. The number of complaints received in 2012 amounted to 68. Table (3-6).

Table (3-6): Number of Complaints Pertaining to Public Subscription Applications<sup>12</sup>

Complaint Status	End of 2011		End of 2012	
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
Received	4,207	100%	4,275	100%
Resolved	4,202	99.9%	4,269	99.9%
Under Review	5	0.1%	6	0.1%

### 3-1-2 Bonus Shares and Capital Alteration of Listed Companies

24 listed companies increased/decreased their capital in 2012 compared to 15 companies in 2011. The number of shares in issue rose from 5,450.6 million before capital alteration, to 6,347.6 million after capital alteration with a net increase of 16.5%. Only one company (Saudi Mobile Telecommunications) reduced its capital by 65.7%. On the other hand, (Etihad Atheeb Telecommunication Co.) took the lead of listed companies in terms of capital increase, with an increase of 293.8% to 157.5 million shares compared to 40.0 million shares before capital increase. Table (3-7).

Table (3-7): List of Companies that Increased/Decreased their Capital during 2012<sup>13</sup>

No.	Company	Total Number of Shares (Million)		Increase/Decrease in Capital (%)
		Prior to Capital Alteration	Prior to Capital Alteration	
1	Etihad Atheeb Telecommunication Co. <sup>14</sup>	40.0	157.5	293.8%
2	Saudi Hotels & Resort Areas Co. <sup>15</sup>	69.0	100.0	44.9%
3	Advanced Petrochemical Co.	141.4	164.0	16.0%
4	Yamamah Saudi Cement Co. Ltd.	135.0	202.5	50.0%

12) The number of public subscription applications is accumulative since the establishment of the CMA.

13) Excluding United Electronics Co.(eXtra) , Etihad Etisalat Co.(Mobily), and Al Sorayai Trading & Industrial Group which had the CMA's approval on increasing their capital through bonus shares in 2012. The increase was not effected in the same year.

14) Capital increase was approved through rights issues in 2011; actual increase occurred in 2012.

15) Capital increase was approved through bonus shares in 2011; actual increase occurred in 2012.



No.	Company	Total Number of Shares (Million)		Increase/Decrease in Capital (%)
		Prior to Capital Alteration	Prior to Capital Alteration	
5	Aldrees Petroleum & Transport Services Co.	25.0	30.0	20.0%
6	SABB	750.0	1,000.0	33.3%
7	Saudi Hollandi Bank	330.8	396.9	20.0%
8	Al Mouwasat Medical Services Co.	25.0	50.0	100.0%
9	Almarai Co.	230.0	400.0	73.9%
10	Saudi Paper Manufacturing Co.	30.0	37.5	25.0%
11	National Industrialization Co.	557.4	668.9	20.0%
12	Fitaihi Group	50.0	55.0	10.0%
13	Banque Saudi Fransi	723.2	904.0	25.0%
14	Saudi Ceramics Co.	25.0	37.5	50.0%
15	AlKhaleej Training and Education Co.	20.0	25.0	25.0%
16	United International Transportation Co. Ltd.	18.3	24.4	33.3%
17	Red Sea Housing Services Co.	30.0	40.0	33.3%
18	National Metal Manufacturing & Casting Co.	25.6	28.1	9.8%
19	Abdullah A. M. Al Khodari Sons Co.	42.5	53.1	24.9%
20	Arabian Pipes Co.	31.5	40.0	27.0%
21	Saudi Mobile Telecommunications Co.	1,400.0	480.1	- 65.7%
22		480.1	1,080.1	125.0%
23	Allied Cooperative Insurance Group	10.0	20.0	100.0%
24	Anaam International Holding Group Co.	10.9	19.6	79.8%
25	Saudi Arabian Fertilizers Co.	250.0	333.3	33.3%
<b>Total</b>		<b>5,450.6</b>	<b>6,347.6</b>	<b>16.5%</b>

### 3-1-3 Debt Instruments Issuance

The CMA approved the issuance of Sukuk for one company in 2012 (ORIX Sukuk) issued by (Saudi ORIX Leasing Company), with a total

issue size of SR 240 million compared to two Sukuk issued the previous year with a total size of SR 5.5 billion. Table (3-8).

Table (3-8): Issued Debt Instruments Approved by the CMA

Issuer	Debt Instrument		2011		2012	
	Name	Type	Issue Value (SR Million)	Percentage out of Total (%)	Issue Value (SR Million)	Percentage out of Total (%)
Saudi International Petrochemical Co.	Sipchem Sukuk	Sukuk	1,800.0	32.4%	-	-
Arabian Aramco Total Services Co.	SATORP Sukuk	Sukuk	3,749.9	67.6%	-	-
Saudi ORIX Leasing Company	ORIX Sukuk	Sukuk	-	-	240.0	100%
<b>Total</b>			<b>5,549.9</b>	<b>100%</b>	<b>240.0</b>	<b>100%</b>

## 3-2 Securities Trading

### 3-2-1 Performance of the Stock Market at a Glance

Tadawul All-Share Index (TASI) rose by 6.0% to 6,801.2 points at the end of 2012 compared to 6,417.7 points at the closing of 2011. The number of companies listed on the stock market increased by 5.3% compared to that of 2011, taking the number of listed companies to 158. The number of outstanding shares in 2012 stood at 42.2 billion shares compared to 40.7 billion shares in 2011. The number of companies' shares traded in 2012 was up 70.1% to 82.5 billion compared to 2011.

The value of shares traded in 2012 amounted to SR 1,929.3 billion, an increase of 75.6% over 2011. The market's daily average stood at SR 7.7 billion. Market capitalization of outstanding shares went up by 10.2% to SR 1,270.8 billion in 2012 compared to 2011. The number of executed trades rose by 65.1% from 25.5 million to 42.1 million trades when compared to 2011.

Table (3-9): Stock Market Trading Statistics

Trading Information	2011	2012	Change (%)
Number of Listed Companies	150	158 <sup>16</sup>	5.3%
Number of Executed Trades (Million)	25.5	42.1	65.1%
Number of Issued Shares (Million)	40,688.4	42,243.7	3.8%
Market Capitalization of Outstanding Shares (SR Billion)	1,270.8	1,400.3	10.2%
Number of Traded Shares (Billion)	48.5	82.5	70.1%
Value of Traded Shares (SR Billion)	1,098.8	1,929.3	75.6%
Number of Trading Days	248	251	1.2%
Average Daily Executed Trades (Thousand)	103.0	167.7	62.8%
Average Daily Traded Shares (Million)	195.7	328.9	68.1%
Average Daily Value of Traded Shares (SR Million)	4,430.8	7,686.5	73.5%
<b>Tadawul All-Share Index (Points)</b>	<b>6,417.7</b>	<b>6,801.2</b>	<b>6.0%</b>

<sup>16</sup> Including the Saudi Enaya Cooperative Insurance Co. which went public in 2011, and was listed on the exchange in 2012.

### 3-2-2 Sukuk and Bond Market

In 2012, (SABIC 2) and (Saudi Electricity 1) Sukuk were redeemed and delisted from the Sukuk and bond market on 15 July 2012. Sukuk total traded value declined by 75.3% to SR 446.0 million in 2012 compared

to SR 1,809.3 million in 2011. The number of executed trades amounted to 20 in 2012 compared to 49 in 2011. Table (3-10).

Table (3-10): Sukuk and Bond Market Highlights

Issuer	Sukuk/Bond Name	Issue Date	Type of Debt Instrument	Issue Value (SR Million)	Number of Executed Trades		Trading Value (SR Million)	
					2011	2012	2011	2012
SABIC	SABIC 1 <sup>17</sup>	1/7/2006	Sukuk	3,000	2	-	2.0	-
	SABIC 2 <sup>18</sup>	6/8/2007	Sukuk	8,000	11	1	76.0	0.05
	SABIC 3	26/5/2008	Sukuk	5,000	2	4	1.1	6.5
Saudi Electricity Co. (SEC)	Saudi Electricity 1 <sup>19</sup>	23/7/2007	Sukuk	5,000	11	2	79.0	13.0
	Saudi Electricity 2	6/7/2009	Sukuk	7,000	14	4	74.5	23.9
	Saudi Electricity 3	10/5/2010	Sukuk	7,000	3	7	1,452	349.7
Saudi Hollandi Bank	SHB Sukuk 2	31/12/2009	Sukuk	725	3	-	3.0	-
Saudi International Petrochemical Co.	Sipchem	6/7/2011	Sukuk	1,800	3	1	121.7	50.8
Arabian Aramco Total Services Co.	SATORP	9/10/2011	Sukuk	3,750	-	1	-	2.0
Saudi ORIX Leasing Company	ORIX <sup>20</sup>	26/12/2012	Sukuk	240	-	-	-	-
<b>Total</b>				<b>41,514.9</b>	<b>49</b>	<b>20</b>	<b>1,809.3</b>	<b>446.0</b>

17) Redeemed by issuer and delisted on 15/7/2011.

18) Redeemed by issuer and delisted on 15/7/2012.

19) Redeemed by issuer and delisted on 15/7/2012.

20) Offering approved by the CMA in December 2012, but did not occur in the same year.



### 3-2-3 Swap Agreements

In implementation of Article Five of the CML, the CMA issued a resolution in 2008 permitting authorized persons to enter into swap agreements with non-resident foreign investors in order to achieve two primary goals:

- 1- To increase the depth and efficiency of the capital market.
- 2- To strengthen the Saudi capital market's openness for foreign direct investments.

On 29/2/2012, the Saudi Stock Exchange "Tadawul", in coordination with the CMA, completed a project to link swap agreements portfolios directly to primary beneficiaries. Previously, beneficiaries were combined under the name of Authorized Persons. Swap agreement assets increased by 23.4% to SR 11.7 billion in 2012 over the previous year. Traded value of swap agreements stood at SR 25.4 billion, decreasing by 4.1% in 2012. Table (3-11).

Table (3-11): Market Capitalization of Swap Agreements Assets and Traded Value

Element	2011 (SR Million)	2012 (SR Million)	Change (%)
Market Capitalization	9,473.2	11,692.9	23.4%
Traded Value	26,522.6 <sup>21</sup>	25,432.6	- 4.1%

21) Figure was adjusted according to Tadawul's data after linking swap agreements portfolios directly with the beneficiary in the agreement.

Investing Confidence

# Chapter Four

## Investment Funds and ETFs

- 4-1 Investment Funds
- 4-2 Exchange-Traded Funds (ETFs)

## 4-1 Investment Funds

Pursuant to Article Six of the CML, the CMA has established the standards and conditions governing the activities of investment funds, and based on Article Thirty Nine of the CML, the CMA shall assume the power to regulate the activities of investment funds, set the regulations, rules and instructions required for their establishment, offering and managing units, and applying disclosure and transparency rules thereto. Accordingly, the CMA has issued two regulations:

- 1- Investment Funds Regulations.
- 2- Real Estate Investment Funds Regulations.

### 4-1-1 Regulating Investment Funds Offerings and Continuous Disclosure

The year 2012 witnessed the CMA's approval of 8 publicly offered investment funds: 3 in equities, 2 in debt instruments, one balanced fund, and two multi-asset funds. Among the 8 offered funds, 5 of which were designated in Saudi Riyal while the remaining opted for the US Dollar. Table (4-1).

The CMA received 129 notifications on private placements of investment funds in 2012. Also, 384 applications were processed by the CMA to modify basic information of investment funds. Table (4-1).

Table (4-1): Public Offer Investment Funds Approved by the CMA in 2012

Type of Investment	No.	Fund Name	Fund Manager	Currency
Equities	1	Ithmar Sharia Compliant Saudi Equity Fund (Ithmar)	ALBILAD Investment Company	SR
	2	HSBC Amanah GCC Equity Income Fund	HSBC SAUDI ARABIA LIMITED	SR
	3	AIAhli Global Natural Resource Fund	NCB Capital Company	USD
Debt Instruments	4	HSBC Amanah Sukuk Fund	HSBC SAUDI ARABIA LIMITED	USD
	5	Saudi Fransi Emerging Markets Fixed Income Fund	Saudi Fransi Capital	SR
Balanced	6	Blom Arab Markets Balanced Fund	BlomInvest Saudi Arabia Company	USD
Other	7	Alinma Multi Assets Defensive Fund	Alinma Investment Company	SR
	8	Alinma Multi Assets Aggressive Fund	Alinma Investment Company	SR

## 4-1-2 Number of Investment Funds

The number of private placement investment funds rose by 34.5% in 2012 to 117 compared to 87 in 2011. However, publicly offered investment funds declined by 5.9% to 256 in 2012 compared to 272 in 2011.

### (A) Public Offer Funds

The number of public offer investment funds in 2012 reflected increases of 28.6% and 50.0% in debt instruments funds and balanced funds to 9

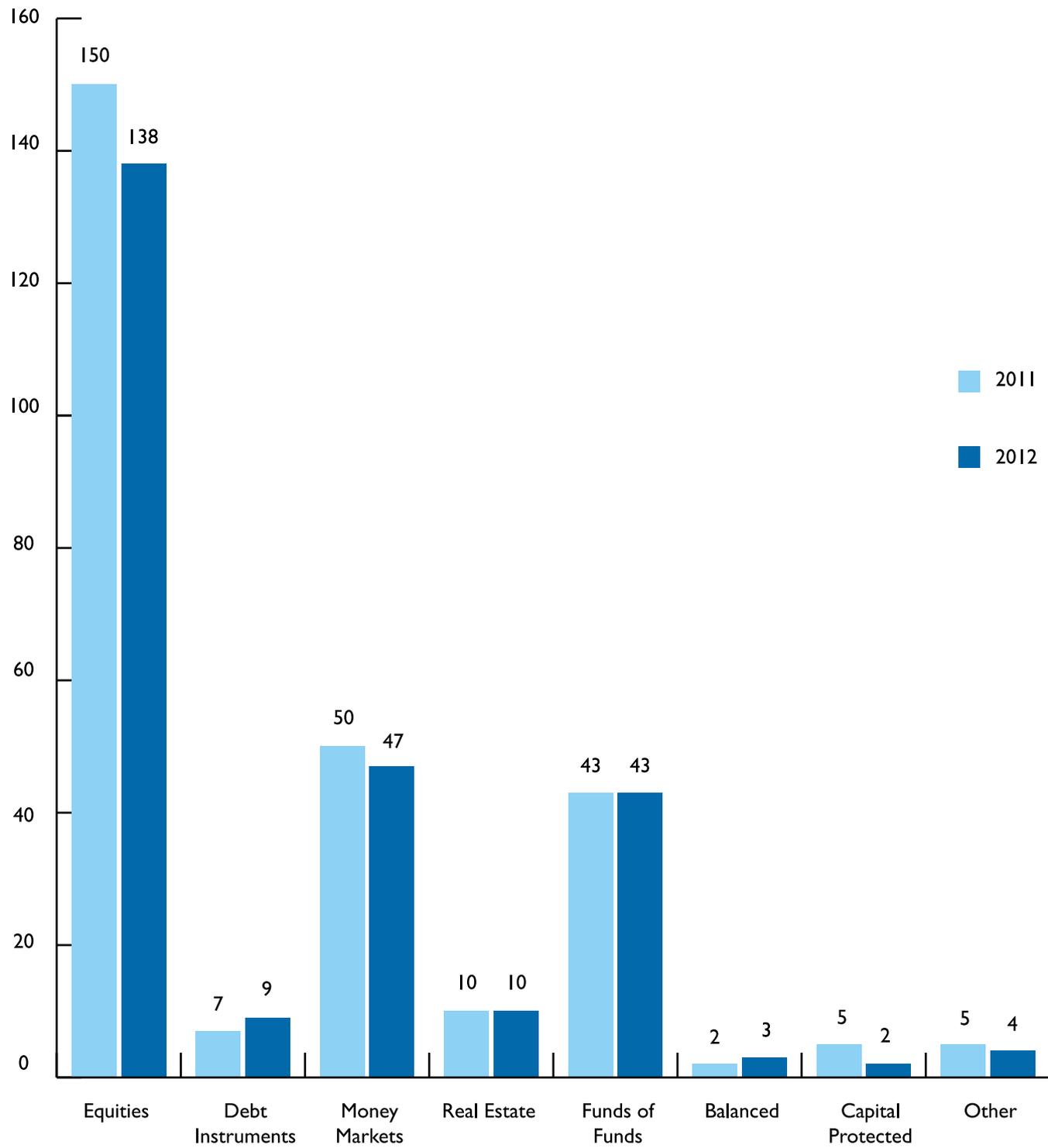
and 3 respectively. On the other hand, the number of funds investing in equities decreased from 150 in 2011 to 138 in 2012. Nevertheless, they continued to dominate the largest share of total investment funds offered in 2012, despite their decline to 53.9% as opposed to 55.1% in 2011. The number of funds investing in money markets and capital protected dropped by 6.0% and 60.0% respectively. Table (4-2).

Table (4-2): Public Offer Investment Funds by Type of Investment

Investment Type	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Equities	150	55.1%	138	53.9%	-8.0%
Debt Instruments	7	2.6%	9	3.5%	28.6%
Money Markets	50	18.4%	47	18.4%	-6.0%
Real Estate	10	3.7%	10	3.9%	0.0%
Funds of Funds	43	15.8%	43	16.8%	0.0%
Balanced	2	0.7%	3	1.2%	50.0%
Capital Protected	5	1.8%	2	0.8%	-60.0%
Other	5	1.8%	4	1.6%	-20.0%
<b>Total</b>	<b>272</b>	<b>100%</b>	<b>256</b>	<b>100%</b>	<b>-5.9%</b>



Chart (4-1): Number of Public Offer Investment Funds by Type of Investment



In detail, data on the number of funds investing in equities by geographical zone at the end of 2012 showed a decline of 6.3% in the number of funds investing in local equities to 60 compared to 64 in 2011. They also continued to maintain the largest portion of total funds

investing in equities in 2012 with 43.5% compared to 42.7% in 2011. The number of funds investing in GCC, Asian and European equities went down by 4.3%, 15.4%, and 14.3% to 22, 11 and 6 respectively. Table (4-3).

Table (4-3): Public Offer Investment Funds in Equities Classified Geographically

Geographical Scope	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Local Equities	64	42.7%	60	43.5%	-6.3%
GCC Equities	23	15.3%	22	15.9%	-4.3%
Arab Equities	4	2.7%	4	2.9%	0.0%
Asian Equities	13	8.7%	11	8.0%	-15.4%
US Equities	5	3.3%	5	3.6%	0.0%
European Equities	7	4.7%	6	4.3%	-14.3%
Other International Equities	34	22.7%	30	21.7%	-11.8%
<b>Total</b>	<b>150</b>	<b>100%</b>	<b>138</b>	<b>100%</b>	<b>-8.0%</b>

## (B) Private Placement Funds

The number of private placement investment funds rose to 117 in 2012, up by 34.5% compared to 2011. The number of private investment funds in equities increased by 23.5% to 42 compared to 34 at the end of 2011. The number of investment funds in real estate held the highest

percentage of total private placement investment funds as they went up to 54 in 2012 compared to 36 in 2011. The number of funds investing in money markets and multi-asset funds rose to 6 and 5 compared to 5 and 2 respectively in 2011. Table (4-4).

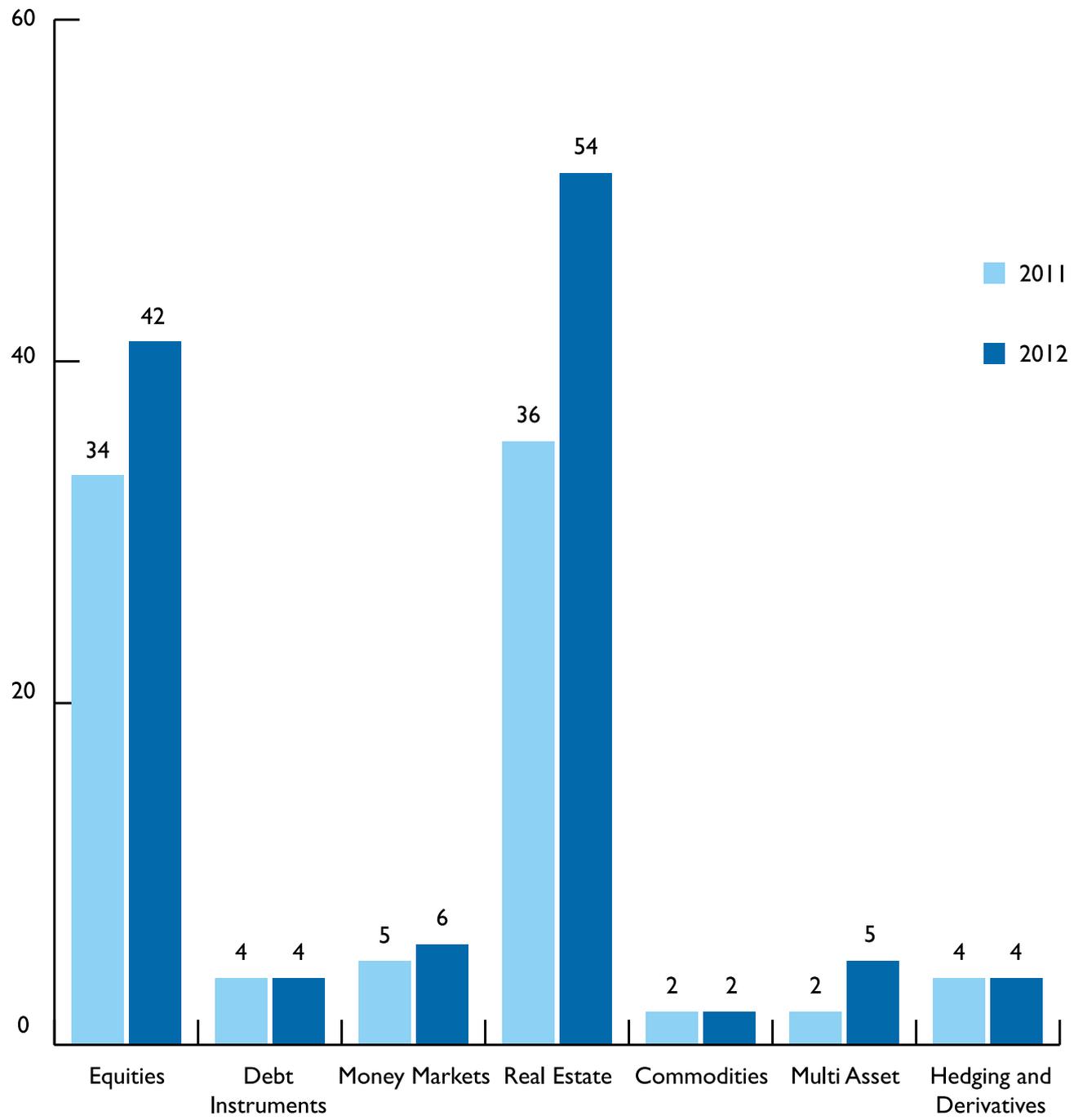


Table (4-4): Private Placement Investment Funds by Type of Investment

Investment Type	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Equities	34	39.1%	42	35.9%	23.5%
Debt Instruments	4	4.6%	4	3.4%	0.0%
Money Markets	5	5.7%	6	5.1%	20.0%
Real Estate	36	41.4%	54	46.2%	50.0%
Commodities	2	2.3%	2	1.7%	0.0%
Multi Asset	2	2.3%	5	4.3%	150.0%
Hedging and Derivatives	4	4.6%	4	3.4%	0.0%
<b>Total</b>	<b>87</b>	<b>100%</b>	<b>117</b>	<b>100%</b>	<b>34.5%</b>



Chart (4-2): Number of Private Placement Investment Funds by Type of Investment



## 4-1-3 Value of Investment Fund Assets under Management (AUM)

The value of private placement funds' assets under management in 2012 rose by 68.9% to SR 28.8 billion, compared to SR 17.1 billion in 2011. The value of assets under management of publicly-offered funds increased by 7.2% to SR 88.0 billion in 2012, compared to SR 82.1 billion in 2011.

### (A) Public Offer Funds

An overview of the value of the assets of public offer funds classified by investment type in 2012 indicates an increase of SR 4.3 billion (8.7%) in the value of assets invested in money markets funds to SR 53.9 billion.

Amounts invested in money markets funds continued to hold the largest share of the total value of public offer funds' assets, accounting for 61.3% in 2012 compared to 60.4% in 2011. The value of assets invested in equity funds in 2012 rose by 5.1% to SR 28.0 billion versus SR 26.6 billion in 2011. Moreover, the value of assets invested in debt instruments, funds of funds, and real estate funds increased by 164.2%, 0.6% and 1.4% respectively in 2012 as opposed to 2011. The value of assets invested in capital protected, balanced, and other funds dropped by SR 187.2 million, SR 51.4 million, and SR 20.2 million respectively in 2012 compared to 2011. Table (4-5).

