

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



The Custodian of the Two Holy Mosques

King Salman Bin Abdulaziz Al-Saud

President of the Council of Ministers



His Royal Highness

Prince Muqrin Bin Abdulaziz Al-Saud

Crown Prince, Deputy President of the Council of Ministers



His Royal Highness

**Prince Mohammad Bin Nayef Bin
Abdulaziz Al-Saud**

Deputy Crown Prince, Second Deputy President
of the Council of Ministers, Minister of Interior

The CMA Board



Name:

H.E. Mr. Mohammed Al-Jadaan

Current Position:

CMA Board Chairman

Qualifications:

- High Diploma, Law Studies, Institute of Public Administration, KSA (1998).
- Bachelor's Degree, Islamic Law (Shari'ah)/Islamic Economy, Imam Mohammed Bin Saud University, KSA (1986).

Experience:

- Partner and Manager, Al-Jadaan & Partners Law Firm, Riyadh (KSA) (1996 - 2015).
- Member of the Advisory Board, Supreme Economic Council (2009 - 2015).
- Chairman of the Board, Saudi Center for Commercial Arbitration (2014 - 2015).
- Member of the Board, Saudi Arabian General Investment Authority (SAGIA) (2014 - 2015).
- Member of the Advisory Committee, Capital Market Authority (2013 - 2015).
- Special Counsel, Clifford Chance Law Firm (2014 - 2015).
- Member of Attorneys' Committee, Riyadh Chamber of Commerce & Industry (2013 - 2015).
- Member of the Board, Morgan Stanley, Saudi Arabia (2006 - 2012).
- Member of the Audit Committee, King Abdulaziz Endowment Ain Al-Aziziya (2010 - 2014).
- Member of the Saudi Arbitrators' List issued by the Ministry of Justice.
- Worked in several positions in the health sector (1984 - 1996).



Name:

Mr. Abdulrahman Bin Mohammad Al-Rashid

Current Position:

CMA Board Vice Chairman

Qualifications:

- B.Sc., Business Administration, King Saud University.

Experience:

- Several positions at SAMA, the last of which was Manager of Shares Control Department (1984 – 2004).
- Director of Corporate Services Division, CMA (2004 – 2009).
- Vice Chairman of the Board, CMA (14/5/2009 to current date).
- At SAMA and the CMA, he has participated in and chaired many committees concerned with regulating and developing the capital market sector.
- Represented the CMA in meetings of international financial markets authorities.

**Name:**

Dr. Abdulrahman Bin Mohammad Al-Barrak

Current Position:

CMA Board Member

Qualifications:

- PhD in Finance, University of Newcastle Upon Tyne, UK.
- Associate Professor of Finance.

Experience:

- Worked in the academic field at King Faisal University, Al-Ahssa, for a period of five years from 2005 onwards. He was assigned several academic and administrative tasks, the last of which was the Dean of Faculty Affairs.
- During his service in the University, Dr. Al-Barrak contributed to establishing the Finance Science Department, the first of its kind in a Saudi university, which included a virtual trading floor. He was appointed Head of the Finance Department from 2007 – 2009.
- Appointed to the CMA Board on 14/5/2009.
- During his service at the CMA, he has participated in and chaired taskforces concerned with regulating and developing the capital market sector.
- Represented the CMA in meetings of international and regional financial markets authorities.
- Member of SOCPA, (as a representative of the CMA).

**Name:**

Dr. Adnan Abdulfattah Soufi

Current Position:

CMA Board Member

Qualifications:

- PhD in Business Administration, George Washington University, USA.

Experience:

- Worked in the academic field at King Abdulaziz University, Jeddah. He was assigned several academic and administrative tasks, the last of which was the Dean of Economics and Administration College (1984 – 2006).
- Advisor to the Board of Trustees, Dar Al-Hekma College (2000 - 2002).
- "Senior Fellow", St Antony's College, University of Oxford, UK (2005).
- Worked in SEDCO Holding where he occupied several positions, the last of which was CEO (1991 - 2013).
- Member of the Board of Trustees, University of Business and Technology, Jeddah (2013).
- Served as Board Director, Arabian Cement Company until he was appointed to the CMA Board.
- Member of the Investment Committee, Science Endowment, King Abdulaziz University (2013 – Mar 2014).
- Founder and Chairman of Dr. Adnan Abdulfattah Soufi Office for Administrative Advice, Governance and Board of Directors' Events (Mar 2014).
- Appointed to the CMA Board on 18/3/2014.

**Name:**

Dr. Najem Bin Abdullah Al-Zaid

Current Position:

CMA Board Member

Qualifications:

- PhD in Law, George Washington University, USA.

Experience:

- Legal Advisor, Islamic Development Bank (IDB), Jeddah (2001 - 2004).
- Advisor, International Banking Group, USA, (Jul – Sep 2000)
- Member of the Bureau of Investigation and Public Prosecution (1995-1997)
- Worked in CMA and was assigned several positions, the last of which was the Director of Legal Affairs (2004 – 2014).
- Member of the Technical Team of Saudi representatives in the negotiations for accession to the World Trade Organization (2005).
- Participated in and chaired several committees and taskforces associated with the development of the capital market.
- Represented the CMA in meetings of international financial markets authorities and the financial sector in general.
- Appointed to the CMA Board on 18/3/2015.

This report was prepared to demonstrate the CMA's compliance with the highest standards of transparency and to inform the public about the business it has conducted during the past year, pursuant to the requirements of Article Sixteen of the Capital Market Law (CML) which states: "The Chairman of the Board shall present to the President of the Council of Ministers an annual report on the Authority's activities and its financial position during the preceding year, within ninety days from the end of the year".

The presentation and content of the document took into account fulfilling all the requirements and rules relating to the production of annual reports as mandated for public ministries and agencies, including universities and other government entities pursuant to Article Twenty Nine of the Council of Ministers' Law.

Vision and Mission

Vision

To make the Saudi capital market a pioneer market earning the confidence of investors.

Mission

Regulate and develop the capital market to be an investment-conducive environment; promote fairness, efficiency and transparency in protection of market participants.



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Chairman's Statement

On behalf of the CMA Board and staff, it gives me great pleasure to present the CMA's annual report for 1435/1436H (2014) which highlights its achievements in capital market regulation, promotion of transparency, disclosure and fairness, as well as protection of investors in the Saudi capital market.

One of the most significant achievements of the past year was the development and approval of the CMA's 5-year strategic plan (2015 - 2019). This wide-ranging document encompasses 13 objectives distributed across four main themes: foster capital market development, promote investor protection, improve the regulatory environment and encourage the CMA's organizational excellence.

In its preparation of the plan, the CMA has studied the most important challenges facing the capital market, its needs and other influential factors. The CMA has also taken note of the views and comments of specialists inside the CMA as well as those of market participants including listed companies, authorized persons (APs) and investors. The conclusions drawn from this review provided a solid foundation for the design of the CMA's strategic plan. The plan was presented to the Advisory Committee prior to approval to confirm that it met their expectations in regard to scope and timeliness. Through the implementation of its strategic plan, the CMA seeks to fulfill its vision of making the Saudi capital market a pioneer market, earning the trust of investors and delivering fairness, efficiency and transparency in securities transactions.

During 2014, the CMA continued its efforts to enhance its role in developing and regulating the capital market by approving the Credit Rating Agencies Regulations and putting them into force as of 1/9/2015.

To promote disclosure and to protect market investors, the CMA Board issued a resolution concerning the suspension of trading of listed companies' shares in the event that the auditor's report on interim or annual financial statements of a company expresses an adverse opinion or issues a disclaimer of opinion. The resolution allows for the suspension to be lifted once the company has released an interim or annual financial statement unburdened by such adverse opinion or disclaimer.

The CMA intends, during the coming period, to issue the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares and to update the Investment Funds Regulations, on which the CMA has solicited public consultation. Taskforces have been assigned and are working on both documents. They are currently reviewing stakeholder responses and will incorporate pertinent changes prior to submission of the drafts for approval. In addition, the CMA is developing the Special Purpose Entities (SPEs) Regulations and is reviewing and updating the Authorized Persons Regulations.

2014 was a remarkably active period for initial public offerings (IPOs) which recorded values in excess of SR 25.2 billion, an increase of 1,185.9% year-on-year. The value of all securities offerings

amounted to SR 69.1 billion, up by 15.3% over the previous year. Throughout 2014, the CMA approved 158 securities offerings/regulations denoting an increase of 11.3% compared to 2013. This was attributable in large part to higher rights issues and bonus shares which rose by 900% and 33.3% respectively.

In addition, by the end of 2014, the total asset values of the investment funds' sector had risen to SR 162.1 billion, 16.0% higher than last year. This was accompanied by an increase of 21.4% in the number of investment funds to stand at 578.

As part of its efforts to strengthen investor protection, mitigate market risks and boost capital market efficiency, the CMA enforced its Board Resolution No. (4-48-2013) dated 15/1/1435H (18/11/2013) to approve the procedures and instructions relating to listed companies whose accumulated losses reached 50% or more of their capital. At the end of 2014, the number of such companies amounted to 12, four of which had accumulated losses of 75% or more.

Over the course of 2014, the CMA paid particular attention to surveillance of electronic means, websites and social media networks. It utilized state-of-the-art surveillance systems to detect potential violations of the Capital Market Law (CML) and its Implementing Regulations by persons unauthorized to run investment portfolios, promote and advertise securities such as shares and debt instruments, carry out brokerage activities or provide financial advice. The CMA's surveillance systems recorded a considerable increase in the alerts on violations in electronic means. Such alerts rose by 23% compared to 2013, and gave rise to a robust response by the CMA which increased its efforts in intensive scanning by 66% over the previous year.

The CMA strengthened its efforts to resolve investor complaints; it resolved 485 cases in 2014, up by 39% year-on-year. Notifications were prepared for 112 filed complaints to enable complainants to pursue their legal proceedings before the Committee for the Resolution of Securities Disputes (CRSD).

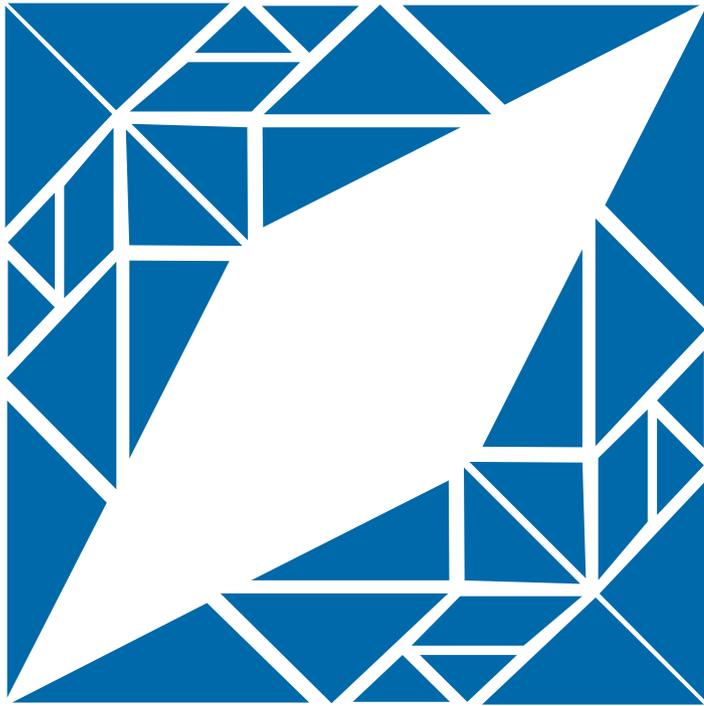
The CMA processed large volumes of incoming requests from government agencies including injunctions issued by enforcement

judges and public courts. The number of incoming requests from government agencies amounted to 11,660 in 2014, soaring by 313.6% compared to the number of requests processed in 2013. Requests from enforcement judges and public courts accounted for 90% of those incoming requests due to the activation of enforcement courts.

The CMA pursued its cycle and cause inspections of authorized persons (APs) to check their compliance with the CML and its Implementing Regulations and their adherence to preemptive techniques against the risks associated with their activities, operations, products and services provided to capital market participants. The number of inspected licenses in 2014 stood at 161. The CMA stepped up its efforts aimed at checking the compliance of APs with the Prudential Rules to ensure their capital adequacy and their ability to conduct securities business. The capital adequacy coverage of APs averaged 2.39, exceeding the recommended ratio noted in the Basel framework.

In closing, on behalf of the CMA Board and employees, I would like to express my deepest thanks and sincere gratitude to the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz Al-Saud, His Royal Highness, Prince Muqrin Bin Abdulaziz Al-Saud Crown Prince, Deputy President of the Council of Ministers, His Royal Highness, Prince Mohammad Bin Nayef Bin Abdulaziz Al-Saud, Deputy Crown Prince, Second Deputy President of the Council of Ministers, Minister of Interior, Chairman of the Council for Political and Security Affairs, and His Royal Highness, Prince Mohammad Bin Salman Bin Abdulaziz Al-Saud, Minister of Defense, Chairman of the Royal Court, Special Advisor to the Custodian of the Two Holy Mosques, and Chairman of the Council for Economic and Development Affairs for their everlasting support and much appreciated care for the CMA. I also thank all CMA employees for their exceptional efforts in 2014 which demonstrated their professionalism and devotion to serve this vital sector of our national economy. I supplicate to Allah to guide us all to what is good and right.

Mr. Mohammed Bin Abdullah Al-Jadaan
CMA Board Chairman



Introduction

- Establishment
- Main Functions and Responsibilities
- Parties Regulated by the CMA
- Organizational Structure



Establishment

The Capital Market Authority was established under the “Capital Market Law (CML)”, promulgated by Royal Decree No. (M/30) dated 2/6/1424H (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 President 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).

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, seek to develop and improve the practices of entities trading in securities, and develop procedures that reduce the risks related to securities transactions.
- Regulate and monitor the issuance of and dealing in securities.
- Regulate and monitor business activities of parties subject to the CMA's supervision.
- Protect citizens and investors in securities from unfair and unsound practices, or acts involving fraud, deception, cheating, or manipulation.
- Seek to achieve fairness, efficiency and transparency in securities transactions.
- Regulate and monitor the full disclosure of information regarding securities and their issuers, the dealings of informed persons, major shareholders and investors, and specify and provide the information that should be disclosed by participants in the market to shareholders and the public.

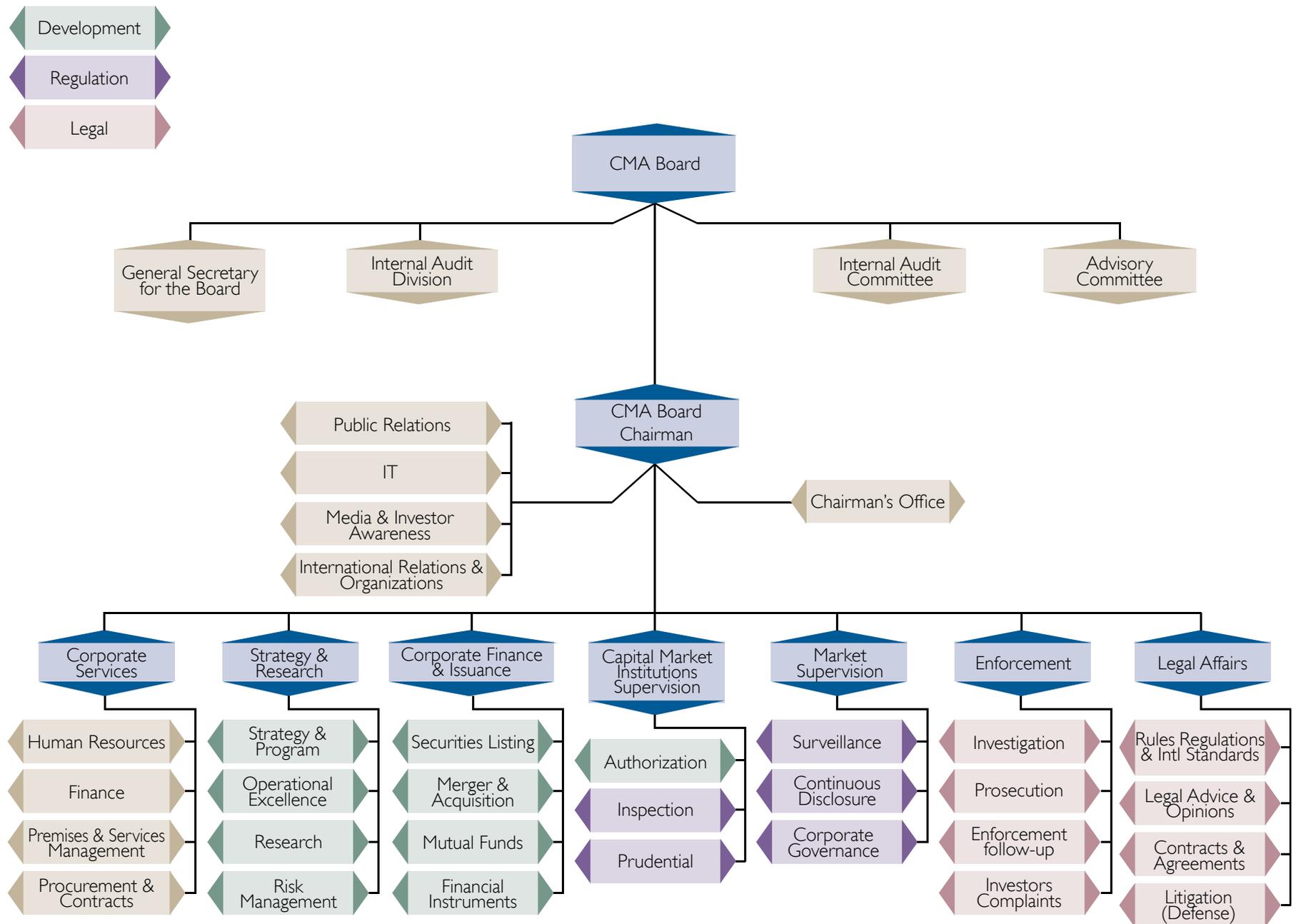
- Regulate proxy and purchase requests and public offers of shares.
- License the establishment of Special Purpose Entity (SPE), and regulate and control its business, uses, issuance of securities, the registration in its registry established by the Authority and the provisions of its articles of incorporation, and regulate the provisions of the registration of funds transferred to it, including documentation of the rights thereof and its legal standing against others, and the issuance of rules governing thereof.

Parties Regulated by the CMA

The following parties are subject to CMA's regulation:

- (1) The Saudi Stock Exchange Co. (Tadawul).
- (2) Authorized persons.
- (3) Listed companies.
- (4) Capital market dealers/participants.
- (5) Special Purpose Entities (SPEs).
- (6) Credit Rating Agencies.

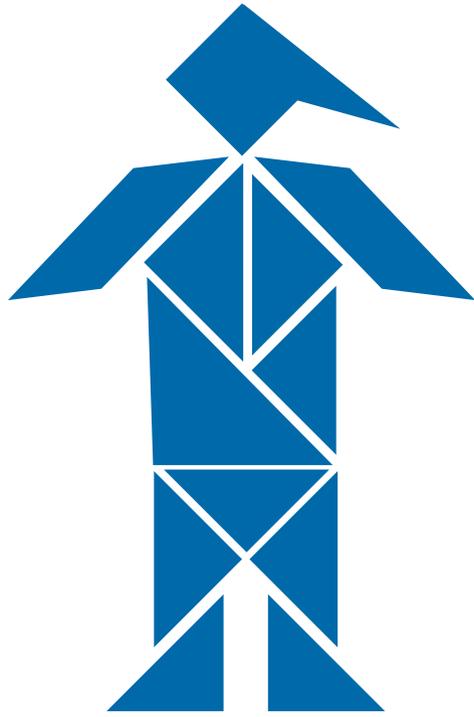
Organizational Structure





Chapter One

CMA's Strategic Plan and Current
Status of its Internal Environment



Section I

Strategic Plan



As part of its role in regulating and developing the capital market and protecting investors, the CMA has developed a comprehensive strategic plan covering the period 2015 – 2019. The CMA has taken into account the harmonization of such plan with the Kingdom of Saudi Arabia's 10th Development Plan as well as the resiliency needed to adapt to future changes.

In the development of its strategy, the CMA has relied on the accumulated knowledge and acquired experience of its staff with regard to the business of the capital market including challenges and development opportunities. The CMA has been keen to make its strategy clear and feasible while taking into consideration the views of related parties within the CMA such as board members and directors/managers, as well as the views of experts and specialists outside the CMA during the preparation and drafting of the strategic plan.

The CMA's strategic plan has four main themes:

- Foster capital market development.
- Promote investor protection.
- Improve the regulatory environment.
- Enhance CMA's organizational excellence.

These themes comprise 13 objectives that can be achieved through 63 initiatives. The strategic plan aims to deliver upon the CMA's vision of making the Saudi capital market a pioneer market, earning the trust of investors and delivering fairness, efficiency and transparency in securities transactions.

Strategic Plan Preparation Phases

In its preparation of the strategic plan for the next five years (2015-2019), the CMA studied the needs of the capital market and other influential factors for the purpose of conducting a comprehensive review of the capital market's environment. The review process also took into account the views and comments of all market participants including listed companies, authorized persons (APs), investors as well as experts and specialists in the capital market, and the CMA's Advisory Committee. Those views and information helped to underpin the design of the CMA's strategic plan.

The CMA's strategic plan has undergone the following development phases:

1. Identification of Strategic Issues

To identify and prioritize key strategic issues, the CMA:

- Reviewed and assessed previous strategies.

- Consulted a range of internal and external related parties to obtain their feedback and identify the most important challenges facing the capital market.
- Analyzed the current status to identify opportunities for improvement, determine priorities and make use of past experiences.

2. Assessment and Analysis

Having identified the strategic issues, the CMA:

- Studied high-priority strategic issues.
- Conducted benchmark studies to explore the best international practices in advanced and emerging markets.
- Reviewed the studies and research papers released by the International Organization of Securities Commissions (IOSCO), and recognized best solutions and recommendations.
- Capitalized on the experiences of international securities commissions in addressing similar issues.

3. Drafting the Strategic Plan

The CMA organized the following workshops in support of the strategy formulation process:

- Strategic objectives workshop to determine the strategic plan's themes and objectives as well as measurement tools and targeted values.
- Strategic plan's initiatives workshop to identify the initiatives necessary to underpin and achieve the strategic objectives.
- CMA's vision, mission, and values workshop to emphasize the strategic vision, and determine the CMA's mission and main values.

Components of the Strategic Plan

The CMA's strategic plan comprises four themes:

One: Foster Capital Market Development

This includes the following objectives:

1. Expand institutional investor base.
2. Support the development of APs and develop human resources in capital market sector.
3. Support growth of asset management industry.
4. Promote issuance of sukuk and debt instruments.
5. Support Saudization of jobs at APs.

Two: Promote Investor Protection

This includes the following objectives:

1. Improve disclosure requirements and content to boost capital market transparency.
2. Promote investment literacy and awareness of market participants.
3. Increase compliance with the CML and Implementing Regulations through effective supervision and awareness, and adoption of deterrent policies.

Three: Improve the Regulatory Environment

This includes the following objectives:

1. Adopt a disclosure-based regulatory approach and continuously enhance Implementing Regulations.
2. Enhance coordination and cooperation with concerned government entities on capital market matters.

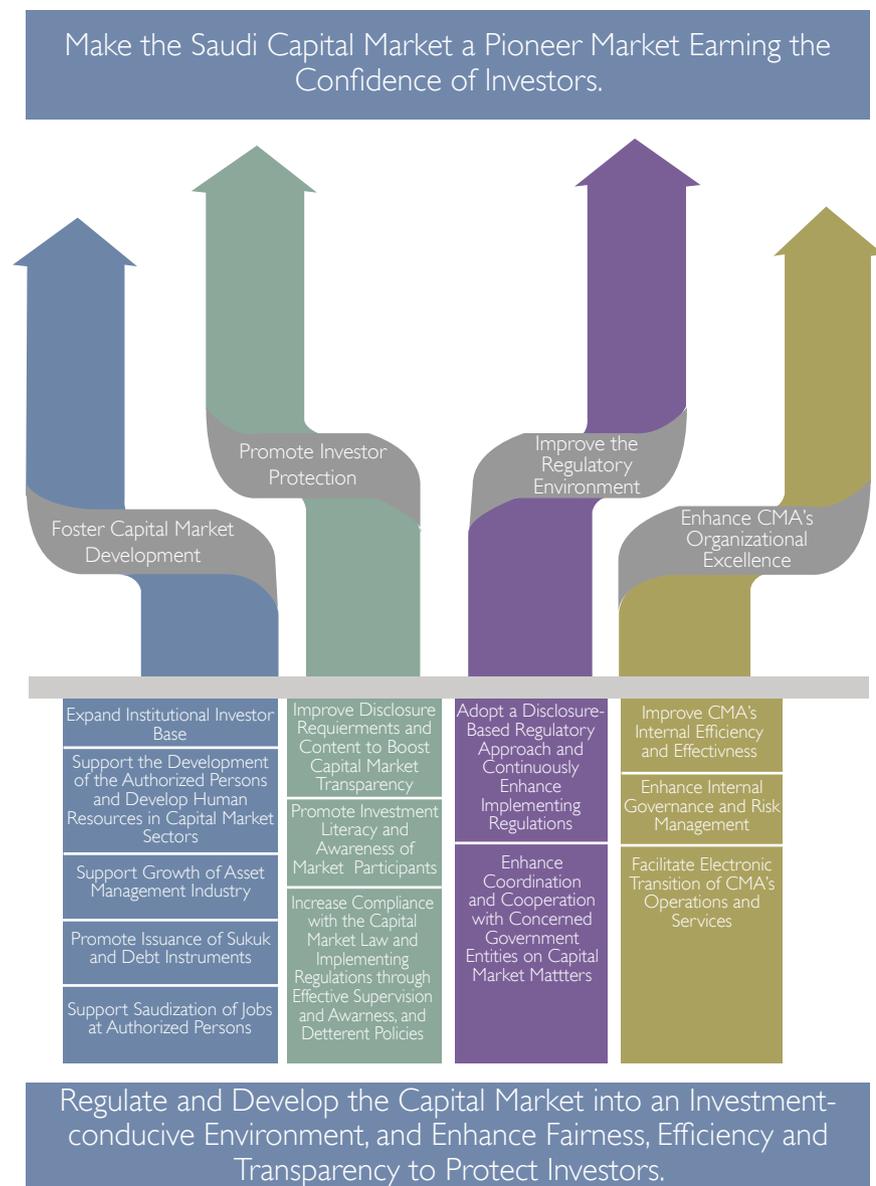
Four: Enhance CMA's Organizational Excellence

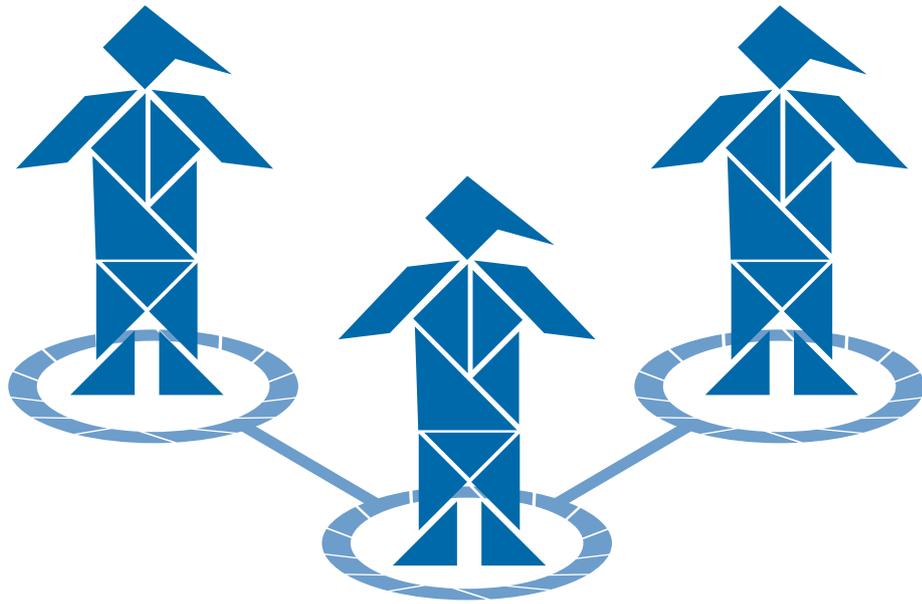
This includes the following objectives:

1. Improve CMA's internal efficiency and effectiveness.
2. Enhance internal governance and risk management.
3. Facilitate electronic transition of CMA's operations and services.

The CMA has adopted 63 strategic initiatives to implement the objectives of the strategic plan.

For more details about the strategic plan, please visit the CMA's website: www.cma.org.sa





Section 2

Internal Environment

- 2.1 Workforce and Saudization
- 2.2 Learning and Development
- 2.3 Employee Savings Plan and Housing Finance Program
- 2.4 Promoting Social Responsibility
- 2.5 Owned and Rented Buildings

Saudization Reached
98.9% at the CMA

2.1 Workforce and Saudization

The CMA has recruited the talent and expertise it needs to carry out its functions. Furthermore, it has sought to maintain a positive and highly productive work environment. The number of CMA employees stood at 620 at the end of 2014, down by 2.8% year-on-year. Saudization reached 98.9% with female Saudi employees accounting for 10.5% of the total (Table (1)).