Table (4-5): Value of Public Offer Funds' Assets under Management (AUM) by Type of Investment

Investment Type	2011		2012		Change (%)
	Assets Value (SR Million)	Percentage out of Total (%)	Assets Value (SR Million)	Percentage out of Total (%)	
Equities	26,628.4	32.4%	27,988.2	31.8%	5.1%
Debt Instruments	241.2	0.3%	637.2	0.7%	164.2%
Money Markets	49,544.1	60.4%	53,878.3	61.3%	8.7%
Real Estate	2,550.6	3.1%	2,587.4	2.9%	1.4%
Funds of Funds	2,715.6	3.3%	2,731.0	3.1%	0.6%
Balanced	115.6	0.1%	64.2	0.1%	-44.5%
Capital Protected	230.5	0.3%	43.3	0.05%	-81.2%
Other	50.4	0.1%	30.2	0.03%	-40.1%
<b>Total</b>	<b>82,076.4</b>	<b>100%</b>	<b>87,959.8</b>	<b>100%</b>	<b>7.2%</b>

Data of 2012 indicate an increase in the value of publicly offered funds' assets invested in equity markets. The value of assets invested in local equities rose in 2012 by SR 310.1 million to SR 17.4 billion compared to 2011, constituting 62.3% of the total value of assets invested in equities. The value of assets invested in European equity funds in 2012 made

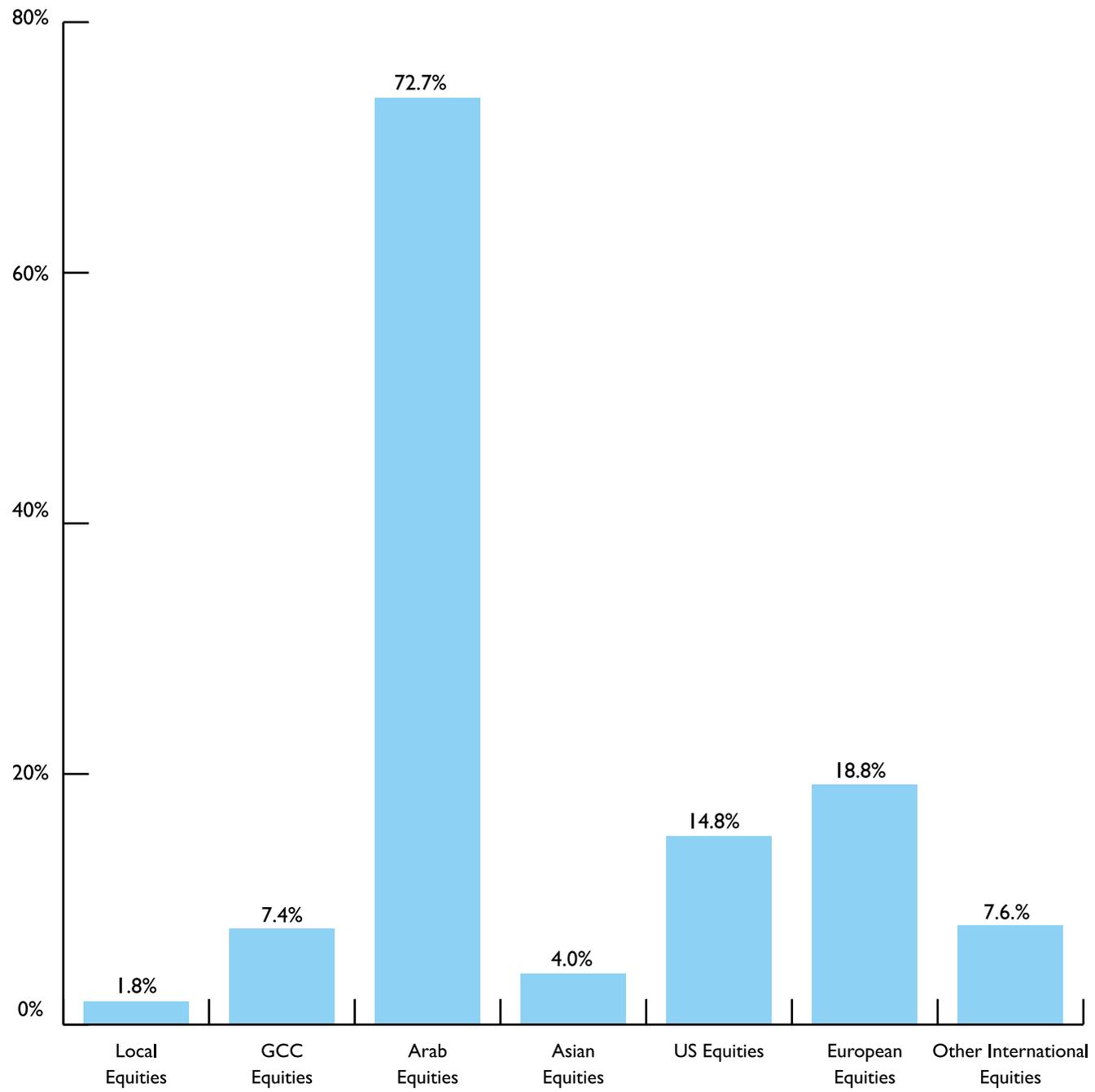
the largest rise with an increase of SR 346.3 million to SR 2.2 billion compared to SR 1.8 billion in 2011. The value of assets invested in Arab equity funds increased by 72.7% in 2012 to SR 185.0 million compared to SR 107.1 million in 2011. Table (4-6).

Table (4-6): Value of Public Offer Funds' Assets (AUM) in Equities Classified Geographically

Geographical Scope	2011		2012		Change (%)
	Asset Value (SR Million)	Percentage out of Total (%)	Asset Value (SR Million)	Percentage out of Total (%)	
Local Equities	17,135.1	64.3%	17,445.2	62.3%	1.8%
GCC Equities	1,519.5	5.7%	1,632.7	5.8%	7.4%
Arab Equities	107.1	0.4%	185.0	0.7%	72.7%
Asian Equities	810.2	3.0%	842.7	3.0%	4.0%
US Equities	1,174.6	4.4%	1,348.2	4.8%	14.8%
European Equities	1,845.2	6.9%	2,191.5	7.8%	18.8%
Other International Equities	4,036.7	15.2%	4,342.9	15.5%	7.6%
<b>Total</b>	<b>26,628.4</b>	<b>100%</b>	<b>27,988.2</b>	<b>100%</b>	<b>5.1%</b>



Chart (4-3): Percentage Growth of Public Offer Funds' Assets under Management (AUM) in Equities Classified Geographically in 2012 Compared to 2011



Data on the assets value of public offer funds invested in local equities classified by market sectors of the Saudi Stock Exchange in 2012 showed that most investments of local equity funds were concentrated in two sectors "Petrochemical Industries" and "Banks and Financial Services"

with SR 4.0 billion (22.8%) and SR 3.8 billion (21.8%) respectively. It is noteworthy that the value of fund investments in the "Hotels and Tourism" sector grew remarkably from SR 40,000 in 2011 to SR 49.8 million in 2012. Table (4-7).

Table (4-7): Value of Public Offer Funds' Assets under Management (AUM) in Local Equities by the Saudi Stock Exchange Sectors

Sector	2011		2012		Change (%)
	Volume (SR Million)	Percentage out of Total (%)	Volume (SR Million)	Percentage out of Total (%)	
Banks and Financial Services	3,639.0	21.2%	3,799.1	21.8%	4.4%
Petrochemical Industries	4,920.8	28.7%	3,980.7	22.8%	-19.1%
Cement	1,267.4	7.4%	1,558.5	8.9%	23.0%
Retail	1,103.5	6.4%	1,392.0	8.0%	26.1%
Agriculture and Food Industries	1,237.8	7.2%	1,716.8	9.8%	38.7%
Energy and Utilities	208.6	1.2%	41.0	0.2%	-80.3%
Telecommunication & Information Technology	1,494.8	8.7%	2,011.3	11.5%	34.6%
Multi-Investment	0.9	0.01%	32.0	0.2%	3,455.6%
Insurance	74.6	0.4%	83.0	0.5%	11.3%
Industrial Investment	1,336.2	7.8%	1,388.6	8.0%	3.9%
Building & Construction	837.1	4.9%	511.4	2.9%	-38.9%
Real Estate Development	468.1	2.7%	418.0	2.4%	-10.7%
Transportation	13.0	0.1%	61.2	0.4%	370.8%
Media and Publishing	17.2	0.1%	0.1	0.0003%	-99.4%
Hotels and Tourism	0.04	0.0002%	49.8	0.3%	124,400.0%
Other <sup>22</sup>	516.2	3.0%	401.7	2.3%	-22.2%
<b>Total</b>	<b>17,135.1</b>	<b>100%</b>	<b>17,445.2</b>	<b>100%</b>	<b>1.8%</b>

22) Including cash and money markets.

## (B) Private Placement Funds

The value of the assets of private placement funds rose by SR 11.7 billion to SR 28.8 billion, making an increase of 68.9% as opposed to 2011. This is attributed to the rise of amounts invested in real estate funds, the largest component of private placement funds, in 2012 with SR 9.1 billion (124.3%) compared to 2011. Another contributing factor is the

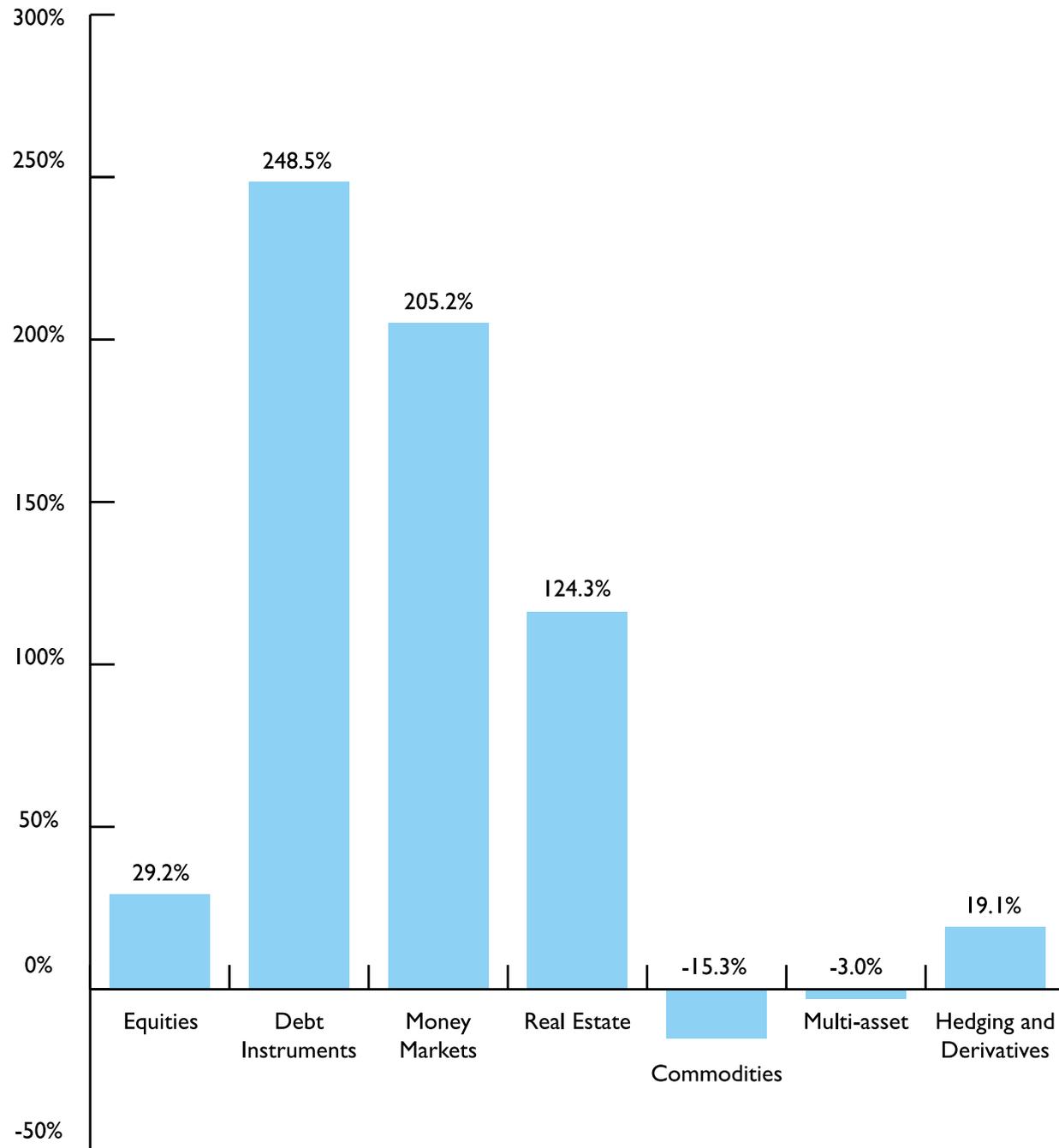
increase of SR 2.2 billion (29.2%) in the value of assets invested in equity funds in 2012 compared to 2011. Amounts invested in debt instruments, money markets, hedge and derivatives funds went up by 248.5%, 205.2% and 19.1% respectively. The value of assets invested in commodity and multi-asset funds declined by 15.3% and 3.0% respectively. Table (4-8).

Table (4-8): Value of Private Placement Funds' Assets under Management (AUM) by Type of Investment

Investment Type	2011		2012		Change (%)
	Assets Value (SR Million)	Percentage out of Total (%)	Assets Value (SR Million)	Percentage out of Total (%)	
Equities	7,449.4	43.7%	9,621.9	33.4%	29.2%
Debt Instruments	10.3	0.1%	35.9	0.1%	248.5%
Money Markets	98.0	0.6%	299.1	1.0%	205.2%
Real Estate	7,359.1	43.1%	16,506.4	57.3%	124.3%
Commodities	95.5	0.6%	80.9	0.3%	-15.3%
Multi-asset	789.6	4.6%	765.9	2.7%	-3.0%
Hedging and Derivatives	1,253.1	7.3%	1,492.9	5.2%	19.1%
<b>Total</b>	<b>17,055.0</b>	<b>100%</b>	<b>28,803.0</b>	<b>100%</b>	<b>68.9%</b>



Chart (4-4): Change Percentages in Private Placement Funds' Assets under Management by Type of Investment in 2012 Compared to 2011



## 4-1-4 Number of Subscribers to Investment Funds

The number of subscribers to private placement funds went up by 26.9% to 2,146 subscribers in 2012 compared to 1,691 in 2011. Subscribers to public offer funds decreased by 6.2% to 275.3 thousand compared to 293.5 thousand in 2011.

### (A) Public Offer Funds

A look over the number of subscribers to public offer funds in 2012 indicates a decrease in the number of subscribers to equity funds by 6.2%

to 212.1 thousand compared to 226.2 thousand in 2011. Although the number declined, it accounted for 77.1% of total subscribers to different investment funds. The number of subscribers to money markets funds went down by 5.6% to 51.8 thousand in 2012 compared to 2011, while the number of subscribers to debt instruments funds soared by 492.9% to 249 in 2012 compared to 42 in 2011. Table (4-9).

Table (4-9): Number of Subscribers to Public Offer Funds by Type of Investment

Investment Type	2011		2012		Change (%)
	Number of Subscribers	Percentage out of Total (%)	Number of Subscribers	Percentage out of Total (%)	
Equities	226,204	77.1%	212,128	77.1%	-6.2%
Debt Instruments	42	0.01%	249	0.1%	492.9%
Money Markets	54,839	18.7%	51,758	18.8%	-5.6%
Real Estate	4,565	1.6%	4,565	1.7%	0.0%
Fund of Funds	6,201	2.1%	5,845	2.1%	-5.7%
Balanced	685	0.2%	497	0.2%	-27.4%
Capital Protected	849	0.3%	154	0.1%	-81.9%
Others	121	0.04%	96	0.03%	-20.7%
<b>Total</b>	<b>293,506</b>	<b>100%</b>	<b>275,292</b>	<b>100%</b>	<b>-6.2%</b>

Data on the breakdown of the numbers of subscribers to equity funds by geographical zone in 2012 indicate a decline of 12.7 thousand (6.2%) to 193.6 thousand subscribers to local equity funds compared to 206.3 thousand subscribers in 2011. Moreover, the number of subscribers to

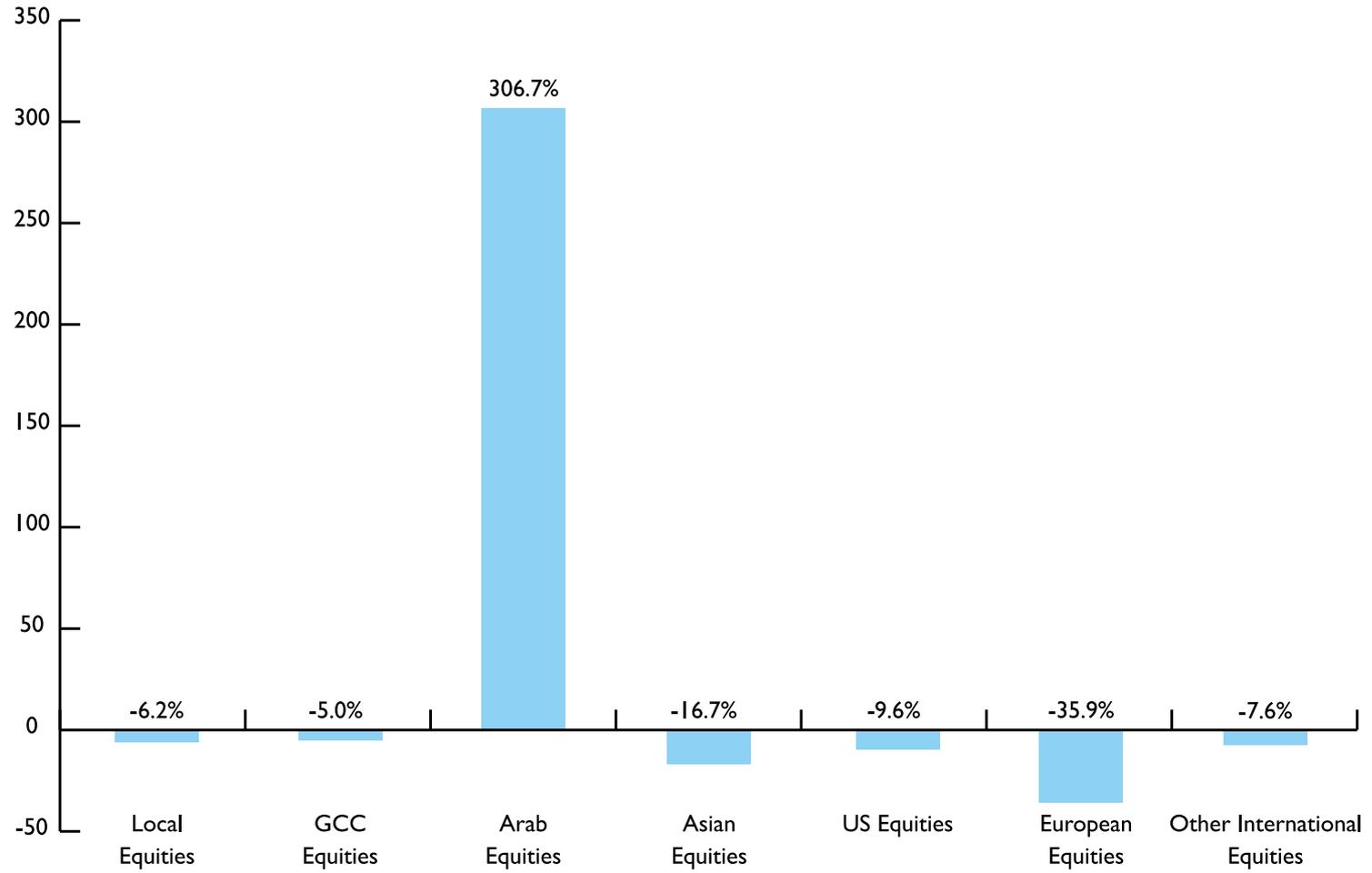
GCC equities decreased by 638 to 12.1 thousand in 2012 compared to 12.7 thousand in 2011. However, the number of subscribers to Arab equities jumped by 306.7% to 244 in 2012 compared to 60 in 2011. Table (4-10).

Table (4-10): Number of Subscribers to Public Offer Equity Funds Geographically

Geographical Zone	2011		2012		Change (%)
	Number of Subscribers	Percentage out of Total (%)	Number of Subscribers	Percentage out of Total (%)	
Local Equities	206,286	91.2%	193,556	91.2%	-6.2%
GCC Equities	12,742	5.6%	12,104	5.7%	-5.0%
Arab Equities	60	0.03%	244	0.1%	306.7%
Asian Equities	2,466	1.1%	2,054	1.0%	-16.7%
US Equities	271	0.1%	245	0.1%	-9.6%
European Equities	429	0.2%	275	0.1%	-35.9%
Other International Equities	3,950	1.7%	3,650	1.7%	-7.6%
<b>Total</b>	<b>226,204</b>	<b>100%</b>	<b>212,128</b>	<b>100%</b>	<b>-6.2%</b>



Chart (4-5): Change Percentages in the Number of Subscribers to Public Offer Equity Funds Geographically in 2012 Compared to 2011



## (B) Private Placement Funds

The number of subscribers to private placement funds rose by 455 to 2,146 subscribers, accounting for an increase of 26.9% in 2012 compared to 2011. This is largely due to a higher number of subscribers to real estate funds, the largest component of subscribers to private placement funds, with 442 additional subscribers (59.1%) amounting to 1,190 in

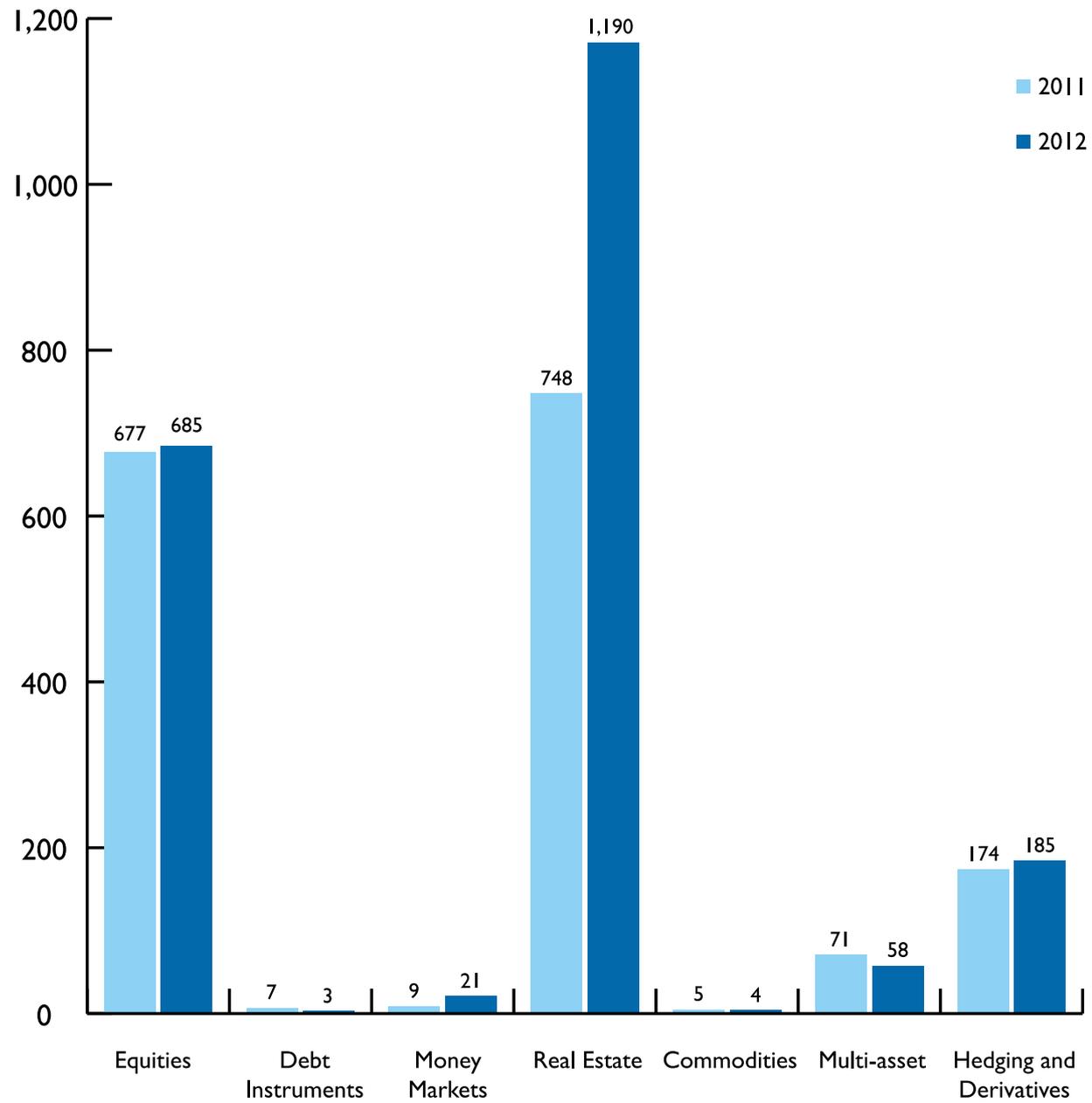
2012 compared to 748 in 2011. The number of subscribers to equity, money markets, and hedge and derivatives funds rose by 1.2%, 133.3%, and 6.3% respectively compared to 2011. However, subscribers to debt instruments, commodity, and multi-asset funds declined by 57.1%, 20.0%, and 18.3% respectively in 2012 compared to 2011. Table (4-11).

Table (4-11): Number of Subscribers to Private Placement Funds by Type of Investment

Investment Type	2011		2012		Change (%)
	Number of Subscribers	Percentage out of Total (%)	Number of Subscribers	Percentage out of Total (%)	
Equities	677	40.0%	685	31.9%	1.2%
Debt Instruments	7	0.4%	3	0.1%	-57.1%
Money Markets	9	0.5%	21	1.0%	133.3%
Real Estate	748	44.2%	1,190	55.5%	59.1%
Commodities	5	0.3%	4	0.2%	-20.0%
Multi-asset	71	4.2%	58	2.7%	-18.3%
Hedging and Derivatives	174	10.3%	185	8.6%	6.3%
<b>Total</b>	<b>1,691</b>	<b>100%</b>	<b>2,146</b>	<b>100%</b>	<b>26.9%</b>



Chart (4-6): Number of Subscribers to Private Placement Funds by Type of Investment





## 4-2 Exchange Traded Funds (ETFs)

In a significant step to develop the capital market by introducing more financial products that sustain market diversity, the CMA Board issued Resolution No.(4-10-2010) on 30/3/1431H (16/3/2010) to approve the mechanism of exchange traded funds (ETFs), allowing non-resident foreign investors to trade ETF units on the Saudi Stock Exchange (Tadawul). Consequently, on 12/4/1431H (28/3/2010), the first ETF was listed and traded under the ETFs market segment.

### 4-2-1 ETFs Approved by the CMA for Trading

The CMA approved trading on the units of three ETFs, two managed by FALCOM Financial Services, and one managed by HSBC Saudi Arabia Limited, up to the end of 2012. Table (4-12).

Table (4-12): Exchange Traded Funds (ETFs) Approved by the CMA for Trading up to the End of 2012

No.	ETF Name	Fund Manager	Currency
1	Falcom Saudi Equity ETF	FALCOM Financial Services	SR
2	Falcom Petrochemical ETF	FALCOM Financial Services	SR
3	HSBC Amanah Saudi 20 ETF	HSBC Saudi Arabia Limited	SR

### 4-2-2 Value of Assets and Number of Subscribers to ETFs

The value of assets in ETFs stood at SR 107.8 million in 2012 compared to SR 117.1 million in 2011, as "FALCOM Saudi Equity ETF" constituted the largest portion with SR 67.0 million (62.2%) of total assets value

in 2012. Total number of subscribers to ETFs declined in 2012 to 332, down by 16.8% compared to 2011. Table (4-13).



Table (4-13): Value of Assets and Number of Subscribers to Exchange Traded Funds (ETFs)

ETF Name	2011				2012			
	Value of Assets (SR Million)	Percentage out of Total (%)	Number of Subscribers	Percentage out of Total (%)	Value of Assets (SR Million)	Percentage out of Total (%)	Number of Subscribers	Percentage out of Total (%)
FALCOM Saudi Equity ETF	79.2	67.6%	325	81.4%	67.0	62.2%	216	65.1%
FALCOM Petrochemical ETF	27.7	23.7%	61	15.3%	26.0	24.1%	64	19.3%
HSBC Amanah Saudi 20 ETF	10.2	8.7%	13	3.3%	14.8	13.7%	52	15.7%
<b>Total</b>	<b>117.1</b>	<b>100%</b>	<b>399</b>	<b>100%</b>	<b>107.8</b>	<b>100%</b>	<b>332</b>	<b>100%</b>

Chart (4-7): Value of Assets in ETFs (SR Million)

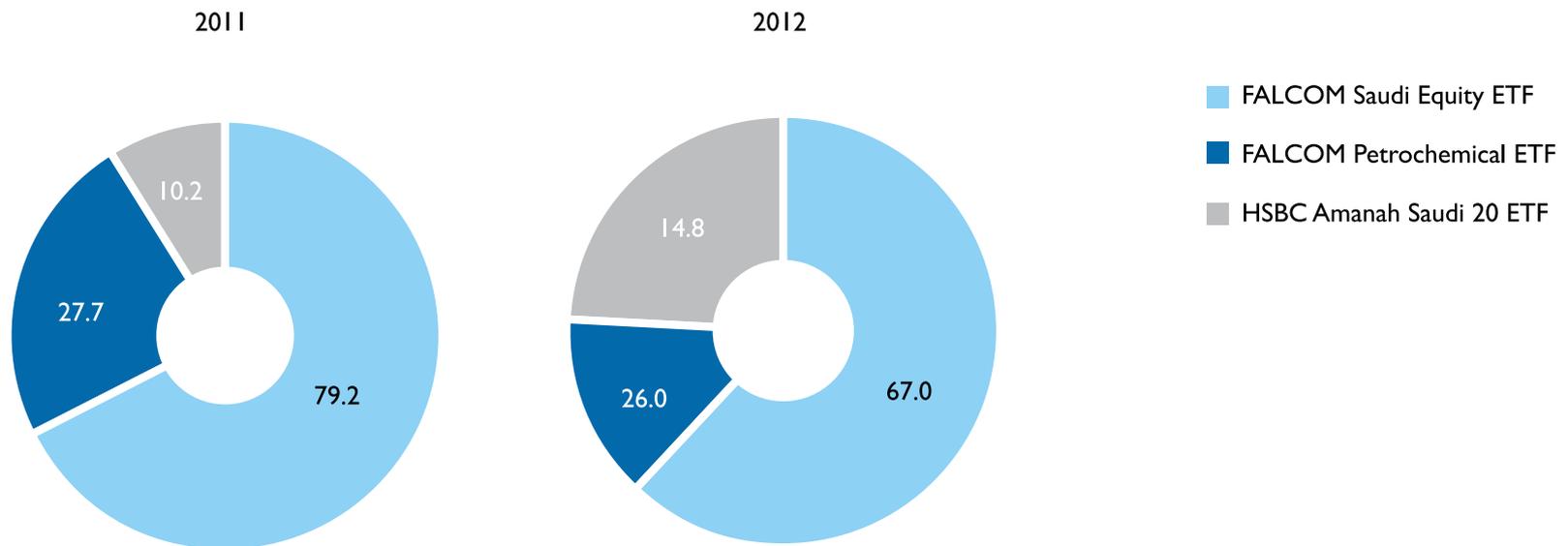
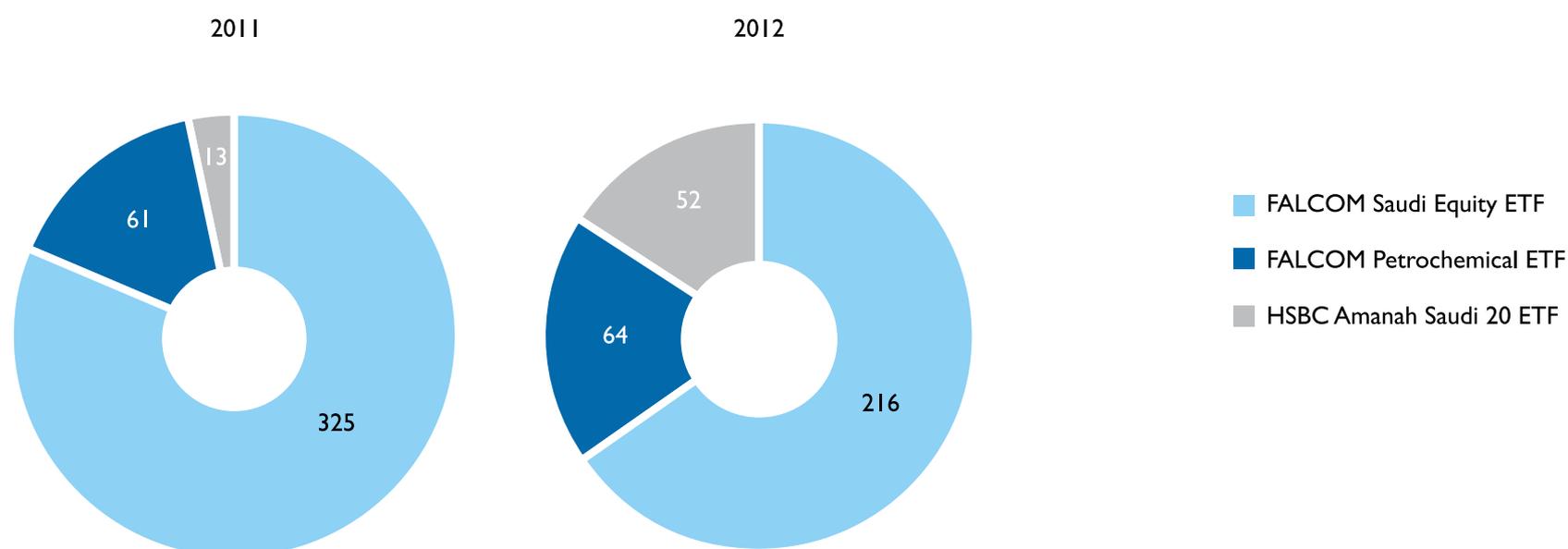


Chart (4-8): Number of Subscribers to ETFs



### 4-2-3 ETFs Trading Activity

The value of traded ETFs fell by 29.6% to SR 81.6 million in 2012 compared to SR 115.9 million in 2011. The volume of traded ETFs declined by 35.8% to 3,414.6 thousand units in 2012 compared to 2011.

The number of executed trades dropped from 2,252 in 2011 to 1,658 in 2012. (Table 4-14).

Table (4-14): Trading Activity of Exchange Traded Funds' (ETFs)

ETF Name	Volume of Traded Units (Thousand)			Value of Traded Units (SR Million)			Number of Executed Trades		
	2011	2012	Change (%)	2011	2012	Change (%)	2011	2012	Change (%)
Falcom Saudi Equity ETF	3,911.1	1,713.7	-56.2%	81.1	39.7	-51.0%	1,430	731	-48.9%
Falcom Petrochemical ETF	1,300.0	678.8	-47.8%	32.6	17.3	-46.9%	778	453	-41.8%
HSBC Amanah Saudi 20 ETF	111.2	1,022.1	819.2%	2.2	24.6	1,018.2%	44	474	977.3%
<b>Total</b>	<b>5,322.3</b>	<b>3,414.6</b>	<b>-35.8%</b>	<b>115.9</b>	<b>81.6</b>	<b>-29.6%</b>	<b>2,252</b>	<b>1,658</b>	<b>-26.4%</b>

Investing Confidence

# Chapter Five

## Monitoring Securities Transactions

- 5-1 Trading Surveillance Activities
- 5-2 Surveillance on Electronic Means



Articles Five and Six of the CML stipulate that the CMA seeks to develop the procedures that would reduce the risks related to securities transactions and to monitor securities trading to protect investors from unfair or unsound practices, involving fraud, deceit or manipulation. Moreover, Articles Forty Nine and Fifty of the CML further set out the practices and actions that constitute a violation of the provisions of the CML. As such, the CMA monitors the trading of:

- Shares.
- Sukuk and bonds.
- ETFs.

The CMA continues to strengthen its supervisory and surveillance performance by intensifying close monitoring of all trading transactions to ensure compliance of market participants with the CML and its Implementing Regulations.

## 5-1 Trading Surveillance Activities

The number of reports produced on securities trading surveillance during 2012 rose to 2,685, an increase of 4.6% as opposed to the

previous year, with a daily average of 10.7 compared to 10.4 in the preceding year. The number of trading days was 251 in 2012. Table (5-1).

The process of trading surveillance is carried out as follows:

1. The electronic surveillance system (SMARTS) generates alerts on any practices or trades that are suspected of violating the CML and its Implementing Regulations.
2. Intensive scanning is conducted on all daily trades and deals by analyzing market data and reviewing executed orders and transactions.
3. Reports are then produced on any suspected violation of the CML and its Implementing Regulations and forwarded to the concerned division/department for further investigation and necessary action.

Table (5-1): Developments of Reports Produced on Securities Trading Surveillance

Category	2011	2012	Change (%)
Number of Securities Trading Surveillance Activities Reports	2,567	2,685	4.6%
Number of Trading Days	248	251	1.2%
Average Daily Reports	10.4	10.7	2.9%

Surveillance processes through the electronic system "SMARTS" demonstrated significant activity during 2012. The number of "SMARTS" alerts stood at 26,323 in 2012, up by 18.0% as compared to the preceding

year. Also, 1,687 intensive scans for alerted trades and deals were made, increasing by 26.7% as opposed to the previous year. On the other hand, cases of suspected violations declined by 8.6% to 32 in 2012. Table (5-2).



Table (5-2): Developments of "SMARTS" Detection

Incident	Number		Change (%)
	2011	2012	
Number of "SMARTS" Alerts	22,303	26,323	18.0%
Intensive Scans for Trades and Deals Alerted	1,331	1,687	26.7%
Suspected Violations	35	32	-8.6%

## 5-2 Surveillance on Electronic Means

The CMA has adopted surveillance systems and methods to monitor electronic means and internet websites to ensure there exists no practices violating the CML and its Implementing Regulations by unauthorized persons who conduct securities business including investment portfolios management, promotion and advertisement of securities such as shares and debt instruments; carrying out financial brokerage or advice, or making recommendations.

Electronic surveillance is carried out through an electronic surveillance system that identifies capital market's or listed companies' topics and news released and broadcasted on various local and Arab mass media

or websites. Once these topics and news are detected, the system generates alerts thereof. Alerts are then analyzed and examined to identify any suspected case of violating the CML and its Implementing Regulations.

System alerts on electronic means decreased by 17.2%, amounting to 2,542 in 2012 compared to 3,071 in the preceding year. Intensive scans for alerted trades and deals rose to 78 during 2012, up by 41.8% as opposed to the previous year. This was accompanied by an increase of 17.9% in cases of suspected violations over the past year. Table (5-3).

Table (5-3): Highlights of Surveillance on Electronic Means

Incident	Number		Change (%)
	2011	2012	
Number of Alerts on Electronic Means	3,071	2,542	-17.2%
Number of Intensive Scans for Trades and Deals Alerted	55	78	41.8%
Suspected Violations	28	33	17.9%

Investing Confidence

# Chapter Six

## Corporate Disclosure

- 6-1 Review of Annual and Quarterly Financial Statements
- 6-2 Listed Company Disclosure
- 6-3 Supervisory Visits
- 6-4 Notifications of Ownership and Requests of Disposal
- 6-5 Improving Disclosure



Disclosure and provision of information to investors are essential to ensure the efficiency and integrity of any capital market. According to Article Five of the CML, the CMA regulates and monitors full disclosure of information associated with securities and their issuers, and the dealings of informed persons (insiders), major shareholders and investors, in addition to defining and making available information which market participants should provide and disclose to shareholders and the public. In addition, Article Six of the CML granted the CMA the power to issue the resolutions, instructions and procedures necessary for regulating and monitoring the disclosure process.

Two types of disclosure are regulated and monitored by the CMA:

## 1- Initial Disclosure:

It refers to disclosing preliminary relevant information of any company whose shares are to be offered on the market for public subscription in accordance with the Offers of Securities Regulations and the Listing Rules. Such information shall be disclosed through a prospectus which must contain the following:

- ◆ An adequate description of the issuer, its business, the individuals in charge of its management, including members of the board of directors, executive officers and senior officials, and major shareholders.
- ◆ An adequate description of the securities to be issued or offered, in terms of their volume, price, and relevant rights; any privileges and priorities of the issuer's other securities, if any. The description must set out how the issue proceeds will be disbursed and the commissions charged by those concerned with the issue.
- ◆ A clear statement of the financial position of the issuer and any relevant financial data, including audited balance sheet, profit and loss account and cash flow statement.
- ◆ Any other relevant information as may be required by the CMA.

## 2- Continuous Disclosure:

It refers to disclosure of information and data of interest to participants in securities, the most important of which are:

- ◆ Annual reports and financial statements.
- ◆ Quarterly interim financial statements.
- ◆ Significant developments or events (material information) about listed companies that can be of importance to investors, and affect the price of their securities.
- ◆ Any developments or events related to securities such as capital alteration, dividends, recalls, repurchases, withdrawals, redemptions, or any changes in related rights.
- ◆ Any changes in the details of members of the board of directors, senior executives and their relatives.
- ◆ Any changes as to the company's articles of association, headquarters or auditor.
- ◆ Any changes in substantial shareholdings or convertible debt instrument ownership.

The CMA also performs the following:

- ◆ Reviewing the annual and quarterly financial statements of listed companies to ensure their compliance with the disclosure requirements stated in the CML and its Implementing Regulations.
- ◆ Monitoring listed companies' investments in listed securities.
- ◆ Reviewing listed companies' announcements of financial results, and any material developments or events to ensure their compliance with the CML and its Implementing Regulations and all relevant instructions issued by the CMA.
- ◆ Monitoring notifications related to the substantial ownership of shares by major shareholders, members of boards of directors and senior executives to ensure their compliance with the CML and its Implementing Regulations.
- ◆ Monitoring listed companies' announcements of agreements and memoranda of understanding signed with unlisted company/ companies concerning shares acquisition or capital increases.



- ◆ Monitoring lifts of shares lock-up on founders in listed companies.
- ◆ Making supervisory visits to listed companies to ensure their compliance with the CML and its Implementing Regulations.

## 6-1 Review of Annual and Quarterly Financial Statements

The CMA reviews detailed and condensed annual and quarterly financial statements of listed companies, which are posted on the website of the Saudi Stock Exchange (Tadawul), to ensure that they meet all disclosure requirements according to the CML and its Implementing Regulations. In 2012, the CMA reviewed a total of 760 condensed financial statements compared to 724 in the preceding year, increasing by 5.0%. The number of detailed financial statements that were reviewed and posted on Tadawul website rose from 714 in 2011 to 742 in 2012, up by 3.9%. Table (6-1).

Table (6-1): Condensed and Detailed Financial Statements Reviewed and Posted on Tadawul Website

Category	Number		Change (%)
	2011	2012	
Condensed Financial Statements	724	760	5.0%
Detailed Financial Statements	714	742	3.9%

Those reviews in 2012 revealed that the annual financial statements of 44 companies (out of 150 listed companies) had qualified audit reports (29.3% of the total), increasing by 15.8% compared to the previous year. The number of listed companies that had qualified audit reports on their quarterly financial statements amounted to 47, constituting 30.5% of the total, up by 14.6% over last year's number. Table (6-2), table (6-3).

Table (6-2): Reviewed Annual Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports

Statements	2011		2012		Change (%)
	Number of Companies	Percentage out of Total (%)	Number of Companies	Percentage out of Total (%)	
Financial Statements with Unqualified Audit Reports	107	73.8%	106	70.7%	-0.9%
Financial Statements with Qualified Audit Reports	38	26.2%	44	29.3%	15.8%
<b>Total</b>	<b>145</b>	<b>100%</b>	<b>150</b>	<b>100%</b>	<b>3.4%</b>

Table (6-3): Reviewed Quarterly Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports

Statements	2011		2012		Change (%)
	Number of Companies	Percentage out of Total (%)	Number of Companies	Percentage out of Total (%)	
Quarterly Financial Statements with Unqualified Audit Reports	105	71.9%	107	69.5%	1.9%
Quarterly Financial Statements with Qualified Audit Reports	41	28.1%	47	30.5%	14.6%
<b>Total</b>	<b>146</b>	<b>100%</b>	<b>154</b>	<b>100%</b>	<b>5.5%</b>

## 6-2 Listed Company Disclosure

The CMA seeks to ensure compliance of listed companies with the disclosure of any material information that can be of significance to participants in securities. All material information shall be announced on the website of the Saudi Stock Exchange (Tadawul) pursuant to the CMA's prescribed instructions and requirements as to timing and content.

The total number of announcements posted on Tadawul website in 2012 stood at 3,761 compared to 2,975 in 2011. Announcements of "financial results" constituted the highest percentage of total announcements with 29.5%, followed by announcements of "other material developments or events" with 27.7%. The number of "approval on new product" announcements jumped by 562.5% over last year to 106, accounting for 2.8% of total announcements. Table (6-4).

Table (6-4): Announcements Posted on the Saudi Stock Exchange (Tadawul) Website Classified by Type

Type of Announcement	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Financial Results	900	30.0%	1,111	29.5%	23.4%
Corporate Board of Directors Recommending Capital Increase through Rights Issue	8	0.3%	4	0.1%	-50.0%
Corporate Board of Directors Recommending Capital Increase through Bonus Shares Issue	19	0.6%	15	0.4%	-21.1%
Corporate Board of Directors Recommending Capital Decrease	5	0.2%	0	0.0%	-100.0%
Invitation to Attend General Assemblies, and the Announcements Related to their Outcomes	708	23.8%	963	25.6%	36.0%
Dividends	125	4.2%	146	3.9%	16.8%
Explanatory Announcement	174	5.8%	244	6.5%	40.2%
Any Change in the Composition of Corporate Board of Directors and Top Management	87	2.9%	129	3.4%	48.3%
Approval on New Product	16	0.5%	106	2.8%	562.5%
Other Material Developments or Events	933	31.4%	1,043	27.7%	11.8%
<b>Total</b>	<b>2,975</b>	<b>100%</b>	<b>3,761</b>	<b>100%</b>	<b>26.4%</b>



## 6-3 Supervisory Visits

The CMA carried out a number of supervisory visits to listed companies during 2012 to raise awareness and enhance communication with the boards of directors of those companies. This is to achieve a higher level of compliance with the CMA's rules and regulations and any other related regulations by examining company current status, encouraging the application of best practices and ensuring that the board of directors has adequate policies and procedures to achieve the highest level of compliance along with an enforcement mechanism.

Notifications of shareholdings and change in ownerships by major shareholders showed increases of 66.7% and 29.6% in 2012 respectively. The number of notifications of shareholdings by board members and senior executives rose by 31.2% in 2012 compared to the previous year, while the number of notifications of change in ownership by board members and senior executives declined by 32.9%. Total shareholding notifications sent to the CMA stood at 622 in 2012, denoting an increase of 13.5%, broken down into 422 ownership notifications and 200 change in ownership notifications. Table (6-5).

## 6-4 Notifications of Ownership and Requests of Disposal

Notification of substantial shareholdings (5% or more) or listed convertible debt instruments, or share or convertible debt instrument ownership by a board member or a senior executive in the same company, and notification of any change to the percentage of such ownership, are among the disclosures mandated by the CMA, under paragraphs (a/1), (a/2), (a/3) and (a/4) in Article Forty Five of the "Listing Rules" which states:

- "(a) Where a person is subject to one or more of the following events, the person must notify the issuer and the Authority at the end of the trading day of the occurrence of the relevant event:
- 1) Becoming the owner of, or interested in, 5% or more of any class of voting shares or convertible debt instrument of the issuer;
  - 2) The ownership or interest of the person referred to in subparagraph (1) of paragraph (a) of this Article increasing or decreasing by 1% or more of the shares, or convertible debt instruments of the issuer;
  - 3) A director or senior executive of the issuer becoming the owner of, or interested in, any rights in the shares or convertible debt instruments of that issuer; and
  - 4) The ownership or interest of any of the directors or senior executives of the issuer increasing or decreasing by 50% or more in the shares or convertible debt instruments that he or she owns in that issuer, or by 1% or more of the shares or convertible debt instruments of that issuer whichever is less".

Table (6-5): Number of Shareholding Notifications Sent to the CMA by Source and Type of Notification

Source of Notification	Type of Notification					
	Ownership			Ownership Change		
	Number		Change (%)	Number		Change (%)
	2011	2012		2011	2012	
Major Shareholders	21	35	66.7%	71	92	29.6%
Board Members and Senior Executives	295	387	31.2%	161	108	-32.9%
<b>Total</b>	<b>316</b>	<b>422</b>	<b>33.5%</b>	<b>232</b>	<b>200</b>	<b>-13.8%</b>

Paragraph (f) of Article Forty Five of the “Listing Rules” states that a person who has become an owner of, or interested in 10% or more of any class of shares or convertible debt instruments of the issuer, must not dispose of the same without the approval of the Authority. The Authority may impose certain restrictions on such a disposal and specify its method. In 2012, The CMA received 60 disposal requests compared to 53 in 2011, marking an increase of 13.2%.

## 6-5 Improving Disclosure

The CMA strives to strengthen transparency among market participants by enforcing compliance of listed companies with the CML and the Listing Rules as well as the instructions on corporate announcements. As prescribed by relevant laws and regulations, listed companies must disclose all material developments without any delay by posting them on the Saudi Stock Exchange’s (Tadawul) website, enabling investors to know the latest developments in company activity and its internal material news.