CMA employees are distinguished by their higher educational qualifications; “bachelor’s degree” holders represent 37.7% of the workforce, with “higher diploma/master’s degree” holders accounting for 35.5%, and “PhD” holders representing 1.0% of the total (Table (2)).

Table (1): Workforce Breakdown

Year	Nationality				Total
	Saudi		Non-Saudi		
	Males	Females	Males	Females	
2013	564	66	8	-	638
2014	548	65	7	-	620

Table (2): Educational Qualifications of CMA Staff in 2014

Educational Qualification	Number	Percentage of Total
High School and Below	83	13.4%
Diploma	77	12.4%
Bachelor	234	37.7%
Higher Diploma/ Master	220	35.5%
Ph.D	6	1.0%
Total	620	100%

2.2 Learning and Development

The CMA has continued to sharpen the skills of its employees in all areas related to its business. It has also offered training opportunities through a number of training programs and scholarships both inside and outside the Kingdom of Saudi Arabia. During the course of 2014, 304 employees enrolled in domestic training programs, and

411 employees participated in international training programs. 81 employees have now graduated from the international scholarships program (obtaining bachelor or master degrees) since its inception (Table (3)).



Table (3): Male/Female Employees Enrolled in CMA Programs

Element	Number	
	2013	2014
Domestic Training Programs	430	304
International Training Programs	481	411
Rotation Programs	15	6
English Language Programs (Domestic and Abroad)	17	15
On-the-Job Training Programs at Peer International Organizations and Authorities	15	8
International Scholarship ¹	45	41
Domestic Scholarship ²	6	5
Total Graduates from International Scholarship Program since Inception	74	81

2.3 Employee Savings Plan and Housing Finance Program

The CMA has offered two incentive programs:

■ Employee Savings Plan

Keen on promoting the culture of saving, the CMA has implemented a program (Employee Savings Plan) to encourage employees to save their income. It is a flexible long-term savings plan, under which the CMA provides a financial contribution to supplement the contributions made by employees subscribed to the plan. At year-end 2014, the number of participants in the plan stood at 388 (62.6% of total CMA staff).

■ Employee Housing Finance Program

To cement its relationship with its employees and promote a sense of belonging, and in line with the State's directives to improve citizens' wellbeing and provide appropriate accommodation, the CMA has fostered an "Employee Housing Finance" program in cooperation with a local bank, where the CMA bears the full Murabaha rate on finance. The program offers long-term financing with affordable installments. All of the CMA's Saudi employees may benefit from the program in accordance with the applicable terms and conditions. At year-end 2014, the number of beneficiaries stood at 104.

1) At the end of period.

2) At the end of period.

2.4 Promoting Social Responsibility

In 2014, the CMA launched a training program (CMA Graduate Development Program) to develop the human resource talents of Saudi nationals to qualify them for work in the capital market. The aim of the program is to contribute to supporting employment opportunities in the capital market for recently graduated Saudi national job-seekers. Under the program, the CMA selects the top Saudi university graduates and provides them with on-the-job training. 5 male and 22 female graduates (holding bachelor or master degrees) joined the program in the streams of management, compliance and inspection, finance and investment, rules and regulations, and strategic planning and research.

Moreover, in the second half of 2014, following the CMA Board's approval, the CMA developed a dedicated program to qualify secretaries. The program targets graduates from secretarial/office management programs of both government and private institutes. Candidates undergo training at the CMA and receive monthly remuneration throughout the training period. At the end of the program, the CMA recruits some of the qualified candidates to fulfill its staffing requirements, and the balance of the class is directed to the job market. The program is designed to be flexible,

with fresh intakes of candidates being accepted whenever needed. Implementation of the program is expected to commence in 2015.

The CMA has continued to fulfill its social responsibilities by participating in a 5-day careers' fair at King Fahd University of Petroleum & Minerals (KFUPM). Moreover, the CMA has been active in cooperative training programs for college students in the Kingdom. The number of male and female students participated in the program amounted to 44 and 23 respectively, of which 5 students qualified at the master's level, 51 students qualified at the bachelor's level and 11 students at the diploma level.

The CMA has also continued its financial support to the Saudi Organization for Certified Public Accountants (SOCPA) as of 2012 to contribute to the completion of the project of "conversion to international accounting and auditing standards" which will result in enhancing transparency by providing documented information on the one hand, and setting controls governing all aspects related to capital market transactions on the other hand. This will also strengthen surveillance on financial data issued by listed companies.

2.5 CMA Owned and Rented Buildings

Table (4) illustrates the buildings owned and rented by the CMA in 2014.

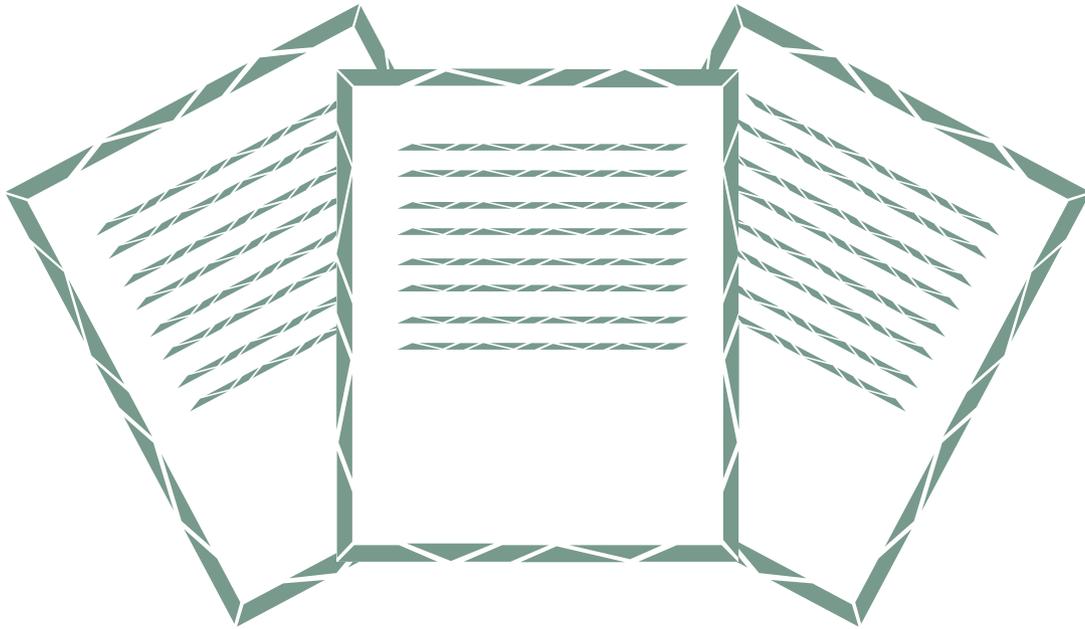
Table (4): Owned and Rented Buildings

Buildings	2014
Owned	CMA Headquarters - Riyadh
Rented	(4) Floors in Alfaisaliah Tower - Riyadh
	(2) Floors in Ta'wuniah Tower - Riyadh



Chapter Two

Achievements



Section I

Actions Taken to Implement
Royal Orders and Council of
Ministers' Resolutions



The CMA received several Royal Orders and Council of Ministers' Resolutions during 2014, and took several actions which can be summarized as follows:

- ◆ Royal Order No. (8189/MB) dated 19/6/1426H, to form a committee at every 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, determining 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 crucial role attached to the Committee, the Chairman of the CMA Board issued Resolution No. (40/RMS) dated 21/10/1433H (8/9/2012) to re-compose the E-Government Committee to be presided by His Excellency the Chairman of the CMA Board.

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

Major accomplishments made in this regard in 2014 include the following:

First: "YESSER" Program

The CMA participated in "YESSER's" 5th Report and has achieved 48.97% in the overall course of transformation. "YESSER's" Report highlights several indicators that reflect the CMA's excellence:

- Measuring the importance of e-transactions to the top official at the entity.
- Availability of awareness plans to provide services for employees and beneficiaries.
- Electronically storing, archiving and recovering documents and transactions, and searching their content.
- Existence of an e-government committee.
- Organizing training programs for employees and specialists.

- Measuring the quality of data entered and stored in databases and social networking with customers.

The CMA has sought to establish connections with numerous government agencies via the Government Service Bus (GSB), provided by "Yesser", which enables data exchange among different government agencies. The CMA has already commenced a project of integrated connectivity with the Ministry of Commerce and Industry (MCI) as the first phase of its government agency connectivity program.

Second: Information Security

Under the 5th Measurement of transformation into e-government, in which 152 government agencies participated, the E-Government Program "Yesser" assessed the CMA as 100% compliant with the availability of information and document protection mechanisms, measurement of information security level, business continuity plans and resolution of crises. The CMA focused on several related projects during 2014 such as:

- Identifying and resolving potential security vulnerabilities in the CMA's websites.
- Implementing a data protection project.
- Protecting the CMA's network against electronic espionage (spyware).
- Implementing a risk assessment program on internal systems.

It is noteworthy that the CMA was awarded the ISO 27001 certificate on Information Security for the fourth consecutive year.

Third: Internal Systems

The CMA has focused on applying a number of internationally certified standards in IT projects which help to improve the level of service rendered to beneficiaries and increase efficiency in implementing the appropriate procedures. In its technological functions, the CMA has adopted a service management approach that benchmarks a number of key indicators such as service level agreements, customer satisfaction, and cost control.

Here are some of the salient accomplishments of 2014:

- Launched the Investigation Department system, which will be automatically linked with the Bureau of Investigation and Public Prosecution.
- Made further improvements to the authorization system.
- Initiated the second phase of the system for the Investment Funds Department and disclosure.
- Launched the administrative communications system “Massar”.
- Upgraded Oracle’s application “Etmam” and implemented additional improvements.
- Implemented an identity management system for IT network users.
- Developed an applications management system.
- Upgraded the e-mail archiving system and increased system effectiveness and continuity.
- Established and operated the Office of Enterprise Architecture (OEA) pursuant to the framework recommended by “Yesser”.
- Enhanced digital communication services including the CMA’s official call center.
- Widespread improvements on the internal network and connection lines.
- Enhanced e-transaction systems for all CMA’s divisions/ departments.
- Enhanced both external and internal CMA websites.
- ◆ Royal Order No. (4690) dated 6/2/1435H, to transfer the jurisdictions of entities and committees related to investigation and prosecution in criminal offences to the Bureau of Investigation and Public Prosecution.

The CMA and the Bureau of Investigation and Public Prosecution agreed to transfer the jurisdiction of investigation and prosecution in the violations of Articles (31), (49) and (50) of the CML from the CMA to the Bureau of Investigation and Public Prosecution as of 26/1/1436H.

- ◆ Council of Minister’s Resolution No. (79) dated 5/3/1435H, issued to approve covering government vehicles with compulsory insurance under the unified motor insurance policy.
The CMA has covered all of its vehicles with a comprehensive insurance policy.

- ◆ Royal Order No. (13138) dated 9/4/1435H, and the Council of Minister’s Resolution No. (228) dated 29/8/1429H, concerning the specifications of water conservation sanitary-ware.

The CMA has:

1. Ordered water conservation ware/products from the National Water Company according to its approved specifications. All these products have been installed in the CMA’s bathrooms, kitchens and other utilities.
2. Issued informative brochures for the CMA’s staff urging them to rationalize the use of water and electricity.

- ◆ Royal Order No. (16749) dated 4/5/1435H, requiring all government entities to preserve and maintain their documents, and remedy their deficiencies in accordance with the laws and regulations issued with regard to the maintenance of government documents, activation of the role of standing committees at government entities, and coordination with the National Center for Documents and Archives on this matter.

The CMA has adopted an initiative called “Improve CMA’s Archiving of Documents and Records” under its strategic plan. It aims to establish a “center for documents and archives” as an organizational unit with the purpose of maintaining, classifying and archiving the CMA’s paper documents as well as creating a standing committee for documents and archives in line with the regulations of the National Center for Documents and Archives.

- ◆ Council of Ministers’ Resolution No. (388) dated 24/9/1435H permits the CMA to allow Qualified Foreign Financial Institutions to trade listed shares in a timeframe that it deems appropriate and pursuant to the regulations issued by it on this regard.

Based on the CML issued by Royal Decree Number (M/30) dated 2/6/1424H, the CMA prepared the draft Rules for Qualified Foreign Financial Institutions Investment in Listed Shares which set out the procedures, requirements and conditions for registering qualified foreign investors with the CMA, and to approve their clients to invest in listed shares, and specify their obligations and authorized persons’ obligations in regard to that matter.

Subsequently, the CMA Board issued a Resolution dated 25/10/1435H (21/8/2014), which included publishing the draft Rules for Qualified Foreign Financial Institutions Investment in Listed



Shares on the CMA's website to solicit the views and comments of concerned and interested parties. The draft Rules were then published on the CMA's website pursuant to the above-mentioned Resolution.

◆ Royal Order No. (45637) dated 7/11/1435H emphasizes that all government entities should provide their staff and clients with a physical work environment that meets generally accepted standards and contributes to increased performance efficiency and productivity.

The CMA has provided many systems, installations and measures at its HQ and other rented buildings including:

1. Modern workstations accommodating all office needs.
2. Advanced network and technological systems to simplify procedures and support workflows.
3. Automated self-service system for HR requests.
4. Fully equipped meeting rooms in every department.
5. Fully equipped training rooms.
6. Clinic inside the main building.
7. Restaurant serving basic meals.
8. Comprehensive safety requirements.
9. Backup power generators and lighting control sensors to reduce electricity consumption.

10. Private parking lots for employees.

11. Elevator systems and closed-circuit televisions (CCTVs).

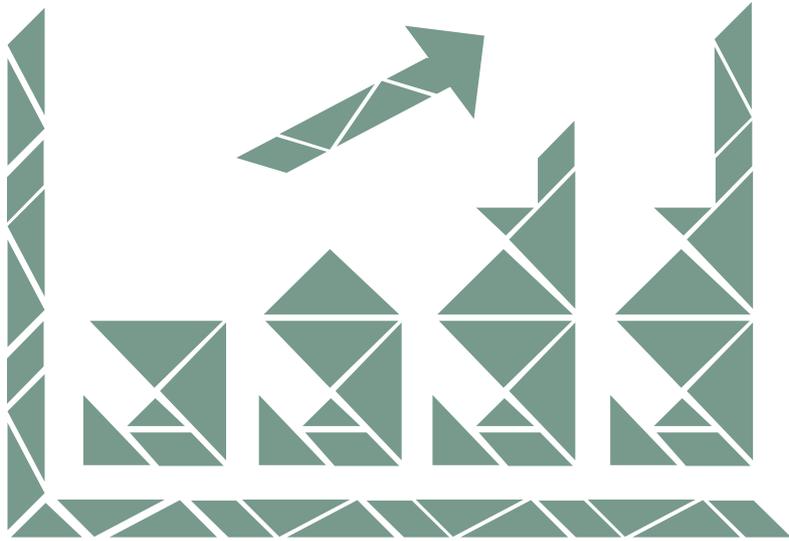
12. Around-the-clock security and safety services.

◆ Royal Order No. (51491) dated 18/12/1435H, concerning the compliance of government entities to establish and put into operation an internal audit unit. The CMA established the "Internal Audit Department" under its organizational structure pursuant to the CMA Board's Resolution No. (1-20-2004) dated 3/11/2004. It approved the policies, procedures and functions of the Department based on the CMA Board's Resolution No. (2-78-2005) dated 18/6/2005. In addition, the CMA established the "Internal Audit Committee" and approved its charter as per the CMA Board's Resolution No. (3-54-2013) dated 21/2/1435H.

◆ Royal Order No. (6049) dated 10/2/1436H, concerning information security in the government sector.

The CMA has applied the best global solutions and systems in the area of information security in order to provide a secure infrastructure and stable services. There is an ongoing and open dialogue with the Computer Emergency Response Team in regard to warnings issued on potential cyber attacks and how to prevent them.





Section 2

Implementing Regulations and CMA Board Resolutions

- 2.1 New/Amended Implementing Regulations
- 2.2 Implementing Regulations Under-Development
- 2.3 CMA Board Meetings and Resolutions



The CMA assumes the responsibility of enacting the regulations and rules governing the capital market, issuing instructions according to the provisions of the CML, and it also applies the provisions of the CML to implement the tasks and functions stated in Articles Five and Six of the CML.

Based on the CMA's responsibilities stated in the CML issued by Royal Decree No. (M/30) dated 2/6/1424H, the CMA Board approves the Implementing Regulations. Given the important role played by the public in the different stages of drafting or amending a regulation, paragraph (b) of Article Five of the CML states: "the Authority may publish a draft of regulations and rules before issuing or amending them. The regulations, rules and instructions issued by the Authority shall be effective in the manner prescribed under their provisions". Soliciting the public's views gives individuals, government and private entities, or any interested person the chance to add or comment on the regulations before official approval.

Consequently, the CMA has solicited the public's views and comments on draft implementing regulations since 2006, and has assigned a taskforce to look into and review all responses and apply appropriate amendments.

To regulate the procedures of soliciting public views before issuing the regulations, and the means for publishing these views, the Board issued Resolution No. (2-20-2014) dated 9/4/2014, to approve the manual of the procedures for soliciting the public's views on draft Implementing Regulations of the CML. The "public" refers to any person who is invited by the CMA to provide his/her views on the draft regulations, including but not limited to for example: government entities, authorities, public agencies, the Saudi Stock Exchange Co. "Tadawul", and all capital market participants including: listed companies, retail investors, institutional investors, public and private funds, APs and professional firms.

2.1 New/Amended Implementing Regulations

The CMA Board issued Resolution No. (3-58-2014) dated 10/11/2014 to adopt the Credit Rating Agencies Regulations (CRA Regulations), and to amend the Glossary of Defined Terms Used in the Regulations and Rules of the CMA. The CRA Regulations shall be effective and in full force as of 1/9/2015.

The CRA Regulations regulate the conduct of credit rating activities in the Kingdom and monitors thereof, and specifies the procedures and conditions for obtaining authorization. International best practices and standards were taken into account in the preparation of the CRA Regulations. Views and comments of professionals, specialists and other stakeholders were also taken into consideration.

2.2 Implementing Regulations Under-Development

The CMA has been working continuously to develop and issue a number of Implementing Regulations, namely:

1. Draft Rules for Qualified Foreign Financial Institutions Investment in Listed Shares.

The CMA has received the public's comments, and work is underway to review them before finalizing the Rules.

2. Draft Special Purpose Entities Regulations.

The draft is under review by a CMA taskforce dedicated to this purpose.

3. Updated Authorized Persons Regulations.

The draft is under review by a CMA taskforce dedicated to this purpose.

4. Updated Investment Funds Regulations.

Public comments have been received, and work is underway to review and incorporate appropriate changes.

2.3 CMA Board Meetings and Resolutions

Paragraph (a) of Article Ten of the CML states: "The Board shall hold its meetings at the request of its chairman. Meetings should be attended by at least three of its members including the chairman or vice chairman. Its decisions shall be made upon a vote of a majority of the members attending the meeting. In case of equal votes, the chairman of the meeting will have a casting vote".

During 2014, the CMA Board held 71 meetings and issued 431 resolutions/decisions covering different CMA functions and activities compared to 352 resolutions/decisions in 2013. Chart (1) illustrates the CMA Board's resolutions/decisions classified by subject in 2013 and 2014.

Chart (1): Number of CMA Board Resolutions/Decisions Classified by Subject

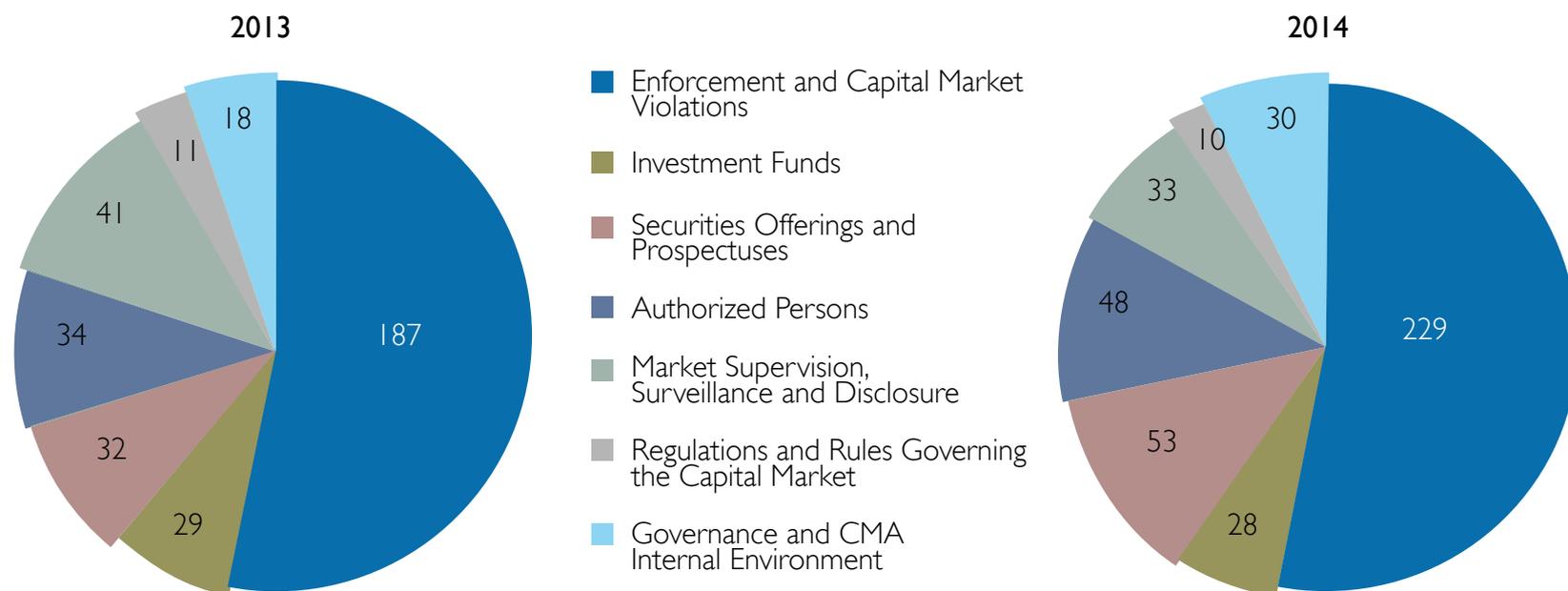


Table (5) indicates the number of CMA Board meetings classified by the number of members in attendance. Table (6) reflects the

number of meetings of the CMA Board by member attendance/non-attendance.



Table (5): CMA Board Meetings Classified by the Number of Attended Members

Element	Number of CMA Board Meetings	
	2013	2014
All-Member Meeting	30	25
4-Member Meeting	20	32
3-Member Meeting	5	14
Total	55	71

Table (6): CMA Board Meetings by Member Attendance/Non-Attendance in 2014³

Board Members	Number of CMA Board Meetings	
	Attendance	Non-Attendance
H.E. CMA Board Former Chairman	51	20
CMA Board Vice-Chairman	62	9
Board Member/ Dr. Abdulrahman Al-Barrak	64	7
Board Member/ Dr. Adnan Soufi	43	13
Board Member/ Dr. Najem Al-Zaid	49	7
Former Board Member/ Mr. Mohamed Al-Shumrani	12	3
Former Board Member/ Mr. Mazin Al-Romaih	13	2

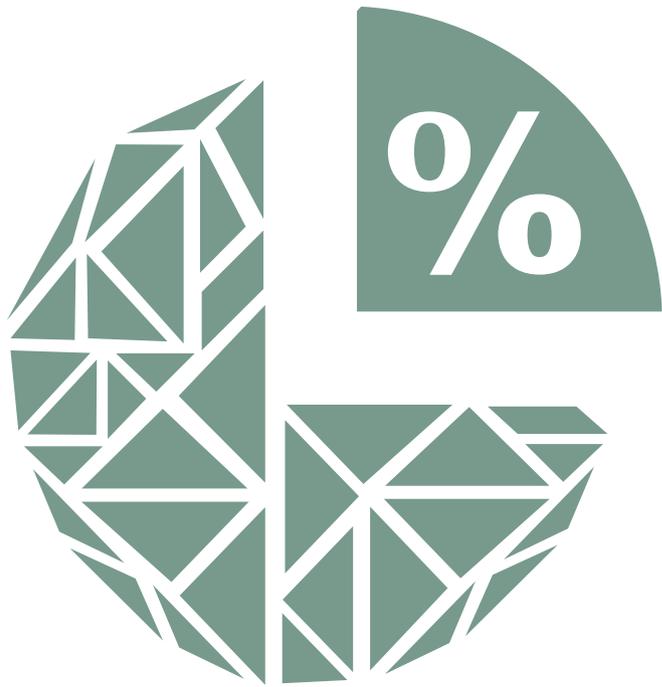
3) Royal Order No. (A/83) dated 17/5/1435H, was issued to recompose the CMA Board as follows:

1. Dr. Adnan Bin Abdulfattah Soufi.
2. Dr. Najem Bin Abdullah Al-Zaid.

To replace:

1. Mr. Mohamed Bin Moghanam Al-Shumrani.
2. Mr. Mazin Bin Abdulrazak Al-Romaih.





Section 3

Securities Offering

3.1 Initial Public Offerings

3.2 Capital Alteration of Listed Companies

3.3 Debt Instruments Offerings



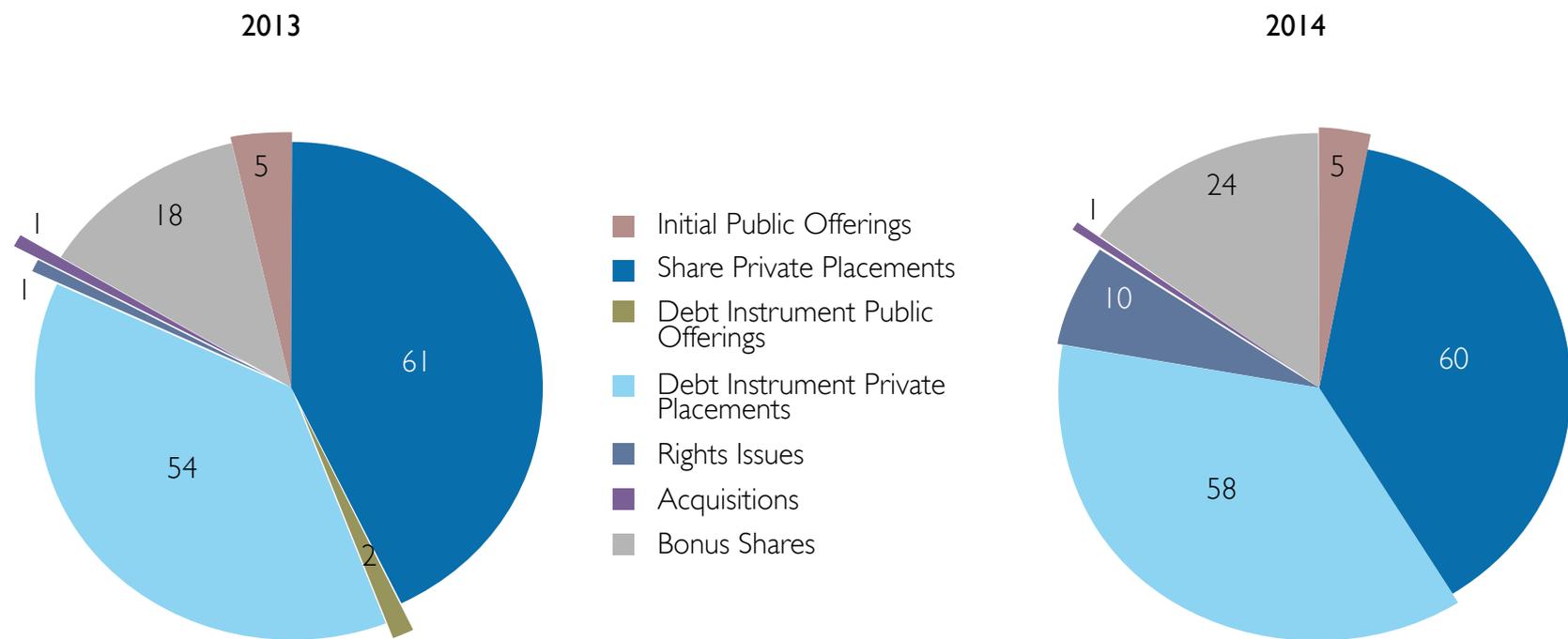
The CMA has been keen to make investment in securities appealing and encouraging to all investors by regulating the issuance of securities and approving their offering. It has also enhanced the procedures governing securities issuance, monitoring and dealing as well as supervising the full disclosure of securities/issuer-related information. In 2014, the CMA approved 158 securities operations,

up by 11.3% compared to 2013. This is due in large part to a remarkable increase of 900.0% in rights issues and 33.3% in bonus shares. Also, private placement notifications of debt instruments in 2014 rose by 7.4% to 58, up from 54 notifications in 2013 (Table (7), Chart (2)).

Table (7): Applications for Securities Offerings Approved by the CMA and Private Placement Notifications Received

Operation Type	2013	2014	Change (%)
Initial Public Offerings	5	5	0.0%
Share Private Placements	61	60	-1.6%
Debt Instrument Public Offerings	2	0	-100.0%
Debt Instrument Private Placements	54	58	7.4%
Rights Issues	1	10	900.0%
Acquisitions	1	1	0.0%
Capital Reduction	0	0	-
Bonus Shares	18	24	33.3%
Total	142	158	11.3%

Chart (2): Number of Applications for Securities Offerings Approved by the CMA, and Private Placement Notifications Received



Total amounts raised from securities offerings went up by 15.3% to SR 69.1 billion in 2014 compared to the previous year. This is due to a significant increase of 1,185.9% in IPO amounts to SR 25.2 billion

against SR 2.0 billion in 2013, and a 2,810.0% increase in rights issues to a value of SR 5.8 billion in 2014 compared to SR 200.0 million in 2013 (Table (8)).