As part of the CMA’s incessant efforts towards enhancing and developing disclosure procedures and principles regarding listed companies’ announcements, the CMA Board issued Resolution No. (2-31-2012) dated 9/11/1433H corresponding to 25/9/2012, to amend the instructions on listed companies’ announcements. The amended version went into force as of 1/1/2013.

These instructions aim to help listed companies comply with the Listing Rules, particularly the articles on continuous disclosure, enhance capital

market transparency and disclosure, and assist investors to make informed investment decisions.

The instructions determine the key elements that should be included in all corporate announcements as follows:

1. Announcement of news or a material development that occurred or is expected to occur, containing the following elements:
  - ◆ Announcement heading must be clear and must reflect the material development to be announced.
  - ◆ A detailed description of the material development must be provided along with clarifications on all related information and dates.
  - ◆ Factors and justifications that led to the material development must be clarified.
  - ◆ If the material development has a financial impact on the financial statements, the financial impact must be stated. If that is not possible, justification is needed.
  - ◆ Companies should exercise due diligence to make sure that any facts or information related to that material development are true and not misleading.



- ◆ Companies should not exclude, omit, or conceal any information that can affect the content or results of the material development.
  - ◆ If the material development resulted in any financial obligation on the company or mortgage, the announcement must contain the conditions, period, and value of the obligation or mortgage, the parties involved, and its impact on the financial statements.
- 2- When a company announces a material development that could potentially unfold future material developments, it must announce any new developments on that event.
  - 3- Companies must adhere to the announcement forms included in these instructions. Banks and insurance companies, in addition to adherence to other announcement forms included in these instructions, must observe their own financial statements announcement forms, which contain the key elements that must be included in their announcements of financial results as a minimum.
  - 4- In case a company has two material developments, each one must be disclosed separately.
  - 5- If any of the material developments stated in part eight of the Listing Rules occurred at least two hours before the beginning of or during the trading period, the company has to wait until the trading period is over, then announce the material development on Tadawul's website, while taking all necessary precautions to ensure preventing any news leakage about the material development before posting the announcement. If the news about the material development cannot be prevented from leaking (news related to other parties whose commitment to maintain confidentiality cannot be guaranteed by the company, or the development subject of the news is a press item, such as natural disasters or fire, etc...), the CMA must be notified once it occurs.
  - 6- Meetings of the board of directors, audit committees, or any other committees during which a topic will be discussed and must be announced pursuant to the provisions of the Listing Rules within a period allowing the company to post the announcement on Tadawul's website, must be held at least two hours before the start of the trading period following the meeting.
  - 7- Companies have to set policies and procedures regarding disclosure of significant developments to ensure their fulfillment of obligations in this area. They must also put in place procedures for announcing financial information to ensure consistency with these instructions while their employees continue to follow-up with the designated staff at Tadawul until the announcement's wording is accepted and posted. The policies and procedures referred to must include the names of the persons responsible for posting in case of emergency; their level of authorities in terms of posting or publishing must be determined too. Also, names of other persons in case the designated person is not available when the event takes place must be indicated.
  - 8- Listed companies must recognize that material developments may occur while preparing periodical financial statements. In this case, they must announce such developments immediately, and not wait until their financial statements are released, even if that happened shortly before publishing the financial results.
  - 9- Companies must determine the need to broadcast an announcement on Tadawul's website to respond to any rumors associated with any material developments. The CMA has the right to obligate companies to broadcast an announcement whenever it deems necessary.
  - 10- Companies must not breach the relevant obligations stated in the CML and its Implementing Regulations.
  - 11- Companies must adhere to correct Arabic grammatical rules when wording their announcements.

Investing Confidence

# Chapter Seven

## Corporate Governance

- 7-1 Mandatory Articles of the Corporate Governance Regulations Approved in 2012
- 7-2 Board Members of Listed Companies
- 7-3 Board Meetings of Listed Companies
- 7-4 Boards of Directors' Main Committees
- 7-5 Enhancing Compliance with Corporate Governance



The CMA monitors the compliance of listed companies with the articles of the Corporate Governance Regulations through the following:

- ◆ Examining the reports of boards of directors of listed companies to verify full disclosure in accordance with regulatory requirements.
- ◆ Monitoring compliance of listed companies with the implementation of mandatory and guidance provisions of the Corporate Governance Regulations, and disclosure of implemented provisions and the ones that have not been implemented while indicating the reasons for not implementing such provisions, as per the requirements of the Corporate Governance Regulations.
- ◆ Observing any changes in the details/profiles of board members, before and after nomination for board membership.
- ◆ Attending the general assemblies of listed companies to ensure harmony with the practices of sound corporate governance.
- ◆ Monitoring listed companies by making supervisory visits and providing appropriate suggestions and recommendations.
- ◆ Monitoring and identifying any changes in the board of directors or its related committees.
- ◆ Raising the awareness of newly listed companies with the governance rules and the requirements of relevant disclosure.
- ◆ Assessing governance compliance level in newly listed companies and providing proper suggestions and recommendations.
- ◆ Answering company and shareholder inquiries about the rules of corporate governance and their sound practice.

## 7-1 Mandatory Articles of the Corporate Governance Regulations Approved in 2012

The Board of the CMA issued a resolution on 29/12/2012 making the following paragraphs of the Corporate Governance Regulations mandatory:

- ◆ Paragraphs (i, j) of Article 5 of the Corporate Governance Regulations are mandatory for companies listed on the Saudi Stock Exchange “Tadawul” as of 1/1/2013.
- ◆ Paragraph (g) of Article 12 of the Corporate Governance Regulations is mandatory for listed companies on the Saudi Stock Exchange “Tadawul” as of 1/1/2013.
- ◆ Paragraphs (c, d) of Article 10 of the Corporate Governance Regulations are mandatory for listed companies on the Saudi Stock Exchange “Tadawul” as of 30/6/2013.

## 7-2 Board Members of Listed Companies

Article Twelve of the Corporate Governance Regulations states the requirements with regard to the composition of the board of directors; they are as follows:

1. The articles of association of the company shall specify the number of the board of directors’ members, provided that such number shall not be less than three and not more than eleven.
2. The majority of the members of the board of directors shall be **non-executive members**.
3. The independent members of the board of directors shall not be less than two members, or one-third of the members, whichever is greater.

The number of non-executive members’ seats in listed companies’ boards of directors accounted for the greatest percentage of total seats in 2011 with 48.5%. The percentage of independent members’ seats increased from 38.6% in 2010 to 40.3% in 2011. Table (7-1).

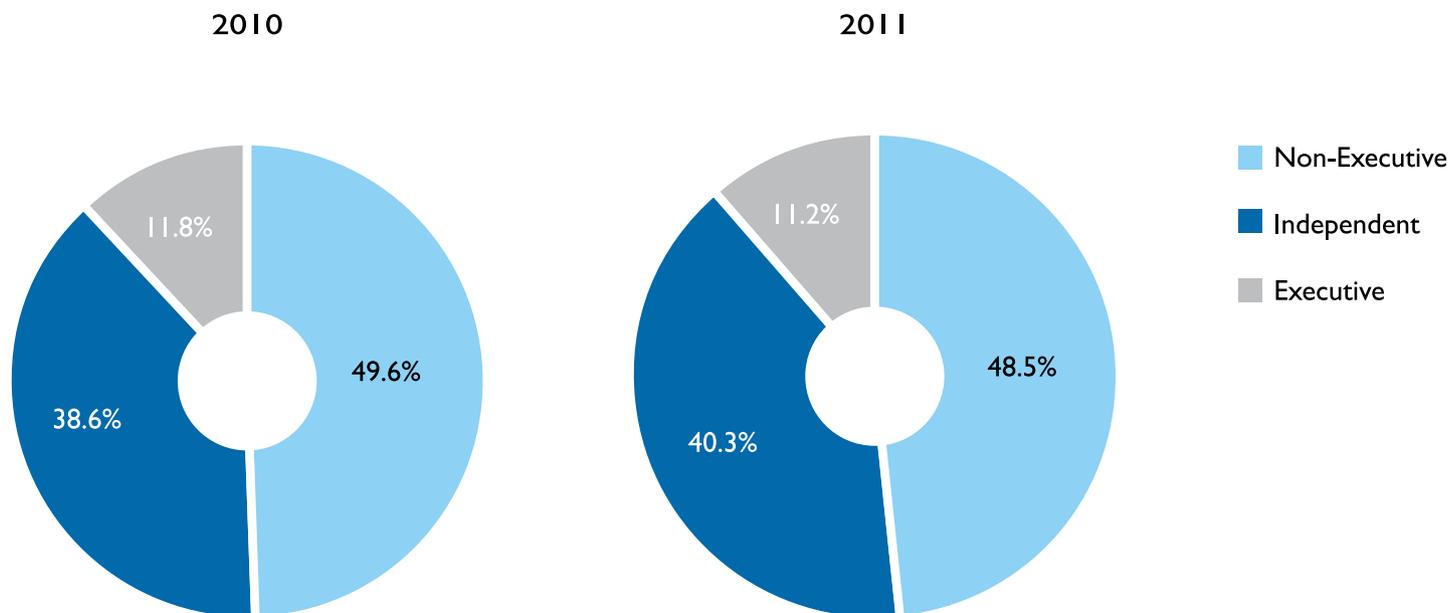


Table (7-1): Composition of Boards of Directors in Listed Companies by Membership Type as in Boards of Directors' Reports<sup>23</sup>

Membership Type	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Non-Executive	598	49.6%	608	48.5%	1.7%
Independent	465	38.6%	505	40.3%	8.6%
Executive	142	11.8%	141	11.2%	- 0.7%
<b>Total</b>	<b>1,205</b>	<b>100%</b>	<b>1,254</b>	<b>100%</b>	<b>4.1%</b>

23) Table shows the data included in the reports of listed companies' boards, which are provided to the CMA during the year that follows the fiscal year in which those reports were issued.

Chart (7-1): Composition of Boards of Directors in Listed Companies by Membership Type as in Boards of Directors' Reports



## 7-3 Board Meetings of Listed Companies

Article Sixteen of the Corporate Governance Regulations has provided instructions to board members on several matters such as: dedicating ample time for discharging their responsibilities, including preparing for the meetings of the board and the permanent and ad hoc committees, and endeavoring to attend such meetings. The board shall convene its ordinary meetings regularly upon a request by the chairman; he should

consult the other members of the board and the CEO when preparing a specified agenda to be presented to the board. The number of boards' meetings in listed companies as in board reports stood at 774 at the end of 2011, averaging 5.3 meetings per company as opposed to 716 meetings in the previous year with an average of 5.0 meetings per company. Table (7-2).

Table (7-2): Number of Boards' Meetings in Listed Companies by Sector as in Boards of Directors' Reports<sup>24</sup>

Sector	2010		2011	
	Number of Meetings	Average Meetings per Company	Number of Meetings	Average Meetings per Company
Banks and Financial Services	56	5	58	5
Petrochemical Industries	56	4	59	4
Cement	41	5	55	6
Retail	30	3	42	5
Energy & Utilities	18	9	17	9
Agriculture and Food Industries	85	6	86	6
Telecommunication & Information Technology	29	7	27	7
Insurance	145	5	150	5
Multi-Investment	40	6	36	5
Industrial Investment	66	5	65	5
Building & Construction	70	5	82	5
Real Estate Development	32	5	43	5
Transportation	27	7	31	8
Hotels and Tourism	9	5	8	4
Media and Publishing	12	4	15	5
<b>Total Number of Boards of Directors Meetings</b>	<b>716</b>		<b>774</b>	
<b>Meetings Average for All Listed Companies</b>	<b>5.0</b>		<b>5.3</b>	

24) Table shows the data included in the reports of listed companies' boards, which are provided to the CMA during the year that follows the fiscal year in which those reports were issued.

## 7-4 Board of Directors' Main Committees

### (1) Audit Committees

Article Fourteen of the Corporate Governance Regulations came into effect on 1/1/2009; it stipulates that the board of directors should set up an audit committee, issue rules for appointing the members of that committee, define its work procedure, and identify duties and responsibilities thereof. The Article also states that the committee's members should not be less than three, including a specialist in financial and accounting matters. Executive board members are not eligible for audit committee membership.

### (2) Nomination and Remuneration Committees

The CMA made Article Fifteen (Nomination and Remuneration Committee) of the Corporate Governance Regulations mandatory for all listed companies, effective from 1/1/2011, pursuant to the CMA Board's Resolution No. (1-10-2010) dated 16/3/2010.

The number of audit committees' seats in listed companies rose to 490 in 2011 compared to 473 in the previous year, increasing by 3.6%. The number of seats for "independent" members accounted for the largest share with 39.4% of the total compared to 38.3% in the preceding year. Table (7-3).

Similarly, the number of companies that have nomination and remuneration committees amounted to 147 in 2011 compared to 143 in 2010, increasing by 2.8%<sup>25</sup>. As such, all listed companies (except those that are not yet included in the compliance report) have formed nomination and remuneration committees pursuant to Article Fifteen of the Corporate Governance Regulations.

25) Three companies were not included in the compliance report for 2011, as two were suspended while one was listed in 2011 and exempted from filing a board of directors' report.

Table (7-3): Seats of Audit Committees in Listed Companies by Membership Type as in Boards of Directors' Reports<sup>26</sup>

Membership Type	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Non Executive	109	23.0%	117	23.9%	7.3%
Independent	181	38.3%	193	39.4%	6.6%
Outside the Board	183	38.7%	180	36.7%	- 1.6%
<b>Total</b>	<b>473</b>	<b>100%</b>	<b>490</b>	<b>100%</b>	<b>3.6%</b>

26) Table shows the data included in the reports of listed companies' boards, which are provided to the CMA during the year that follows the fiscal year in which those reports were issued.



## 7-5 Enhancing Compliance with Corporate Governance

The CMA believes in the significance of instilling best practices of corporate governance and developing relevant standards and principles. With its strategy aimed at boosting the level of awareness in listed companies on the importance of the ideal preparation of a board of directors' report, the CMA held 5 workshops during 2012 in Riyadh (3), Jeddah (1), and Al-Khobar (1) entitled "Meetings of General Assemblies and Preparing Board Reports". The number of listed companies' representatives who participated in these workshops amounted to 258. Table (7-4).

Table (7-4): Workshops on Corporate Governance in 2012

City	Workshop Topic	Number of Workshops	Number of Participants
Riyadh	Meetings of General Assemblies and Preparing Board Reports	3	136
Jeddah		1	72
Al-Khobar		1	50
Total		5	258

# Chapter Eight

## Violations and Investor Complaints

- 8-1 Investor Complaints
- 8-2 Investigation into Violations of the CML
- 8-3 Classification of Violation Cases of the CML
- 8-4 Litigation before the Committee for the Resolution of Securities Disputes (CRSD)
- 8-5 Following up Enforcement of Decisions
- 8-6 Classifications of Sanction Decisions Issued by the CMA Board, the CRSD and ACRSD



## 8-1 Investor Complaints

Clause (a/4) of Article Five of the CML provided that the CMA shall be responsible for protecting investors in the capital market from unfair or unsound practices that may involve fraud, deceit, cheating or market manipulation. To achieve these objectives, the CMA:

- ◆ Receives and handles investor complaints.
- ◆ Monitors violations of the CML and its Implementing Regulations.
- ◆ Investigates into cases suspected of violating the CML and its Implementing Regulations.
- ◆ Prosecutes those violations before the Committee for the Resolution of Securities Disputes (CRSD).
- ◆ Enforces resolutions and decisions issued by the CMA Board and the two committees for the resolution and appeal of securities disputes.

### 8-1-1 Channels for Lodging Complaints

Determined to eliminate all obstacles that may face complainants, the CMA has opened many channels for lodging and handling investors' complaints. These can be lodged directly at the CMA's premises through the Department of Investor Complaints, the CMA's website, or by telephone, fax or postal service. The CMA looks into and reviews every single complaint and ensures that it has jurisdiction before proceeding any further investigation.

### 8-1-2 Classification of Complaints

The complaints handled by the CMA are classified into several types based on their nature and manner of processing. In 2012, complaints about "investment funds" and "credit facilities" declined by 45% and 40.0% respectively compared to 2011, while the complaints about "listed companies" recorded the highest increase with 857.1% compared to 2011. Table (8-1).



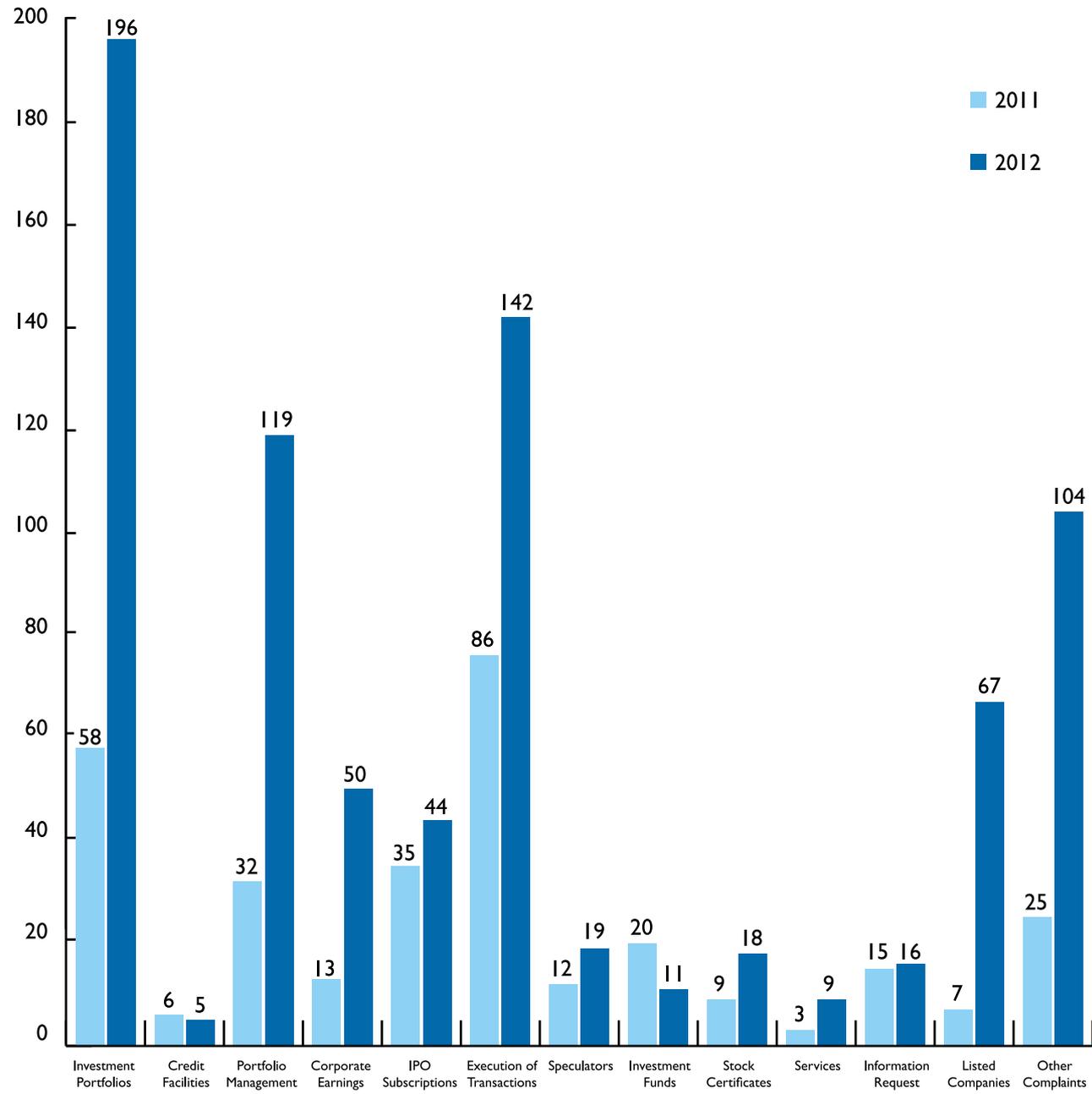
Table (8-1): Complaints Received by the CMA Classified by Type

No.	Type of Complaint	2011		2012		Change (%)
		Number	Percentage (%)	Number	Percentage (%)	
1	Investment Portfolios	58	18.6%	196	24.5%	237.9%
2	Credit Facilities	6	1.6%	3	0.4%	-40.0%
3	Portfolio Management	32	10.3%	119	14.9%	271.9%
4	Corporate Earnings	13	4.2%	50	6.3%	284.6%
5	IPO Subscriptions	35	11.3%	44	5.5%	25.7%
6	Execution of Transactions	76	24.4%	142	17.8%	86.8%
7	Speculators	12	3.9%	19	2.4%	58.3%
8	Investment Funds	20	6.4%	11	1.4%	-45.0%
9	Stock Certificates	9	2.9%	18	2.3%	100.0%
10	Services	3	1.0%	9	1.1%	200.0%
11	Information Request	15	4.8%	16	2.0%	6.7%
12	Listed Companies	7	2.3%	67	8.4%	857.1%
13	Other Complaints <sup>27</sup>	25	8.0%	104	13.0%	316.0%
Total		311	100%	800	100%	157.2%

27) Other complaints include: inquiries and comments pertaining to the CMA, or the decisions issued by the CRSD or ACRSD, and the complaints falling out of the CMA's jurisdiction.



Chart (8-1): Complaints Received by the CMA Classified by Type





### 8-1-3 Handling Investor Complaints

Paragraph (e) of Article Twenty Five of the CML mandates complainants to first lodge their complaints at the CMA, as it states “No complaint or statement of claim may be filed with the Committee without being filed first with the Authority, and a 90-day period has passed from the filing date, unless the Authority notifies the grievant otherwise of the permissibility of submitting before the expiration of this period”.

The CMA resolves investor complaints according to the following cases:

- 1- Reaching a settlement between the conflicting parties.
- 2- Serving a notification to the complainant: in the event that no amicable settlement could be reached between the conflicting parties, during the 90 days from the original filing of the complaint with the CMA, a notification shall be given to the complainant. This gives the complainant the right to file a case with the Committee for the Resolution of Securities Disputes (CRSD) to look into it.
- 3- Serving a notice to the complainant: when no amicable settlement could be reached between the conflicting parties, and 90 days from the filing date of the complaint with the CMA have passed,

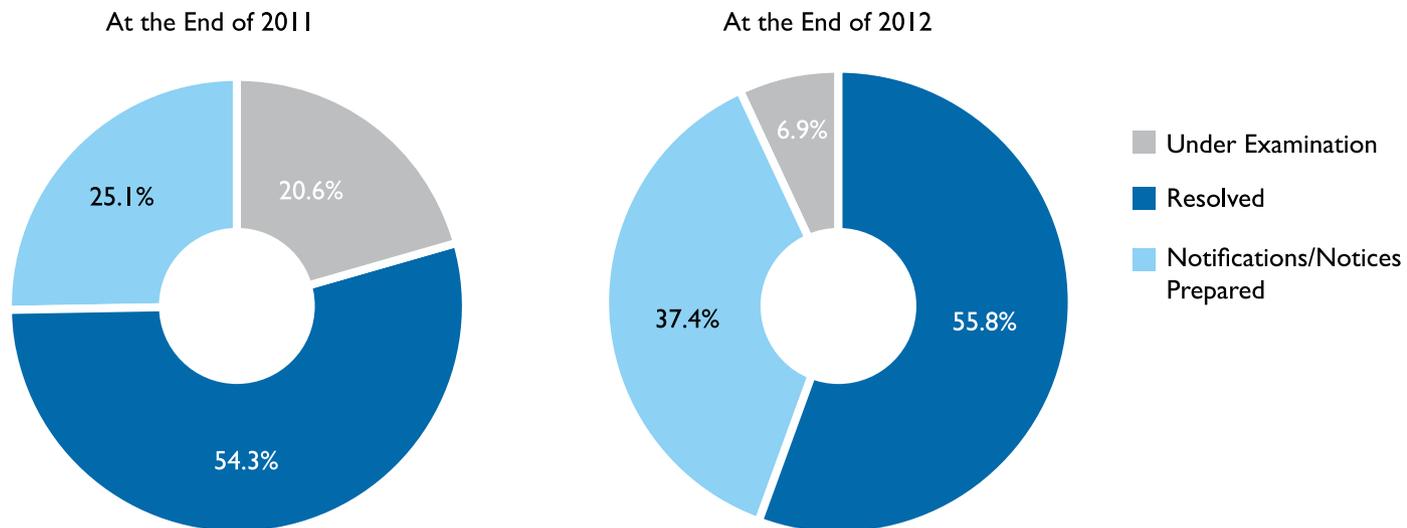
a notice shall be given to the complainant. It allows him/her to file a case with the CRSD.

About 55.8% of total complaints lodged at the CMA up to the end of 2012 were resolved, 6.9% under examination, and 37.4% had notifications/notices prepared to complainants; 64.9% of which were served to complainants . Table (8-2) and table (8-3).