Table (8): Total Amounts Raised from Securities Offerings by Type

(SR Million)

Type	2013	2014	Change (%)
Initial Public Offerings ⁴	1,962.0	25,229.0	1,185.9%
Share Private Placements ⁵	6,964.9	2,980.9	- 57.2%
Debt Instrument Public Offerings ⁶	7,500.0	4,500.0	- 40.0%
Debt Instrument Private Placement ⁷	43,347.4	30,614.0	- 29.4%
Rights Issues	200.0	5,820.0	2,810.0%
Total	59,974.3	69,143.9	15.3%

3.1 Initial Public Offerings

In 2014, the shares of six companies were partially offered for public subscription. The total value of offered shares exceeded SR 25.2 billion with 11.1 million subscribers (Table (9)).

4) Including the Saudi Marketing Company (approved in 2013, and went public in 2014).

5) The number of completed private placements of shares during 2014 amounted to 48.

6) Including the Saudi Electricity Company Sukuk 4 (approved in 2013, and offered in 2014).

7) The number of completed private placements of debt instruments in 2014 amounted to 36.

Table (9): Companies that Offered Part of their Shares for Public Subscription in 2014

Company Name	Offering Value (SR Million)	Ratio of Offered to Issued Shares	Over-subscription Times		Over-subscription to Total Offering ⁸	Number of Individual Subscribers (Thousand)
			Individuals ⁹	Institutions ¹⁰		
Saudi Marketing Company ¹¹	270.0	30.0%	5.6	19.9	12.8	1,431.6
Umm Al Qura Cement Co.	275.0	50.0%	8.5	-	8.5	3,310.7
Abdulmohsen Al Hokair Group for Tourism & Development Co.	825.0	30.0%	3.3	20.1	11.7	1,694.4
Al Hammadi Development & Investment Co.	630.0	30.0%	2.5	21.7	12.1	1,684.0
National Commercial Bank ¹²	22,500.0	25.0%	23.0	-	23.0	1,245.2
Electrical Industries Company	729.0	30.0%	5.2	19.8	12.5	1,740.3
Total	25,229.0	--	--	--	--	11,106.1

Subscription Channels

Total individual subscription amounts (before returning over-subscribed amounts) through different subscription channels in 2014 stood at nearly SR 317.8 billion with 11.1 million subscribers (Chart (3)).

Private placements of 48 companies were completed with a total value of SR 3.0 billion in 2014 compared to SR 7.0 billion in 2013.

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

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

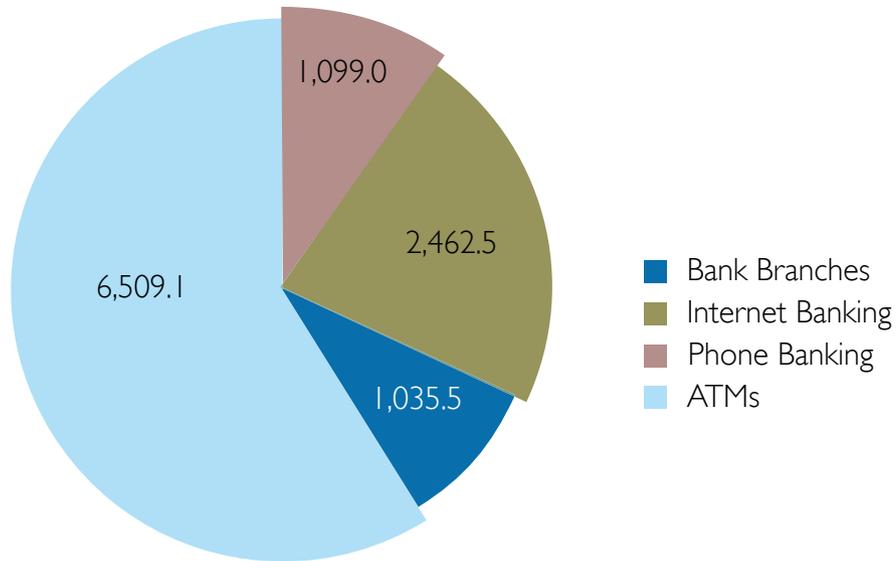
10) Level of oversubscription was calculated by dividing the number of shares subscribed by institutions by the number of shares allocated to them.

11) Approved in 2013 and went public in 2014.

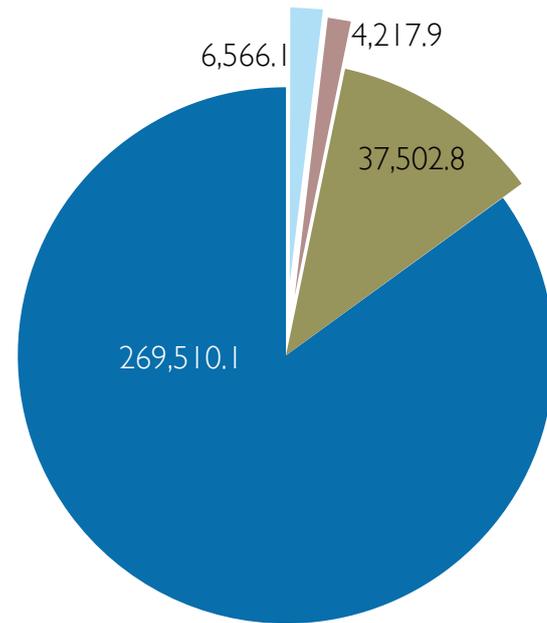
12) Representing the complete offering value, 500m shares (300m shares allocated to individuals and 200m shares to the Public Pension Agency).

Chart (3): Subscription Amounts (before Returning Over-subscribed Amounts) and Number of Individual Subscribers by Subscription Channel

Number of Individual Subscribers by Subscription Channel in 2014 (Thousand Subscribers)



Individual Subscription Amounts by Subscription Channel in 2014 (SR Million)



3.2 Capital Alteration of Listed Companies

27 companies listed on the Saudi Stock Exchange "Tadawul" increased their capital in 2014, taking the number of their outstanding shares to 12.3 billion shares (up by 36.6%) against 9.0 billion shares before

the capital increases. 24 listed companies (out of 27) increased their capital by issuing bonus shares (Table (10)).



Table (10): Listed Companies that Altered their Capital during 2014

Method of Capital Alteration	Number of Companies	Total Number of Shares (Million)		Change (%)
		Prior to Capital Alteration	Post Capital Alteration	
Issuing Bonus Shares	24	7,756.9	10,710.7	38.1%
Rights Issues	2	935.0	1,200.5	28.4%
Acquisition ¹³	1	315.0	393.8	25.0%
Total	27	9,006.9	12,304.9	36.6%

3.3 Debt Instruments Offerings

The private placement of 36 debt instruments was successfully carried out with a total value of SR 30.6 billion during 2014 compared to SR 43.3 billion in 2013. The CMA approved the offering of Saudi

Electricity Company Sukuk 4 in 2013, which was publicly offered at a total value of SR 4.5 billion in 2014.

13) The National Shipping Company of Saudi Arabia (Bahri) acquired the fleet and operations of Vela International Marine Limited. The deal value was SR 4,875 million (SR 3,123 million cash payment, and SR 1,752 million as compensation for issuing new shares)



Section 4

Investment Funds and ETFs

4.1 Investment Funds

4.2 Exchange Traded Funds (ETFs)



4.1 Investment Funds

In 2014, the CMA approved 18 publicly offered investment funds: 16 in equities, one in debt instruments and one in money markets. In addition, the CMA received 201 notifications of complete privately placed investment funds, and successfully processed 570 (out of 623) applications for amendments to essential information of investment funds in 2014¹⁴.

Total values of investment funds' assets grew considerably to SR 162.1 billion at the end of 2014, an increase of 16.0% over the preceding year, and coincident with a 21.4% rise in the number of investment funds to a total of 578 (Table (11)).

Table (11): Indicators of Investment Funds Sector

Item	2013			2014			Change (%)
	Public	Private	Total	Public	Private	Total	
Number of Funds	254	222	476	263	315	578	21.4%
Number of Subscribers	257,803	2,578	260,381	245,776	3,145	248,921	- 4.4%
Value of Assets (SR Million)	103,121.3	36,644.3	139,765.6	110,654.9	51,433.2	162,088.1	16.0%

4.1.1 Public Funds

Asset values of public investment funds accounted for 68.2% of total asset values at the end of 2014. This represented a rise of 7.3% to SR 110.7 billion compared to the previous year, and coincided with an increase in the number of funds to 263 despite a 4.7% decline in the number of subscribers to 245,776 (Table (12)).

The higher asset values of public funds can be attributed to an increase in the asset values of equity and money market investment

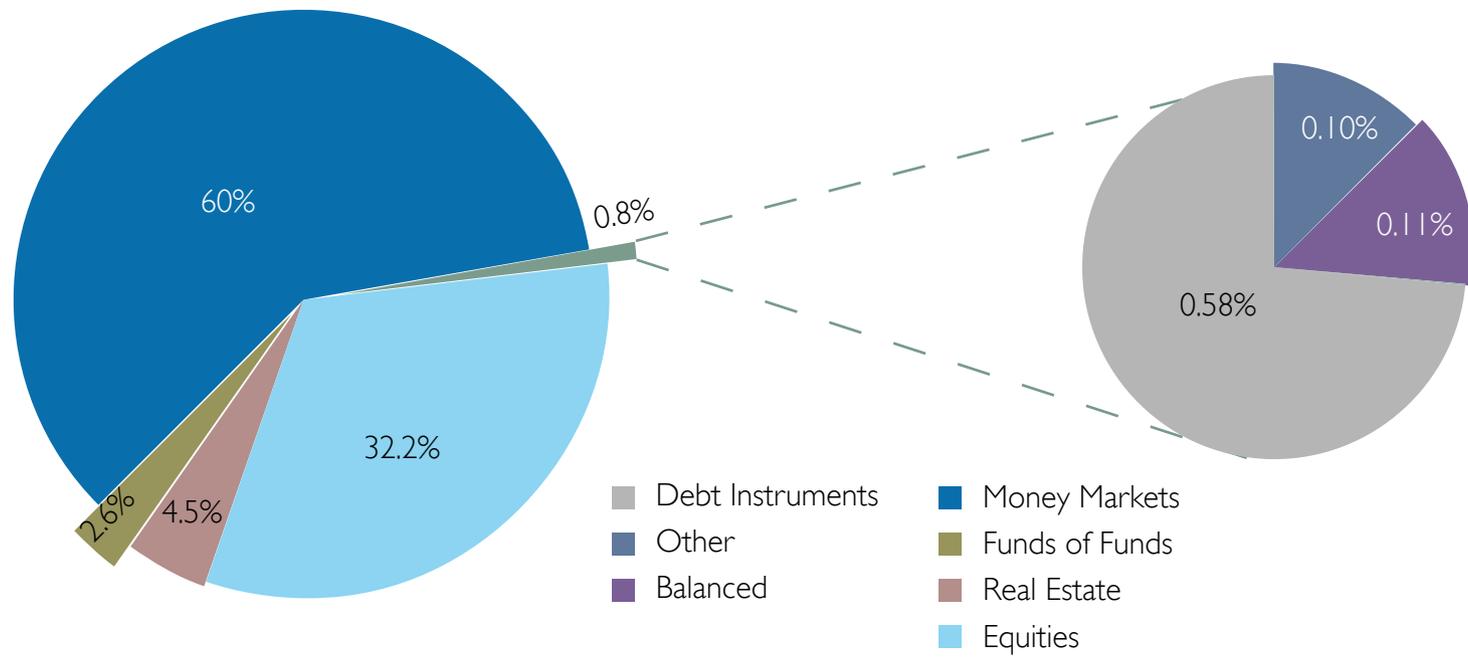
funds (combined value of 92.1% of total asset values of public offer funds) with SR 1.1 billion and SR 5.4 billion respectively (Chart (4)). Most of the decrease in the number of subscribers to public funds is reflected by reduced participation in equity investment funds which stood at 197,523 subscribers at the end of 2013, but only 187,426 at the end of 2014.

¹⁴) Including one application received in 2013.

Table (12): Indicators of Public Investment Funds by Type of Investment

Investment Type	Number of Funds			Number of Subscribers			Value of Assets (SR Million)		
	2013	2014	Change (%)	2013	2014	Change (%)	2013	2014	Change (%)
Equities	141	150	6.4%	197,523	187,426	- 5.1%	34,441.3	35,585.4	3.3%
Debt Instruments	8	9	12.5%	203	232	14.3%	563.3	641.9	13.9%
Money Markets	45	46	2.2%	49,024	46,307	- 5.5%	60,945.8	66,381.6	8.9%
Real Estate	13	11	-15.4%	5,021	5,869	16.9%	4,131.1	4,975.5	20.4%
Funds of Funds	41	41	0.0%	5,453	5,254	- 3.6%	2,797.9	2,837.2	1.4%
Balanced	2	2	0.0%	440	414	- 5.9%	130.5	124.6	- 4.5%
Capital Protected	0	0	-	0	0	-	0	0	-
Other	4	4	0.0%	139	274	97.1%	111.3	108.7	- 2.4%
Total	254	263	3.5%	257,803	245,776	-4.7%	103,121.3	110,654.9	7.3%

Chart (4): Breakdown of Public Investment Funds' Assets under Management (AUM) by Type of Investment for 2014



Public Funds Investing in Equities

Asset values of public funds investing in equities rose at the end of 2014 to SR 35.6 billion, 3.3% higher than 2013 (Table (13)).

Table (13): Indicators of Public Investment Funds in Equities Classified Geographically

Geographical Scope	Number of Funds			Number of Subscribers			Value of Assets (SR Million)		
	2013	2014	Change (%)	2013	2014	Change (%)	2013	2014	Change (%)
Local Equities	60	71	18.3%	178,825	169,156	-5.4%	21,331.3	22,634.1	6.1%
GCC Equities	23	26	13.0%	12,142	12,319	1.5%	2,127.4	2,342.8	10.1%
Arab Equities	6	6	0.0%	272	439	61.4%	196.7	459.5	133.6%
Asian Equities	11	10	-9.1%	1,780	1,243	-30.2%	860.6	786.8	-8.6%
US Equities	5	4	-20.0%	266	247	-7.1%	1,763.2	2,020.1	14.6%
European Equities	6	6	0.0%	291	266	-8.6%	2,746.0	2,662.5	-3.0%
Other International Equities	30	27	-10.0%	3,947	3,756	-4.8%	5,416.0	4,679.6	-13.6%
Total	141	150	6.4%	197,523	187,426	-5.1%	34,441.3	35,585.4	3.3%

4.1.2 Private Funds

Asset values of private funds (units of these funds were privately placed) rose by 40.4% to SR 51.4 billion at the end of 2014. This was accompanied by a year-on-year increase of 22.0% in the number of subscribers. The number of funds also rose by 41.9% to 315.

The 78.6% rise in the asset values of private funds is largely attributable to increases in the assets of real estate funds with SR 11.6 billion (Table (14)).



Table (14): Indicators of Private Funds by Type of Investment

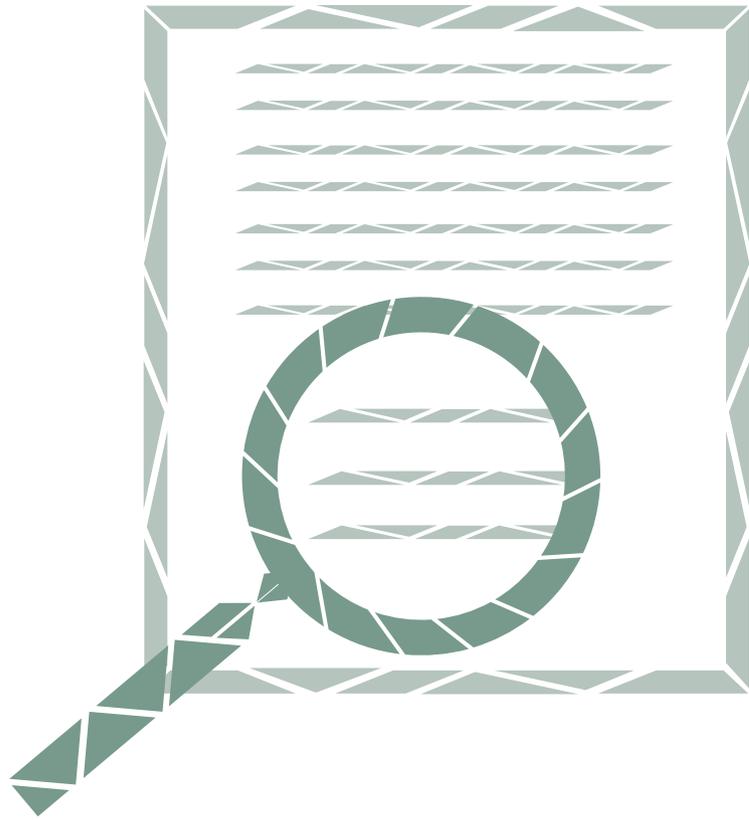
Investment Type	Number of Funds			Number of Subscribers			Value of Assets (SR Million)		
	2013	2014	Change (%)	2013	2014	Change (%)	2013	2014	Change (%)
Equities	86	142	65.1%	716	848	18.4%	11,536.9	13,667.8	18.5%
Debt Instruments	22	28	27.3%	3	72	2,300.0%	4.2	126.2	2,904.8%
Money Markets	6	7	16.7%	27	35	29.6%	608.5	1,688.7	177.5%
Real Estate	72	97	34.7%	1,561	1,883	20.6%	21,437.2	33,068.1	54.3%
Commodities	2	1	-50.0%	3	2	-33.3%	50.7	46.8	-7.7%
Multi Asset	17	14	-17.6%	72	82	13.9%	602.0	506.5	-15.9%
Hedging and Derivatives	17	26	52.9%	196	223	13.8%	2,404.9	2,329.1	-3.2%
Total	222	315	41.9%	2,578	3,145	22.0%	36,644.3	51,433.2	40.4%

4.2 Exchange Traded Funds (ETFs)

Asset values of ETFs retreated by 4.6% to SR 55.9 million at the end of 2014 as the number of subscribers declined by 16.9% compared to last year (Table (15)).

Table (15): Exchange Traded Funds (ETFs)

ETF Name	Asset Value (SR Million)			Number of Subscribers		
	2013	2014	Change (%)	2013	2014	Change (%)
Falcom Saudi Equity	26.9	26.9	- 0.2%	188	137	-27.1%
Falcom Petrochemical	12.8	13.0	1.4%	64	61	- 4.7%
HSBC Saudi 20	18.9	16.0	-15.1%	55	57	3.6%
Total	58.6	55.9	- 4.6%	307	255	-16.9%



Section 5

Surveillance

5.1 Surveillance of Trades

5.2 Surveillance of Electronic Means



To ensure fairness, transparency and investor protection in the capital market, the CMA monitors trades, websites and electronic means pursuant to Articles Five and Six of the CML which empowers the CMA to develop procedures to 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. Articles Forty Nine and Fifty of the CML set out the practices and actions that constitute a violation of the provisions of the CML.

As part of the authorized persons' legal responsibility towards the conduct of their clients - detailed in Article Eleven of the Market Conduct Regulations - the CMA works with the authorized persons

on taking necessary and prompt actions to ensure that they do not execute clients' orders if they are in breach of the CML and its Implementing Regulations. This is to protect investors and dealers in securities against illegitimate, misleading, manipulative or deceptive acts.

5.1 Surveillance of Trades

The process of surveillance of trades is carried out as follows:



The number of Surveillance System alerts on trades amounted to 30,824 at the end of 2014. Moreover, 1,974 intensive scans for trades and deals suspected of violating the CML and its Implementing

Regulations were made. Surveillance inquiries rose to 376 in 2014, and 15 cases of suspected violations were detected (Table (16)).

Table (16): Developments in Surveillance of Trades and Deals

Incident	Number	
	2013	2014
Surveillance System Alerts	26,251	30,824
Intensive Scans for Trades and Deals Suspected of Violating the CML and Implementing Regulations	1,779	1,974
Surveillance Inquiry ¹⁵	109	376
Suspected Violations	43	15

The CMA conducted 1,974 intensive scans for suspected violations of the CML and its Implementing Regulations in 2014. Those operations were executed through market surveillance in 1,228

cases, and through the alerts of the surveillance system in the other 746 cases (Table (17)).

Table (17): Intensive Scans for Trades and Deals Suspected of Violating the CML and its Implementing Regulations by Source in 2014

Sources of Intensive Scans	Number	(%)
Market Surveillance	1,228	62.2%
Alert	746	37.8%
Total	1,974	100%

¹⁵ The CMA contacts the authorized person (AP) about the suspicion of a misconduct, which requires a response and clarification from the AP.



5.2 Surveillance of Electronic Means

The CMA uses the latest surveillance systems to monitor electronic means, websites and social media networks to ensure there exists no practice 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, advising, or making recommendations.

Electronic surveillance is carried out through an electronic surveillance system that identifies topics and news on capital market

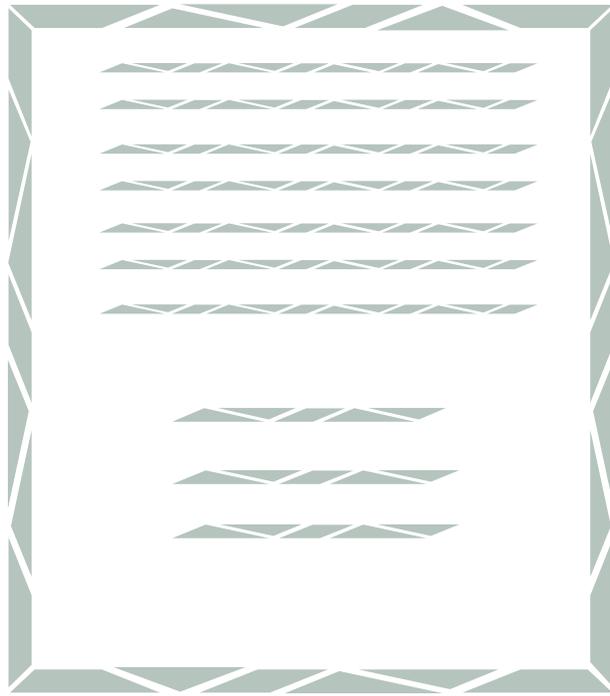
or listed companies, released and broadcast on various local and Arab mass media and websites. Once these topics and news are detected, the system generates alerts thereof. Alerts are then analyzed and examined to identify any case that may be in breach of the CML and its Implementing Regulations.

System alerts on electronic means increased by 23.2%, amounting to 1,814 in 2014 compared to the preceding year. The CMA conducted 70 intensive scans on those alerts, resulting in 10 cases of suspected violations (Table (18)).

Table (18): Highlights of Surveillance on Electronic Means

Incident	Number		Change (%)
	2013	2014	
Alerts on Electronic Means	1,472	1,814	23.2%
Intensive Scans for Alerts on Electronic Means	42	70	66.6%
Suspected Violations	26	10	- 61.5%





Section 6

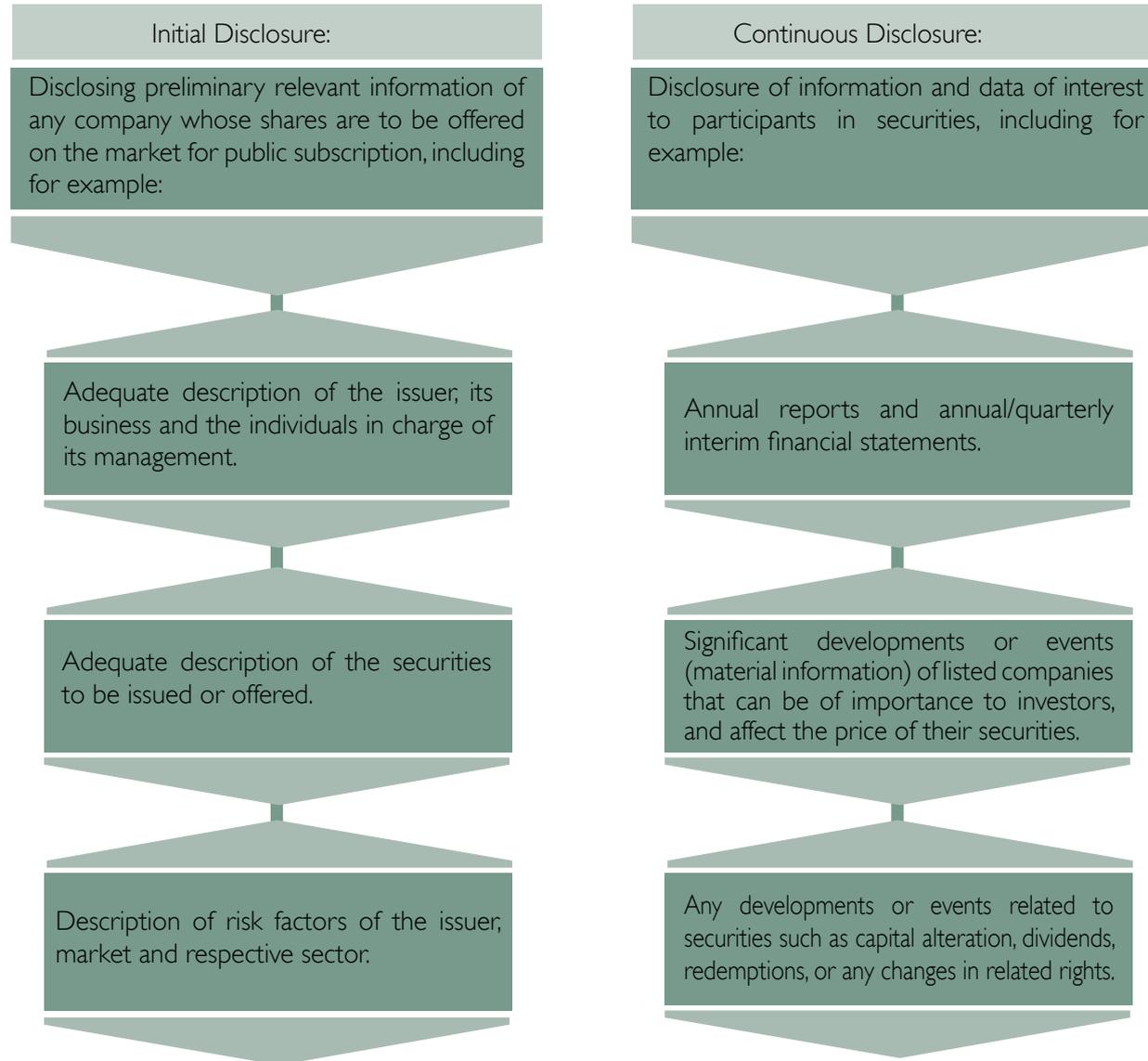
Listed Company Disclosure

- 6.1 Review of Annual and Quarterly Financial Statements
- 6.2 Announcements of Listed Companies
- 6.3 Supervisory Visits
- 6.4 Notifications of Ownership and Requests of Disposal
- 6.5 Listed Companies with Accumulated Losses of 50% or more
- 6.6 Improving Disclosure



Article Five of the CML empowers the CMA to regulate and monitor 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 that should be provided and disclosed

by market participants to shareholders and the public. In addition, Article Six of the CML grants the CMA the power to issue the required resolutions, instructions and procedures for regulating and monitoring the disclosure process. Two types of disclosure are regulated and monitored by the CMA:



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 Co. "Tadawul", to ensure that they meet all disclosure requirements according to the CML and

its Implementing Regulations. During 2014, the CMA reviewed 811 condensed financial statements and 790 detailed financial statements (Table (19)).