Table (8-2): Status of Complaints Received by the CMA

Complaint Status	At the End of 2011		At the End of 2012	
	Number	Percentage (%)	Number	Percentage (%)
Under Examination	64	20.6%	55	6.9%
Resolved	169	54.3%	446	55.8%
Notifications/Notices Prepared	78	25.1%	299	37.4%
<b>Total</b>	<b>311</b>	<b>100%</b>	<b>800</b>	<b>100%</b>

Chart (8-2): Status of Complaints Received by the CMA (Percentages)



**Table (8-3): Status of Notifications/Notices Prepared by the CMA to Complainants**

Status of Notifications/Notices	At the End of 2011		At the End of 2012	
	Number	Percentage (%)	Number	Percentage (%)
Served to Complainants	49	62.8%	194	64.9%
Not Served	29	37.2%	105	35.1%
<b>Total</b>	<b>78</b>	<b>100%</b>	<b>299</b>	<b>100%</b>

## 8-2 Investigation into Violations of the CML

The CMA undertakes the task of investigation into the violations of the CML according to paragraph (c) of Article Five of the CML, which states: “for the purpose of conducting all investigations which, in the opinion of the Board, are necessary for the enforcement of the provisions of this Law and other regulations and rules issued pursuant to this Law, the members of the Authority and its employees designated by the Board are empowered to subpoena witnesses, take evidence, and require the production of any records, papers, or other documents which the Authority deems relevant or material to its investigation. The Authority shall have the power to carry out inspections of the records or any other materials, whoever the holder may be, to determine whether the person concerned has violated, or is about to violate any provision of this Law, the Implementing Regulations or the rules issued by the Authority”.

As such, the CMA investigates into the violations of the CML through a number of stages that can be summarized as follows:

1. Conducting investigation procedures and gathering relevant data and information.
2. Analyzing data and examining evidence.
3. Subpoenaing and interrogating violators after obtaining the CMA Board's approval on such procedure.

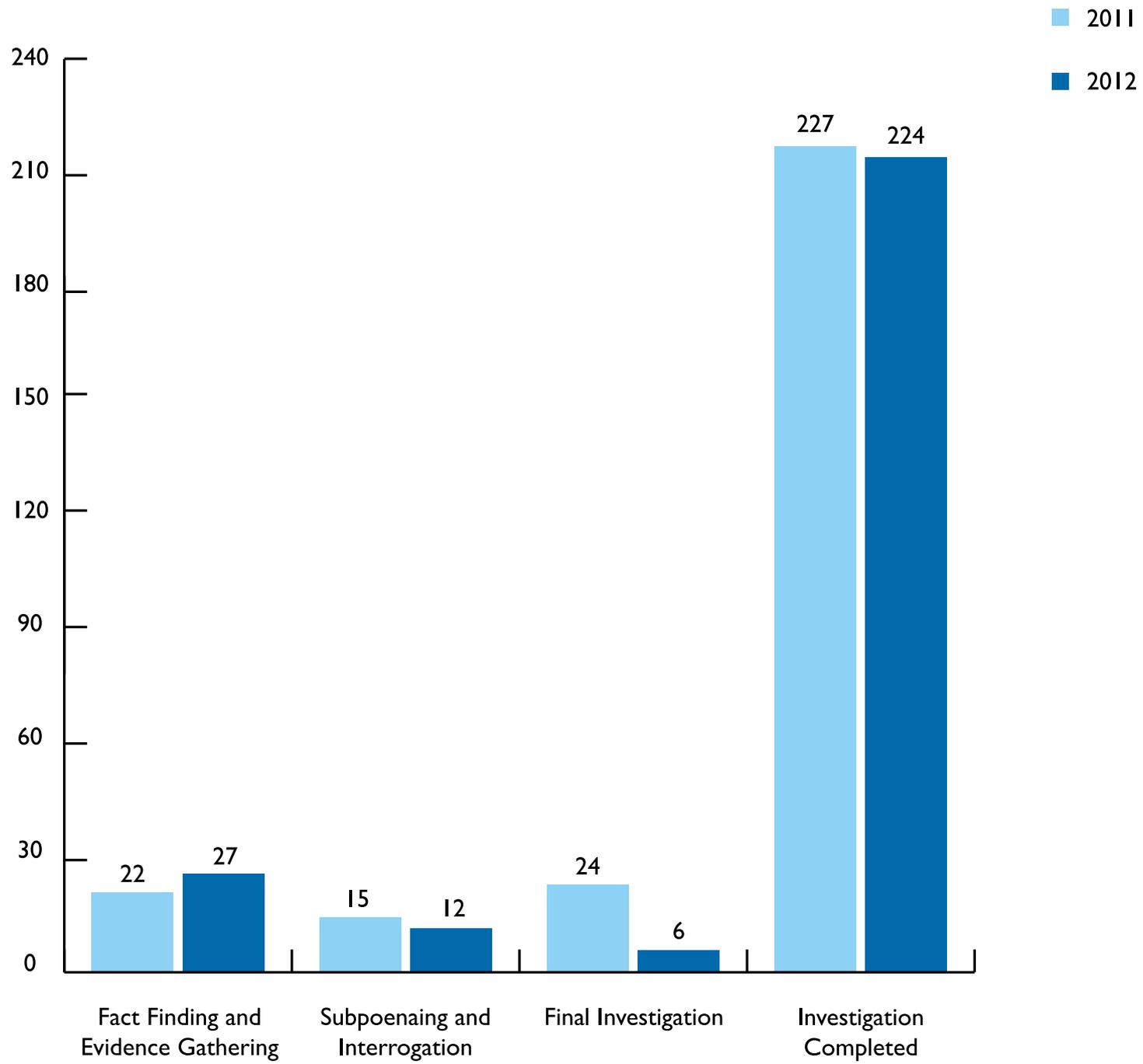
At the end of 2012, investigation into 224 cases was completed, accounting for 83.3% of total investigation cases into suspected violations of the CML. The remaining 27 cases are in the stage of fact finding and evidence gathering. Table (8-4).

**Table (8-4): Investigation Cases into Suspected Violations of the CML Classified by Stage of Investigation**

No.	Stage of Investigation	At the End of 2011		At the End of 2012	
		Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
1	Fact Finding and Evidence Gathering	22	7.6%	27	10.0%
2	Subpoenaing and Interrogation	15	5.2%	12	4.5%
3	Final Investigation	24	8.3%	6	2.2%
4	Investigation Completed	227	78.8%	224	83.3%
	<b>Total</b>	<b>288</b>	<b>100%</b>	<b>269</b>	<b>100%</b>



Chart (8-3): Investigation Cases into Suspected Violations of the CML Classified by Stage of Investigation



## 8-3 Classification of Violation Cases of the CML

Filed investigation cases into suspected violations of the CML declined in 2012 by 6.6% compared to 2011. All legal procedures of 270 cases were finalized during 2012.

### 8-3-1 Filed Violation Cases of the CML

Investigation cases related to “conducting securities business and investment of funds without license” ranked first at the end of 2012 with 49 cases (18.2%) of total cases. On the other hand, investigation cases related to “insider trading” and “other violations of the Listing Rules” came last with only one violation for each. Table (8-5).

Table (8-5): Filed Investigation Cases into Suspected Violations of the CML by Type

Type	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Manipulation and Misleading Information	30	10.4%	31	11.5%	3.3%
Disclosure Violation	63	21.9%	36	13.4%	-42.9%
Insider Trading	6	2.1%	1	0.4%	-83.3%
Violations by Authorized Persons	23	8.0%	29	10.8%	26.1%
Ownership/Disposal of Percentages without Notifying the CMA	10	3.5%	10	3.7%	0.0%
Conducting Securities Business and Investment of Funds without License <sup>28</sup>	67	23.3%	49	18.2%	-26.9%
Violation of the CMA Board Resolutions	2	0.7%	7	2.6%	250.0%
Violation of the Offers of Securities Regulations	1	0.3%	3	1.1%	200.0%
Other Violations of the Listing Rules	1	0.3%	1	0.4%	0.0%
Trading during Prohibited Period	15	5.2%	20	7.4%	33.3%
Violation of the Corporate Governance Regulations	35	12.2%	41	15.2%	17.1%
Violation of the Investment/Real Estate Funds Regulations	35	12.2%	41	15.2%	17.1%
<b>Total</b>	<b>288</b>	<b>100%</b>	<b>269</b>	<b>100%</b>	<b>-6.6%</b>

<sup>28</sup> Including electronic violation cases.

## 8-3-2 Finalized Violation Cases

Cases of “disclosure” violation constituted the vast majority in 2012 with 67 (24.8%) of total finalized cases. Violations of “ownership/disposal of percentages without notifying the CMA” recorded a remarkable increase of 175.0% in 2012 compared to 2011. Also,

violations of “Corporate Governance Regulations” went up by 88.9% in 2012 compared to the previous year. Violation of “conducting securities business and investment of funds without license” showed a significant decline of 49.3% compared to the preceding year. Table (8-6).

Table (8-6): Finalized Violation Cases of the CML Classified by Type<sup>29</sup>

Type	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Manipulation and Misleading Information	29	9.6%	20	7.4%	-31.0%
Disclosure Violation	73	24.1%	67	24.8%	-8.2%
Insider Trading	4	1.3%	2	0.7%	-50.0%
Violation of the Authorized Persons Regulations	45	14.9%	27	10.0%	-40.0%
Ownership/Disposal of Percentages without Notifying the CMA	4	1.3%	11	4.1%	175.0%
Conducting Securities Business and Investment of Funds without License <sup>30</sup>	69	22.8%	35	13.0%	-49.3%
Violation of the CMA Board Resolutions	1	0.3%	2	0.7%	100.0%
Violation of the Offers of Securities Regulation	2	0.7%	1	0.4%	-50.0%
Other Violations of the Listing Rules	1	0.3%	1	0.4%	0.0%
Trading During Prohibited Period	21	6.9%	8	3.0%	-61.9%
Violation of the Corporate Governance Regulations	27	8.9%	51	18.9%	88.9%
Violation of the Investment/Real Estate Funds Regulations	27	8.9%	45	16.7%	66.7%
<b>Total</b>	<b>303</b>	<b>100%</b>	<b>270</b>	<b>100%</b>	<b>-10.9%</b>

29) Including cases of previous years.

30) Including electronic violation cases.

## 8-4 Litigation Before the Committee for the Resolution of Securities Disputes (CRSD)

After gathering sufficient evidence on any violation of the CML or its Implementing Regulations, the CMA prepares indictments and files lawsuits against violators before the CRSD through several stages which can be summarized in the following:

1. Examining cases and conducting relevant studies and research.
2. Contacting competent parties to obtain information relevant to existing cases.
3. Issuing Board's decision to file cases with the CRSD.
4. Preparing indictments containing all evidence and supporting documents.

5. Attending prosecution sessions and responding to pleas.

6. Writing notices of appeal in the event that the CMA Board issues its decision to appeal.

The number of cases on which indictments were prepared and brought before the CRSD amounted to 33 in 2012, increasing by 22.2% compared to the previous year. Conducting securities business without license from the CMA is the most frequent violation during 2012, accounting for 51.5% of total cases on which indictments were made, but it declined by 10.5% compared to the previous year. Table (8-7).

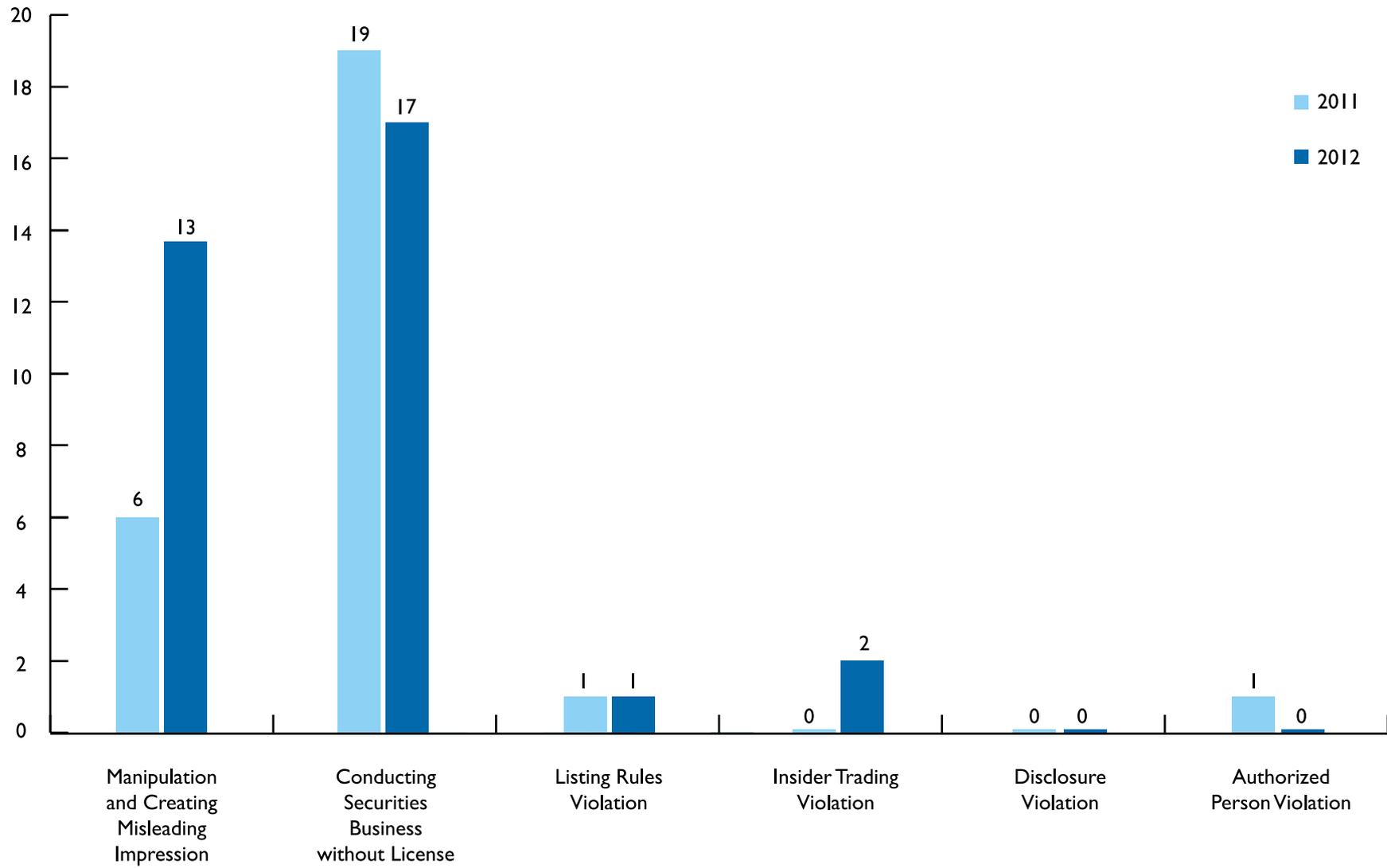
Table (8-7): Cases on Which Indictments were Prepared and Brought before the CRSD<sup>31</sup>

Case Type	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Manipulation and Creating Misleading Impression	6	22.2%	13	39.4%	116.7%
Conducting Securities Business without License	19	70.4%	17	51.5%	-10.5%
Listing Rules Violation	1	3.7%	1	3.0%	0.0%
Insider Trading Violation	0	0.0%	2	6.1%	-
Disclosure Violation	0	0.0%	0	0.0%	-
Authorized Person Violation	1	3.7%	0	0.0%	- 100.0%
<b>Total</b>	<b>27</b>	<b>100%</b>	<b>33</b>	<b>100.0%</b>	<b>22.2%</b>

31) Excluding cases of grievances against the CMA Board's decisions, which amounted to one case in 2011, and seven cases in 2012. This also excludes suits filed with a request to execute sanction decisions issued previously, which amounted to 5 execution suits in 2011 against 8 execution suits in 2012.



Chart (8-4): Cases on Which Indictments were Prepared and Brought before the CRSD



## 8-5 Following up Enforcement of Decisions

The CMA enforces decisions issued by the CMA Board, temporal decisions of imposing/lifting provisional seizure issued by the CRSD, and final decisions issued by the CRSD and ACRSD. The following explains the enforcement process:

1. Reviewing the decisions of sanctions issued by the CMA Board, CRSD and ACRSD.
2. Preparing notification letters of enforcing the sanctions issued against the violators of the CML and its Implementing Regulations.

3. Ensuring the collection of sanctions' amounts and monitoring the procedures of bank guarantees presented by violators.

4. Coordinating with government agencies engaged in enforcing the decisions of provisional seizure and final decisions.

In 2012, the CMA followed up the enforcement of 161 decisions issued by the CMA Board, and 45 decisions issued by the CRSD and ACRSD. Total decisions issued by the CMA Board, the CRSD and ACRSD rose in 2012 by 10.8% compared to the previous year. Table (8-8).

Table (8-8): Decisions Issued by the CMA Board, CRSD, and ACRSD

Issuer of Decision	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
CMA Board	166	89.2%	161	78.2%	- 3.0%
CRSD and ACRSD <sup>32</sup>	20	10.8%	45	21.8%	125.0%
<b>Total</b>	<b>186</b>	<b>100%</b>	<b>206</b>	<b>100.0%</b>	<b>10.8%</b>

<sup>32</sup>) Including decisions convicting violators and decisions imposing or lifting a provisional seizure of violators' property, and banning travelling; imposing penalties and disgorgements; this excludes the appealed decisions that are still with the ACRSD.

## 8-6 Classifications of Sanction Decisions Issued by the CMA Board, the CRSD and ACRSD

### 8-6-I Sanction Decisions Classified by Type of Violator

The number of sanction decisions issued by the CMA Board, the CRSD and ACRSD in 2012 amounted to 206, as 87.4% of these decisions was enforced, while enforcement of the rest is being

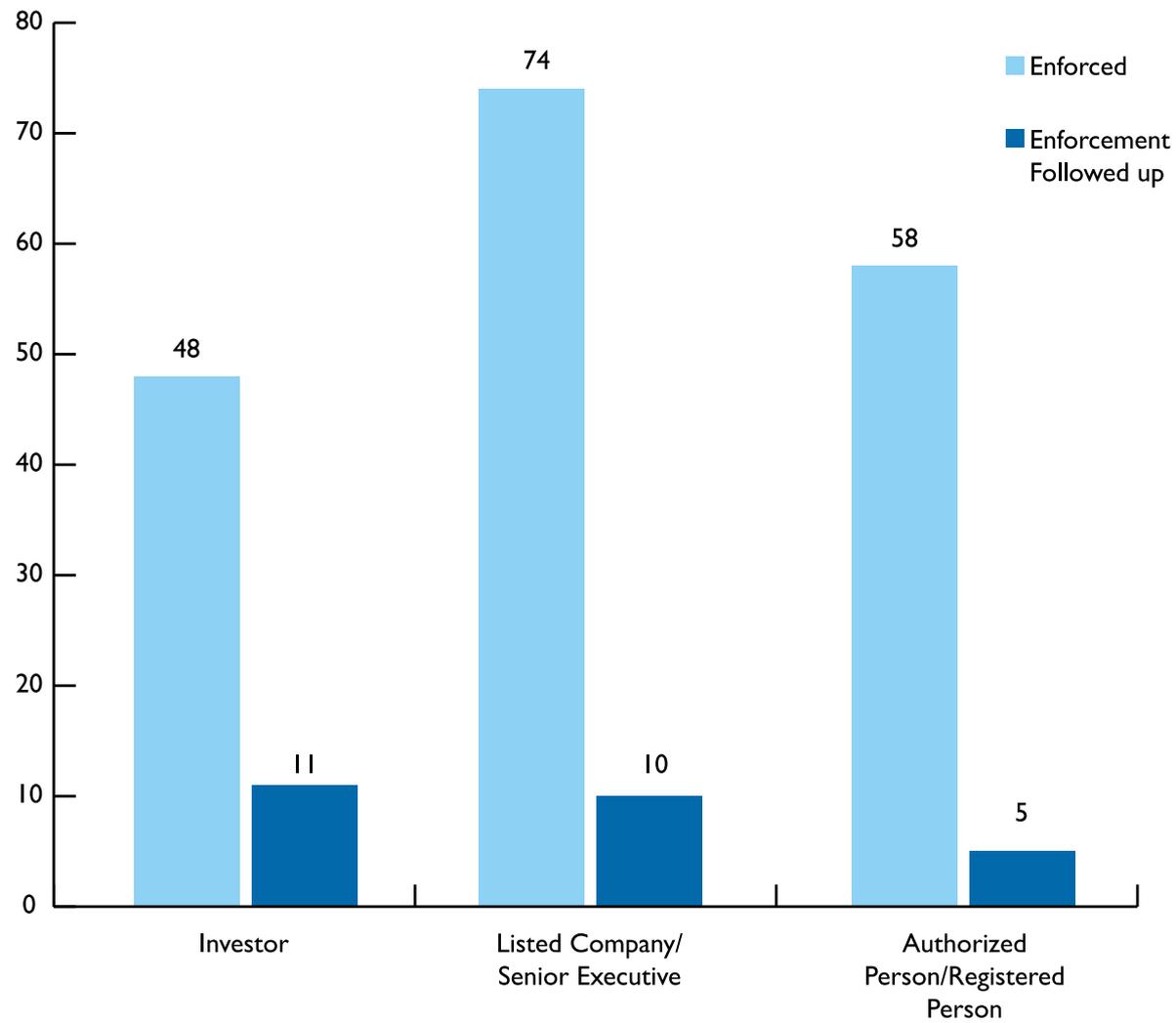
followed up. Sanction decisions issued against “listed company/ senior executive” ranked first with 84 decisions, 88.1% of which was enforced. Table (8-9).

Table (8-9): Sanction Decisions Issued by the CMA Board, the CRSD and ACRSD Classified by Type of Violator in 2012

Type of Violator	Number	Percentage out of Total (%)	Enforced	Enforced (%)	Enforcement Followed Up	Enforcement Followed Up (%)
Investor	59	28.6%	48	81.4%	11	18.6%
Listed Company/ Senior Executive	84	40.8%	74	88.1%	10	11.9%
Authorized Person/Registered Person	63	30.6%	58	92.1%	5	7.9%
<b>Total</b>	<b>206</b>	<b>100%</b>	<b>180</b>	<b>87.4%</b>	<b>26</b>	<b>12.6%</b>



Chart (8-5): Number of Sanction Decisions Issued by the CMA Board, the CRSD and ACRSD Classified by Type of Violator in 2012



## 8-6-2 Sanction Decisions Issued Classified by Type of Violation

Sanction decisions issued by the CMA Board, the CRSD and ACRSD on “manipulation and misleading information” violation constituted the largest number in 2012 with 22.3%. Sanction decisions on “disclosure violation” and “violation of the Authorized Persons

Regulations” came in the second and third places, accounting for 17.5% and 15.5% respectively of total decisions. In general, 87.4% of total decisions were enforced while the remaining is underway to be enforced. Table (8-10).

Table (8-10): Sanction Decisions Issued by the CMA Board, the CRSD and ACRSD Classified by Type of Violation in 2012

Type	Number	Percentage out of Total (%)	Enforced	Enforced (%)	Enforcement Followed up	Enforcement Followed up (%)
Manipulation and Misleading Information	46	22.3%	35	76.1%	11	23.9%
Disclosure Violation	36	17.5%	32	88.9%	4	11.1%
Insider Trading	0	0.0%	0	-	0	-
Violation of the Authorized Persons Regulations	32	15.5%	29	90.6%	3	9.4%
Ownership/Disposal of Percentages without Notifying the CMA	9	4.4%	8	88.9%	1	11.1%
Conducting Securities Business and Investment of Funds without License	7	3.4%	3	42.9%	4	57.1%
Violation of the CMA Board Resolutions	4	1.9%	4	100.0%	0	0.0%
Violation of the Offers of Securities Regulation	0	0.0%	0	-	0	-
Other Violations of the Listing Rules	0	0.0%	0	-	0	-
Trading During Prohibited Period	14	6.8%	14	100%	0	0.0%
Violation of the Corporate Governance Regulations	28	13.6%	27	96.4%	1	3.6%
Violation of the Investment/Real Estate Funds Regulations	30	14.6%	28	93.3%	2	6.7%
<b>Total</b>	<b>206</b>	<b>100%</b>	<b>180</b>	<b>87.4%</b>	<b>26</b>	<b>12.6%</b>

Investing Confidence

# Chapter Nine

## Persons Authorized to Conduct Securities Business Activities (Authorized Persons)

- 9-1 Authorization Decisions
- 9-2 Licenses Classified by Securities Business Activities
- 9-3 Paid-up Capital of Authorized Persons

Pursuant to Chapter Five (Brokers Regulation) of the CML, the CMA has continued to protect investors and improve the quality of services rendered by the authorized persons by ensuring the enforcement of the CMA's rules and regulations issued to that end, namely:

1. Securities Business Regulations.
2. Authorized Persons Regulations.
3. Anti-Money Laundering and Counter-Terrorist Financing Rules.
4. Prudential Rules.