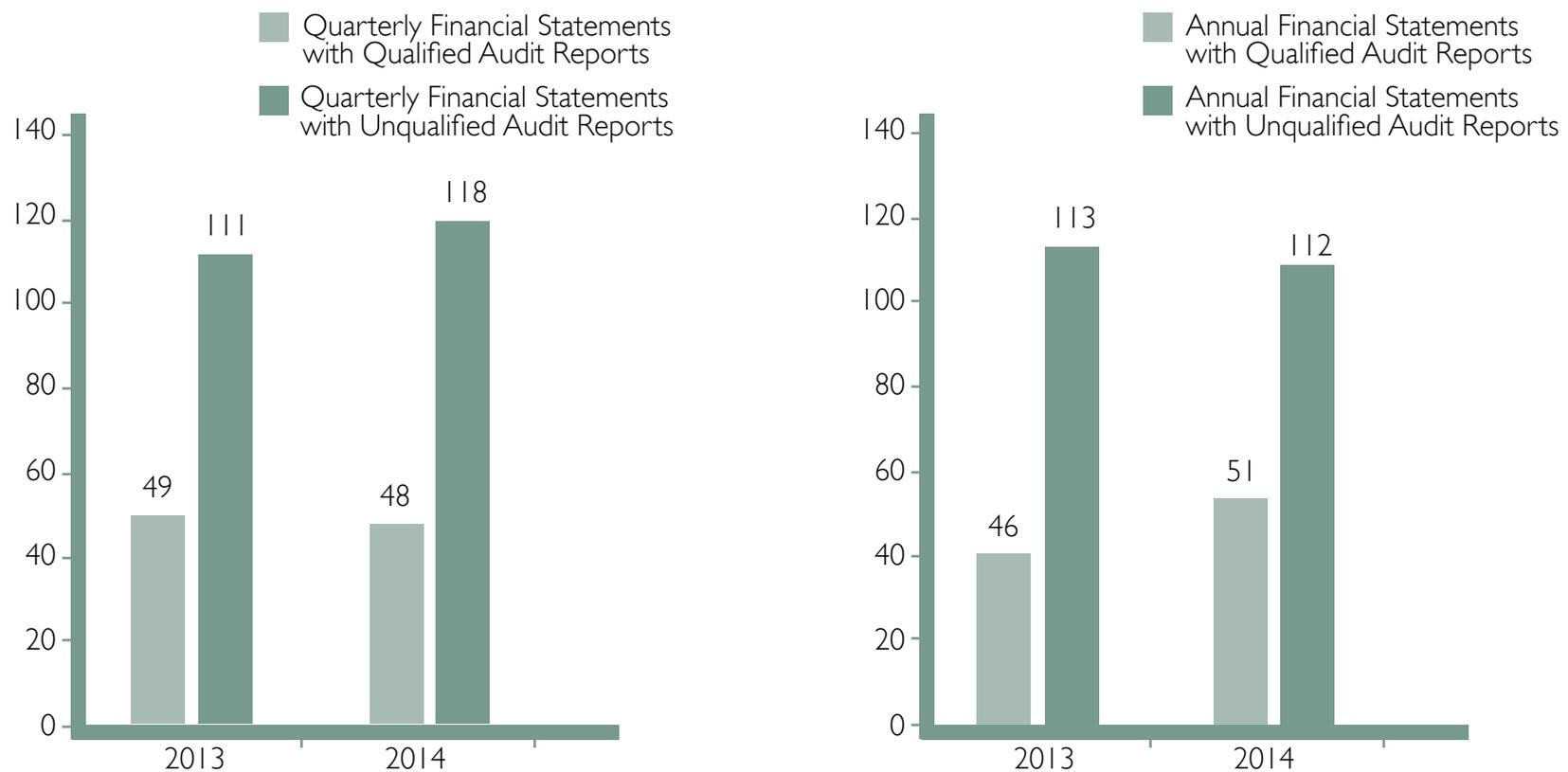


Table (19): Condensed and Detailed Financial Statements Reviewed and Posted on Saudi Stock Exchange's "Tadawul" Website

Category	Number		Change (%)
	2013	2014	
Condensed Financial Statements	808	811	0.4%
Detailed Financial Statements	789	790	0.1%

Those reviews revealed that the quarterly financial statements of 48 companies (out of 166 listed companies) had qualified audit reports. In the same context, the number of listed companies that

had qualified audit reports on their annual financial statements amounted to 51 (out of 163 listed companies) (Chart (5)).

Chart (5): Number of Companies that Had their Quarterly and Annual Financial Statements Reviewed¹⁶

16) Including qualification related to preparing and reviewing financial statements of insurance companies according to international standards. The CMA exempted banks and insurance companies from preparing and auditing their financial statements according to the Saudi standards, and allowed them to apply international standards in line with SAMA's requirements.

6.2 Announcements of Listed Companies

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

The total number of announcements posted during 2014 went down by 8.2% to 3,765 compared to the preceding year. There was a decline of 29.2% in the number of announcements of invitation to general assemblies, and the announcements related to their results compared to last year. The number of announcements related to financial results decreased by 14.0% year-on-year (Table (20)).

Table (20): Announcements Posted on the Saudi Stock Exchange "Tadawul" Website Classified by Type

Type of Announcement	Number		Change (%)
	2013	2014	
Financial Results	976	839	-14.0%
Recommendation of Capital Increase through Rights Issue	4	11	175.0%
Recommendation of Capital Increase through Bonus Shares Issue	19	27	42.1%
Recommendation of Capital Decrease	0	1	-
Invitation to General Assemblies, and the Announcements Related to their Results	1,099	778	-29.2%
Dividends	141	167	18.4%
Explanatory Announcement	485	551	13.6%
Change in the Composition of Corporate Board of Directors and Top Management	185	189	2.2%
Approval on New Product	119	96	-19.3%
Other Material Developments or Events	1,074	1,106	3.0%
Total	4,102	3,765	- 8.2%

6.3 Supervisory Visits

The CMA carried out several supervisory visits to listed companies during 2014 to raise awareness and support communication with the boards of those companies to achieve the highest level of compliance with the CML, its Implementing Regulations and other related regulations. This is done by examining the current status of companies, encouraging them to apply best practices and ensuring that the boards have in place adequate policies and procedures to achieve the highest level of compliance and the mechanisms to enforce them.

6.4 Notifications of Ownership and Requests of Disposal

Notification of a person's substantial shareholdings (5% or more) of voting shares or convertible debt instruments, or change in ownership by 1.0% or more; or notification of ownership of shares or convertible debt instruments by a board member or a senior executive in the same company, 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".

Notifications of shareholdings and change in ownership by major shareholders amounted to 22 and 95 respectively at the end of 2014. The number of notifications of shareholdings and ownership changes by board members and senior executives stood at 454 and 128 respectively (Table (21)).

Table (21): Number of Notifications of Shareholding and Ownership Changes by Major Shareholders, Board Members and Senior Executives

Source of Notification	2013		2014	
	Ownership	Ownership Change	Ownership	Ownership Change
Major Shareholders	20	81	22	95
Board Members and Senior Executives	395	82	454	128
Total	415	163	476	223

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".

At the end of 2014, the CMA received 67 disposal requests, up by 31.4% compared to the previous year. Requests for transfer of ownership jumped by 500.0% during 2014 compared to the previous year (Table (22)).



Table (22): Disposal Requests of Owner of, or Interested in 10% or More

Type of Disposal	Number		Change (%)
	2013	2014	
Sell	47	56	19.1%
Transfer of Ownership	1	6	500.0%
Pledge	3	5	66.7%
Total	51	67	31.4%

6.5 Listed Companies with Accumulated Losses of 50% or more

Pursuant to the CMA Board's Resolution No. (4-48-2013) dated 18/11/2013 to approve the procedures and instructions concerning listed companies whose accumulated losses have reached 50% or

more of their capital, the number of such companies amounted to 12, four of which had losses of 75% or more at the end of 2014 (Table (23)).

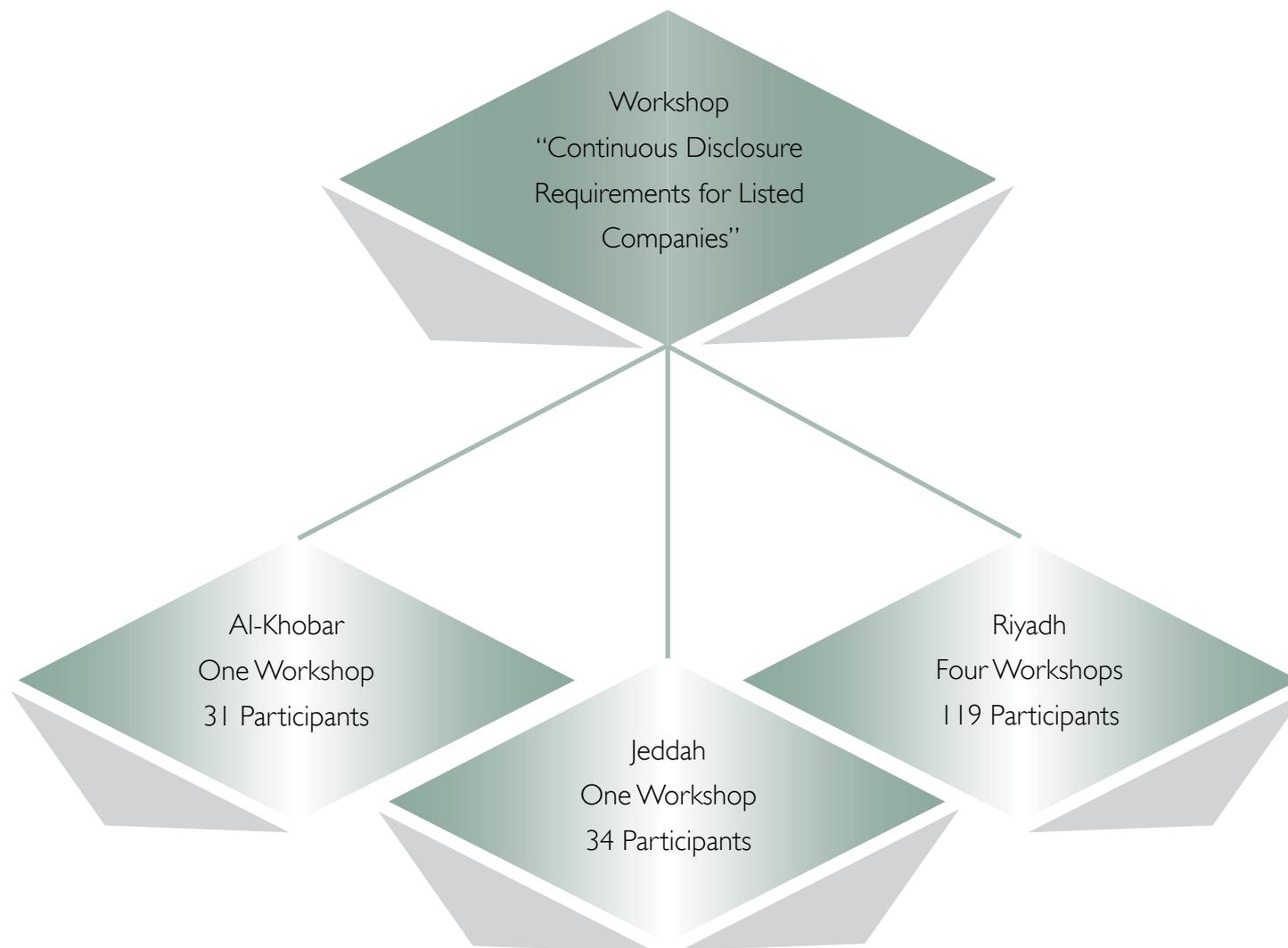
Table (23): Listed Companies with Accumulated Losses of 50% or More in 2014

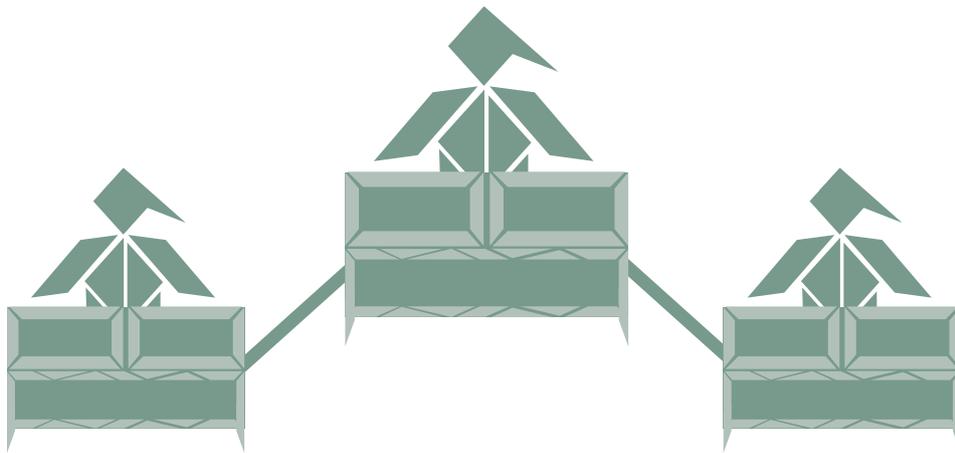
Percentage of Accumulated Losses	Number of Companies
Companies with Accumulated Losses of 50% or more, and less than 75%	8
Companies with Accumulated Losses of 75% or more, and less than 100%	1
Companies with Accumulated Losses of 100% or more	3
Total	12

6.6 Improving Disclosure

To achieve its goals aimed at developing the procedures and principles of continuous disclosure of listed companies, the CMA organized 6 workshops to enhance awareness of disclosure requirements in listed companies during 2014. The workshops, entitled “Requirements of

Continuous Disclosure for Listed Companies”, were held in three cities: Riyadh, Jeddah, and Al-Khobar. 184 participants from listed companies took part in the workshops.





Section 7

Corporate Governance

- 7.1 Board Composition of Listed Companies
- 7.2 Board Meetings of Listed Companies
- 7.3 Boards of Directors' Main Committees
- 7.4 Enhancing Corporate Governance
Compliance



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



7.1 Board Composition of Listed Companies

Article Twelve of the Corporate Governance Regulations states the requirements with regard to the composition of the board of directors, which include:

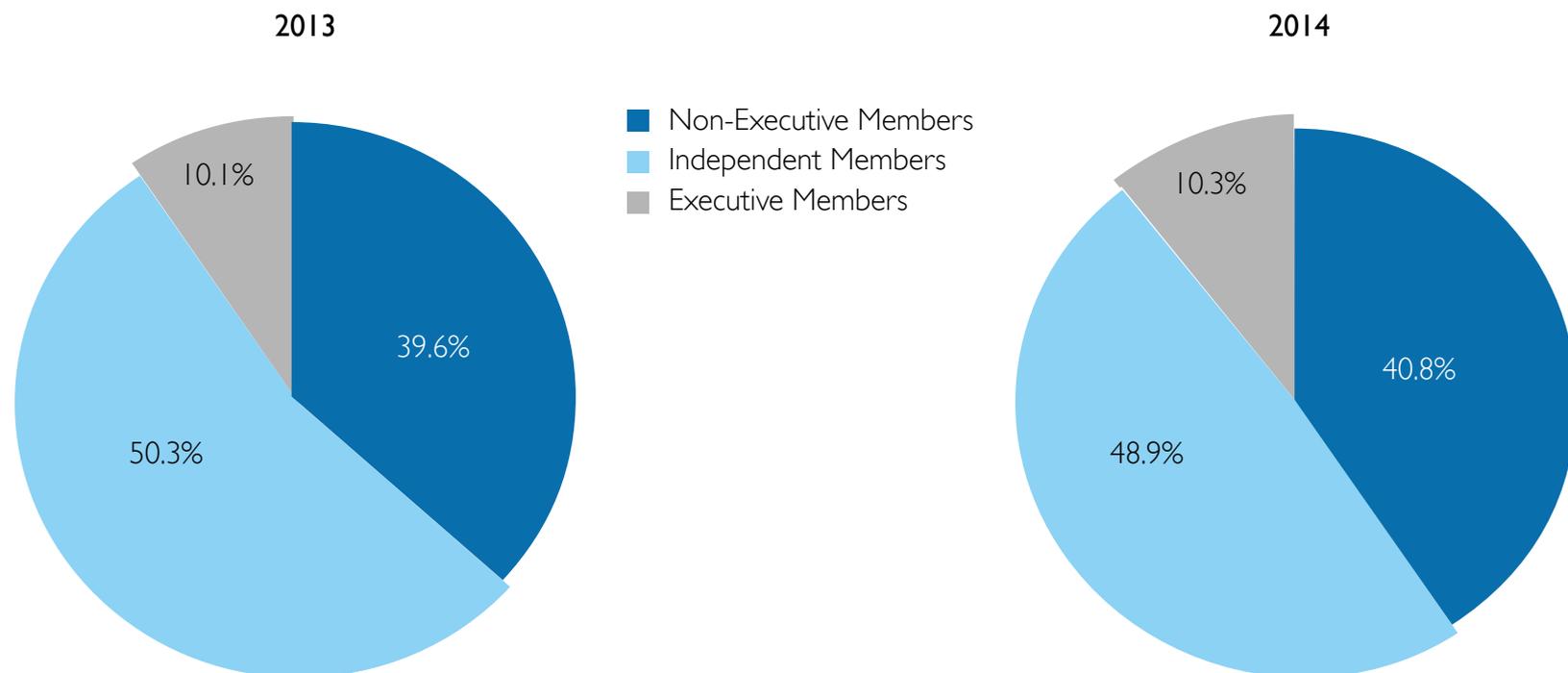
1. The articles of association of the company shall specify the number of board of directors' members, provided that such number shall not be less than three and not more than eleven.
2. The majority of members of the board of directors shall be non-executive members.
3. The independent members of the 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 in 2014 increased by 8.1% to 574; also the number of seats for executive members rose by 6.6% to 145 and those for independent members rose by 1.9% to 687 year-on-year. Both non-executive and independent members accounted for 89.7% of total seats in the boards of directors of listed companies in 2014 (Table (24), Chart (6)).

Table (24): Composition of Boards of Directors in Listed Companies by Membership Type

Membership Type	2013		2014		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Non-Executive ¹⁷	531	39.6%	574	40.8%	8.1%
Independent	674	50.3%	687	48.9%	1.9%
Executive	136	10.1%	145	10.3%	6.6%
Total	1,341	100%	1,406	100%	4.8%

Chart (6): Composition of Boards of Directors in Listed Companies by Membership Type



¹⁷) Non-executive member: is a member of the Board of Directors who does not have a full-time management position at the company, or does not receive monthly or yearly salary. Consequently, any independent member is a non-executive member at the same time.



7.2 Board Meetings of Listed Companies

Article Sixteen of the Corporate Governance Regulations has provided instructions on several matters such as holding board meetings on a regular basis upon a request by the chairman.

The number of board meetings of listed companies (as in board reports) stood at 906 at the end of 2014, with an average of 5.4 meetings per company (Table (25)).

Table (25): Number of Boards' Meetings in Listed Companies by Sector¹⁸

Sector	2013		2014	
	Number of Meetings	Average Meetings per Company	Number of Meetings	Average Meetings per Company
Banks and Financial Services	60	5.5	63	5.3
Petrochemical Industries	61	4.4	63	4.5
Cement	67	5.2	77	5.5
Retail	52	4.3	66	4.7
Energy & Utilities	21	10.5	20	10.0
Agriculture and Food Industries	80	5.0	92	5.8
Telecommunication & Information Technology	30	7.5	33	8.3
Insurance	174	5.0	180	5.1
Multi-Investment	39	5.6	34	4.9
Industrial Investment	70	5.0	71	5.1
Building & Construction	95	5.9	97	5.7
Real Estate Development	51	6.4	50	6.3
Transport	28	7.0	23	5.8
Hotel and Tourism	18	6.0	22	7.3
Media and Publishing	17	5.7	15	3.8
Total Number of Boards of Directors Meetings		863		906
Meetings Average for All Listed Companies		5.3		5.4

¹⁸ The number of listed companies' meetings for 2013 and 2014 does not include the number of board meetings of one listed company.

7.3 Boards of Directors' Main Committees

Corporate Governance Regulations require listed companies to form the following main committees:

(I) Audit Committees

Article Fourteen of the Corporate Governance Regulations 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 determine 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.

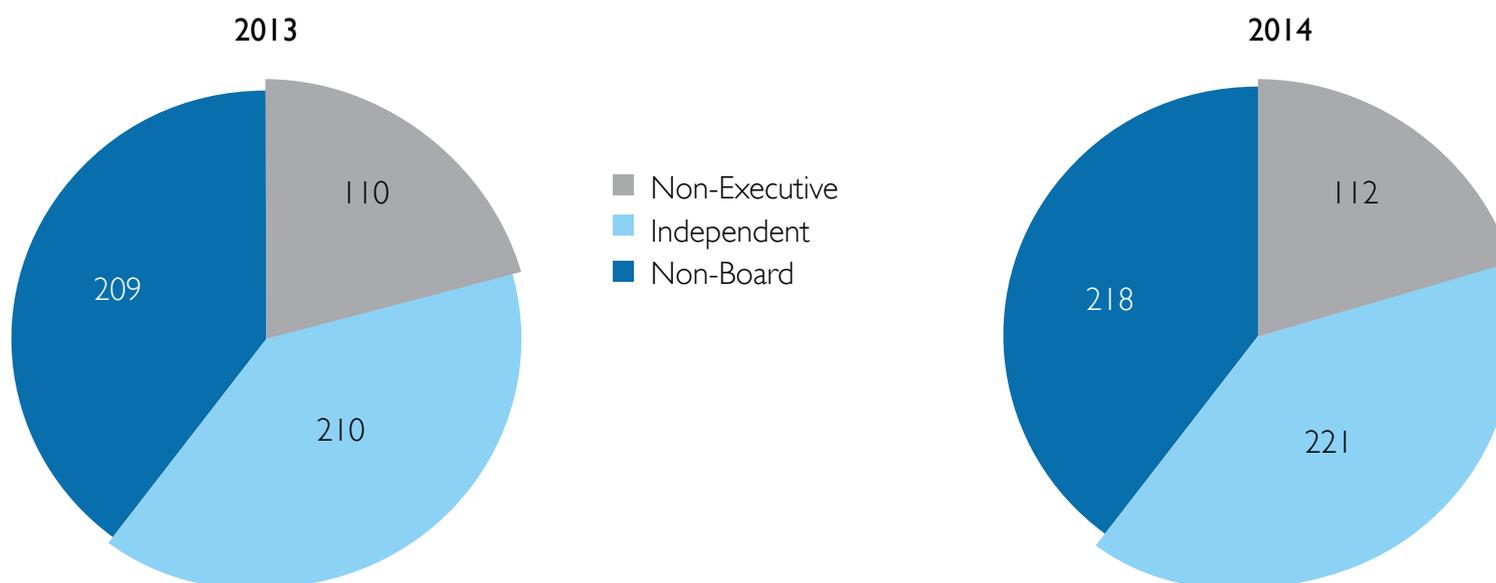
The number of audit committees' seats in listed companies rose to 551 in 2014. The number of seats for non-board members accounted for 40.1% of the total (Table (26), Chart (7)).

Table (26): Seats of Audit Committees in Listed Companies by Membership Type

Type	2013		2014		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Non-Executive	110	20.8%	112	20.3%	1.8%
Independent	210	39.7%	221	40.1%	5.2%
Non-Board	209	39.5%	218	39.6%	4.3%
Total	529	100%	551	100%	4.2%



Chart (7): Number of Seats of Audit Committees in Listed Companies by Membership Type



(2) Nomination and Remuneration Committees

The CMA made Article Fifteen (Nomination and Remuneration Committee) of the Corporate Governance Regulations mandatory for all listed companies as of 1/1/2011. The number of seats of

nomination and remuneration committees in listed companies increased to 553 at the end of 2014. Seats of independent members ranked first with 283 (51.2%) of the total (Table (27)).

Table (27): Seats of Nomination and Remuneration Committees in Listed Companies by Membership Type

Membership Type	2013		2014		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Non-Executive	193	35.3%	199	36.0%	3.1%
Independent	286	52.4%	283	51.2%	- 1.0%
Executive	42	7.7%	47	8.5%	11.9%
Non-Board	25	4.6%	24	4.3%	- 4.0%
Total	546	100%	553	100%	1.3%

7.4 Enhancing Corporate Governance Compliance

To attain the goals of protecting investors by applying corporate governance rules, the CMA participates in workshops/seminars through which it anticipates to increase awareness of the Corporate

Governance Regulations and develop governance practices in listed companies and capital market's related parties. Accordingly, in 2014, the CMA participated in 12 events (Table (28)).

Table (28): Workshops and CMA's General Participations in Corporate Governance during 2014

No.	Title of Conference/Workshop/Seminar	City
1	International Conference for Corporate Sustainability 2014	Riyadh
2	Governance in Family Businesses Forum	Jeddah
3	Corporate Governance Regulations Presentation	Al-Khobar
4	Corporate Governance Regulations Presentation	Riyadh
5	Corporate Governance Regulations Presentation	Madinah
6	3rd Internal Audit Forum in Saudi Arabia	Riyadh
7	Financial Managers Seminar	
8	Issuers Awareness Seminar	Riyadh
9	Issuers Awareness Seminar	
10	Issuers Awareness Seminar	Jeddah
11	Issuers Awareness Seminar	
12	Issuers Awareness Seminar	Al-Khobar



Section 8

Investor Complaints and Violations of CML

- 8.1 Investor Complaints
- 8.2 Handling Investor Complaints
- 8.3 Investigation into Violations of the CML
- 8.4 Classification of CML Violation Cases



8.1 Investor Complaints

As part of a broader customer service program, the CMA has established a multi-faceted customer complaints platform to ensure the efficient handling of any complaints received:



Complaints received by the CMA are classified based on their subject. Table (29) shows that 871 complaints were received in 2014. This represents an increase of 3% over the previous year, but a more detailed breakdown shows that whereas complaints about “portfolio management”, “other complaints”, and “speculators”

declined by 88.3%, 74.7%, and 40.0% respectively in 2014, the number of complaints related to “credit facilities”, “investment funds” and “IPO subscriptions” jumped by 300.0%, 181.3% and 92.6% respectively over the same period.

Table (29): Complaints Received, Classified by Type

Type of Complaint	Number		Change (%)
	2013	2014	
Investment Portfolios	138	131	-5.1%
Credit Facilities	2	8	300.0%
Portfolio Management	94	11	-88.3%
Corporate Earnings	52	44	-15.4%
IPO Subscriptions	27	52	92.6%
Execution of Transactions	80	60	-25.0%
Speculators	15	9	-40.0%
Investment Funds	16	45	181.3%
Stock Certificates	5	14	180.0%
Services	2	57	2,750.0%
Information Request	4	106	2,550.0%
Listed Company	316	310	-1.9%
Other Complaints ¹⁹	95	24	-74.7%
Total	846	871	3.0%

¹⁹ Including objections against listed companies' announcements, CMA Board's resolutions concerning listed companies, and financial claims filed by APs against investors.



In 2014, the number of complaints filed against listed companies and the CMA decreased to 354 and 14 respectively over the period.

The number of complaints filed against APs rose to 293 in 2014 (Table (30)).

Table (30): Complaints Classified by Respondent

Complaint Against	Number		Change (%)
	2013	2014	
APs	236	293	24.2%
Listed Companies	368	354	- 3.8%
Individuals	109	20	- 81.7%
CMA	103 ²⁰	14	- 86.4%
Other ²¹	30	190	533.3%
Total	846	871	3.0%

8.2 Handling Investor Complaints

Paragraph (e) of Article Twenty Five of the CML requires 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". In the event that no amicable settlement can be reached between the conflicting parties within 90 days from

the filing date of the complaint with the CMA, a notification shall be given to the complainant. This gives them the right to file a case with the Committee for the Resolution of Securities Disputes (CRSD) to look into it.

485 of the 871 complaints lodged with the CMA were settled (Table (31), Chart (8)). Notifications were prepared for 112 complaints to be filed with the CRSD (Table (32)).

20) Including 97 complaints filed against the CMA and Saudi Integrated Telecommunication Company jointly.

21) Including complaints filed against Tadawul and CRSD.

Table (31): Status of Complaints Received by the CMA

Complaint Status	Number		Change (%)
	2013	2014	
Under Examination	37	274	640.5%
Settled	349	485	39.0%
Notifications Prepared	460	112	-75.7%
Total	846	871	3.0%

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

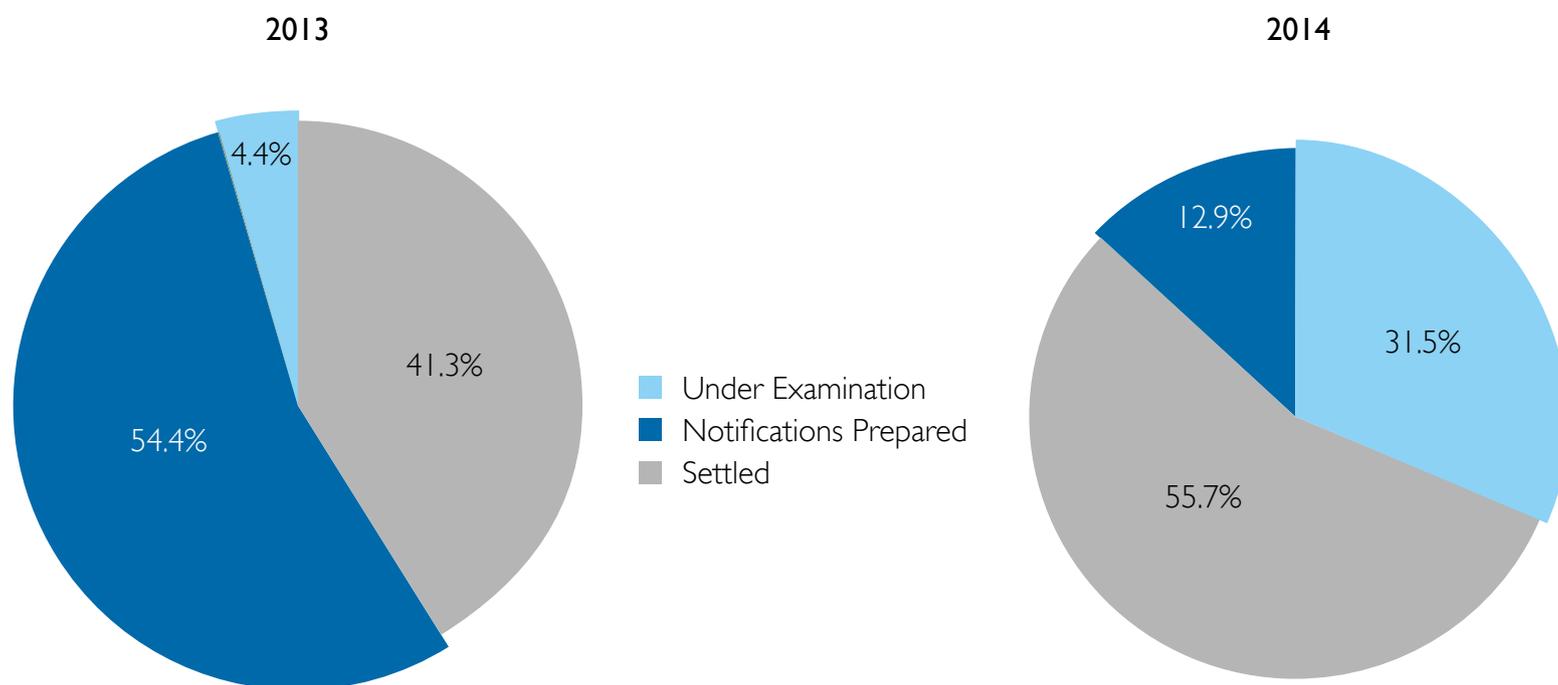




Table (32): Status of Notifications Prepared by the CMA to Complainants

Status of Notifications	Number		Change (%)
	2013	2014	
Served to Complainants	333	75	-77.5%
Not Served	127	37	-70.9%
	460	112	-75.7%

8.3 Investigation into Violations of the CML

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”.

Pursuant to Royal Order No. (4690) dated 6/2/1435H, to transfer the jurisdictions of entities and committees related to investigation and prosecution in criminal offences to the Bureau of Investigation and Public Prosecution, the jurisdiction of investigation and prosecution in the violations of Articles (31), (49) and (50) of the CML were transferred to the Bureau of Investigation and Public Prosecution as of 26/1/1436H.

The CMA conducts examination and evidence gathering with regard to the jurisdictions of the Bureau of Investigation and Public Prosecution, and investigates potential violations of the CML and the regulations and rules issued according to its provisions which are subject to the CMA's jurisdictions by means of the multi-stage process summarized below:

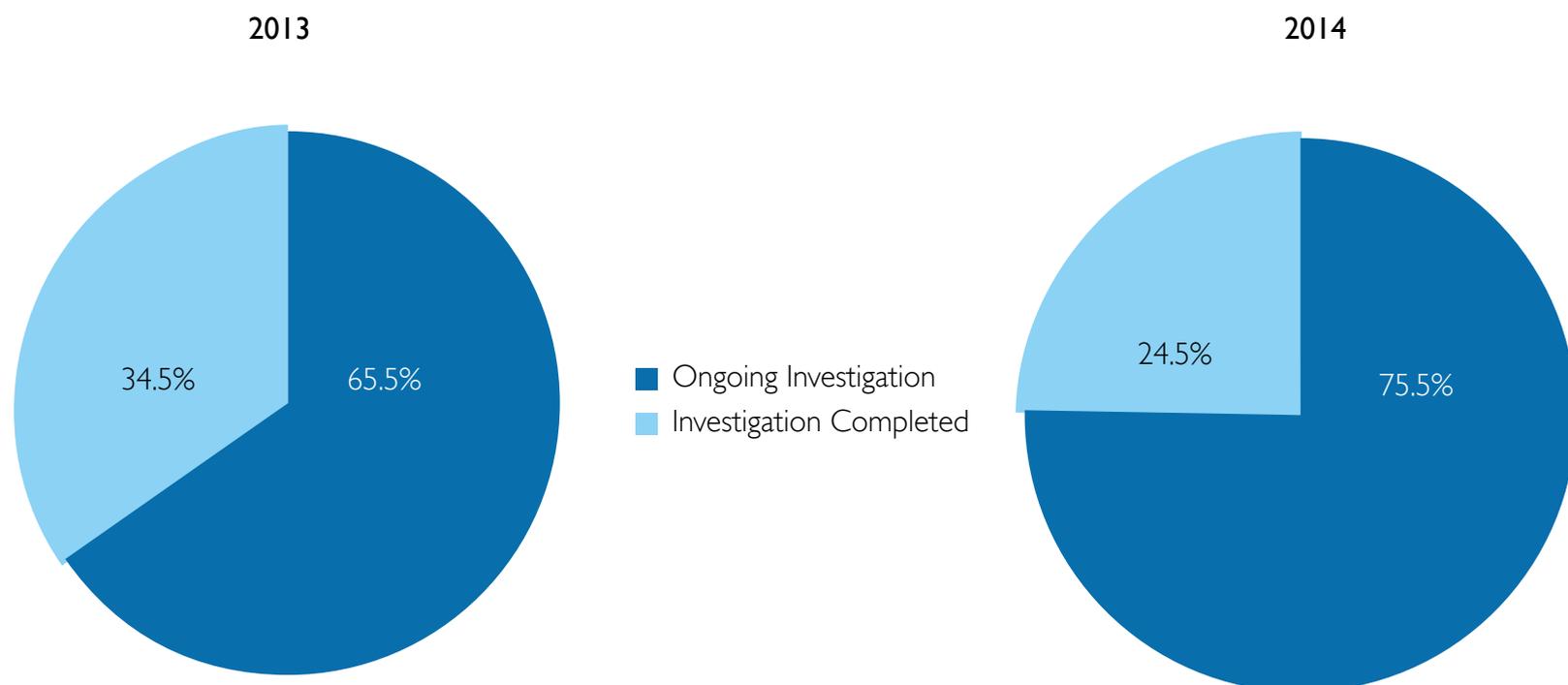


During 2014, investigation into 130 cases of alleged violation of the CML (out of 530 filed cases) was completed, accounting for 24.5% of the total filed. The remaining 400 cases are still under investigation (Table (33), Chart (9)).

Table (33): Progress of Investigation into Violations of the CML

Investigation Progress	Number	
	2013	2014
Ongoing Investigation	188	400
Investigation Completed	99	130
Total	287	530

Chart (9): Percentages of Investigation Cases into Violations of the CML





8.4 Classification of CML Violation Cases

8.4.1 Filed Violation Cases

530 violation cases were filed in 2014, representing an increase of 84.7% over the previous year. The bulk of the investigations related to the following violation categories: “Disclosure” (244 cases), “Investment/Real Estate Funds Regulations” (72 cases), and “Authorized Persons Regulations” (62 cases) (Table (34)).

8.4.2 Closed Violation Cases

At the end of 2014, the total number of closed violation cases stood at 197.6% higher by comparison with the previous year. Cases of “Disclosure” ranked first with 109 cases (43.6% of total closed cases). Cases involving “Authorized Persons Regulations”, “Manipulation and Creating Misleading Impression”, and “Corporate Governance Regulations” recorded sizable increases of 900.0%, 400.0% and 255.6% respectively (Table (34)).

Table (34): Filed/Closed Investigation Cases into Violations of the CML by Type of Violation

Type of Violation	Filed			Closed ²²		
	Number		Change (%)	Number		Change (%)
	2013	2014		2013	2014	
Manipulation and Creating Misleading Impression	39	14	-64.1%	1	5	400.0%
Disclosure	56	244	335.7%	24	109	354.2%
Insider Trading	2	1	-50.0%	0	2	-
Authorized Persons Regulations	23	62	169.6%	3	30	900.0%
Change in Ownership/Disposal of Percentages without Notifying the CMA	7	20	185.7%	7	2	-71.4%
Conducting Securities Business without CMA License ²³	39	11	-71.8%	12	16	33.3%
CMA Board Resolutions	4	7	75.0%	3	8	166.7%
Offers of Securities Regulations	6	1	-83.3%	2	1	-50.0%
Listing Rules	3	1	-66.7%	1	1	0.0%
Trading during Prohibited Period	39	42	7.7%	16	27	68.8%
Corporate Governance Regulations	43	22	-48.8%	9	32	255.6%
Investment/Real Estate Funds Regulations	20	72	260.0%	6	4	-33.3%
Prudential Rules	5	27	440.0%	0	12	-
Merger and Acquisition Regulations	0	2	-	0	0	-
Other	1	4	300.0%	0	1	-
Total	287	530	84.7%	84	250	197.6%

22) Including cases from previous years.

23) Including four closed cases referred to the Bureau of Investigation and Public Prosecution in 2014.



Section 9

Litigation, Sanctions and Penal Verdicts on Violations

- 9.1 Litigation before the Committee for the Resolution of Securities Disputes (CRSD)
- 9.2 Following up Enforcement of Decisions
- 9.3 Classification of Sanction Decisions Issued by the CMA against Violators of the CML and its Implementing Regulations



9.1 Litigation Before the Committee for the Resolution of Securities Disputes (CRSD)

After the CMA Board issues a decision to approve the filing of a general lawsuit in relation to violations of the CML and its implementing regulations, the CMA prepares indictments against violators; these are then filed with the CRSD.

The number of cases for which indictments were prepared and filed with the CRSD amounted to 39 at the end of 2014. It should be

noted that the caseload increased in every category except for that of "conducting securities business without license from the CMA", which witnessed a decline of 33.3% (Table (35)).

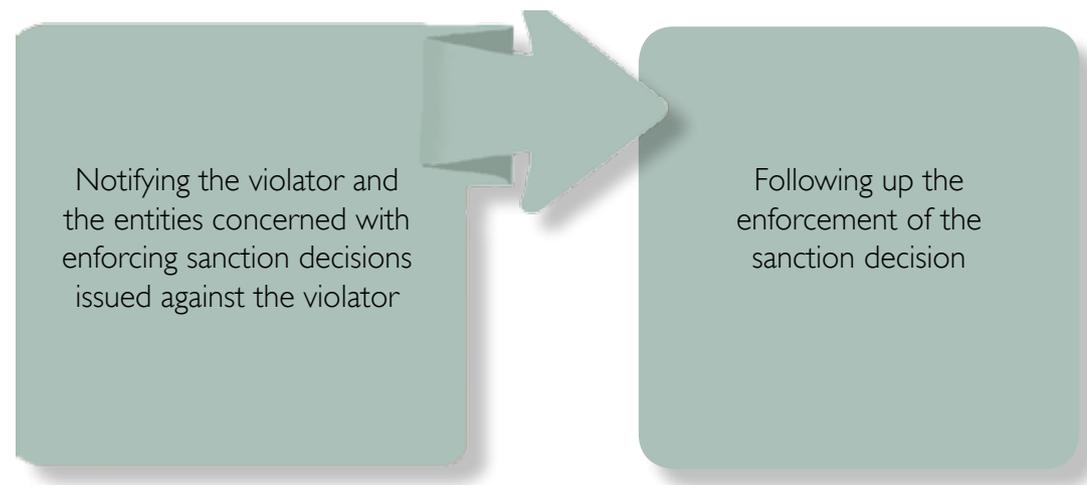
Table (35): Cases for which Indictments were Prepared and Filed with the CRSD

Case Type	Number		Change (%)
	2013	2014	
Manipulation and Creating Misleading Impression	8	21	162.5%
Conducting Securities Business without CMA License	24	16	-33.3%
Listing Rules Violation	0	0	-
Insider Trading Violation	0	0	-
Disclosure Violation	0	0	-
Authorized Persons Violation	1	2	100.0%
Total	33	39	18.2%

9.2 Following up Enforcement of Decisions

The CMA enforces decisions issued by the CMA Board, the interim decisions of imposing/lifting provisional seizure issued by the CRSD, and the final decisions issued by the CRSD and the Appeal

Committee for the Resolution of Securities Disputes (ACRSD) by conducting the following steps:



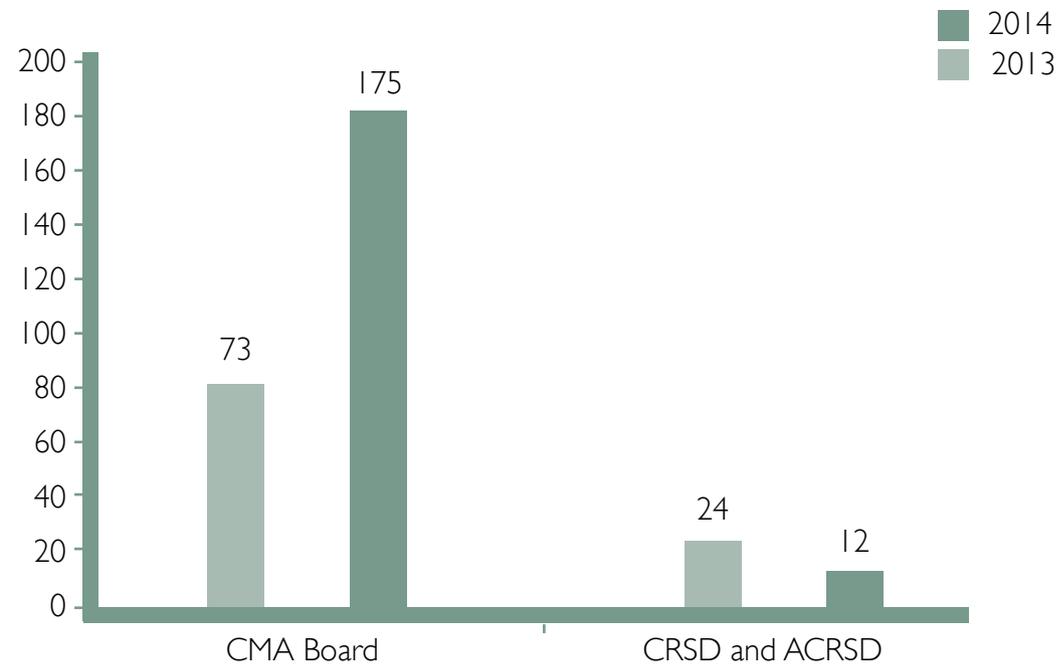
In 2014, the CMA followed up the enforcement of 175 sanction decisions issued by the CMA Board, and 12 sanction decisions issued by the CRSD and ACRSD (Table (36), Chart (10)).

Table (36): Sanction Decisions against Violators of the CML and its Implementing Regulations by Issuer

Issuer of Decision	Number	
	2013	2014
CMA Board	73	175
CRSD and ACRSD	24	12
Total	97	187



Chart (10): Number of Sanction Decisions against Violators of the CML and its Implementing Regulations by Issuer



9.3 Classification of Sanction Decisions against Violators of the CML and its Implementing Regulations

The number of sanction decisions issued by the CMA Board, the CRSD and ACRSD in the cases brought against violators of the CML and its Implementing Regulations at the end of 2014 stood at 187. By year end, 91.4% of these decisions had been enforced, and the remainder was still in process (Table (37)). Table (38) reflects

sanction decisions against violators of the CML and its Implementing Regulations classified by type of violation. In 2014, the 187 sanction decisions issued by the CMA Board, the CRSD and ACRSD were confined to financial penalties (Table (39)).

Table (37): Sanction Decisions against Violators of the CML and its Implementing Regulations Classified by Type of Violator in 2014

Type of Violator	Number	Enforced	Enforced (%)	Enforcement Followed Up	Enforcement Followed Up (%)
Investor	19	11	57.9%	8	42.1%
Listed Company/ Senior Executive	122	120	98.4%	2	1.6%
Authorized Person/Registered Person	46	40	87.0%	6	13.0%
Total	187	171	91.4%	16	8.6%

Table (38): Sanction Decisions against Violators of the CML and its Implementing Regulations Classified by Type of Violation in 2014

Type of Violation	Number	Enforced	Enforced (%)	Enforcement Followed up	Enforcement Followed up (%)
Manipulation and Creating Misleading Impression	2	1	50.0%	1	50.0%
Disclosure	78	77	98.7%	1	1.3%
Insider Trading	2	2	100.0%	0	0.0%
Authorized Persons Regulations	22	20	90.9%	2	9.1%
Change in Ownership/Disposal Percentages without Notifying the CMA	2	1	50.0%	1	50.0%
Conducting Securities Business without CMA License	9	3	33.3%	6	66.7%
CMA Board Resolutions	4	4	100.0%	0	0.0%
Offers of Securities Regulations	0	0	-	0	-
Listing Rules	0	0	-	0	-
Trading During Prohibited Period	19	18	94.7%	1	5.3%
Corporate Governance Regulations	28	28	100.0%	0	0.0%
Investment/Real Estate Funds Regulations	7	4	57.1%	3	42.9%
Prudential Rules	11	10	90.9%	1	9.1%
Other ²⁴	3	3	100.0%	0	0.0%
Total	187	171	91.4%	16	8.6%

24) Represent other violations of Market Conduct Regulations.

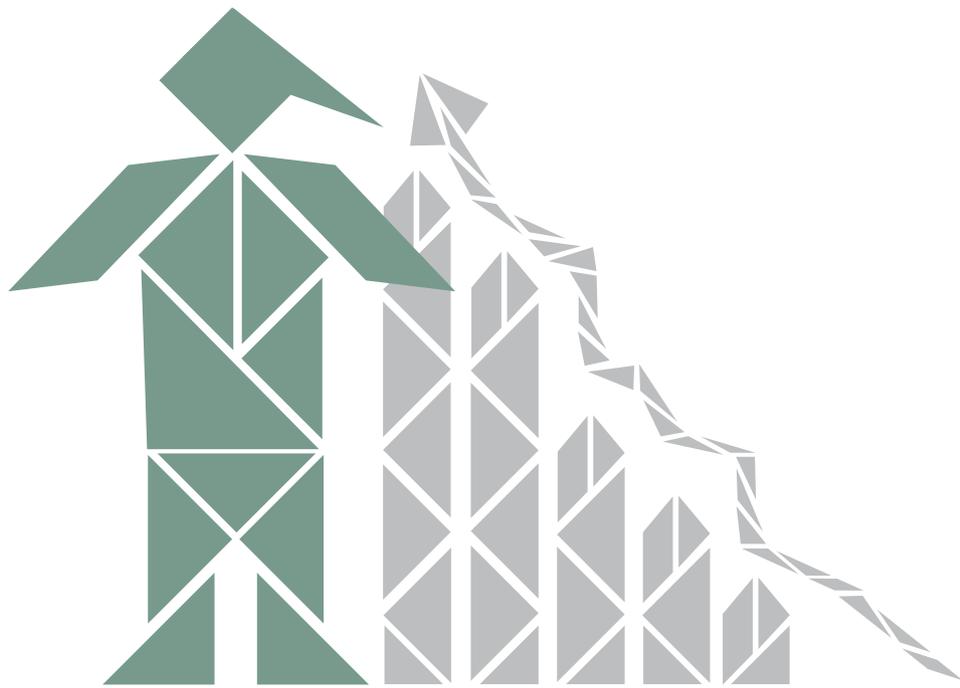


Table (39): Sanctions Issued by the CMA Board and CRSD Classified by Type of Sanction

Sanction	Number	
	2013	2014
Financial Penalty	85	187
Banning from brokerage activity, portfolio management or investment advisory	13	0
Banning from work in listed companies or any registrable function	2	0
Other ²⁵	3	0
Total	103	187

²⁵) Including banning from purchasing shares of listed companies.





Section 10

Authorized Persons to Conduct Securities Business

10.1 Authorization Decisions

10.2 Licenses Classified by Securities Business
Activities

10.3 Authorized Persons Performance
Indicators



10.1 Authorization Decisions

Based on Article Thirty Three of the CML, the CMA issues licenses for conducting securities business activities. In 2014, the CMA Board issued 13 decisions pertaining to these licenses. These decisions

included 2 decisions to approve new licenses, 8 decisions to amend existing licenses and 3 decisions to cancel licenses (Table (40)).

Table (40): Authorization Decisions by Type

Decision Type	Number of Decisions	
	2013	2014
New License Issued	5	2
Change in Business Profile	Activity Added	3
	Activity Cancelled	5
Cancellation of License	0	3
Revocation of License	0	0
Total	10	13

The number of authorized persons (APs) at the end of 2014 stood at 88, one of which has not yet commenced business (Table (41)).

Table (41): APs Classified by Business Commencement Status

Classification	Number of APs		Change (%)
	Up to the End of 2013	Up to the End of 2014	
APs Commenced Business	84	87	3.6%
APs Not Commenced Business	5	1	-80.0%
Total	89	88	-1.1%

10.2 Licenses Classified by Securities Business Activities

The number of licenses issued for various securities business activities totaled 494 at the end of 2014. “Advising” was the primary

activity with 82 licenses while “dealing as agent” recorded the lowest activity with 33 licenses issued (Table (42), Charts (11) and (12)).

Table (42): Number of Licenses by Business Commencement Status

Securities Business Activity		Number of Licenses					
		Up to the End of 2013			Up to the End of 2014		
		Commenced	Not Commenced	Total	Commenced	Not Commenced	Total
Dealing	As Principal	50	5	55	54	2	56
	As Agent	37	1	38	32	1	33
	As Underwriter	51	3	54	51	1	52
Managing	Investment Funds Management	64	5	69	65	1	66
	Discretionary Portfolio Management	60	3	63	59	1	60
Arranging		78	4	82	79	1	80
Advising		77	6	83	81	1	82
Custody		67	3	70	65	0	65
Total		484	30	514	486	8	494

Chart (11): Total Number of Licenses by Securities Business Activities

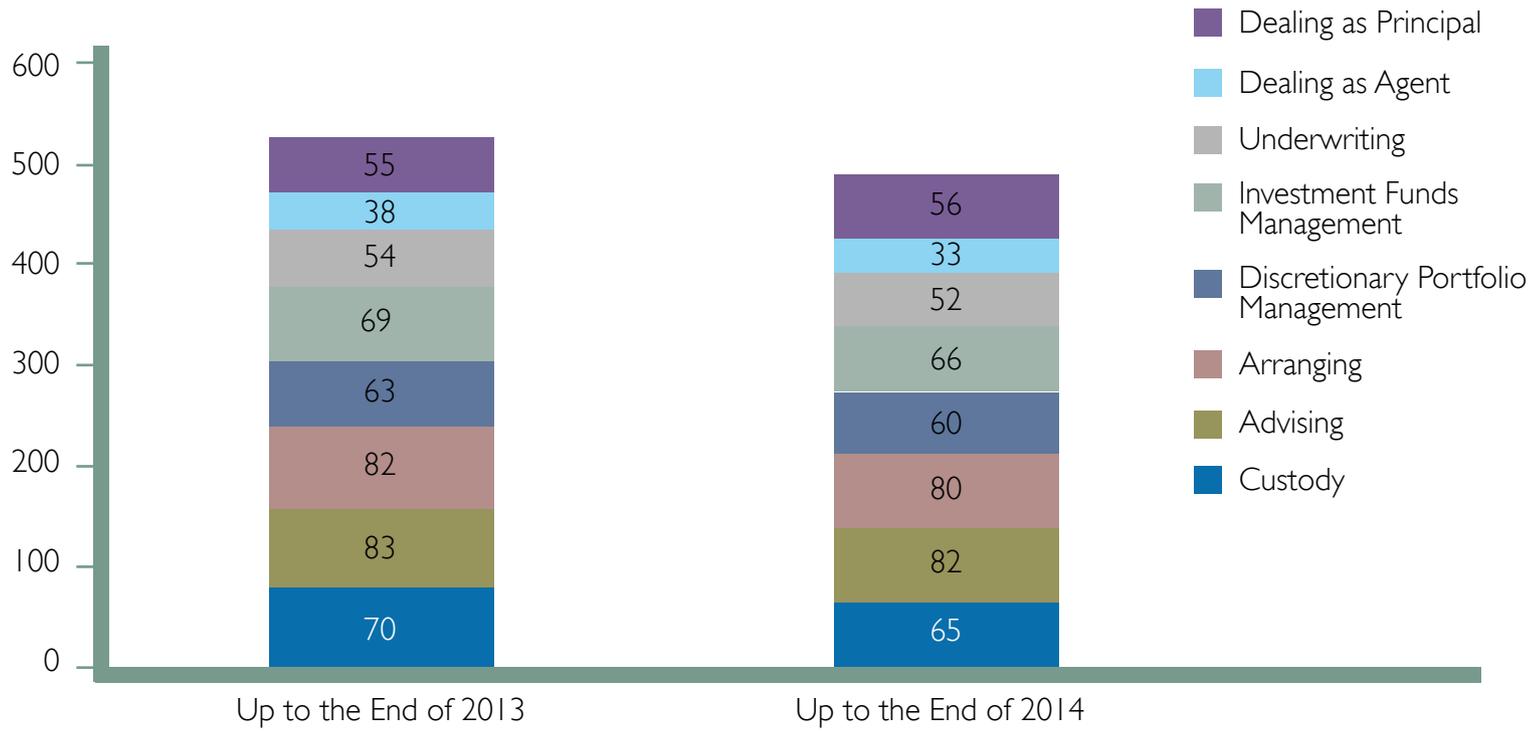
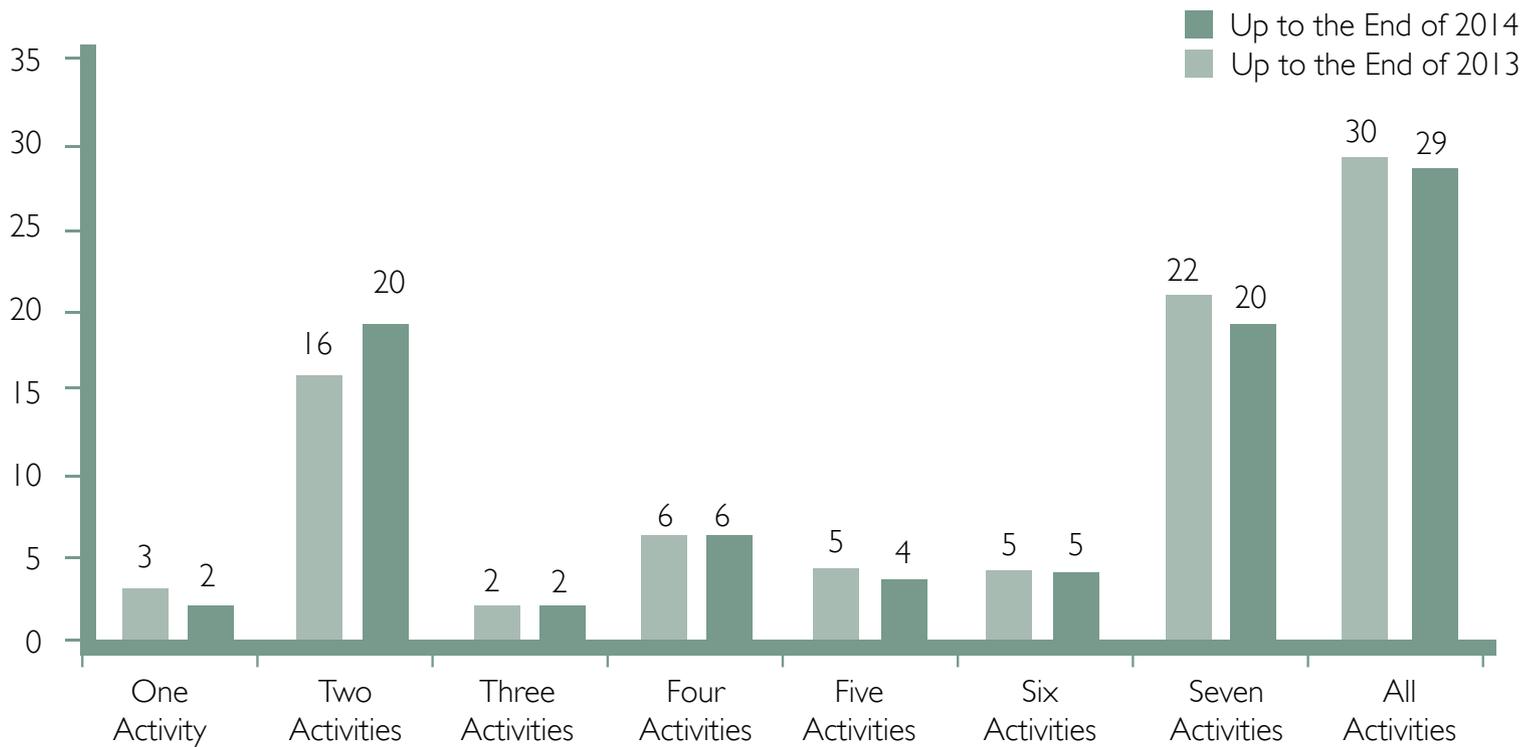


Chart (12): Number of APs Classified by Number of Licensed Securities Business Activities



The total number of persons working at APs stood at 4,343 at the end of 2014, with a Saudization rate of 67.9%. Registered persons²⁶ working at APs amounted to 2,937 with a Saudization rate of 71.7% at the end of 2014 compared to 2,891 and a Saudization rate of

71% at the end of 2013. By year-end 2014 the number of registered persons had increased by 1.6% compared to the preceding year (Table (43)).

Table (43): Number of Registered Persons Working at APs

Classification	Number of Persons		Saudization (%)	
	2013	2014	2013	2014
Registered Persons	2,891	2,937	71.0%	71.7%
Unregistered Persons	1,246	1,406	57.0%	60.0%
Total	4,137	4,343	67.0%	67.9%

10.3 APs Performance Indicators

Paid-up capital of APs at the end of 2014 amounted to SR 15.9 billion (up 1.6%) with revenues of SR 7.2 billion (up 15.8%). They generated net profits of more than SR 3 billion (up 29.4%) compared to 2013. Table (44) shows a number of financial indicators for the authorized persons. To facilitate the process of reviewing and comparing their financial data with their counterparts, APs have been classified

based on ownership structure, regional presence and business type into five categories: bank affiliate APs, local APs, regional APs, international APs and APs conducting arranging/advising business activity. Bank affiliate APs made profits of SR 2.3 billion accounting for 74.5% of total AP profits realized during 2014.