## 9-1 Authorization Decisions

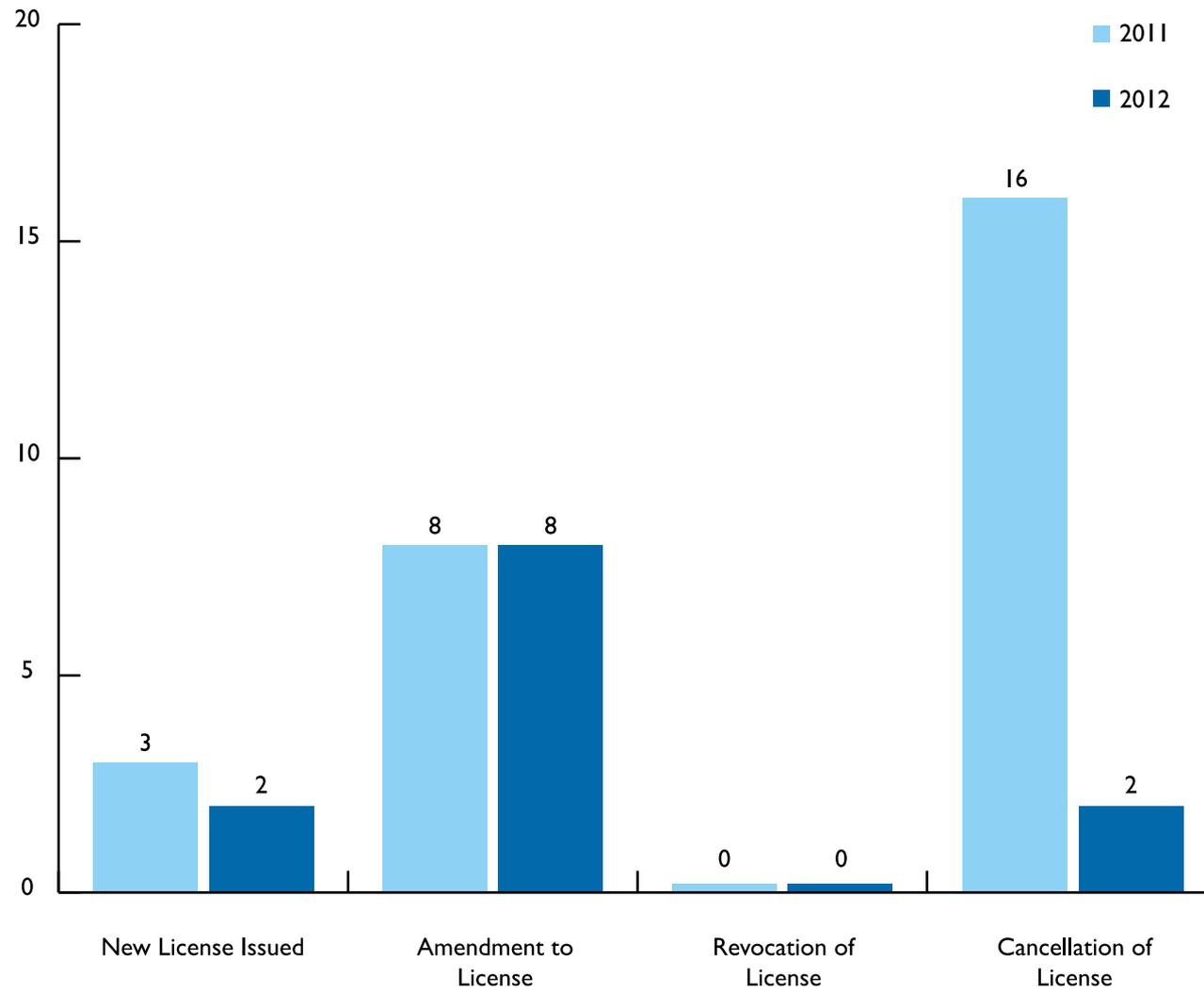
During 2012, the CMA Board issued 12 decisions pertaining to securities licenses for the conduct of securities business of the authorized persons. These decisions can be categorized as: 2 decisions to approve new licenses for firms and institutions, 8 decisions to amend existing licenses, and 2 decisions to cancel previously issued licenses. Table (9-1).

Table (9-1): Licensing Decisions by Type

Decision Type	Number			
	2011	Percentage (%)	2012	Percentage (%)
New License Issued	3	11.1%	2	16.7%
Amendment to License	8	29.6%	8	66.7%
Revocation of License	0	--	0	--
Cancellation of License	16	59.3%	2	16.7%
<b>Total</b>	<b>27</b>	<b>100%</b>	<b>12</b>	<b>100%</b>



Chart (9-1): Number of Licensing Decisions by Type



The number of authorized persons in 2012 stood at 84, four of which did not obtain letters to commence business. The percentage of authorized

persons who had letters to commence business was 95.2% compared to 96.4% in 2011. Table (9-2).

Table (9-2): Number of Authorized Persons Classified by Possession of Business Commencement Letter

Classification	Number of Authorized Persons				Change (%)
	2011	Percentage out of Total (%)	2012	Percentage out of Total (%)	
Authorized with Letter to Commence Business	81	96.4%	80	95.2%	- 1.2%
Authorized without Letter to Commence Business	3	3.6%	4	4.8%	33.3%
<b>Total</b>	<b>84</b>	<b>100%</b>	<b>84</b>	<b>100%</b>	<b>0.0%</b>

## 9-2 Licenses Classified by Securities Business Activities

The total number of licenses for various securities business activities decreased by 2.2% to 349 in 2012 compared to 357 in 2011. The biggest decline was in the licenses for “dealing” by 4.9%, followed by “managing” and “custody” licenses by 2.9% each, and finally “arranging” by 1.3%. The number of licenses for “advising” activity remained unchanged at its previous count of 2011. The number of licenses for

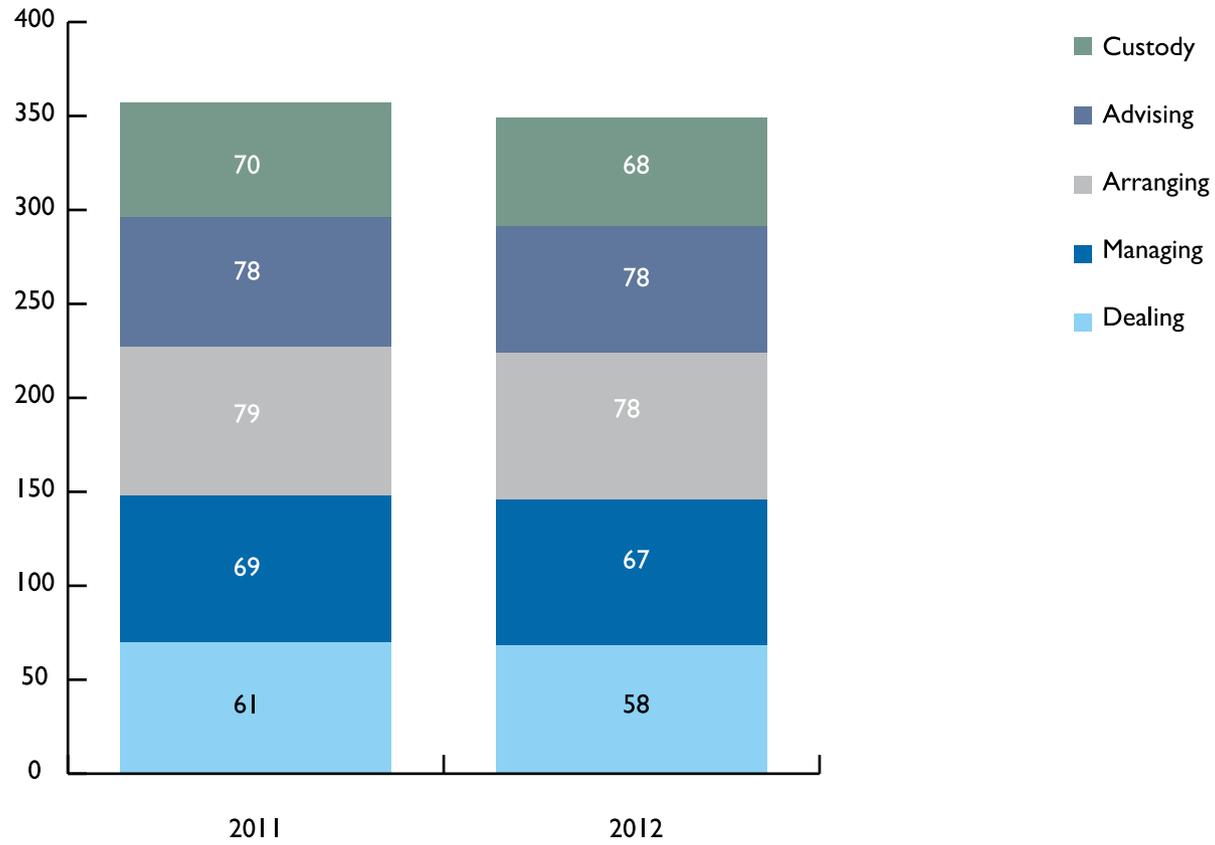
various securities business activities operating after obtaining business commencement letters was 337 in 2012 compared to 345 in 2011. The number of licenses for “arranging” and “advising” accounted for the largest percentage of total licenses for carrying out securities activities, with 22.3% each, followed by “custody” (19.5%), “managing” (19.2%), and finally “dealing” (16.6%). Table (9-3).

Table (9-3): Number of Valid Licenses of Securities Business Activities by Business Commencement Status

Type of Securities Activity	Number of Licenses							
	2011				2012			
	Commenced	Not Commenced	Total	Percentage out of Total (%)	Commenced	Not Commenced	Total	Percentage out of Total (%)
Dealing	60	1	61	17.1%	56	2	58	16.6%
Managing	66	3	69	19.3%	65	2	67	19.2%
Arranging	76	3	79	22.1%	75	3	78	22.3%
Advising	76	2	78	21.8%	75	3	78	22.3%
Custody	67	3	70	19.6%	66	2	68	19.5%
<b>Total</b>	<b>345</b>	<b>12</b>	<b>357</b>	<b>100%</b>	<b>337</b>	<b>12</b>	<b>349</b>	<b>100%</b>



Chart (9-3): Total Number of Valid Licenses of Securities Business Activities



The number of authorized persons licensed to conduct four activities decreased in 2012 to 8 compared to 11 in 2011. On the other hand, the number of authorized persons licensed to conduct two and

three activities went up by 25% each, while the number of those conducting one activity remained unchanged at the same count of 2011. Table (9-4).



Table (9-4): Authorized Persons, Classified by Number of Licensed Securities Business Activities

Number of Securities Activities	Number of Licenses				
	2011	Percentage out of Total (%)	2012	Percentage out of Total (%)	Change (%)
One Activity	2	2.4%	2	2.4%	0.0%
Two Activities	12	14.3%	15	17.9%	25%
Three Activities	4	4.8%	5	6.0%	25%
Four Activities	11	13.1%	8	9.5%	- 27.3%
All Activities	55	65.5%	54	64.3%	- 1.8%
<b>Total</b>	<b>84</b>	<b>100%</b>	<b>84</b>	<b>100%</b>	<b>0.0%</b>

Chart (9-4): Number of Authorized Persons, Classified by Number of Licensed Securities Business Activities

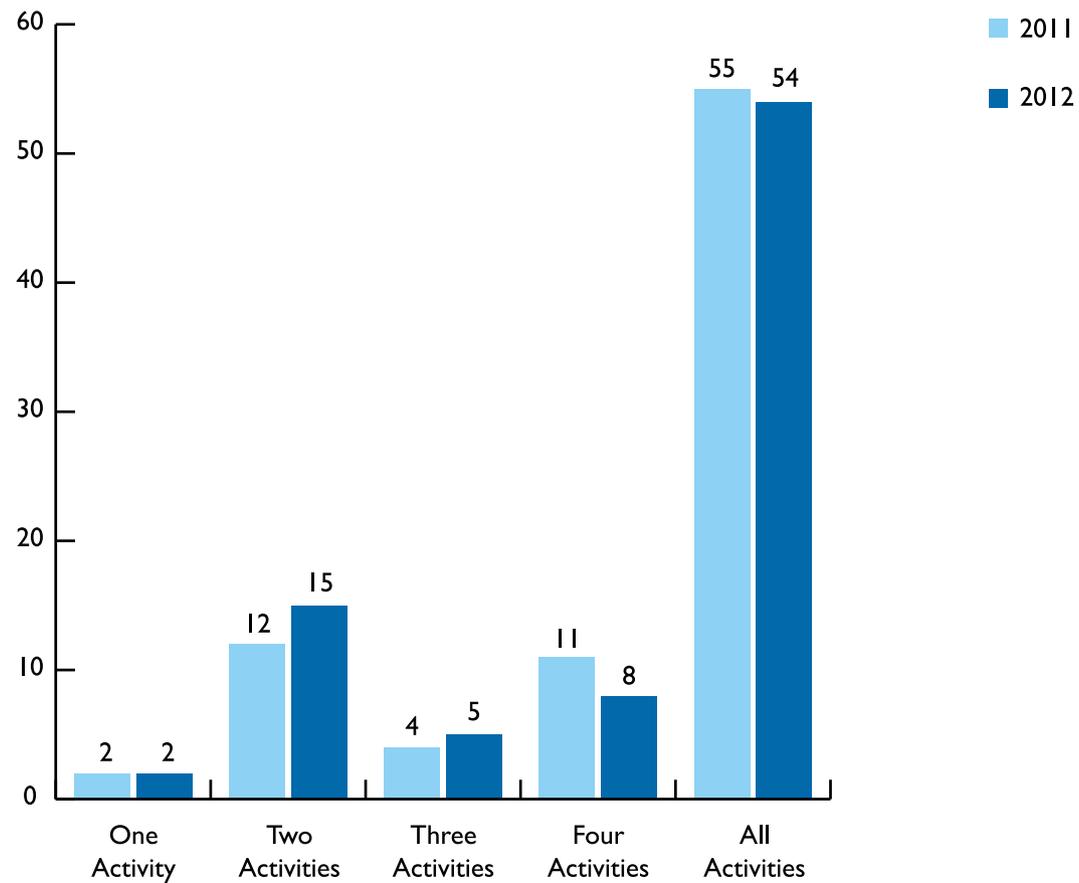




Table (9-5): List of Authorized Persons and Their Respective Licensed Securities Business Activities in 2012

No.	AP Name	Type of Licensed Securities Business				
		Dealing	Managing	Custody	Arranging	Advising
1	SEDCO Capital Company	✓	✓	✓	✓	✓
2	Amwal for Security Advising Ltd.				✓	✓
3	GIB Capital	✓	✓	✓	✓	✓
4	House of Investment & Financial Capital				✓	✓
5	Arch Mamlaka Company				✓	✓
6	Alistithmar Capital Company	✓	✓	✓	✓	✓
7	Northern Trust Saudi Arabia		✓	✓		✓
8	Ebanah Financial Company				✓	✓
9	Emirates NBD Capital KSA LLC	✓	✓	✓	✓	✓
10	Alinma Investment Company	✓	✓	✓	✓	✓
11	NCB Capital Company	✓	✓	✓	✓	✓
12	Al-Awwal Capital		✓	✓	✓	✓
13	Aloula Geojit Brokerage Company	✓	✓	✓	✓	✓
14	SaudiMed Investment Company	✓	✓	✓	✓	✓
15	AlBilad Investment Company	✓	✓	✓	✓	✓
16	AlJazira Capital Company	✓	✓	✓	✓	✓
17	Al-Khabeer Capital Company	✓	✓	✓	✓	✓
18	AlKhair Capital Saudi Arabia Company	✓	✓	✓	✓	✓
19	Al Rajhi Capital	✓	✓	✓	✓	✓
20	Riyad Capital Company	✓	✓	✓	✓	✓
21	Saudi Fransi Capital	✓	✓	✓	✓	✓
22	Saudi Hollandi Capital Company	✓	✓	✓	✓	✓
23	Middle East Financial Investment Company	✓	✓	✓	✓	✓
24	Arab National Investment Company	✓	✓	✓	✓	✓
25	Team One Company				✓	✓
26	Saudi Portfolio Securities Company				✓	✓
27	EFG-Hermes KSA	✓	✓	✓	✓	✓



No.	AP Name	Type of Licensed Securities Business				
		Dealing	Managing	Custody	Arranging	Advising
28	The Investor Company for Securities	✓	✓	✓	✓	✓
29	Gulf Investors Asset Management Company	✓	✓	✓	✓	✓
30	Gulf Advisors Financial Consulting Company				✓	✓
31	Malaz Capital Company		✓	✓	✓	✓
32	Al Wasatah Al Maliah Company	✓	✓	✓	✓	✓
33	Integration Capital for Financial Papers Company				✓	✓
34	HSBC Saudi Arabia Limited	✓	✓	✓	✓	✓
35	Itqan Capital	✓	✓	✓	✓	✓
36	Ithraa Capital Company	✓	✓	✓	✓	✓
37	Investcorp Saudi Arabia Financial Investment Company		✓	✓	✓	✓
38	Adeem Financial Company		✓	✓		
39	Arbah Capital Company	✓	✓	✓	✓	✓
40	Osool Capital Company	✓	✓	✓		
41	Anfaal Capital Company		✓	✓	✓	✓
42	Barclays Saudi Arabia	✓	✓	✓	✓	✓
43	Blominvest Saudi Arabia Company	✓	✓	✓	✓	✓
44	BNP Paribas Investment Company KSA	✓		✓	✓	
45	United Financial House Company	✓	✓	✓		
46	Global Investment House KSA	✓	✓	✓	✓	✓
47	House of National Consulting Company				✓	✓
48	Saudi Kuwaiti Finance House Company	✓	✓	✓	✓	✓
49	Bait Al Mal Al Khaleeji Company		✓	✓	✓	✓
50	Jadwa Investment Company	✓	✓	✓	✓	✓
51	Gulf One Capital Company		✓	✓	✓	✓
52	JP Morgan Saudi Arabia Ltd. Company	✓	✓	✓	✓	✓
53	Derayah Financial Corporation Company	✓	✓	✓		✓
54	Deutsche Securities Saudi Arabia LLC Company	✓	✓	✓	✓	✓
55	Rasmala Investments Saudi Arabia Company				✓	✓



No.	AP Name	Type of Licensed Securities Business				
		Dealing	Managing	Custody	Arranging	Advising
56	Rana Investment Company	✓	✓	✓	✓	✓
57	SAMBA Capital & Investment Management Company	✓	✓	✓	✓	✓
58	Standard Chartered Capital Saudi Arabia	✓	✓	✓	✓	✓
59	Sidra Capital Company	✓	✓	✓	✓	✓
60	Societe Generale Saudi Arabia	✓	✓	✓	✓	✓
61	Swicorp Company	✓	✓	✓	✓	✓
62	Shuaa Capital Saudi Arabia Company	✓	✓	✓	✓	✓
63	Audi Capital Saudi Arabia Company	✓	✓	✓	✓	✓
64	Goldman Sachs Saudi Arabia Company	✓	✓	✓	✓	✓
65	Falcom Investment Company	✓	✓	✓	✓	✓
66	Saudi Venture Capital Investment Company	✓	✓	✓	✓	✓
67	Credit Suisse Saudi Arabia Company	✓	✓	✓	✓	✓
68	KKR Saudi Limited Company				✓	
69	QInvest Saudi Arabia Company		✓	✓	✓	✓
70	Lazard Saudi Arabia Limited Company				✓	
71	Muscat Capital LLC	✓	✓	✓	✓	✓
72	MaCeem Capital	✓	✓	✓	✓	✓
73	Morgan Stanley Saudi Arabia Company	✓	✓	✓	✓	✓
74	Merrill Lynch KSA Company	✓	✓	✓	✓	✓
75	Mizuho Saudi Arabia Company				✓	✓
76	Nomura Saudi Arabia Company	✓	✓	✓	✓	✓
77	Watan Investment and Securities Company				✓	✓
78	UBS Saudi Arabia Company	✓	✓	✓	✓	✓
79	Al-Dukheil Financial Group	✓	✓	✓	✓	✓
80	Al Nefae Investment Group	✓	✓	✓	✓	✓
81	Bakheet Investment Group		✓	✓		✓
82	BMG Financial Group				✓	✓
83	Vision Capital Group				✓	✓
84	KSB Capital Group	✓	✓	✓	✓	✓



## 9-3 Paid-up Capital of Authorized Persons

The number of authorized persons (APs) remained unchanged at 84 in 2012 compared to 2011. However, the total paid-up capital

decreased by 0.5% to SR 15.8 billion in 2012 against SR 15.9 in 2011. Table (9-6).

Table (9-6): Number of Authorized Persons and their Total Paid-up Capital

Description	2011	2012	Change (%)
Number of APs	84	84	0.0%
Total Paid-up Capital (SR Billion)	15.9	15.8	- 0.5%

# Chapter Ten

## Inspection of Authorized Persons

10-1 Inspection

10-2 Prudential

10-3 Anti-Money Laundering (AML)

## 10-1 Inspection

According to the powers stated in Paragraph (c) of Article Five of the CML, the CMA carries out a number of inspection programs for monitoring the activities of authorized persons to ensure their compliance with the CML and its Implementing Regulations. This is done through three particular inspection programs:

### 1. Initial Inspection Programs

The aim of these programs is to inspect the authorized persons after they obtain a license to ensure the soundness of their business and their compliance with the terms and conditions stated in the licenses issued for them by the CMA.

### 2. Cause Inspection Programs

These ad-hoc programs are conducted in response to complaints received from investors or employees of authorized persons, or any cases referred by entities associated with securities business, or

whenever the CMA has just cause to do so, or follow up remedial procedures of inspection remarks.

### 3. Routine Inspection Programs

These programs are implemented at regular intervals depending on the level of risks associated with the business of authorized persons. Risk profiles of all authorized persons are periodically assessed to determine the nature and type of inspection visits. In a routine inspection program, a series of procedural reviews is conducted taking into account the potential risks of authorized persons' business.

In 2012, the CMA carried out inspection 116 visits/tasks, including 3 initial inspection visits, 96 cause inspection visits/tasks, and 17 routine inspection visits compared to 114 inspection visits in 2011. Cause inspection visits took the lead with 71.9% and 82.8% in 2011 and 2012 respectively. The number of routine inspection visits declined by 15.0% in 2012 compared to 2011. Table (10-1).

Table (10-1): Inspection Visits/Tasks Carried out by the CMA by Type

Type	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Initial Inspection Visit	12	10.5%	3	2.6%	- 75.0%
Cause Inspection Visit/Task	82	71.9%	96	82.8%	17.1%
Routine Inspection Visit	20	17.5%	17	14.7%	- 15.0%
<b>Total</b>	<b>114</b>	<b>100%</b>	<b>116</b>	<b>100%</b>	<b>1.8%</b>



The total number of cause inspection visits/tasks in 2012 rose by 17.1% to 96 as compared to 2011. The number of cause inspection visits/tasks related to investor complaints or cases referred by other entities totaled 62 in 2011 increasing by 77.1% compared to 2011. Moreover, 31 follow-

ups of corrective actions arising from inspection remarks were carried out in 2012, accounting for 32.3% of total cause inspection visits/tasks. Also, three follow-up inspection visits were made as opposed to seven visits in 2011. Table (10-2).

Table (10-2): Cause Inspection Visits/Tasks Made by the CMA Classified by Type

Type of Case/Action	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Investor Complaints or Cases Referred by Other Entities	35	42.7%	62	64.6%	77.1%
Follow up of Corrective Actions Arising from Inspection Remarks	40	48.8%	31	32.3%	- 22.5%
Follow-up Inspection Visits	7	8.5%	3	3.1%	- 57.1%
<b>Total</b>	<b>82</b>	<b>100%</b>	<b>96</b>	<b>100%</b>	<b>17.1%</b>

## 10-2 Prudential

Paragraph (b/4) of Article Five of the Authorized Persons Regulations stipulates that an authorized person must comply with the principle of financial prudence, by maintaining adequate financial resources in accordance with the Rules prescribed by the Authority. To ensure compliance, the CMA reviews the following:

1. Capital adequacy reports of APs.
2. Subordinated loan agreements.
3. AP's capital adequacy when underwriting a securities offering.

In the light of that, the total number of financial reviews of authorized persons amounted to 835 in 2012 (805 periodical reviews of capital adequacy), denoting a decrease of 19.0% compared to 2011. This is due to license cancellation for a number of authorized persons. One subordinated loan agreement was approved; 23 capital adequacy assessment reviews of APs underwriting securities offerings were undertaken in 2012. Also, six remedial plans submitted by APs to increase net capital beyond the minimum level were reviewed. Table (10-3).