²⁶ A registered person is the person who performs a registrable function according to Article (19) of the Authorized Persons Regulations.

Table (44): Authorized Persons Performance

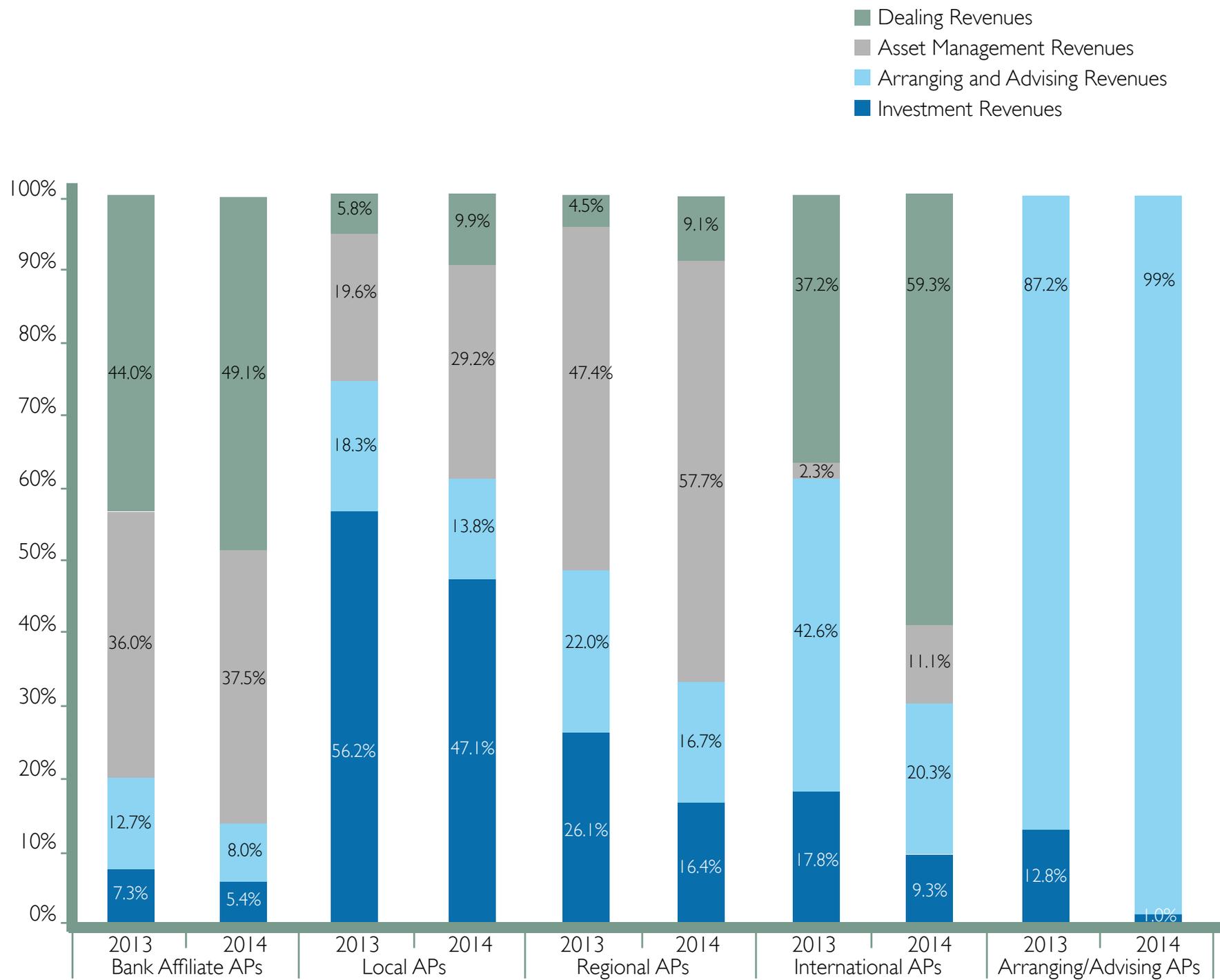
(SR Million)

Item	Authorized Persons										Total		Change (%)
	Bank Affiliate		Local		Regional		International		Arranging/Advising		2013	2014	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014			
Total Paid-up Capital	5,200	5,200	6,056	6,517	2,566	2,396	1,674	1,520	190	300	15,686	15,933	1.6%
Total Assets	11,272	13,200	8,743	8,578	3,082	3,519	1,694	1,563	278	412	25,069	27,272	8.8%
Total Liabilities	3,093	3,659	1,310	1,057	837	1,178	194	153	45	77	5,479	6,124	11.8%
Total Shareholder Equity	8,179	9,541	7,432	7,521	2,246	2,341	1,501	1,410	231	335	19,589	21,148	8.0%
Revenues	3,368	4,452	1,966	1,847	454	497	360	308	105	137	6,253	7,241	15.8%
Profit/Loss	1,495	2,265	633	551	109	117	73	66	40	42	2,350	3,041	29.4%

Chart (13) compares the percentage of APs revenues derived from dealing against total revenues for 2014 and 2013. The percentages of local, regional and international AP revenue derived from dealing rose to 9.9%, 9.1% and 59.3% respectively in 2014 up from 5.8%, 4.5% and 37.2% respectively in 2013. Moreover, the percentage of

total 2014 revenues of local, regional and international APs' derived from asset management increased to 29.2%, 57.7% and 11.1% respectively by comparison with 2013 revenues of 19.6%, 47.4% and 2.3% respectively.

Chart (13): Breakdown of APs Main Revenues in 2014





Section II

Inspection of Authorized Persons

II.1 Inspection

II.2 Prudential

II.3 Margin Trades



11.1 Inspection

In respect of its powers stated under Paragraph (c) of Article Five of the CML, the CMA carries out a number of inspection programs to monitor the activities of APs and capital market institutions in accordance with the requirements of the CML and its Implementing Regulations in line with best international standards and practices of review applications based on risk analysis and assessment. This is achieved by means of dedicated inspection programs:

(1) Cycle Inspection Programs

Cycle inspection programs are risk-based assessments and analyses of APs and capital market institutions. Accordingly, the CMA conducts inspection visits covering the activities, operations, products and services offered to market participants.

(2) Cause Inspection Programs

Cause-triggered programs are conducted in response to incoming referrals from related parties inside and outside the CMA, in addition

to the notices and inquiries sent by APs as well as any information related to unauthorized persons conducting securities business.

The CMA adopts a number of standards to ensure the quality of inspections and follows up corrective action plans presented by APs and capital market institutions. It also reviews monitoring requirements, and updates and develops inspection manuals and procedures on a regular basis so as to take account of the latest international standards and practices. This process requires a comprehensive analysis of risks based on the volume of capital market institutions' operations and their compliance with the CML and its Implementing Regulations.

In 2014, inspections covered 161 licenses, accounting for 32.6% of total licenses granted to APs (Table (45)). Table (46) indicates the number of cause inspections classified by reason while Chart (14) illustrates the percentages of cause inspections.

Table (45): Number of Inspected Licenses

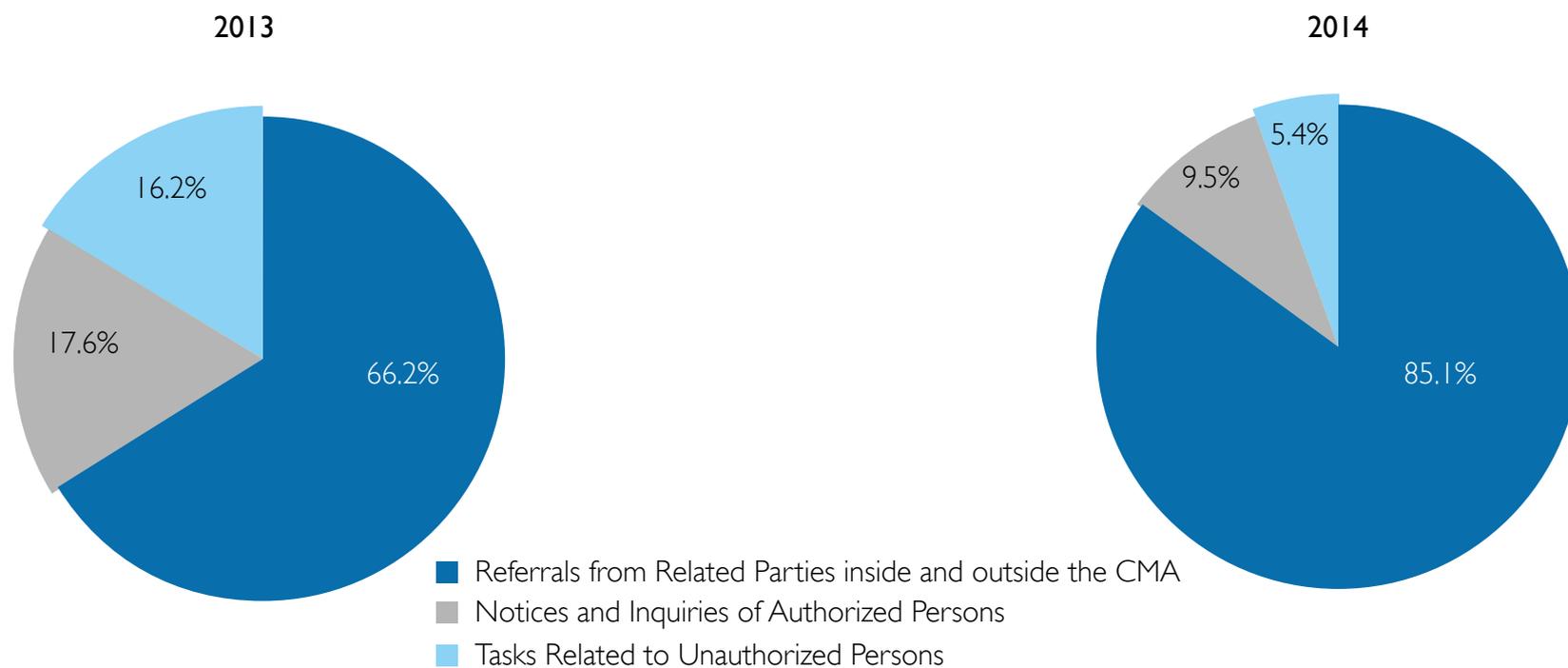
Type of License	2013			2014		
	Cycle Inspection	Cause Inspection	Total	Cycle Inspection	Cause Inspection ²⁷	Total
Dealing	15	28	43	10	66	76
Managing	17	34	51	11	30	41
Arranging	17	7	24	11	8	19
Advising	17	3	20	11	2	13
Custody	17	2	19	11	1	12
Total	83	74	157	54	107	161

²⁷) The total excludes 41 cause inspection visits related to other aspects of APs business such as compliance with corporate governance and prudential requirements.

Table (46): Number of Cause Inspections Classified by Reason

Reason	Number		Change (%)
	2013	2014 ²⁸	
Referrals from Related Parties inside and outside the CMA	49	126	157.1%
Notices and Inquiries of Authorized Persons	13	14	7.7%
Tasks Related to Unauthorized Persons	12	8	-33.3%
Total	74	148	100.0%

Chart (14): Percentages of Cause Inspections Classified by Reason

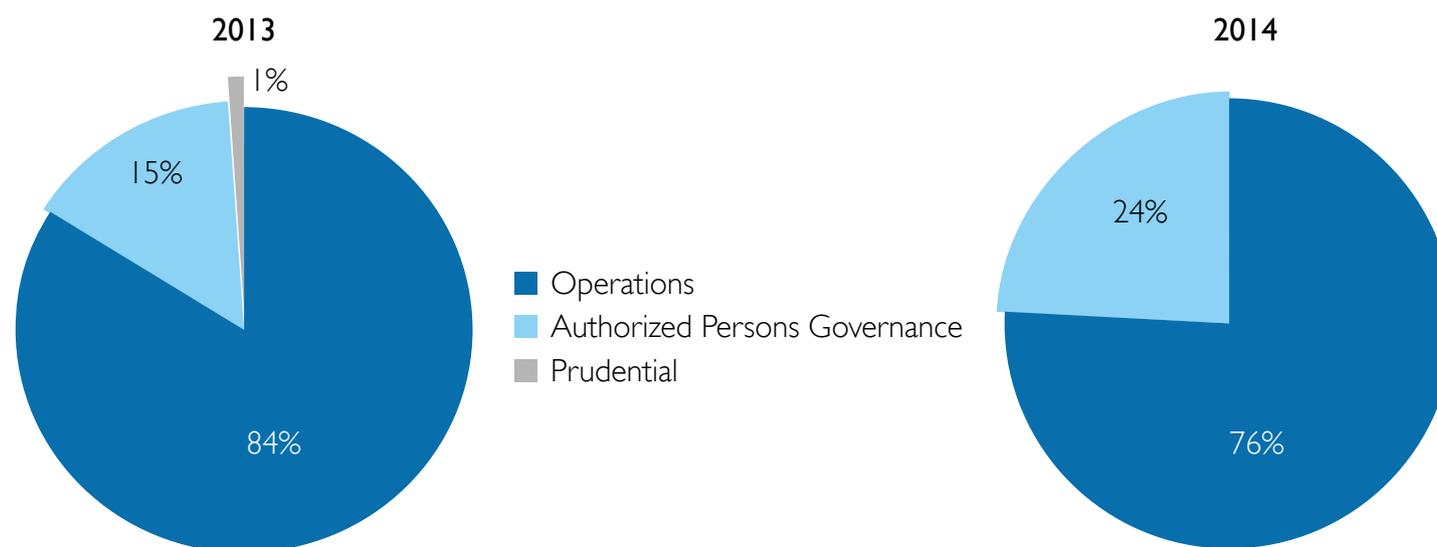


Cycle inspections of authorized persons in 2014 unveiled a range of observations about their compliance with the requirements of

the CML and its Implementing Regulations. Chart (15) reflects the observations of cycle inspections classified by subject in 2014.

28) The total includes 41 cause inspections visits related to other aspects of APs business such as compliance with corporate governance and prudential requirements ...etc.

Chart (15): Observations of Cycle Inspections by Subject



■ Anti-Money Laundering (AML) and Enforcement of Injunctions (Enforcement System)

The CMA monitors the compliance of authorized persons with the Anti-Money Laundering 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.

The CMA also examines requests to approve the opening of investment accounts by government agencies or non-profit organizations, and responds to APs' inquiries about rules. Incoming

requests from government agencies are also processed including injunctions issued by enforcement judges and public courts.

The number of incoming requests from government agencies and APs amounted to 11,806 in 2014, denoting a jump of 228.6% compared to the number of requests processed in 2013. It is noteworthy that the percentage of incoming requests from government agencies soared by 313.6% due largely to the activation of enforcement courts. Requests of enforcement judges and public courts represent around 90% of those requests (Table (47)).

Table (47): Tasks Processed by the CMA on Compliance and AML, and Enforcement of Incoming Requests from Enforcement Judges and Public Courts by Type of Request

Type of Incoming Requests	Number		Change (%)
	2013	2014	
Requests from Government Agencies	2,819	11,660	313.6%
Requests and Inquiries of Authorized Persons	774	146	-81.1%
Total	3,593	11,806	228.6%

11.2 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 such 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.

The total number of financial reviews of APs amounted to 1,156 in 2014, an increase of 3.2% over the 2013 total of 1,120. The capital adequacy assessments of APs underwriting offerings jumped by 191.7% to 35 in 2014. Reviews of large exposures/undue concentrations declined by 81.8% over the same period (Table (48)).

Table (48): Numbers of Financial Reviews of APs by Type of Review

Type	Number		Change (%)
	2013	2014	
Periodical Reviews of Capital Adequacy	986	1,021	3.5%
Capital Adequacy Assessments of APs Underwriting Offerings	12	35	191.7%
Subordinated Loan Agreements	5	2	-60.0%
Business Plans to Raise Capital Adequacy Beyond Minimum Level	15	10	-33.3%
Large Exposure/Undue Concentration Cases Follow-up	22	4	-81.8%
Audited Financial Statements Reviews	80	84	5.0%
Total	1,120	1,156	3.2%

■ APs Consolidated Capital Adequacy Positions

The CMA supervises the capital adequacy of APs in accordance with the requirements of the Prudential Rules which are based on Basel framework, comprising three pillars of capital adequacy requirements. Pillar 1 regulates the capital adequacy requirements

which include credit, market and operational risks. Pillar 2 involves the internal capital adequacy assessment process (ICAAP), and went into force during 2014. Pillar 3 covers disclosure and will be effective in 2015.



Based on securities business activities, APs were classified into two categories to ensure consolidated capital adequacy:

I. APs Licensed to Conduct Dealing/ Managing/ Custody

The capital adequacy ratio of APs licensed to conduct dealing, managing and custody activities averaged 2.39, higher than the

requirements of Basel framework which call for a ratio of one (1). The capital base stood at SR 18,197 million while the minimum capital requirement amounted to SR 7,726 million (Table (49), Chart (16)).

Table (49): Capital Adequacy Requirements of APs Licensed to Conduct Dealing/Managing /Custody

Requirement	Authorized Persons								Average/Total	
	Bank Affiliate		Local		Regional		International		2013	2014
	2013	2014	2013	2014	2013	2014	2013	2014		
Capital Adequacy Coverage (Times)	2.75	2.84	1.91	1.77	1.93	2.36	6.16	10.35	2.35	2.39
Capital Adequacy Ratio ²⁹	30.8%	31.9%	24.0%	22.6%	23.8%	30.3%	65.5%	108.1%	28.1%	29.1%
Capital Base (SR Million)	6,696	7,591	6,807	6,912	2,151	2,378	1,401	1,316	17,055	18,197
Minimum Capital Requirement ³⁰ (SR Million)	2,435	2,678	3,561	3,913	1,115	1,008	227	127	7,339	7,726
Credit Risk ³¹ (SR Million)	1,625	1,809	3,008	3,420	914	888	131	69	5,678	6,187
Market Risk ³² (SR Million)	293	295	343	247	98	41	8	3	742	585
Operational Risk ³³ (SR Million)	517	573	210	246	104	79	88	55	919	953

29) Capital adequacy ratio is presented based on Basel Accords.

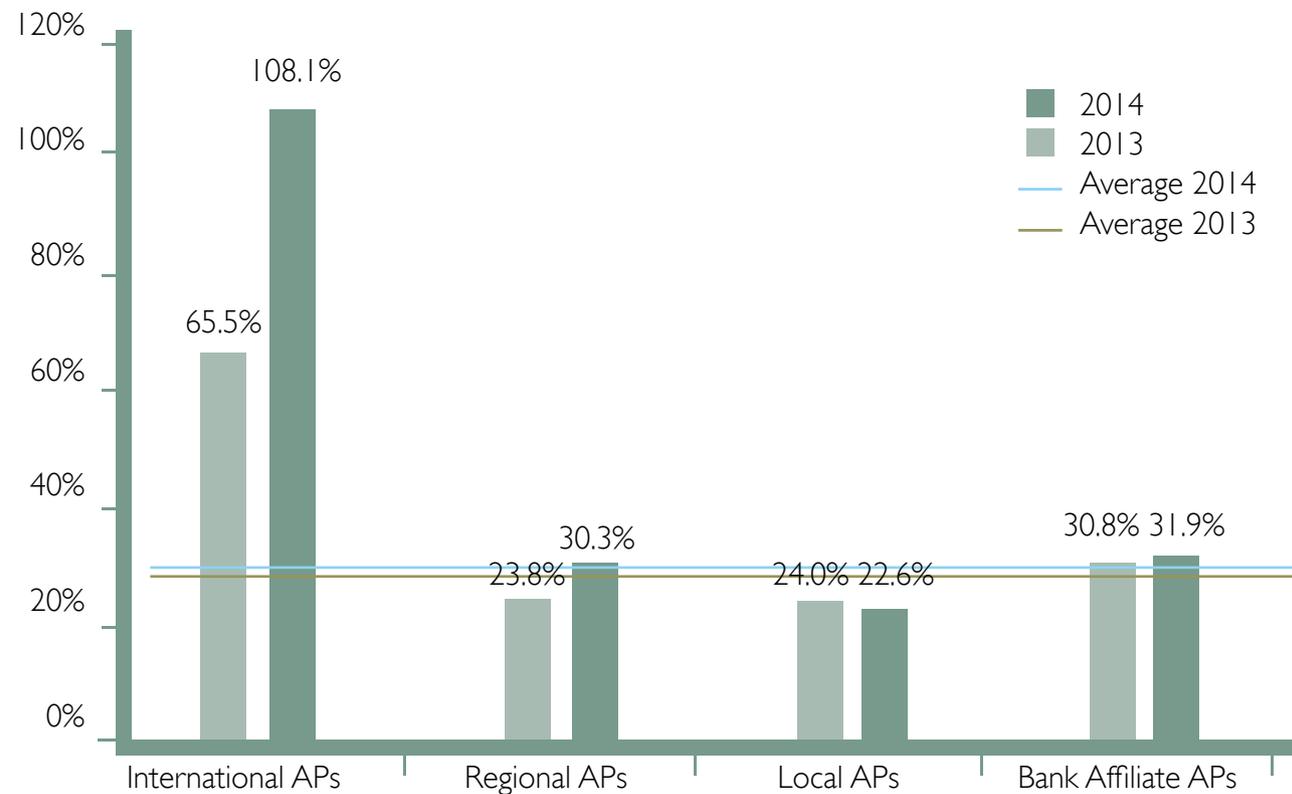
30) Represents the value that covers aggregate credit, market and operational risks.

31) The risk of loss arising from fluctuations in the credit standing of securities issuers, counterparties and any debtors, to which APs are exposed.

32) The risk of loss arising from changes in the level and in the volatility of market prices of assets, liabilities and financial instruments, to which APs are exposed.

33) The risk arising from deficiency or failure in internal procedures and processes, personnel and systems, or from external events, to which APs are exposed.

Chart (16): Capital Adequacy Ratio



2. APs Licensed to Conduct Arranging/Advising Activities

Prudential Rules require APs (arranging/ advising) to maintain at all times an owners' equity of no less than SR 200,000 and a three-month supply of working capital. At the end of 2014, APs'

(conducting arranging/ advising activities) working capital stood at SR 330.6 million. Total excess in working capital amounted to SR 297 million and average excess in capital reached SR 14.9 million.

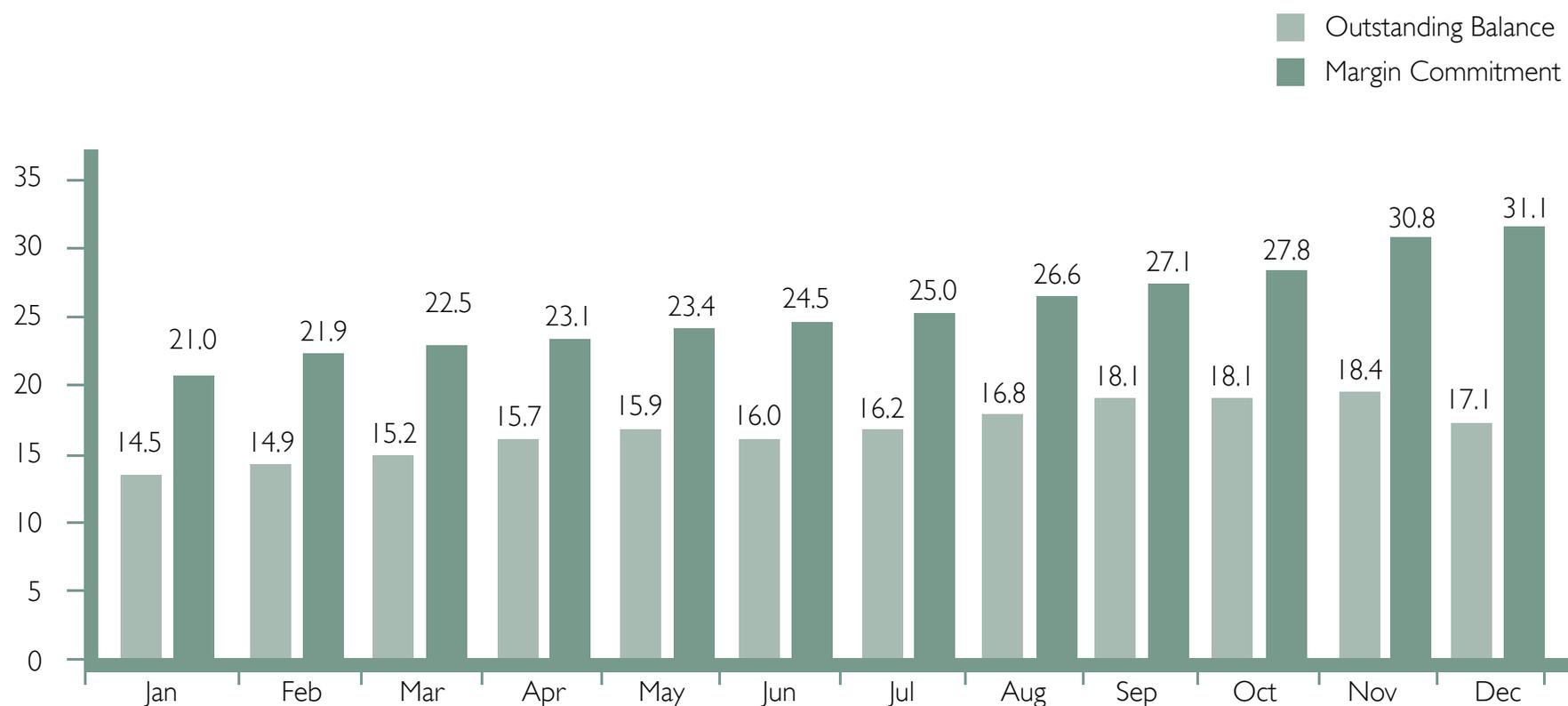


11.3 Margin Trades

Article 45 of the Authorized Persons Regulations allows an AP to extend credit facilities. At year-end 2014, total margin commitment amounted to SR 31.1 billion, up 49.5% over the 2013 figure of SR

20.8 billion. The outstanding balance at year-end 2014 stood at SR 17.1 billion, up by 22.3%, against a balance of SR 14 billion in 2013 (Chart (17)).

Chart (17): Development of Margin Trades Values (SR Billion) in 2014



The Capital Market Authority (CMA) encourages investors in securities to deal only with CMA Authorised Persons

The CMA would like to remind

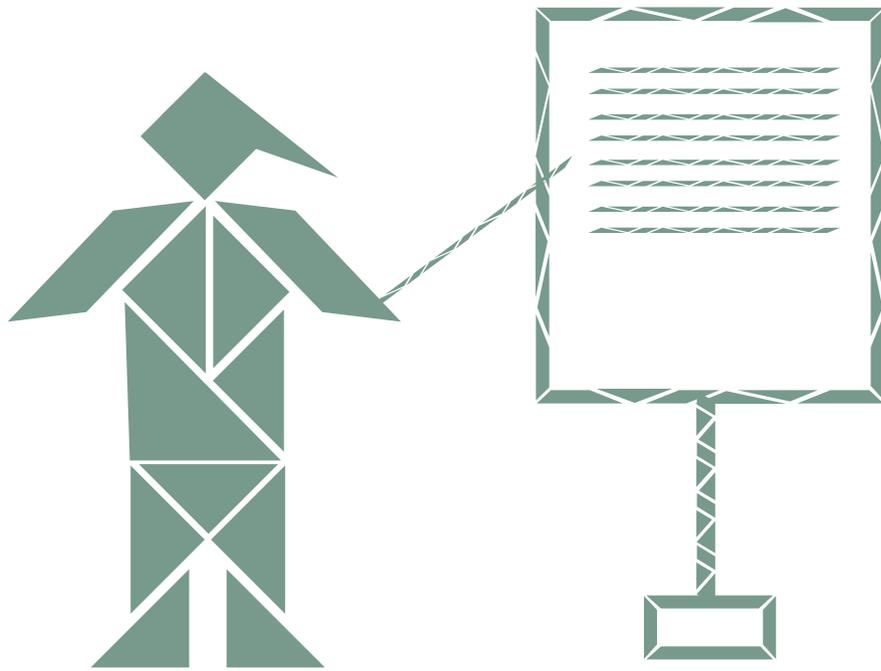
the investors in securities to make sure that their dealings in securities are carried out by a person authorized by the CMA, and to be cautious and not deal with persons not authorised, whether individuals or institutions, as they are not permitted to collect money or provide any services or products related to securities in the Kingdom, including dealing in securities, managing securities business, advising on corporate the exercise of discretion, introducing parties in relation to securities business, advising a person on deal in a security transaction, advising a person on the merits of a security or exercising any right to deal conferred by a security, etc.

In instances

where investors are approached by a party that claims to be a person authorised by the CMA, or an individual who claims that he/she represents an Authorised Person, investors can verify the identity of such party or individual with the CMA. Moreover, the list of persons authorised by the CMA to conduct securities business in the Kingdom can be found on the CMA's website through the following link: www.cma.org.sa

The CMA also encourages

investors to immediately report to the CMA any securities business carried out by a person not authorised by the CMA to conduct such business. To report such cases, or for any other complaints or inquiries in this regard, investors may contact the CMA on its Toll Free number : 8002451111.