Table (10-3): Categorization of the Numbers of Financial Reviews of Authorized Persons

Type	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Periodical Reviews of Capital Adequacy Reports	992	96.1%	805	96.4%	- 18.9%
Capital Adequacy Assessment of APs Underwriting Offerings	15	1.5%	23	2.8%	53.3%
Subordinated Loan Agreements	7	0.7%	1	0.1%	- 85.7%
Business Plans to Raise Net Capital Beyond Minimum Level	18	1.7%	6	0.7%	- 66.7%
<b>Total</b>	<b>1,032</b>	<b>100%</b>	<b>835</b>	<b>100%</b>	<b>- 19.1%</b>



## 10-3 Anti-Money Laundering (AML)

The CMA monitors the compliance of authorized persons with the Anti-Money Laundering and Counter-Terrorist Financing Rules and other relevant laws by carrying out specialized inspection programs. In collaboration with the Financial Investigation Unit (FIU) of the Ministry of the Interior and other competent authorities, the CMA works on coordinating all relevant matters. Furthermore, the CMA shoulders the responsibility of conducting specialized inspection programs on unauthorized persons which are suspected of being involved in practicing securities business.

Accordingly, the number of actions taken by the CMA in 2012 with respect to processing incoming requests from government agencies amounted to 1,958 tasks/visits, representing 96.5% of total tasks and on-site visits. The number of processed incidents of unauthorized persons soared by 280% to 19 in 2012 compared to 2011. Table (10-4).

Table (10-4): Actions Conducted by the CMA on Compliance Management and AML

Type of Action	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Processing Incoming Requests from Government Agencies	2,401	95.9%	1,958	96.5%	- 18.5%
Processing Requests and Inquiries of Authorized Persons	92	3.7%	47	2.3%	- 48.9%
On-site Visits to Authorized Persons	6	0.2%	5	0.2%	- 16.7%
Processed Incidents of Unauthorized Persons	5	0.2%	19	0.9%	280.0%
<b>Total</b>	<b>2,504</b>	<b>100%</b>	<b>2,029</b>	<b>100%</b>	<b>- 19.0%</b>

Investing Confidence

# Chapter Eleven

## Investor Awareness

- 11-1 Media Activities and Programs
- 11-2 Public Activities and Programs
- 11-3 Awareness Activities and Programs



## 11-1 Media Activities and Programs

### 11-1-1 Publishing Informational Materials and Resolutions

The CMA has published many press releases and informational bulletins that cover news and resolutions issued by the CMA Board, or materials explaining and interpreting them in local, regional and international mass media in both Arabic and English. Furthermore, such news and informative materials are posted on the CMA's pages on social media websites (Facebook, YouTube and Twitter). In 2012, the CMA launched an online video channel (CMATV) to broadcast clips on financial awareness and investor-oriented CMA programs. More than 728 press items were published in 2012; the number of awareness messages and interactive replies posted on the CMA's social networking pages amounted to 1,085. In addition, 34 volumes of the weekly awareness page issued by the CMA were published on Al-Sharq newspaper (investor page) aiming at raising the awareness of investors, listed companies and authorized persons in the capital market.

### 11-1-2 Advertisement Campaigns on TV, Local Press and Social Media Networks

The CMA conducted a number of advertisement campaigns through various mass media channels to enlighten market participants on sound investment methods, hence avoiding breach of the CML and its Implementing Regulations, and warn them about dealing with unauthorized persons.

In 2012, the CMA launched one press campaign which lasted for 30 days, while the total number of appearances amounted to 13 times. Also, a 9-month electronic campaign was launched online, with a total number of appearances of 31.3 million times.

## 11-2 Public Activities and Programs

The CMA completed the "Call Center" project and launched "iAgent", a system that is mainly meant to serve customers by receiving and following up all sorts of incoming communications, via telephone, e-mail or fax. Caller data (name and contact information) and purpose of contact are saved and recorded in order to get back to customers and

improve the service. One of the key features of the system lies in its connectivity to the investor complaint system, so complaints can be immediately filed by the call center's staff to the Investor Complaints Department once the complaint files are verified and completed. Moreover, as another feature, SMS can be sent to complainants to provide them with a complaint number once their complaints are filed to the investor complaint system. iAgent is also capable of generating accurate reports on the nature and details of communications. Our call center received and handled 4,000 communications in 2012, as 2,335 of which were telephone calls, accounting for 58% of total communications, 1401 e-mails, and 264 facsimiles.

## 11-3 Awareness Activities and Programs

### 11-3-1 Publishing and Distributing Awareness Booklets

The CMA issued two booklets in 2012, namely, "How to Read the Board of Directors' Report" and "Examples of some Violations of the Capital Market Law and its Implementing Regulations" to join the collection of previously issued awareness booklets totaling 16. These booklets have been distributed amidst the CMA's various appearances and engagements.

The CMA also:

- ◆ Distributed more than 41,000 publications to target audience by utilizing various distribution channels and venues such as pavilions and stands at conferences, symposia, airports, train stations, summer camps, community and charitable centers, and government and private schools across the Kingdom. The CMA also distributed its publications through authorized persons and listed companies to target their clients at branches, trading halls, and in general assemblies.



- ◆ Published and distributed 254,000 copies of the “The Smart Investor” magazine (volumes 1-6 in one bundle) at public places and schools.
- ◆ Published and distributed 20,000 pamphlets for an awareness lecture, 20 thousand paper money boxes, and 10 thousand coloring books.
- ◆ Published the fifth and sixth volumes of “The Smart Investor”, a magazine dedicated to kids at primary grades. The magazine is intended to present some concepts of saving and investing in an entertaining and simplified manner; around 3,000 copies of each volume were distributed.
- ◆ Continued cooperation with VISA to keep an educational game in release, as 11,300 CDs were distributed.
- ◆ Updated the content and design of “Examples of some Violations of the Capital Market Law and its Implementing Regulations” to be the 16th awareness booklet.

- ◆ Translated the awareness booklets into English, and published them on the website.
- ◆ Published “Investment Awareness” on the website, a booklet that brings together press, awareness and educational materials that were published during 2011 in local newspapers.

### 11-3-2 Awareness Road Shows and International Fairs

The CMA carried on with the Road Show project targeting eight cities/provinces across the Kingdom. Several CMA pavilions were held in the malls of those cities and provinces connecting with visitors of all segments.

The number of road shows amounted to 32, as they attracted remarkable attendance of around 3.5 million visitors. Table (11-1).

Table (11-1): Investor Awareness Road Shows Organized by the CMA in 2012

No.	City/Province	Road Shows Organized	Attendees
1	Riyadh	22	2,554,952
2	Jeddah	1	565,000
3	Al-Ahsa	3	402,350
4	Al-Qassim	2	3,050
5	Ha'il	1	1,200
6	Al-Kharj	1	1,000
7	Yanbu'	1	500
8	Al-Khobar	1	20
Total		32	3,528,072



Also, the CMA organized a number of awareness pavilions on several occasions in 2012:

- ◆ TEDx curriculum conference in Riyadh.
- ◆ Al-Jubail Science Center, held in Al-Jubail industrial city.
- ◆ Orphans program in Riyadh.
- ◆ Riyadh 6th International Book Fair.
- ◆ Disabled Children's Annual Carnival.

### 11-3-3 Smart Investor Program

The main task of the Smart Investor Program is to transform the principles of sound financial practices and positive behaviors in financial literacy into interactive materials with target segments. The program is aimed at children and youngsters, boys and girls, from the age of 5 to 14. They were divided into two categories according to their educational levels: students in primary grades (4th, 5th and 6th) and students in intermediate grades at all schools of the Kingdom. The Program also pays attention to parents and teachers to explain the financial principles

to convey the information more clearly to children. The CMA was keen to diversify the components of the Smart Investor Program to cover awareness on various aspects: the Smart Investor website, social networking pages, school awareness program, public awareness program, media awareness programs, and finally the "Smart Investor Ambassador".

The "Smart Investor Ambassador" is intended for those interested in educating children and students. We organized 5 training courses in several regions for interested educators as they were provided with essential equipment to present the courses. One of the awareness tools that was added to the program in 2012 was the waiting kit which enables the substitute teacher to make use of the waiting time by delivering a useful presentation to the class on the Smart Investor.

### 11-3-4 School Awareness Visits

The CMA made several awareness visits to schools in different cities/provinces across the Kingdom; 12 cities/provinces were covered in school visits. The number of visited schools amounted to 292. Awareness visits benefited a total of 10,236 beneficiary students as 11,070 bundles, each containing the 7 volumes of the "Smart Investor", were distributed. Table (11-2).

Table (11-2): Awareness School Visits Made by the CMA in Different Cities/Provinces across the Kingdom in 2012

No.	City/Province	Number		
		Schools	Beneficiary Students	Distributed Bundles of "Smart Investor" Magazine
1	Riyadh	109	5,600	5,950
2	Eastern Region	14	384	400
3	Al-Aflaj	4	150	200
4	Hafr Al-Baten	18	240	300
5	Al-Qassim	23	175	250
6	Al-Madinah	20	375	400
7	Yanbu'	9	630	700
8	Tabuk	16	730	750
9	Al-Jouf	10	337	350
10	Ha'il	12	287	300
11	Al-Ahsa	31	373	450
12	Khamis Mushait	5	492	520
13	Smart Investor Ambassador Program	4	454	500
Total		292	10,236	11,070

### 11-3-5 Organizing and Sponsoring Training Courses, Symposia and Seminars

In 2012, the CMA carried out the following activities:

- ◆ Held specialized workshops, entitled "General Assemblies and Preparing the Board of Directors' Report" in three cities.
- ◆ Organized specialized seminars entitled "Electronic Forms System" for joint stock companies listed on the market in Riyadh and Jeddah to introduce the system and announce trial launch.
- ◆ Organized 3 seminars (3 days), in cooperation with Nasdaq OMX, to introduce the prudential rules for all concerned authorized persons and other interested parties. The seminars provided an overview and explained the requirements and standards of prudential rules.
- ◆ Held a 3-day training course (Regulation, Inspection and Surveillance on Market Intermediaries) in cooperation with the Securities and Exchanges Commission (SEC), in Riyadh. The course targeted CMA staff and participants from GCC and regional markets, as well as representatives of authorized persons in the Kingdom.

Investing Confidence

# Chapter Twelve

## Regulation and Development of the CMA's Internal Environment

- 12-1 Internal Environment Development and Administrative Organization
- 12-2 Shift to Electronic Government Transactions



## 12-1 Internal Environment Development and Administrative Organization

During 2012, the CMA assumed many tasks and initiatives to improve performance and develop the internal business environment in several domains, such as:

### 12-1-1 Recruitment and Cooperation with Advisors

The CMA continued to build its human resources in 2012, recruit promising national capabilities, and use the aid of local and foreign expertise as needed. This can be summed up in the following:

- ◆ The CMA recruited 66 highly qualified employees in 2012, bringing the total number of CMA employees to 677, an increase of 6.3% compared to 2011.
- ◆ Some domestic and foreign experienced firms were chosen to undertake capital market consultancy projects for a number of CMA Divisions/Departments.
- ◆ A very small number of capital market specialists were hired from overseas to fill specialized consultancy positions.
- ◆ Saudization reached 98.5%; Saudi female employees accounted for 10%.

### 12-1-2 Human Resources Development

In 2012, the CMA organized many training and qualifying programs as follows:

- ◆ 23 in-house training programs.
- ◆ 861 CMA employees took part in specialized short training programs.
- ◆ 14 employees joined the rotation program.

- ◆ 25 employees enrolled in domestic English programs.
- ◆ 16 employees enrolled in "English Abroad" programs.
- ◆ The number of short training courses in which CMA employees enrolled amounted to 696 programs, held inside and outside the Kingdom.
- ◆ 81 employees joined part-time educational programs.
- ◆ 15 employees joined on-the-job training programs at peer international organizations and entities.
- ◆ 26 employees were sent on overseas scholarships, taking the total number of employees on scholarships to 45.
- ◆ 26 employees graduated from the scholarship program.

### 12-1-3 Planning Business Development

The CMA has set its strategy in line with its vision, mission, and values towards the parties of the capital market to achieve its prime strategic objectives, which are based on investor protection, capital market development, and keeping pace with the recent developments and practices related. Through the concerned Department, the CMA follows up the implementation of the strategic plan and measures performance indicators on an annual basis. This is done after setting objectives at different levels within the CMA, while ensuring that these objectives are linked at all levels to the CMA's strategic objectives.

In 2012, the CMA also laid an action plan to help various Departments and Units to boost the efficiency and quality of operations to eventually reach organizational excellence. The plan also aims to unify the structure of policies and procedures and strike alignment between them in order to promote a culture of continuous improvement in the business of different CMA Divisions/Departments to reach a high degree of quality and operational efficiency.



## 12-1-4 Promoting the CMA's Social Role

- ◆ The CMA organized training programs to a number of members of some GCC capital markets' regulators. These programs introduced the most important professional practices in the CMA's business.
- ◆ Participated in three career-day events over 10 days at local and regional universities and academic institutions.
- ◆ Recruited a number of distinguished university students to complete their co-operative training programs at the CMA. The duration of cooperative training ranged from 6 to 28 weeks. The number of cooperative training male/female students amounted to 59 in 2012.

## 12-2 Shift to Electronic Government Transactions

Pursuant to the directives issued under Royal Order No.(8189/MB) dated 19/6/1426H, to form a committee at each government agency named "E-Government Committee" to be presided by the top official at that agency or whom he may authorize, and shall be concerned with all matters pertaining to e-transactions and determine respective implementation requirements in coordination with the E-Government Program "YESSER" at the Ministry of Communications and Information Technology and other government agencies, due to the importance attached to the Committee and shift to e-transactions, and with reference to Resolution No. (21/RMS) dated 23/11/1431H (7/2/2010), and Resolution No. (17/RMS) dated 20/7/1432H (22/6/2011), the chairman of the CMA Board issued Resolution No. (40/RMS) dated 21/10/1433H (8/9/2012) to recompose the E-Government Committee under the presidency of His Excellency Chairman of the CMA Board.

The Committee assumes the responsibility of supervising the implementation of the e-transactions plan at the CMA, and coordinates with the E-Government Program "YESSER" at the Ministry of Communications and Information Technology and other government agencies.

Major accomplishments made in this regard include the following:

## First: "YESSER" Program:

In 2012, the CMA:

- ◆ Prepared the detailed plan for converting into e-transactions within the CMA according to the concepts and standards of the E-Government Program "YESSER". The plan deliverables are in conformity with the 4th report on the e-government transformation measurement.
- ◆ Launched numerous electronic systems and services which serve CMA clients and service users, such as:
  - Authorizations system.
  - Registry and listing system.
  - Electronic recruitment system.
  - Continuous disclosure system.
  - Vendors system.
  - CMA Examination Center.
- ◆ Established the Call Center.
- ◆ Signed an agreement to offer certification service issued by the National Center for Digital Certification (phase one completed).
- ◆ Finished connection to the Service Bus in the E-Government Program "YESSER" (phase one).

## Second: Information Security

In 2012, the CMA:

- ◆ The CMA was awarded the ISO 27001 certificate on Information Security for the second consecutive year, following a successful external inspection of information technology and security, respective policies, procedures and operations which have been developed and applied.



- ◆ Applied information security policies and conducted related awareness programs to all CMA staff.
- ◆ Launched and activated technological risk management based on best international practices.
- ◆ Reviewed security systems of all new applications and worked on identifying and resolving security gaps.
- ◆ Enabled CMA official website protection service to defend attacks aimed at blocking the service. This is to ensure maintaining uninterrupted service and reduced security threats.

### Third: Internal Systems

In 2012, the CMA:

- ◆ Completed the project of information technology services and launched the services for all CMA staff. The project offers many benefits:
  - Display of technical services developed.
  - Ability to make use of technical services and support with greater flexibility.
  - Improved response time to technical problems, and ran technical changes without interrupting business continuity.
  - User friendly interface while maintaining effectiveness at the same time.
  - Advanced measurement tools to increase the performance and productivity of different Units of IT.
  - System compatibility and integration with many other systems according to international standards by which procedures within the IT Department were supported.
- ◆ Worked to vitalize the Enterprise Architecture and support business technology to meet the standards and frameworks necessary for realizing the CMA's vision and objectives given the existence of distinguished human resources and promising future plans.

Table (12-1): Highlights of some CMA Technological Services in 2012

Element	Number
Projects	37
Business Assignments	6
Number of Persons Contributing to Projects Development	185
Business Requirements Documents	4
Enhancement Business Requirements Documents	14
Training Lectures on the Use of SharePoint	4
Technical Support Requests	8,254
Number of Threats to CMA Website	10,486
Number of Virus Attacks	18,611
Number of E-mail Spams	980,644
Number of Incoming E-mails	9,127,481
Number of Outgoing E-mails	1,119,387
Size of E-mail Data (GB)	153

# Chapter Thirteen

## Committees for the Resolution of Securities Disputes (CRSD and ACRSD)

- 13-1 Committee for the Resolution of Securities Disputes (CRSD)
- 13-2 Appeal Committee for the Resolution of Securities Disputes (ACRSD)

## 13-1 Committee for the Resolution of Securities Disputes (CRSD)

The Committee for the Resolution of Securities Disputes (CRSD) was formed pursuant to Article Twenty Five of the CML that stipulates the establishment of a committee that consists of legal advisors specialized in the jurisprudence of financial transactions and capital markets, with expertise in commercial and financial affairs and securities to settle the disputes that fall under the provisions of the CML and its Implementing Regulations, and their rules and instructions with respect to the public and private rights. Accordingly, the CMA Board passed Resolution No. 1-2-2005 dated 7/11/1425H to form the designated committee comprising the following four members:

- ◆ Dr. Mohammed Abdullah Al-Marzouki, Advisor (Chairman)
- ◆ Dr. Khaled Hassan Ba-Naser, Advisor (Member)
- ◆ Mr. Saud Abdulrahman Al-Shammari, Advisor (Member)
- ◆ Dr. Khalid Abdulmohssen Al-Mouhaisin, Advisor (Member) appointed on 13/3/1433H

Their membership in the Committee was renewed for three years as of 18/1/1432H.

To achieve optimum communication with concerned parties, the secretariat of the Committee accomplished the following in 2012:

- ◆ Published the decisions of the CRSD and ACRSD for 1431/1432H on its website ([www.crsd.org.sa](http://www.crsd.org.sa)) in Arabic.
- ◆ Published the English translation of decisions of the CRSD and ACRSD for 1428/1429/1430H on its website.
- ◆ Sent SMS notifications, as the number of SMS sent to parties of litigation in 2012 amounted to 1,090.

Data indicate that the cases filed with the CRSD in 2012 increased to 165 compared to 110 in the previous year. Civil cases constituted the highest percentage during 2011 and 2012, accounting for 73.6% and 64.8% of total cases. Administrative cases rose significantly in 2012 compared to the preceding year. Table (13-1).

In addition, 20 filed cases were closed in 2012 compared to 29 cases filed and closed in 2011. Civil cases accounted for 65.0% of total closed cases, while penal and administrative cases ranked second and third respectively with 20.0% and 15.0%. Table (13-2).

Table (13-1): Cases Filed with the CRSD by Type of Case<sup>33</sup>

Case Type	2011		2012	
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
Civil	81	73.6%	107	64.8%
Administrative	2	1.8%	21	12.7%
Penal	27	24.5%	37	22.4%
<b>Total</b>	<b>110</b>	<b>100%</b>	<b>165</b>	<b>100%</b>

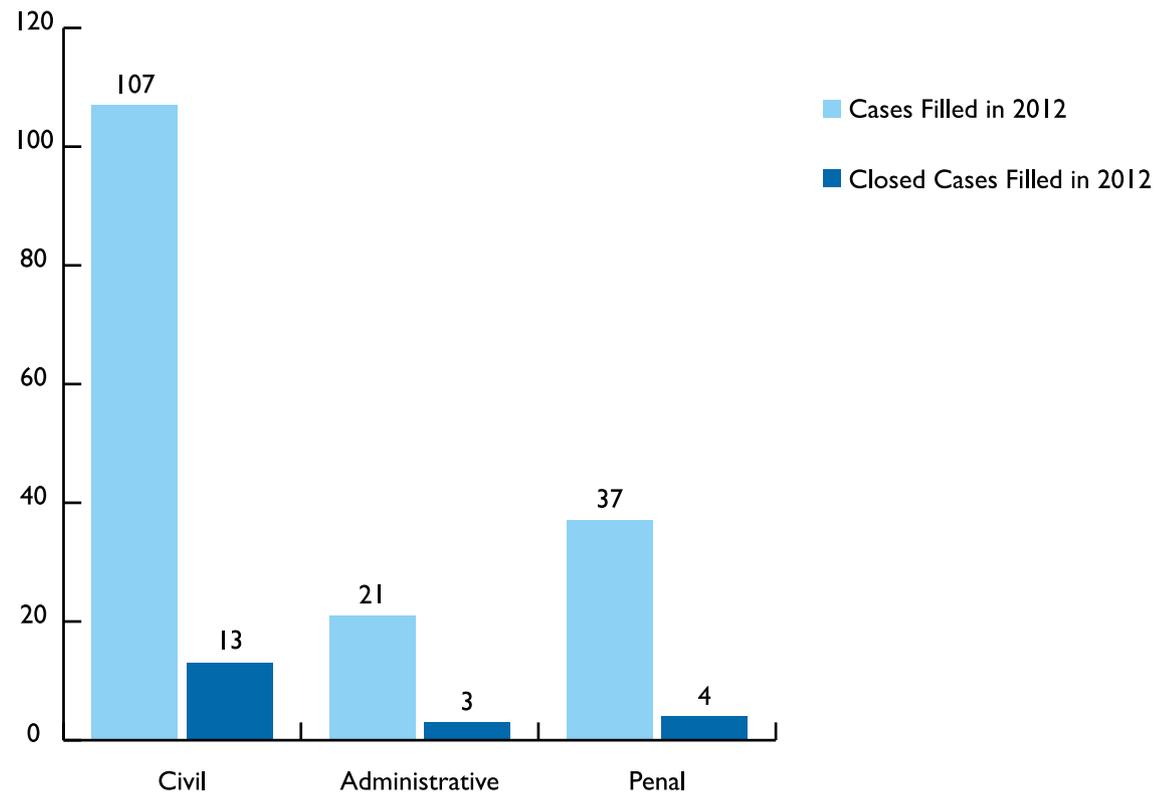
33) Civil cases are private right lawsuits, involving civil responsibility, which are filed by securities investors against authorized persons, or among investors or authorized persons. Administrative cases are grievances against the decisions and procedures issued by the CMA or the Exchange. Penal cases are public right lawsuits, brought against violators of the CML and its Implementing Regulations and the Exchange's rules and guidelines.



Table (13-2): Number of Closed Cases (Out of Filed Cases within the Same Year) by Type of Case

Case Type	2011		2012	
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
Civil	25	86.2%	13	65.0%
Administrative	0	0.0%	3	15.0%
Penal	4	13.8%	4	20.0%
<b>Total</b>	<b>29</b>	<b>100%</b>	<b>20</b>	<b>100.0%</b>

Chart (13-1): Number of Cases Filed with the CRSD and Closed Cases by Type of Case





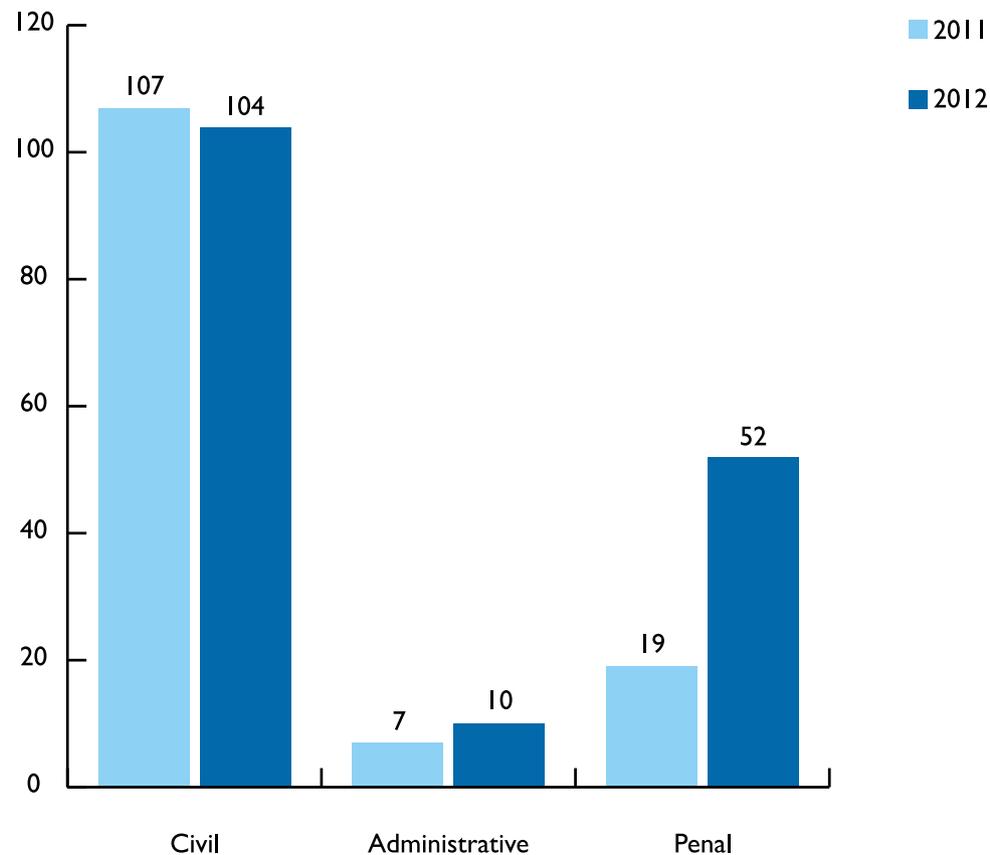
As to the decisions issued by the CRSD in 2012, the Committee issued 166 decisions covering all three types of cases (civil, administrative and penal cases) with a total increase of 24.8% compared to the previous year. The decisions issued on civil cases accounted for 62.7%

of total decisions issued in 2012, while the decisions issued on penal and administrative cases comprised 31.3% and 6.0% respectively. Table (13-3).