Section 12

Investor Awareness

12.1 Media Activities and Programs

12.2 Public Activities and Programs

12.3 Awareness Activities and Programs



Since its establishment, the CMA has given a high priority to its investor awareness program which has been reinforced by the introduction of regulations, instructions and resolutions issued by the CMA Board. The awareness program features several strands focusing on the nature of the capital market, the risks associated with investment, and the education of investors to recognize potential misleading and manipulative practices.

12.1 Media Activities and Programs

The CMA has published a wide range of press releases and other informative materials covering news and resolutions issued by the CMA Board, and has disseminated them in local, regional and international mass media in both Arabic and English. These materials were also publicized through the CMA's social media pages (Facebook, Twitter, YouTube and Google Plus). 200 press items were published in 2014 in addition to five awareness reports distributed to the media which covered: investors' rights in investment funds,

procedures related to companies with accumulated losses and tradable rights issues. They were also published in 132 traditional and electronic newspapers. A further 510 awareness messages were posted on the CMA's social networking pages (Facebook and Twitter). Furthermore, a special briefing for media persons working in the economic departments of local mass media was organized at the CMA's headquarters on 4-5 March 2014. The briefing provided an opportunity to update the media on the CMA's regulatory and supervisory functions, as well as to answer their questions.

12.2 Public Activities and Programs

■ Public Calls (Contact Center)

The CMA's Contact Center received and handled 7,083 communications during 2014, an increase of 46.6% over 2013 levels. The interactions included 5,891 telephone calls (83.2%), 737 emails (10.4%), 212 facsimiles (3.0%) and 243 inquiries via social networks (3.4%) (Table (50)).

Table (50): Number of Calls by Subject

Subject of Call	Total Number of Calls	
	2013	2014
Investor Complaints (Inquiries or filing new complaints)	1,146	1,152
Inquiries on How to File a Complaint	292	502
Inquiries about APs	88	95
Inquiries about Capital Market Examinations	152	106
Inquiries about Investment Portfolios	278	2,285
Inquiries about Electronic Forms	47	40
Inquiries about IPOs	183	116
Inquiries about Listed Companies	818	712
Inquiries about Investor Awareness Programs	112	133
Inquiries about Investment Funds	36	65
Inquiries about Implementing Regulations	222	263
Inquiries Referred Directly to "Tadawul" by Virtue of Jurisdiction	398	583
Investors Reporting Market Violations	100	101
Calls to follow up with Inquirers	175	152
Other Inquiries	783	778
Total	4,830	7,083



■ Receiving Visitors

The CMA received students and officials from several Saudi universities in 2014 including Dar Al Uloom University, Prince Sultan University, Majmaah University, and King Faisal University. It also welcomed female students from the Institute of Banking. Throughout these visits, presentations were delivered about the CMA's functions and the nature of its business.

12.3 Awareness Activities and Programs

In line with its strategy related to investor awareness programs, the CMA conducted the following awareness activities and programs:

■ Publication and Distribution of Awareness Guidebooks and Publications

Over the past years, the CMA has released 16 guidebooks in Arabic and English as well as the Investment Awareness Manual which is a compendium of the most important awareness materials published in newspapers and on the CMA's different participations. In addition, the CMA:

- Distributed 32,000 publications at conferences, symposia, airports, train stations, summer camps, community and charity centers as well as government and private schools across the Kingdom.
- Updated the manual on "Dealing with the Committees for Resolution of Securities Disputes".
- Printed 2,000 copies of the ACRSD' informative flyer and the CRSD's flyer.

- Published and distributed 5,000 paper copies of an awareness flyer "Know Your Rights". It encourages the public to read the terms and conditions of investment funds before making the decision to invest in them.
- Issued the 8th volume of the "Smart Investor Magazine".
- Published and distributed 60,000 copies of the "Smart Investor" magazine (volumes 6&7 bundle).
- Published 10,000 copies of the Smart Investor Magazine's 1st volume in English.
- Published and distributed 11,000 pamphlets on "Financial Planning Applications and Teacher's Guide to Financial Literacy" in Arabic and English in addition to copies of the trainer and trainee brochures.
- Continued cooperation with VISA to keep their educational game in the public domain.
- Launched a number of awareness campaigns on two websites (mubasher.net and argaam.com) in addition to publishing several infographic awareness materials.

■ Awareness Road Shows and International Fairs

The CMA continued the Road Shows project covering five cities/provinces across the Kingdom. Several pavilions were set-up in malls offering the opportunity for the CMA to communicate directly with its target audience. During the course of 2014 the CMA delivered 19 road shows that attracted more than 3.7 million visitors (Table (51)).

Table (51): Number of Investor Awareness Road Shows Organized by the CMA and Number of Visitors by City/Province in 2014³⁴

City/Province	Road Shows Organized	Visitors
Riyadh	14	3,529,220
Ha'il	1	40,000
Al-Jubail	2	140,250
Al-Ahssa	1	1,200
Al-Khobar	1	5,040
Total	19	3,715,710

The CMA also organized awareness pavilions on several occasions in 2014:

- Riyadh 8th International Book Fair (4-13 March 2014).
- Cultural days on the occasion of the Saudi Arabia's 84th National Day (23 September 2014).
- Al-Jubail's 2nd Spring Festival organized by the Royal Commission for Jubail and Yanbu, which ran for 18 days (22 Mar -10 Apr 2014)
- Social Responsibility Exhibition in Riyadh which ran for 3 days (21-23 Oct 2014).

Moreover, the CMA's "Smart Investor" program participated in more than 20 events of the Global Money Week, held in Riyadh during 10-17 March 2014 and sponsored by Child & Youth Finance International (CYFI).

▪ Smart Investor Program

Under its "Smart Investor Ambassador" program, the CMA held training courses for 31 female ambassadors. They were provided with the required instruments to present the course. The concept

of the program is all about training those interested in raising the awareness of young students. The CMA has also been keen to promote the culture of volunteering through this program.

▪ School Awareness Visits

The CMA made awareness visits to 215 schools in 9 cities / provinces across the Kingdom during 2014. More than 7,000 students benefited from these awareness visits which involved the distribution of more than 9,000 bundles, each containing the seven volumes of the "Smart Investor" Magazine (Table (52)).

34) The CMA participates with its road shows at economic, cultural, national and public conferences and events in response to invitations by organizers like Aramco, SABIC, Ministry of education, Ministry of Culture and Information, universities, etc... Most of these events are held in the major cities of the Kingdom. The CMA intends to cover the different major cities across the Kingdom gradually.

Table (52): Number of Awareness School Visits Made by the CMA in Different Cities/Provinces across the Kingdom in 2014³⁵

City/Province	Number		
	Schools	Beneficiary Students	Distributed Bundles of "Smart Investor" Magazine
Abha	21	206	420
Khamis Mushait	25	140	420
Wadi Al-Dawasser	49	224	520
Al-Qunfuthah	13	99	205
Ta'if	8	105	210
Jeddah	1	50	100
Al-Namas	16	146	320
Riyadh	74	5,956	7,410
Bishah	8	118	200
Total	215	7,044	9,805

■ Organizing and Sponsoring Symposia and Seminars

In 2014, the CMA organized:

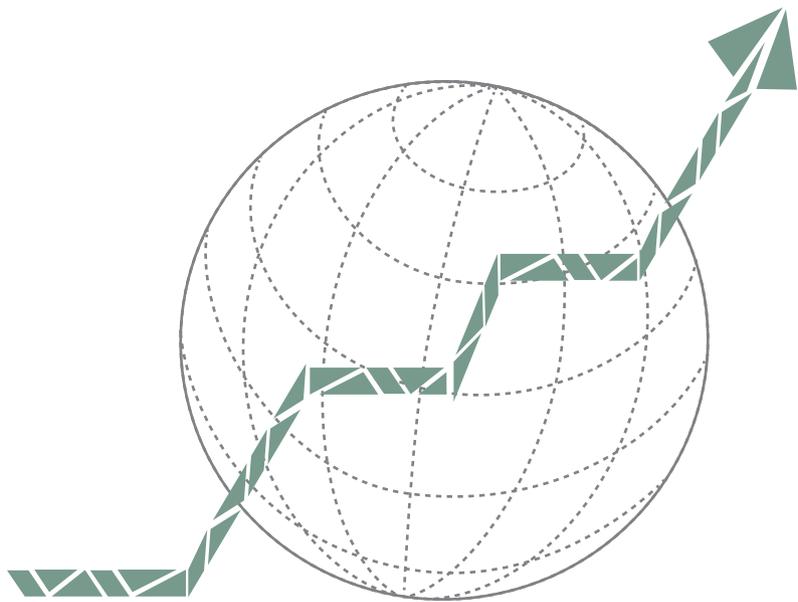
- International Conference on Corporate Sustainability, 16-17 April 2014.
- Lecture on corporate governance for EMBA students at King Fahd University of Petroleum & Minerals, 13-14 December 2014 in Al-Khobar. Additionally, the CMA organized a lecture on its regulatory roles, future strategies and investment awareness activities for the students and faculty members of the College of Business Administration, Prince Sultan University on 8 December 2014.

■ Awards and Honors

Child & Youth Finance International (CYFI) honored the CMA for the second year in a row, as the best organization offering financial awareness programs in the MENA region during the Third Annual Child and Youth Finance International Summit & Awards Ceremony held on the 22nd of May 2014 at the United Nations headquarters, New York.

³⁵) Based on the CMA's strategy in financial literacy, school visits are distributed according to an annual plan focusing on expansion and geographical outreach to all cities and villages in the Kingdom.





Section 13

International Relations and
Organizations



The CMA has continued to develop its regional and international relations and cooperation with organizations, commissions/authorities and institutions involved in regulating and monitoring financial markets while making use of the latest experiences and international practices in related areas. During the course of 2014, the CMA collaborated with a number of regulatory entities, and also participated in meetings and conferences with the aim of gaining and exchanging experiences and information, consolidating bilateral and multi-lateral relations and opening channels for joint cooperation.

First: International Organization of Securities Commissions (IOSCO)

The International Organization of Securities Commissions (IOSCO) is recognized as the global standard setter for the securities sector. It works with its members to reach the highest regulatory levels

to maintain efficient and sound securities transactions, exchange information and experience to support and develop financial markets, and unite efforts to achieve effective oversight on securities transactions. The CMA was announced as an ordinary member during IOSCO's 35th Annual Conference in Montreal, 2010. IOSCO has established several key committees:

1. Presidents Committee.
2. Policy Committees.
3. Growth and Emerging Markets Committee (GEM).
4. Regional Committees: including the Africa and Middle East Regional Committee (AMERC).

Event	Venue	Date
IOSCO's 39th Annual Conference CMA participated in the meetings of the Presidents Committee, IOSCO's Board, GEM's Committee and AMERC	Rio de Janeiro, Brazil	28 Sep – 2 Oct 2014
IOSCO's Board Meetings CMA participated as a member of the IOSCO Board	Kuala Lumpur, Malaysia	19 – 21 Feb 2014
IOSCO's Board Meetings CMA participated as a member of the IOSCO Board	Madrid, Spain	10 – 12 Jun 2014
GEM Committee Meeting & Conference CMA participated as a member of the GEM's Steering Committee (16 members)	Port Louis, Mauritius	23 – 25 Apr 2014
AMERC Meeting & Conference As a member, CMA presented Saudi Arabia's Country Report which highlighted the latest developments in the Saudi capital market	Livingston, Zambia	10 – 11 Feb 2014
Committee on Emerging Risks (CER) Meeting - Participation	Amsterdam, Holland	16 – 17 Dec 2014
Assessment Committee Meetings - Participation	Madrid, Spain	5 – 8 May 2014
Assessment Committee Meetings - Participation	Washington, USA	10 – 12 Sep 2014
Assessment Committee Meetings - Participation	Hong Kong	3 – 5 Dec 2014

The CMA also participated in the membership of some of IOSCO's Policy Committees and attended their regular meetings. It is noteworthy that the CMA was re-elected in the IOSCO Board as a representative of the AMERC in 2014 for two years. The re-election

of the CMA is a culmination of its efforts in developing the Saudi capital market through the issuance of comprehensive, transparent and up-to-date laws and regulations.



Second: Gulf Cooperation Council (GCC)

The CMA participated in the meetings of the Ministerial Committee of the Chairpersons of GCC markets regulators. The Committee's 5th meeting was held in Kuwait (16 October 2014) with representatives of all member states attending the event. In addition, the CMA participated in the 10th (19 May 2014) and 11th (18 September 2014) meetings of the Committee of the Chairpersons of GCC markets regulators. The CMA also participated in a number of regular meetings of the taskforces of the GCC Financial Markets Integration project, including listing, disclosure and governance taskforce, IPOs and subscriptions taskforce, and securities markets supervision/oversight taskforce. In its 35th round in Doha (9 December 2014), the GCC Supreme Council approved continuing work with all unified principles and rules for GCC financial markets' integration as guidelines until the unified rules framework is complete. The CMA continues its participation in the taskforces of the GCC Financial Markets Integration project in order to finalize the preparation of the reference framework of the strategic plan for the work of the Committee of the Chairpersons of GCC markets regulators and to complete work on the unified rules framework with the member states and review them before approval by the Supreme Council.

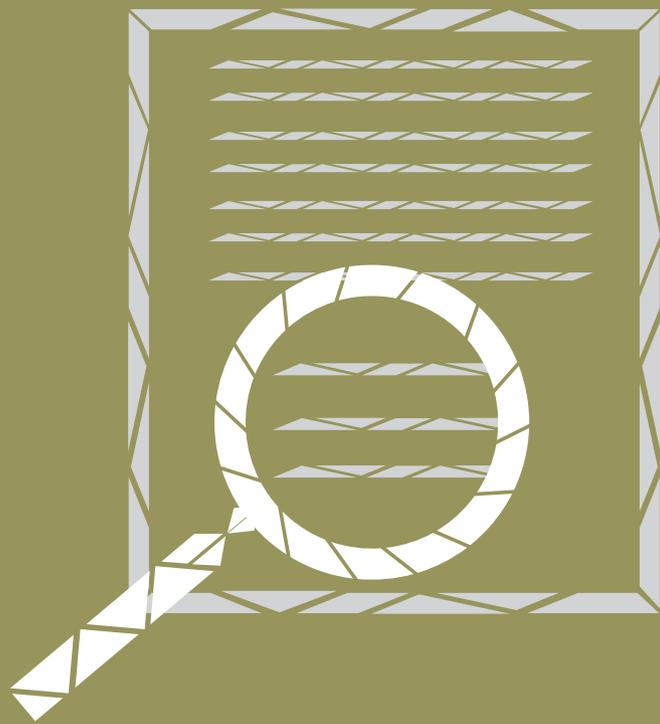
Third: Union of Arab Securities Authorities (UASA)

Established in 2007, the Union of Arab Securities Authorities (UASA) brings together 15 active members, three associate members and one observer member. The CMA is one of the founding members. UASA's objectives are to raise the performance level of Arab financial markets, unite efforts to reach effective levels of oversight on transactions in Arab financial markets, and to exchange information, technical assistance and expertise. It also encourages cooperation and coordination to set up standards to ensure the efficiency and integrity of financial markets' transactions, and coordination on related laws and regulations so as to achieve maximum harmony and consistency.

The CMA also participated in a number of reports and surveys produced by the Union during 2014 on several areas related to the capital markets industry.

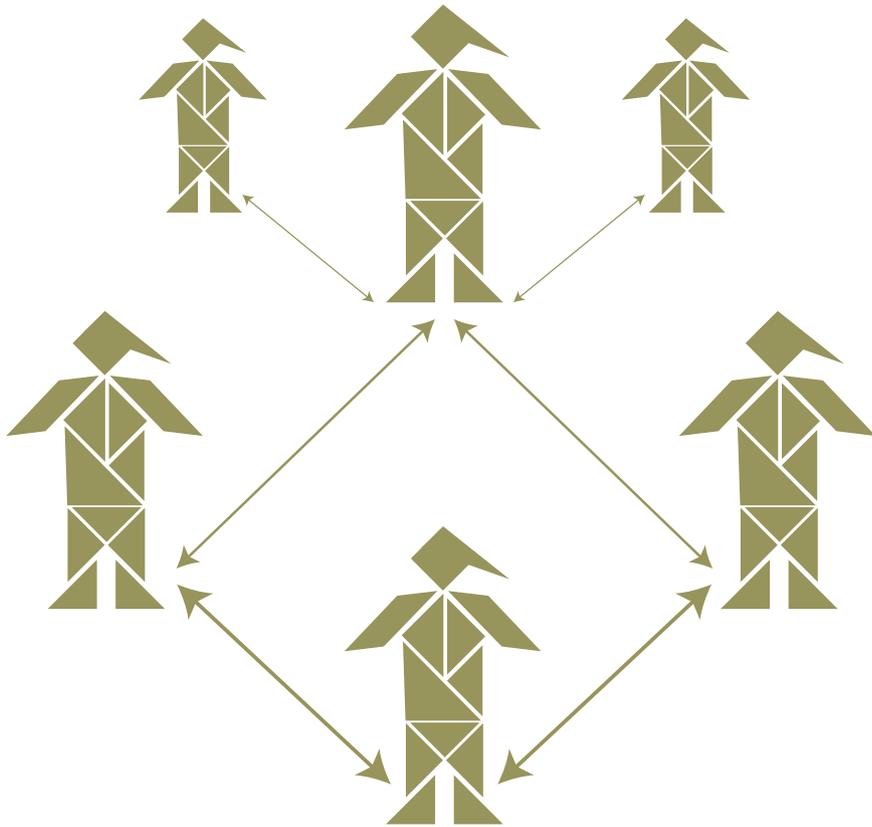
The CMA also participated in several UASA activities in 2014:

Event	Venue	Date
<p>UASA's 8th Annual Assembly Meeting</p> <p>The meeting discussed UASA's 2013 annual report and 2014 action plan as well as several issues of interest to Arab capital markets involving support of cooperation and coordination. The meeting explored UASA's financial data and agreed on the appointment of an auditor for 2014.</p>	Marrakesh, Morocco	8 May 2014
<p>CMA hosted the 4th training program for experience exchange among UASA's members; a number of topics were discussed such as: how to review collective investment schemes offerings applications while ensuring the compliance of fund managers with related rules and regulations including continuous disclosure requirements, market manipulation methods, insider trading electronic surveillance, investigation and prosecution in violations of the CML and its Implementing Regulations, techniques for monitoring money laundering operations, and inspection of capital markets' information systems.</p>	Riyadh, KSA	25 – 26 Feb 2014
UASA's First Arab Capital Markets Conference – Participation	Dubai, UAE	25 – 26 Nov 2014



Chapter Three

Committees of Governance and
Administrative Development and
CMA Disclosures



Section I

Governance Committees

I.1 Internal Audit Committee

I.2 Ad-hoc Committees

(1) Executive Committee

(2) Committee for Corporate Finance and Issuance

(3) Committee for Capital Market Institutions Supervision

(4) Market Supervision Committee

(5) Enforcement Committee

I.3 Human Resources Development Committee

I.4 E-Transactions Committee



Given the importance of applying the standards and rules of governance to the CMA's business and internal operating environment in order to strengthen its internal organizational and regulatory structures in line with best practices and standards adopted in similar international authorities, the CMA Board has approved the establishment and formation of a number of committees within the CMA, and has approved the charters governing the work of these committees:

1.1 Internal Audit Committee

The Internal Audit Committee was established pursuant to the CMA Board's Resolution No. (3-54-2013) dated 21/2/1435H (24/12/2013) based on the CML promulgated by Royal Decree No.

(M/30) dated 2/6/1424H to follow up the tasks of the CMA's Internal Audit Division and the external auditor assigned to audit the CMA's financial statements, and provide suggestions and recommendations to the CMA Board to develop the monitoring environment at the CMA. Without prejudice to the powers and functions of the CMA Board set forth in the CML and its Implementing Regulations, the Committee aims to study the issues entrusted to it under its charter, provide suggestions and recommendations and express views thereof. The CMA Board shall supervise its works.

The CMA Board issued Resolution No. (12-1-2014) dated 13/3/1435H (14/1/2014) to re-compose the Internal Audit Committee as follows:

CMA Board Member/ Dr. Abdulrahman Al-Barrak	1	Committee Chairman
Dr. Ahmad Al-Mughamis	2	Committee Vice Chairman (Independent Member)
Mrs. Ibtisam Al-Humaidan	3	Member
Mr. Abdulmohsen Al-Luhaimi	4	Member

The Committee held seven meetings during 2014 as it discussed many issues included under its agenda and made appropriate recommendations thereto.

1.2 Ad-hoc Committees

(1) Executive Committee

The Executive Committee was formed in 2013 under the CMA Board's Resolution No. (5-54-2013) dated 21/2/1435H

(24/12/2013). In 2014, the CMA Board issued Resolution No. (3-18-2014) dated (6/6/2014) to re-compose the Committee as follows:



This Committee is to study all issues within the CMA, except those that fall under the jurisdictions of the Internal Audit Committee and those falling under the jurisdiction of other ad-hoc committees.

The Committee held 13 meetings in 2014, discussing and making recommendations on a range of issues including those related to the CMA's strategy, organizational structure, human resources, financial affairs, implementing regulations and policies.

(2) Committee for Corporate Finance and Issuance

The "Committee for Capital Market Institutions Supervision and Corporate Finance and Issuance" was formed in 2013 under the CMA Board's Resolution No. (5-54-2013) dated 21/2/1435H (24/12/2013). In 2014, the CMA Board issued Resolution No. (3-18-2014) dated (6/6/2014) to form ad-hoc committees including: the "Committee for Corporate Finance and Issuance" to study the issues related to the Corporate Finance and Issuance Division. The Committee was re-composed as follows:



CMA Board Member/ Dr.Abdulrahman Al-Barrak	1	Committee Chairman
CMA Board Member/ Dr.Adnan Soufi	2	Member
Corporate Finance and Issuance Director	3	Member

The Committee held 24 meetings in 2014 and tackled a wide range of issues including viewing IPO applications and listed companies' capital increase requests, as well as reviewing suggestions and exemption and exception requests. It also reviewed a summary of current and upcoming acquisition applications and the developments of mergers; a summary of investment funds' outstanding applications for public offering and discussing exemption and exceptions requests and delegation of powers requests. Accordingly, the Committee issued appropriate recommendations thereto.

(3) Committee for Capital Market Institutions Supervision

The "Committee for Capital Market Institutions Supervision and Corporate Finance and Issuance" was formed in 2013 under the CMA Board's Resolution No. (5-54-2013) dated 21/2/1435H (24/12/2013). In 2014, the CMA Board issued Resolution No. (3-18-2014) dated (6/6/2014) to form ad-hoc committees including: the "Committee for Capital Market Institutions Supervision" to study the issues related to the Division of Capital Market Institutions Supervision. The Committee was composed as follows:

CMA Board Vice Chairman	1	Committee Chairman
CMA Board Member/ Dr.Adnan Soufi	2	Member
Capital Market Institutions Supervision Director	3	Member

The Committee held 12 meetings in 2014 and discussed issues including recommendations relating to capital increase of an AP, changing its business, adding or cancelling a license, or changes in owners' lists. The Committee also considered the plans and projects of the Division of Capital Market Institutions Supervision and issued appropriate recommendations thereto.

(4) Market Supervision Committee

The "Committee for Market Supervision and Enforcement" was established in 2013 under the CMA Board's Resolution No. (5-54-2013) dated 21/2/1435H (24/12/2013). In 2014, the CMA Board

issued Resolution No. (3-18-2014) dated (6/6/2014) to form ad-hoc committees including: the "Market Supervision Committee" to study the issues related to the Continuous Disclosure Department, Surveillance Department and Corporate Governance Department. Additionally, the Committee – in some cases – requests the departments within the Market Supervision Division to conduct studies and comparisons in regard to selected issues for presentation to the CMA Board. The Committee was composed as follows:



The Committee held 9 meetings in 2014 during which it deliberated on many issues including the lifting of suspensions placed on the shares of founders, studies on trading times, as well as benchmarking against global markets in terms of the works of the Market Supervision Division and its different departments. The Committee also reviewed the emerging problems in corporate

announcements and financial statements as well as the measures of monitoring investor trades. Moreover, the Committee tackled the request for granting powers in relation to certain matters such as share suspensions or lifting suspensions and issued appropriate recommendations thereto.



(5) Enforcement Committee

The Enforcement Committee was established in 2014 under the CMA Board's Resolution No. (3-18-2014) dated 6/6/1435H

(6/4/2014) to study the issues related to the Enforcement Division. The Committee was composed as follows:



The Committee held 17 meetings in 2014 and discussed a broad range of issues such as examining the cases of the Investigation Department, reviewing presentations of the Prosecution Department regarding appealing the decisions of the CRSD in cases where the CMA is a party thereto, the presentation of both the Prosecution and Enforcement Departments regarding the CMA Board's resolutions, and the presentation of the Investor Complaints

Department on the mechanism for providing required information and data for potential victims due to violation of Article 49 of the CML. The Committee issued necessary recommendations thereto which ranged in scope from a recommendation to present an issue to the CMA Board, a recommendation to re-consider the issue, and a recommendation to take the Committee's remarks into consideration.

1.3 Human Resources Development Committee

The CMA Board issued a resolution on 31/12/2014 to re-compose the Human Resources Development Committee. It supervises the human resources development programs and exercises its powers as

prescribed by the approved financial and administrative authorities' matrix. The Committee's new composition was as follows:

CMA Board Member/ Dr. Abdulrahman Al-Barrak	1	Committee Chairman
Human Resources Department Manager	2	Member
Mr. Khalid Al-Homoud	3	Member
Mr. Mohammad Al-Misfer	4	Member
Mrs. Maha Al-Rashudi	5	Member

The Committee has the following functions:

- Set up the overall policy for human resources development including building cooperative relationships with educational and training institutions
- Validate the plan and budget of human resources development and have it approved by the Chairman.
- Establish rules governing human resources development programs at the CMA such as the rules relating to education programs, targeted specializations, comparison standards between candidates and recommended universities; rules governing part-time programs in educational institutions, attachment program at international organizations, specialized programs, in-house training programs, professional certificates, scientific tests, English programs and the high potential (HiPo) program.
- Look into and validate nominations for education programs in terms of applicant eligibility requirements, and suitability of the targeted degree before approval by the Chairman.
- Consider requests relating to the attachment program at international organizations and validate them for approval by the Chairman.
- Study and make recommendations to the Chairman in regard to special cases relating to employees enrolled in education and training programs which are flagged for attention by the Human Resources Department. The cases referenced may include requests for study/training extension, termination or temporary stop, as well as for scientific trips.
- Review education and training programs reports and provide recommendations thereto.
- Validate the programs dedicated to fresh graduates and facilitate the approval process through the Chairman.



The Committee held 12 meetings in 2014 during which it discussed many issues including:

- Comprehensive review of development programs at the CMA and recommendation for their approval.
- Re-developing the training and international and domestic scholarships regulations to include all human resources development programs.
- Making final decisions about international scholarship requests made by CMA staff.
- Discussing employee requests for changes in their place of scholarship or major.
- Re-developing the part-time learning program.
- Reviewing the rules of acceptance and disqualification from the CMA's fresh graduate development program.
- Reviewing the rules of Ph.D. scholarships.

- Reviewing the mechanism of rating universities for the purpose of international scholarships.
- Reviewing cases of absenteeism in external programs and making final decisions on such matters.

1.4 E-Transactions Committee

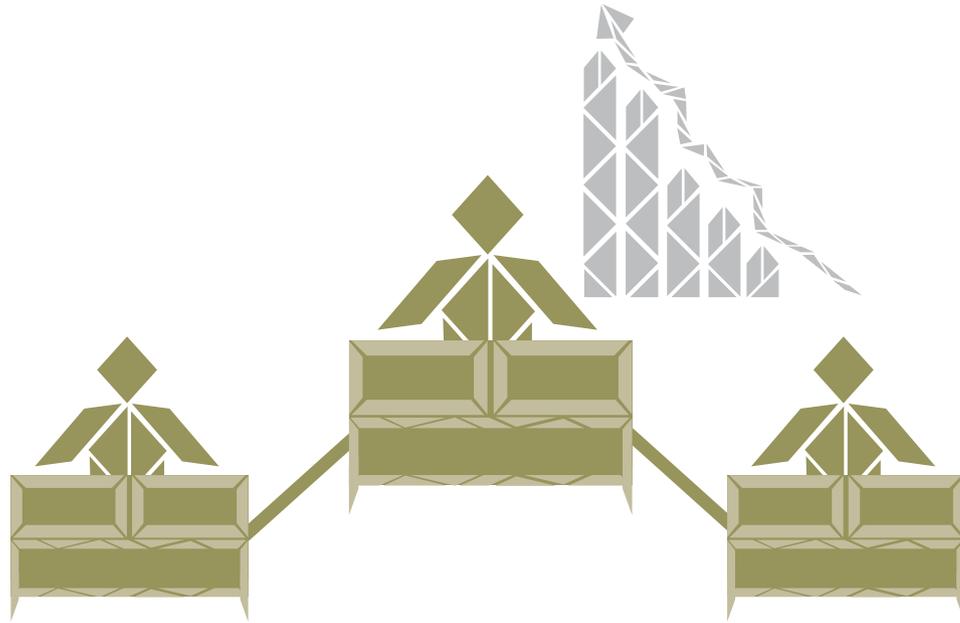
The E-Transactions Committee was formed in 2010 under the CMA Board's Resolution No. (21/RMS) dated 23/11/1431H (7/2/2010). It assumes the responsibility of supervising the implementation of the e-transactions plan at the CMA and coordination with the E-Government Program "YESSER" at the Ministry of Communications and Information Technology and other government agencies as well as the CMA's electronic conversion; this also supports projects of the same nature. The Committee was re-composed as follows:



The Committee has held 16 meetings since its formation, three of which were in 2014. It discussed a range of issues relating to the

prioritization of executing certain projects and delivered appropriate recommendations and suggestions.