Table (13-3): Decisions Issued by the CRSD in 2011 and 2012 by Type of Case

Case Type	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Civil	107	80.5%	104	62.7%	- 2.8%
Administrative	7	5.3%	10	6.0%	42.9%
Penal	19	14.3%	52	31.3%	173.7%
<b>Total</b>	<b>133</b>	<b>100%</b>	<b>166</b>	<b>100%</b>	<b>24.8%</b>

Chart (13-2): Number of Decisions Issued by the CRSD by Type of Case





Penal decisions issued by the CRSD in 2012 included 26 decisions to pay fines and disgorgements, accounting for 50% of total penal decisions. Table (13-4).

Table (13-4): Penal Decisions Issued by the CRSD by Type of Decision<sup>34</sup>

Decision Type	2011		2012	
	Number of Decisions	Percentage out of Total (%)	Number of Decisions	Percentage out of Total (%)
Lack of Jurisdiction	0	0.0%	2	3.8%
Provisional Seizure Imposed	7	36.8%	11	21.2%
Provisional Seizure Lifted	0	0.0%	3	5.8%
Lack of Evidence	0	0.0%	2	3.8%
Travel Ban	3	15.8%	2	3.8%
Travel Ban Lifted	0	0.0%	6	11.5%
Fines and Disgorgements	9	47.4%	26	50.0%
<b>Total</b>	<b>19</b>	<b>100%</b>	<b>52</b>	<b>100%</b>

<sup>34</sup>) These decisions include some of the cases that were filed with the CRSD in 2011 and 2012 in addition to other previous years.

## 13-2 Appeal Committee for the Resolution of Securities Disputes (ACRSD)

Paragraph (g) of Article Twenty Five of the CML provides for the formation of an Appeal Committee for the Resolution of Securities Disputes (ACRSD) under a Council of Ministers' resolution. The Committee shall have three members representing the Ministry of Finance, the Ministry of Commerce and Industry, and the Bureau of Experts at the Council of Ministers. It shall look into the filed complaints or suits regarding the decisions issued by the CRSD. It has the right, according to its own discretion, to refuse to look into the decisions issued by the CRSD, affirm such decisions, or undertake a de novo review of the legal action or complaint, and issue the decision it believes appropriate in the matter under question. The decisions of the Appeal Committee are final.

The Council of Ministers issued its Resolution No. (325) dated 12/11/1432H (10/10/2011), renaming the members of the Appeal Committee to include:

- |  |          |
|--|----------|
| 1- Advisor/ Mr. Abdullah Bin Abdulaziz Ashiddi,<br>(Representing the Bureau of Experts)                  | Chairman |
| 2- Advisor/ Mr. Abdulaziz Bin Rashid Bin Kolaib,<br>(Representing the Ministry of Commerce and Industry) | Member   |
| 3- Advisor/ Mr. Salem Bin Saleh Al-Mutawa'<br>(Representing the Ministry of Finance)                     | Member   |

The Committee held 210 meetings to look into the appealed cases. The number of appealed penal cases in 2012 showed an increase of 200.0% compared to the previous year. Appealed civil cases declined by 2.5% compared to the preceding year. Table (13-5).

The ACRSD issued 191 decisions during 2012 on all sorts of cases (civil, administrative, and penal), denoting an increase of 55.3% compared to the previous year. The decisions issued on civil cases comprised 90.6%, while those on administrative and penal cases accounted for 5.2% and 4.2% respectively. Table (13-6).

Table (13-5): Cases Appealed (Filed) with the ACRSD by Type

Cases	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Civil	80	86.0%	78	75.7%	- 2.5%
Administrative	7	7.5%	7	6.8%	0.0%
Penal	6	6.5%	18	17.5%	200.0%
<b>Total</b>	<b>93</b>	<b>100%</b>	<b>103</b>	<b>100%</b>	<b>10.8%</b>



Chart (13-3): Number of Cases Appealed (Filed) with the ACRSD by Type

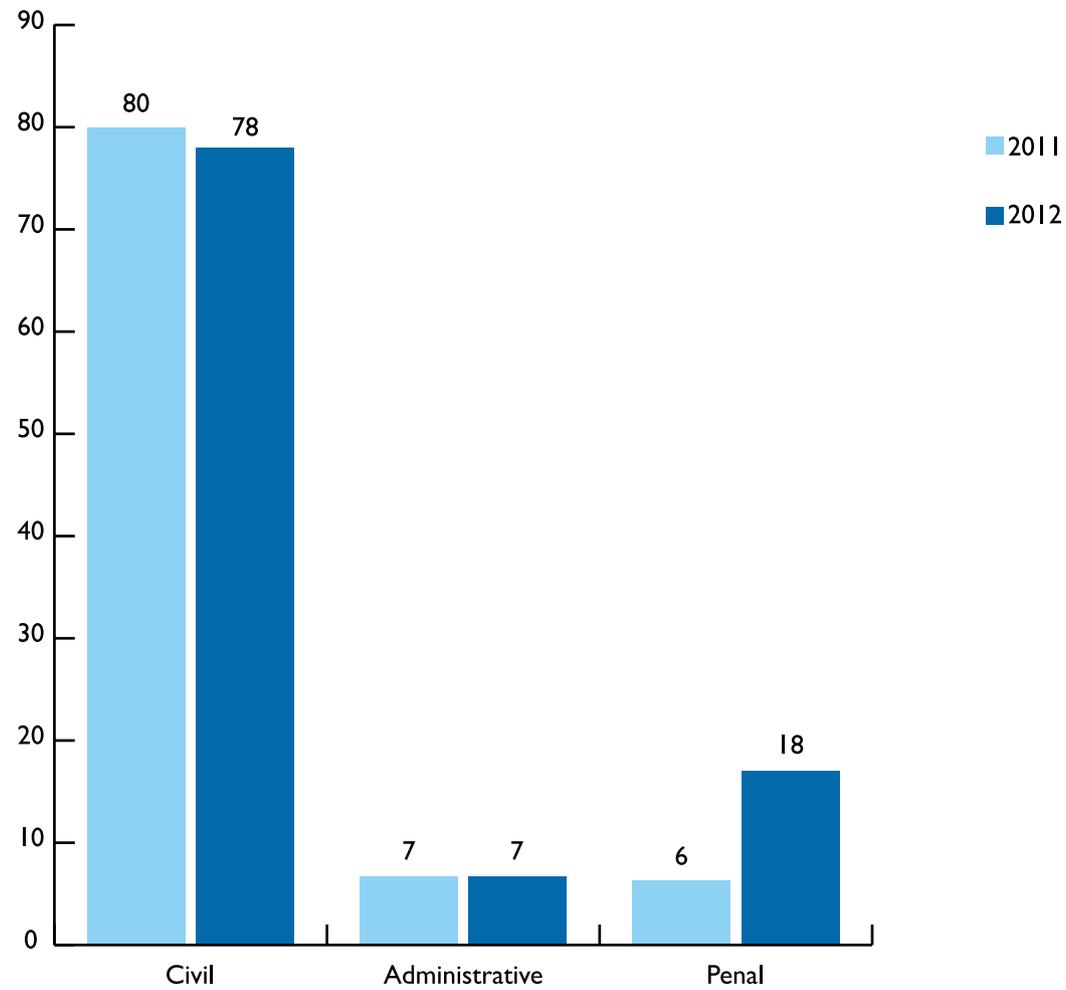


Table (13-6): Decisions Issued by the ACRSD by Type

Case Type	2011		2012		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Civil	112	91.1%	173	90.6%	54.5%
Administrative	5	4.1%	10	5.2%	100.0%
Penal	6	4.9%	8	4.2%	33.3%
<b>Total</b>	<b>123</b>	<b>100%</b>	<b>191</b>	<b>100%</b>	<b>55.3%</b>







## The CMA's Aspirations

Believing in its mission towards developing the capital market, protecting investors and applying the principles of transparency, fairness and disclosure, the CMA spares no effort to pursue and sustain its

achievements. In 2013, the CMA intends to execute several projects in various areas of capital market development and regulation including the following:

### Legislative and Regulatory Aspect

- ◆ Issue the Credit Rating Agencies Regulation.
- ◆ Develop the Authorized Persons Regulations.
- ◆ Issue rules to govern Special Purpose Vehicles.
- ◆ Issue the updated Investment Funds Regulations.
- ◆ Continue to develop the regulatory framework of the Saudi capital market by executing projects to draft and develop the Implementing Regulations.

### Capital Market Development

- ◆ Increase the efficiency of processes and procedures of listing applications and private placement notifications.
- ◆ Develop policy framework of swap agreements which aim to transfer the economic benefits of stocks of Saudi companies to foreigners without owning them.



## Disclosure of Listed Companies

- ◆ Develop the capital market disclosure mechanism by launching the electronic connection system (electronic disclosure forms) and obligate listed companies to use it.
- ◆ Achieve a higher level of market disclosure by monitoring the compliance of listed companies and investors with the requirements of continuous disclosure.
- ◆ Boost the level of market transparency and disclosure by conducting surveys on the status of listed companies' disclosure, and soliciting the views of corporate officials.

## Trading Surveillance

- ◆ Increase the efficiency and effectiveness of surveillance systems to keep up with developments by upgrading current surveillance tools to reach best international practices.
- ◆ Develop electronic tools, procedures, and systems to ensure highest compliance with the CML and its Implementing Regulations.
- ◆ Capitalize on global markets' expertise through mutual cooperation and exchange of surveillance experiences.



## Corporate Governance

- ◆ Improve compliance with the Corporate Governance Regulations and examine best practices in governance.
- ◆ Organize seminars on corporate governance in cooperation with relevant bodies, and take part in several symposia with regional and international organizations.
- ◆ Attend meetings of board members of listed companies to deliver presentations aimed at raising the level of corporate governance practice.

## Capital Market Decisions and Cases

- ◆ Continue to develop the CRSD website, fulfilling the needs of parties of litigation in securities.
- ◆ Continue to summarize and published the final decisions issued by the CRSD.
- ◆ Continue to translate the summarized decisions into English and post them on the CRSD's website.



## Authorized Persons

- ◆ Develop an integrated automated system, enabling authorized persons to submit their applications, notifications, register registrable functions, and file their financial statements by using electronic forms through a dedicated online portal.
- ◆ Improve professional standards and technical qualifications of the authorized persons' staff by continuing the development of new qualification examinations and advanced training programs.
- ◆ Continue to activate inspection programs and tools; monitor corrective actions of the operations and business of authorized persons, while updating inspection procedures in line with best international professional practices and standards.
- ◆ Constantly work on implementing an integrated framework to supervise capital market institutions, promoting effective risk management and increased governance at the authorized persons.
- ◆ Enhance communication with capital market institutions and keep holding regular meetings.
- ◆ Update the Anti-Money Laundering Rules issued by the CMA based on the issuance of the regulations of the Anti-Money Laundering Law by the Ministry of Interior.
- ◆ Electronically link reporting suspicious transactions of money laundering between the Ministry of Interior (Financial Investigation Unit) and financial institutions (authorized persons).



## Investor Awareness and Protection

- ◆ Increase awareness among investors about the roles of advisors and issuers with respect to IPOs and capital increase.
- ◆ Boost the level and quality of information available to investors in mutual funds.
- ◆ Increase awareness among market participants about corporate governance, continuous obligations and Market Conduct Regulations.
- ◆ Reach as great a number as possible of targeted segments through increased communication channels.
- ◆ Translate the Smart Investor website into English to ensure more access to children.
- ◆ Organize Smart Investor contests and lectures in sign language.
- ◆ Produce and broadcast cultural and financial cartoon episodes featuring human and virtual characters popular among kids to create an impact as one of the many awareness tools of the Smart Investor Program.
- ◆ Disseminate public awareness by targeting new segments in the society such as youngsters, and continue to sustain the awareness of all targeted segments.
- ◆ Promote cooperation in awareness activities with related parties and broaden its scope to expand and strengthen relations with the media.





## Content of Statistical Appendix

Table (1): Applications for Securities Offerings, Acquisition, Capital Reduction Approved by the CMA and Private Placement Notifications Received

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Table (3): Number of Individual Subscribers (Million) to IPOs by Subscription Channel

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Table (25): Number of Cases Appealed (Filed) with the ACRSD by Type of Case

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Table (1): Applications for Securities Offerings, Acquisition, Capital Reduction Approved by the CMA and Private Placement Notifications Received

Year	Initial Public Offering	Share Private Placement Notification	Debt Instrument Public Offering	Rights Issues Offering	Acquisition	Capital Reduction	Bonus Shares
2006	10	0	1	3	3	1	21
2007	27	1	2	4	1	1	18
2008	13	19	1	5	1	0	17
2009	13	64	2	3	1	0	13
2010	7	93	1	1	0	1	4
2011	6	74	2	5	1	1	10
2012	8	91	1	3	1	1	22

Table (2): Total Amounts (SR Billion) of Securities Offerings by Type

Year	Initial Public Offering	Share Private Placement	Rights Issues Offering	Debt Instrument Public Offering	Total
2006	10.45	0	7.2	3	20.65
2007	18.03	0.77	3.8	13	35.6
2008	36.36	6.72	22.48	5	70.56
2009	3.88	17.9	1.35	7.73	30.86
2010	3.8	19.1	0.4	7	30.3
2011	1.7	10.04	4.46	5.55	21.75
2012	5.33	33.28	7.36	0.24	46.21

Table (3): Number of Individual Subscribers (Million) to IPOs by Subscription Channel

Year	Phone Banking	Internet Banking	Bank Branches	ATMs	Total
2006	6.143	4.205	11.206	11.966	33.52
2007	8.979	5.672	6.176	15.02	35.847
2008	12.129	10.963	6.707	28.626	58.425
2009	3.07	2.65	1.04	6.14	12.9
2010	2.13	2.02	0.83	5.33	10.31
2011	0.58	0.91	0.18	1.295	2.965
2012	1.367	2.448	1.029	6.380	11.225

Table (4): IPO Amounts Collected (SR Billion), by Subscription Channel before Returning Oversubscribed Amounts

Year	Phone Banking	Internet Banking	Bank Branches	ATMs	Total
2006	5.5	3.62	11.99	9.3	30.41
2007	8.27	7.72	49.36	13.08	78.43
2008	14.41	17.37	18.65	30.77	81.2
2009	1.8	1.7	0.6	3.2	7.3
2010	1.4	1.6	0.7	3	6.7
2011	0.51	1.09	0.41	1.01	3.02
2012	1.20	3.525	1.70	4.62	11.05

Table (5): Number of Public Offer Investment Funds by Type of Investment

Year	Equities	Debt Instruments	Money Markets	Real Estate	Funds of Funds	Balanced	Capital Protected	Other	Total
2006	122	11	49	4	33	-	-	14	233
2007	135	7	57	4	34	-	-	25	262
2008	151	6	61	6	30	2	3	7	266
2009	154	6	56	6	27	2	8	8	267
2010	150	7	50	10	43	2	5	5	272
2011	138	9	47	10	43	3	2	4	256
2012	150	7	50	10	42	2	5	5	272

Table (6): Value of Public Offer Funds' Assets under Management (AUM) (SR Million) by Type of Investment

Year	Equities	Debt Instruments	Money Markets	Real Estate	Funds of Funds	Balanced	Capital Protected	Other	Total
2007	62,317	808	33,893	1,591	2,363	-	-	4,127	105,099
2008	24,824	153	43,035	2,293	1,756	-	-	2,754	74,815
2009	29,719	205	54,518	2,237	1,913	115.3	217.5	635.1	89,559.9
2010	30,974	218.9	58,015.7	1,557.4	2,677.3	91.2	358.1	773.5	94,666.1
2011	26,628.4	241.2	49,544.1	2,550.6	2,715.6	115.6	230.5	50.4	82,076.4
2012	27,988.2	637.2	53,878.3	2,587.4	2,731	64.2	43.3	30.2	87,959.8



Table (7): Value of Public Offer Funds' Assets under Management (AUM) (SR Million) in Equities Classified Geographically

Year	Local Equities	GCC Equities	Arab Equities	Asian Equities	US Equities	European Equities	Other International Equities	Total
2009	18,541.8	1,780.4	405.4	1,092.8	1,072.8	2,089.5	4,736.3	29,719
2010	19,074.1	1,942.1	246.3	1,116.8	1,162.2	2,211.3	5,221.2	30,974
2011	17,135.1	1,519.5	107.1	810.2	1,174.6	1,845.2	4,036.7	26,628.4
2012	17,445.2	1,632.7	185	842.7	1,348.2	2,191.5	4,342.9	27,988.2

Table (8): Number of Subscribers to Public Offer Funds by Type of Investment

Year	Equities	Debt Instruments	Money Markets	Real Estate	Funds of Funds	Balanced	Capital Protected	Other	Total
2009	275,062	137	68,398	4,484	6,523	757	124	846	356,331
2010	247,771	94	60,306	3,199	6,430	646	940	437	319,823
2011	226,204	42	54,839	4,565	6,201	685	849	121	293,506
2012	212,128	249	51,758	4,565	5,845	497	154	96	275,292

Table (9): Developments of Surveillance Reports on Securities Trading

Year	Number of Trading Surveillance Activity Reports	Number of Trading Days
2006	3,570	265
2007	4,780	248
2008	5,271	251
2009	2,242	250
2010	2,536	249
2011	2,567	248
2012	2,685	251



Table (10): Developments of "SMARTS" Detection

Year	Number of "SMARTS" Alerts	Intensive Scans for Trades and Deals Alerted	Suspected Violations
2006	-	252	66
2007	-	283	41
2008	34,294	968	44
2009	25,374	1,311	41
2010	20,722	1,234	42
2011	22,303	1,331	35
2012	26,323	1,687	32

Table (11): Condensed and Detailed Financial Statements Reviewed and Posted on "Tadawul" Website

Year	Condensed Financial Statements	Detailed Financial Statements
2006	418	411
2007	461	466
2008	550	534
2009	624	606
2010	676	665
2011	724	714
2012	760	742



Table (12): Reviewed Annual Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports

Year	Financial Statements with Unqualified Audit Reports	Financial Statements with Qualified Audit Reports
2006	57	20
2007	70	16
2008	97	14
2009	86	41
2010	97	36
2011	107	38
2012	106	44

Table (13): Reviewed Quarterly Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports

Year	Quarterly Financial Statements with Unqualified Audit Reports	Quarterly Financial Statements with Qualified Audit Reports
2006	61	25
2007	82	29
2008	103	24
2009	94	40
2010	98	40
2011	105	41
2012	107	47

Table (14): Number of Filed Investigation Cases into Suspected Violations of the CML by Type

Type	Year					
	2007	2008	2009	2010	2011	2012
Violation of Investment/Real Estate Funds Regulations	-	-	3	7	35	41
Violation of Corporate Governance Regulations	-	-	9	15	35	41
Trading During Prohibited Period	3	-	7	17	15	20
Other Violations of the Listing Rules	-	3	3	8	1	1
Violation of the Offers of Securities Regulation	-	4	6	2	1	3
Violation of the CMA Board Resolutions	-	1	2	0	2	7
Conducting Securities Business and Investment of Funds without License	45	53	55	39	67	49
Ownership/Disposal of Percentages without Notifying the CMA	19	11	4	3	10	10
Violation of the Authorized Persons Regulations	7	4	6	54	23	29
Insider Trading	-	-	2	3	6	1
Disclosure Violation	10	28	19	67	63	36
Manipulation and Misleading Information	14	47	41	38	30	31
<b>Total</b>	<b>98</b>	<b>151</b>	<b>157</b>	<b>253</b>	<b>288</b>	<b>269</b>

Table (15): Number of Finalized Violation Cases of the CML Classified by Type

Type	Year					
	2007	2008	2009	2010	2011	2012
Violation of Investment/Real Estate Funds Regulations	-	-	0	7	27	45
Violation of Corporate Governance Regulations	-	-	8	12	27	51
Trading During Prohibited Period	-	-	0	19	21	8
Other Violations of the Listing Rules	-	-	6	8	1	1
Violation of the Offers of Securities Regulation	-	-	4	3	2	1
Violation of the CMA Board Resolutions	-	-	3	0	1	2
Conducting Securities Business and Investment of Funds without License	25	46	53	37	69	35
Ownership/Disposal of Percentages without Notifying the CMA	18	9	7	12	4	11
Violation of the Authorized Persons Regulations	1	5	10	25	45	27
Insider Trading	-	-	4	4	4	2
Disclosure Violation	6	12	28	49	73	67
Manipulation and Misleading Information	8	8	34	44	29	20
<b>Total</b>	<b>58</b>	<b>80</b>	<b>157</b>	<b>220</b>	<b>303</b>	<b>270</b>



Table (16): Number of Licensing Decisions by Type

Year	New License Issued	Amendment to License	Revocation of License	Cancellation of License
2007	-	2	6	35
2008	2	2	9	34
2009	6	6	4	12
2010	14	3	13	4
2011	16	-	8	3
2012	2	-	8	2

Table (17): Number of Authorized Persons Classified by Possession of Business Commencement Letter

Year	Authorized with Letter to Commence Business	Authorized without Letter to Commence Business	Total
2007	46	34	80
2008	71	39	110
2009	85	25	110
2010	90	7	97
2011	81	3	84
2012	80	4	84



Table (18): Number of Valid Licenses of Securities Business Activities by Business Commencement Status

Year	Business Commencement Status	Dealing	Managing	Arrangement	Advising	Custody
2007	Commenced	51	46	64	68	49
	Not Commenced	-	-	-	-	-
2008	Commenced	67	69	92	97	72
	Not Commenced	-	-	-	-	-
2009	Commenced	57	55	74	78	58
	Not Commenced	10	16	21	21	17
2010	Commenced	63	68	80	82	72
	Not Commenced	2	3	6	6	3
2011	Commenced	60	66	76	76	67
	Not Commenced	1	3	3	2	3
2012	Commenced	56	65	75	75	66
	Not Commenced	2	2	3	3	2

Table (19): Number of Authorized Persons, Classified by Number of Licensed Securities Business Activities

Year	One Activity	Two Activities	Three Activities	Four Activities	All Activities
2007	6	26	8	4	36
2008	4	38	8	6	54
2009	4	34	8	9	55
2010	3	22	7	10	55
2011	2	12	4	11	55
2012	2	15	5	8	54

Table (20): Number of Inspection Visits/Tasks Carried out by the CMA by Type

Year	Initial	Cause	Routine
2007	19	33	-
2008	15	51	2
2009	19	67	5
2010	15	54	18
2011	12	82	20
2012	3	96	17



Table (21): Actions Conducted by the CMA on Compliance Management and AML

Year	Processing Incoming Requests from Government Agencies	Processing Requests and Inquiries of Authorized Persons	On-site Visits to Authorized Persons	Processed Incidents of Unauthorized Persons
2009	492	18	5	7
2010	1,067	33	17	4
2011	2,401	92	6	5
2012	1,958	47	5	19

Table (22): Number of Cases Filed with the CRSD by Type of Case

Year	Civil	Administrative	Penal
2007	271	8	8
2008	162	7	6
2009	118	7	15
2010	93	10	11
2011	81	2	27
2012	107	21	37

Table (23): Number of Closed Cases (Out of Filed Cases with the CRSD) by Type of Case

Year	Civil	Administrative	Penal
2009	26	2	20
2010	12	1	2
2011	25	-	4
2012	13	3	4

Table (24): Number of Decisions Issued by the CRSD by Type of Case<sup>35</sup>

Year	Civil	Administrative	Penal	Total
2008	222	3	5	230
2009	225	10	28	263
2010	98	6	33	137
2011	107	7	19	133
2012	104	10	52	166

Table (25): Number of Cases Appealed (Filed) with the ACRSD by Type of Case

Year	Civil	Administrative	Penal
2007	69	-	-
2008	97	-	3
2009	178	4	5
2010	57	14	4
2011	80	7	6
2012	78	7	18

Table (26): Number of Decisions Issued by the ACRSD by Type of Case<sup>36</sup>

Year	Civil	Administrative	Penal
2009	71	-	4
2010	101	-	6
2011	112	5	6
2012	173	10	8

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35) Data of 2008, 2009, and 2010 were updated.

36) Data of 2010 were updated.

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