Section 2

Administrative Development Committees

- 2.1 Supreme Joint Committee to Separate Functions and Jurisdictions of the CMA and the Saudi Stock Exchange Co. "Tadawul"
- 2.2 CMA Advisory Committee



2.1 Supreme Joint Committee to Separate Functions and Jurisdictions of the CMA and the Saudi Stock Exchange Co. "Tadawul"

The Supreme Joint Committee was formed in 2013 and chaired by the Vice-Chairman of the CMA Board along with eight members (four from CMA and four from Tadawul). It is tasked to explore the practicalities of separating the functions and jurisdictions of the CMA and "Tadawul" in accordance with the instructions of the CML, and to report to the CMA Board on its activities as well as to make concrete recommendations for action. Eight taskforces were formed (four from each organization) under this project to deliberate and consult on its various aspects, agree on work mechanisms and to present their findings to the Supreme Joint Committee for consideration and action.

In 2014, the Committee was re-convened with a membership of 12 delegates (six from CMA and six from "Tadawul") presided over by the Vice-Chairman of the CMA Board. The Committee has already sat four times since its formation.

The Committee completed and endorsed the first phase of the project which included:

- Producing an executive summary outlining the functions and jurisdictions that will be transferred from the CMA to "Tadawul".
- Preparing the functions and jurisdictions identification memorandum, which serves as a detailed document for the executive summary.

The Committee has already commenced the second phase of the project in line with the recommendations set forth in the executive summary and the functions and jurisdictions identification memorandum. Actions already taken include:

- Preparing a draft for the operation structure of "Tadawul" under the transfer of functions and jurisdictions.
- Developing a draft for the change program strategy.
- Setting up the project timeline.

The CMA and Tadawul will collaborate to finish the remaining phases of the project through direct coordination among the concerned taskforces and departments at both parties, under the immediate supervision of the Supreme Joint Committee and with the full support from the Boards of both organizations.

2.2 CMA's Advisory Committee

The CMA's Advisory Committee was established in 2013 to provide channels of communication with all market participants, and has created a regulated mechanism to enhance the CMA's performance of its functions and achievement of its objectives. The purposes of the Advisory Committee include the following:

- A. Provide recommendations and proposals on issues that might be studied at the request of the CMA Board.
- B. Discuss issues and proposals raised by market participants, and seek their feedback on any proposed changes or new policies it wishes to adopt, subject to the CMA Board's approval.
- C. Express opinions and recommendations on all matters contributing to the development of the market and the protection of investors in securities.

The Committee exercises its functions in its capacity as a consultative body to the CMA Board. It has the right, when the need arises, to form permanent or temporary sub-committees or taskforces from among its members, or to task one of its members individually to examine specific issues. Furthermore, the Committee has the right, following the Board's approval, to hire whom it deems expert and specialized locally or internationally, as needed.

The Committee held 8 meetings in its first term with an average attendance of 80.5%; it discussed the following issues:

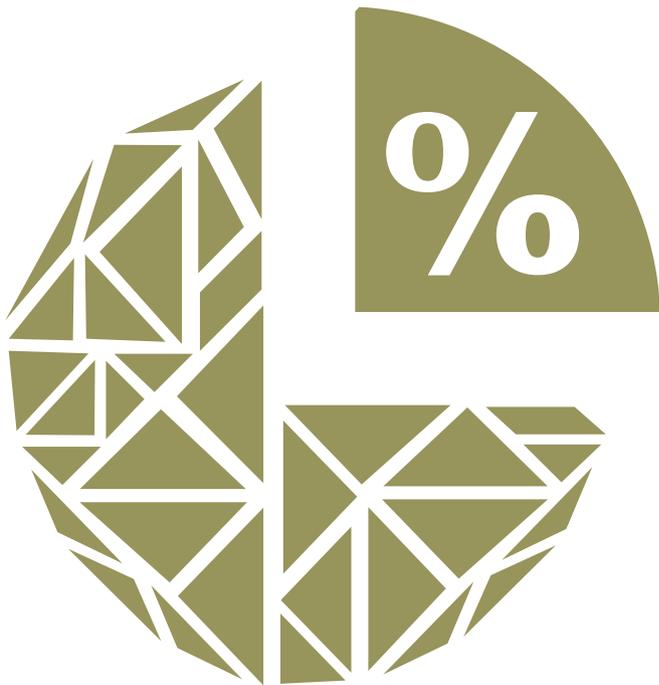
- CMA's strategic plan (2015-2019).
- Development of the sukuk and debt instrument markets in the Kingdom; identifying potential roadblocks and appropriate stimulation plans.
- Institutional investor participation in IPOs.
- Increasing the volume of statistical information published by the CMA.
- Ways and means to eliminate stock market manipulation.

- Developing the disclosure level of listed companies.
- Ways and means to facilitate the offering procedures of new companies.
- Development of the small and medium enterprises (SMEs) sector.

The Committee reported its recommendations and suggestions to the CMA Board; it was re-composed for the second term as follows:

1	Dr. Hamad Al-Baze'i
3	Mr. Khalid Al-Rowais
5	Ms. Sarah Al-Suhaimi
7	Mr. Abduassalam Al-Aqeel
9	Dr. Fahad Abo Heymed
11	Mr. Mohammad Al-Angari

2	Dr. Ahmad Al-Kholefi
4	Mr. Ryyan Fayez
6	Mr. Salman Al-Sudairi
8	Dr. Abdullah Alabdulakadir
10	Mr. Fahad Al-Saif
12	Mr. Mohammed Al-Gwaiz



Section 3

CMA Disclosures

3.1 Statistical Disclosure

3.2 Financial Disclosure

- (1) CMA Financial Position
- (2) Independent Auditor's Report
- (3) Balance Sheet
- (4) Statement of Financial Performance
- (5) Statement of Cash Flows
- (6) Statement of Changes in Net Assets
- (7) Notes to the Financial Statements



3.1 Statistical Disclosure

Financial markets regulators recognize the importance of releasing statistical data highlighting salient business and function-related activities so as to enhance transparency and protect investors and market participants. These data and statistics are usually published in the form of quarterly or semi-annual bulletins containing detailed historical data time series.

■ Release of Capital Market Statistical Bulletin

The CMA Board issued Resolution No. (3-55-2013) dated 28/2/1435H (31/12/2013) to release statistical data and information on the capital market in the form of a periodical statistical bulletin as of 2013 on the CMA's website.

In addition to enhancing transparency and protecting investors, the bulletin aims to serve researchers and those interested in the Saudi capital market to access historical data in the form of time series which track the changes in the capital market's main activities. It also serves to strengthen the CMA's position among regional and global authorities or commissions and meet the needs of international organizations monitoring developments in the performance of global markets. The CMA updates and publishes these data and information on its website on a semi-annual basis. The statistical bulletin contains the following data and information:

- Securities offerings.
- Public offer funds.
- Private placement funds.
- ETFs.

- Consolidated financial statements of APs.
- Number of owners and ownership values in listed sukuk and bonds classified by type of owner.
- Number of owners and ownership values in listed companies classified by type of owner.
- Number of individual investors in listed companies classified by gender and number of portfolios.

According to proposals provided by the CMA's Advisory Committee, the CMA Board issued Resolution No. (1-69-2014) dated 2/3/1436H (24/12/2014) to approve the publication of the following statistical data and information semi-annually:

- Total margin facilities extended to customers.
- Net subscriptions' value in investment funds classified by investment class (subscriptions less redemptions).
- Traded values in investment funds classified by market region (European, Asian, US, Arab and GCC).
- Total assets of discretionary portfolios management (DPM) classified by investment class.
- Value of sukuk and bonds subscriptions by type of investor.

To view the semi-annual statistical bulletin, please visit the CMA's website:

<http://www.cma.org.sa/ar/pages/home.aspx>

3.2 Financial Disclosure

According to Article Thirteen of the CML, the financial resources of the Authority shall consist of the following:

1. Fees for services and commissions charged by the Authority in accordance with the provisions of this Law and the regulations and instructions issued in pursuance thereof.
2. Charges against using its facilities, returns on its funds, and proceeds of the sale of its assets.
3. Fines and financial penalties imposed on violators of the provisions of this Law.
4. Funds provided by the government to the Authority.
5. Any other resources determined by the Board.

The Board shall determine the fees to be paid to the Authority for the following matters:

1. Registration of securities with the Authority.
2. Listing of securities on the Exchange.
3. Trading of securities.
4. Licensing and renewal of licenses of brokerage companies or investment advisers.
5. Registration of investment funds.

This is to fund all of its current and capital expenses and other expenses needed by the CMA.

According to Article Fourteen of the CML, the Authority shall have a separate annual budget that will be submitted to the Minister of Finance, and will be approved in accordance with applicable regulations. Accordingly, the Authority submitted its annual budget to the Minister of Finance.

The CMA follows the cash basis (as in subsection (1)) and accrual basis (as in subsection (2) and afterwards) in recording and reporting its financial operations. Cash basis conforms to government accounting requirements and accrual basis conforms to the accounting standards issued by SOCPA and the established international standards for the public sector.

(I) CMA Financial Position

Receipts and payments up to 31/12/2014 were as follows:

(A) Receipts (Revenues):

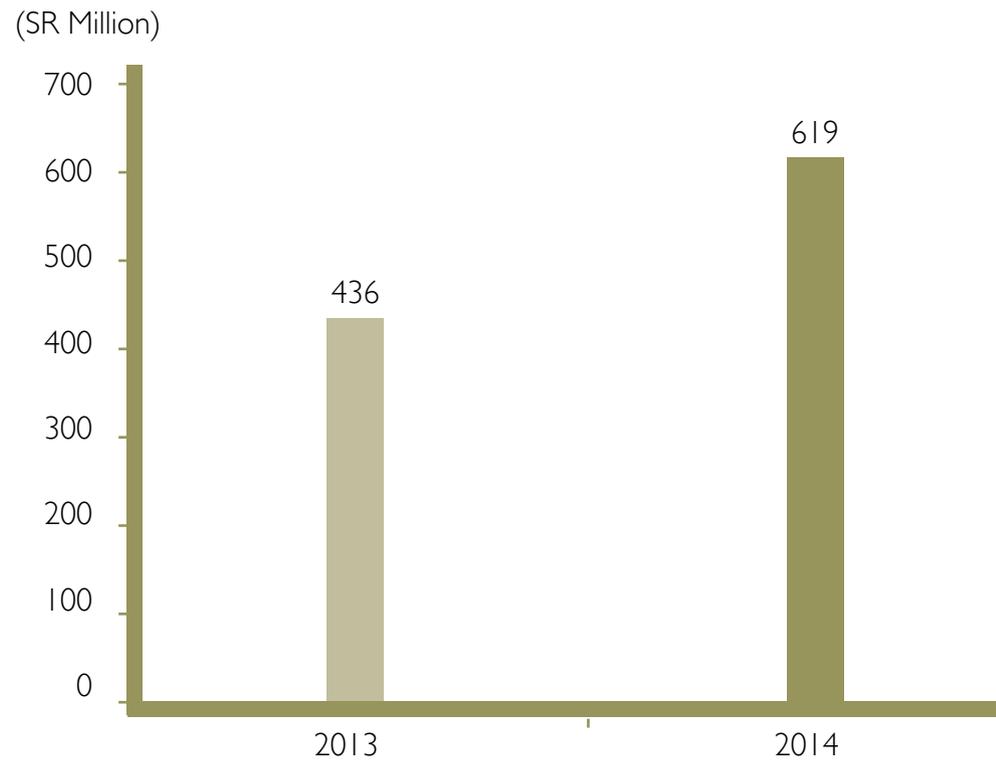
Total CMA revenues collected in 2014 increased by 41.7% over 2013 levels to SR 182 million. (Table (53), Chart (18)).

Table (53): CMA Revenues

Item	2013	2014	Change	(%)
Revenues (SR)	436,458,143	618,552,715	182,094,572	41.7%



Chart (18): CMA Revenues

**(B) Payments (Expenses):**

Total payments (expenses) approved in the CMA's budget for 2014 stood at SR 524.9 million; 86.5% (SR 454.3 million) was disbursed

out of the approved budget, generating a surplus close to SR 70.6 million (Table (54), Chart (19)).

Table (54): CMA Budget vs. Payments (Expenses) for 2014

Item	Budget	Actual	Surplus	(%)
Payments (Expenses) (SR)	524,907,906	454,315,601	70,592,305	13.4%

Chart (19): CMA Budget vs. Payments (Expenses) for 2014

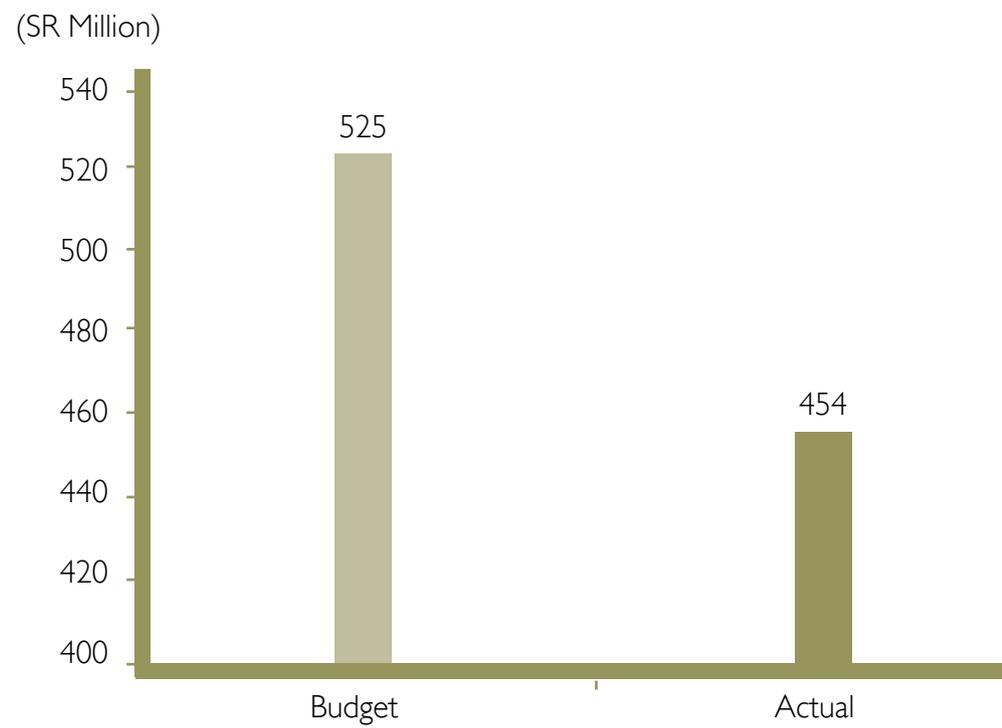


Table (55) indicates a comparison of the CMA's actual payments in 2013 and 2014, showing an increase of 5% year-on-year.

Table (55): CMA Actual Payments in 2013 and 2014

Item	2013	2014	Change	(%)
Actual Payments (SR)	432,723,461	454,315,601	21,592,140	5%



The most significant savings achieved by the CMA during 2014 were in:

▪ **Employee Expenses:**

The CMA posted a reduction of 8.8% in total employee expenses compared to the budget approved for 2014 (Table (56)).

Table (56): Budget vs. CMA Employee Expenses for 2014

Item	Budget	Actual	Surplus	(%)
Employee Expenses (SR)	401,933,403	366,492,418	35,440,985	8.8%

▪ **General and Administrative Expenses:**

Total general and administrative expenses decreased by 23.3% at the end of fiscal year 2014 compared to the approved budget (Table (57)).

Table (57): Budget vs. CMA General and Administrative Expenses for 2014

Item	Budget	Actual	Surplus	(%)
General and Administrative Expenses (SR)	103,734,798	79,608,756	24,126,042	23.3%

▪ **Capital Expenses:**

The CMA spent 42.7% of the budget approved for capital expenses, generating a surplus of 57.3% (SR 11 million) (Table (58)).

Table (58): Budget vs. CMA Capital Expenses for 2014

Item	Budget	Actual	Surplus	(%)
Capital Expenses (SR)	19,239,706	8,214,427	11,025,279	57.3%

(2) INDEPENDENT AUDITORS' REPORT

Dr. Mohamed Al-Amri & Co.
P.O. Box 8736
Riyadh, 11482
Saudi Arabia
License No. 323/11/66



PricewaterhouseCoopers
P.O. Box 8282
Riyadh, 11482
Kingdom of Saudi Arabia
Fax: +966 (0)1 465 1663



INDEPENDENT AUDITORS' REPORT

To His Excellency, the Chairman, and the Board Members
Capital Market Authority
Riyadh – Kingdom of Saudi Arabia

Audit Scope:

We have audited the accompanying statement of financial position of the Capital Market Authority ("the CMA") as of Capricorn 10, 1393 (corresponding to December 31, 2014) and the related statements of financial performance, cash flows and changes in net assets for the year then ended, including the related notes from 1 to 17. These financial statements are the responsibility of the CMA's management and have been prepared by them according to the Capital Market Law and presented to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion:

- in our opinion, the accompanying financial statements, taken as a whole, present fairly, in all material respects, the financial position of the CMA as of Capricorn 10, 1393 (corresponding December 31, 2014) and the results of its financial performance and cash flows for the year then ended in conformity with generally accepted accounting principles which are relevant to the CMA's activities.
- comply with the requirements of the Capital Market Law with respect to the preparation and presentation of financial statements.

For Dr. M. Al-Amri & Co.,

Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Jumada Thani 05, 1436 (H)
March 25, 2015 (G)

For PricewaterhouseCoopers,

Khalid Mahdhar
Certified Public Accountant
Registration No. 368





(3) STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014

	Notes	SAUDI RIYALS	
		2014	2013
ASSETS			
Current assets			
Cash and bank balances	3	1,155,551,812	991,898,778
Accounts receivable	4	20,392,553	10,299,504
Prepayments and other receivables	5	65,747,400	52,045,483
Total current assets		<u>1,241,691,765</u>	<u>1,054,243,765</u>
Non-current assets			
Projects in progress	6	1,780,901,512	1,779,705,116
Property and equipment, net	7	578,496,692	604,839,125
Total non-current assets		<u>2,359,398,204</u>	<u>2,384,544,241</u>
Total Assets		<u>3,601,089,969</u>	<u>3,438,788,006</u>
LIABILITIES			
Current liabilities			
Accounts payable	8	491,426	3,101,628
Accruals and other payables	9	55,336,656	60,225,888
Total current liabilities		<u>55,828,082</u>	<u>63,327,516</u>
Non-current liabilities			
Contractors' retentions		88,223,033	88,223,033
End of service benefits	10	137,552,720	115,997,899
Total non-current liabilities		<u>225,775,753</u>	<u>204,220,932</u>
Total liabilities		<u>281,603,835</u>	<u>267,548,448</u>
Net assets		<u>3,319,486,134</u>	<u>3,171,239,558</u>
Net Assets			
Expenses reserve	11	559,332,253	524,907,906
General reserve	11	596,219,559	466,990,872
Accumulated surplus of revenues over expenses	11	2,163,934,322	2,179,340,780
		<u>3,319,486,134</u>	<u>3,171,239,558</u>

The accompanying notes from No. (1) through (17) form an integral part of these financial statements.

(4) STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2014

	Notes	SAUDI RIYALS	
		2014	2013
Revenues			
Commissions on stock trading		386,561,187	246,675,009
CMA services related to other services of Tadawul		100,583,035	101,926,039
Authority services and activities		20,563,788	22,561,474
Fines for market manipulation and disclosure violations		109,035,675	47,391,572
Total revenues		<u>616,743,685</u>	<u>418,554,094</u>
Expenses			
Salaries and employees' related benefits	12	(333,308,604)	(334,253,387)
Training and scholarships		(41,316,635)	(44,113,989)
Professional and consultancy fees		(9,892,943)	(15,156,585)
General and administrative expenses	13	(59,963,045)	(67,033,555)
Depreciation	7	(34,081,958)	(41,034,434)
Total expenses		<u>(478,563,185)</u>	<u>(501,591,950)</u>
Surplus/(deficit) from the main operations		138,180,500	(83,037,856)
Other revenues and expenses, net	14	10,066,076	16,102,782
Net surplus /(deficit) for the year		<u>148,246,576</u>	<u>(66,935,074)</u>

The accompanying notes from No. (1) through (17) form an integral part of these financial statements.



(5) STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

	SAUDI RIYALS	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus /(deficit) of revenues over expenses for the year	148,246,576	(66,935,074)
Adjustments of net surplus /(deficit) of revenues over expenses for the year to net cash from operating activities:		
Depreciation	34,081,958	41,034,434
Net gain from disposals of property and equipment	(49,898)	(3,259,644)
Provision for end of service benefits	27,346,455	26,044,321
Changes in operating assets and liabilities:		
Accounts receivable	(10,093,049)	4,149,052
Prepayments and other receivables	(13,701,917)	4,293,852
Accounts payable	(2,610,202)	1,262,044
Accruals and other payables	(4,889,232)	5,281,474
End of service benefits paid	(5,791,634)	(5,499,329)
Net cash from operating activities	<u>172,539,057</u>	<u>6,371,130</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment, and projects in progress	(9,116,759)	(58,657,924)
Proceeds from disposals of property and equipment	230,736	4,232,980
Net cash used in investing activities	<u>(8,886,023)</u>	<u>(54,424,944)</u>
Net increase/(decrease) in cash and bank balances	163,653,034	(48,053,814)
Cash and bank balances at the beginning of the year	991,898,778	1,039,952,592
Cash and bank balances at the end of the year	<u>1,155,551,812</u>	<u>991,898,778</u>
Non-cash transaction		
Additions to projects in progress unpaid cash recorded in contractors' retentions	-	3,371,979

The accompanying notes from No. (1) through (17) form an integral part of these financial statements.

(6) STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2014

	Capital Reserve	General Reserve	Surplus Cash	Accumulated surplus revenues over expenses	Total
Balance as at December 31, 2012	556,865,083	483,087,509	-	2,198,222,040	3,238,174,632
Net deficit of revenues over expenses for the year 2013	-	-	-	(66,935,074)	(66,935,074)
Reserves opening balance transferred to accumulated surplus of revenues over expenses	(556,865,083)	(483,087,509)	-	1,039,952,592	-
Cash surplus as at December 31, 2013	-	-	991,898,778	(991,898,778)	-
Transfer to expenses reserve	524,907,906	-	(524,907,906)	-	-
Transfer to general reserve	-	466,990,872	(466,990,872)	-	-
Balance as at December 31, 2013	524,907,906	466,990,872	-	2,179,340,780	3,171,239,558
Net surplus of revenues over expenses for the year 2014	-	-	-	148,246,576	148,246,576
Reserves opening balance transferred to accumulated surplus of revenues over expenses	(524,907,906)	(466,990,872)	-	991,898,778	-
Cash surplus as at December 31, 2014	-	-	1,155,551,812	(1,155,551,812)	-
Transfer to expenses reserve	559,232,253	-	(559,332,253)	-	-
Transfer to general reserve	-	596,219,559	(596,219,559)	-	-
Balance as at December 31, 2014	559,232,253	596,219,559	-	2,163,934,322	3,319,486,134

The accompanying notes from No. (1) through (17) form an integral part of these financial statements.



(7) NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND ACTIVITIES

The Capital Market Authority ("the CMA") was established based on the "Capital Market Law", according to Royal Decree no. (M/30) dated 02/06/1424H corresponding to 01/08/2003 which states that an organization should be established in the Kingdom of Saudi Arabia and named "Capital Market Authority". The organization was established, and proceeded with carrying out the duties assigned to it according to Royal Decree no (A/114) dated 13/05/1425H, corresponding to 01/07/2004 appointing the board of the CMA.

The CMA is a government organization financially and administratively independent linked directly to the Prime Minister. The CMA is entrusted with issuing required rules, regulations and guidelines and implementing the provisions of the Capital Market Law with the objectives of:

- Regulating and develop the financial market.
- Regulating issuing, monitoring and dealing with financial instruments.
- Regulating and monitoring the work and activities of entities subject to the supervision and control of the CMA.
- Protecting investors and the public from unfair and unsound practices.
- Maintaining fairness, efficiency, and transparency in transactions of securities.
- Regulating and monitor full disclosure of information related to securities and issuers.
- Regulate authorizing, buying and public offerings of shares.

Based on the CMA Board decision number 02/05/2004, dated 23/06/1425H, corresponding to 09/08/2004, the fiscal year for the CMA begins on the eleventh day of Capricorn month (based on the Solar Hijri calendar) each year (corresponding to January 1) and ends on the tenth day of the next fiscal year Capricorn month (corresponding to 31 December).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the CMA in preparation of the financial statements are as follows:

Basis of Presentation

The financial statements for the CMA are prepared in accordance with the historical cost convention on the accruals basis and in accordance with generally accepted accounting principles in the Kingdom of Saudi Arabia.

Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and judgments which might affect the valuation of recorded assets, liabilities and the disclosure of contingencies in the notes to the financial statements at the financial position date. Although these estimates are based on the best information available to management at the date of issuing the financial statements, the actual end results might differ from those estimates.

Cash and Bank Balances

Cash and bank balances include cash and current accounts and deposits with banks; the CMA Regulation does not allow it to invest in securities.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. When an asset is sold or disposed, the cost and related accumulated depreciation are removed from the accounts at the date of sale or disposal, and any resulting profit or loss is included in the statement of financial performance. The estimated useful lives of the principal classes of assets are as follows:

	Years
Buildings	33,33
Decoration and improvements	5
Fixtures and office equipment	5 – 10
Motor vehicles	4
Computers and programs	3 – 5



Accounts Payable and Accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

Provisions

Provisions are recognized when the CMA has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provision for End of Service Benefits

The provision for end of service benefits is calculated based on one month provision for each of the first five years of employment and a month and a half for year six onwards according to the CMA Board decision number 3/113/2005 dated 14/11/2005.

Reserves

According to the Regulation of the CMA, the CMA is required to transfer the surplus cash from its resources to the Ministry of Finance after the deduction of all current and capital expenditures that is needed (expenses reserve), and the CMA shall maintain a general reserve equal to twice the total expenditure set out in the previous annual budget (general reserve).

Revenue Recognition

The CMA's share of shares trading revenues are recorded based on the notifications which are received from the Saudi Stock Exchange Company ("Tadawul"). Tadawul's revenue is recognized

when services are rendered and billed to the customer and according to the accruals basis. The CMA's share is 50 % of the total trading revenues and other related services based on government decisions issued in this regard and approved by His Excellency, the Chairman of the CMA, dated 25/05/1427H, corresponding to 21/06/2006 and by the CMA Board under resolution No. (1-30-2010) dated 03/12/1431H, corresponding to 09/11/2010. The CMA's other revenues are recognized according to the accruals basis, with the exception of fines for market manipulation which are recorded upon collection of the fine in accordance with the cash basis.

General and Administrative Expenses

General and administrative expenses include all direct and indirect expenses as required by generally accepted accounting standards.

Foreign Currency

The CMA maintains its accounts in Saudi Riyals. Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the exchange rates prevailing at the financial position date. All gains and losses resulted from payments or transfers of foreign currency are carried out in financial statements.

3. CASH AND BANK BALANCES	Saudi Riyals	
	2014	2013
Cash	11,969	-
Bank current accounts	3,539,843	3,898,778
Time deposits	1,152,000,000	988,000,000
	1,155,551,812	991,898,778



4. ACCOUNTS RECEIVABLE	Saudi Riyals	
	2014	2013
Saudi Stock Exchange Company (Tadawul)	17,927,592	7,635,931
Others	2,464,960	2,663,573
	<u>20,392,553</u>	<u>10,299,504</u>

The balance due from Tadawul (a related party) mainly represents the CMA's share of the fees and trading commissions which had not been collected at the financial position date, in addition to invoices for

fees and commissions on stock trading and other services issued and collected by Tadawul. The major transactions with Tadawul and related amounts during the years ended December 31 were as follows:

	Saudi Riyals	
	2014	2013
The CMA revenues collected by Tadawul	488,492,537	347,458,374
Payments by Tadawul on behalf of the CMA	-	634,538
Payments by the CMA on behalf of Tadawul	767,870	-

5. PREPAYMENTS AND OTHER RECEIVABLES	Saudi Riyals	
	2014	2013
Employees' loans	26,796,483	27,396,222
Advances to suppliers	3,020,794	3,117,993
Prepaid expenses	28,059,330	11,925,583
Accrued revenues	6,149,317	7,847,390
Deposits with others	636,465	945,105
Other debit balances	1,085,011	813,190
	<u>65,747,400</u>	<u>52,045,483</u>



6. PROJECTS IN PROGRESS	Saudi Riyals	
	2014	2013
CMA head quarters at King Abdullah Financial District (KAFD)	1,297,162,592	1,297,162,592
Fixtures at CMA head quarters at KAFD	694,568	624,750
Computers and programs	1,357,062	230,484
Advance payments for lands	187,143,446	187,143,446
Advances to contractors	294,543,844	294,543,844
	<u>1,780,901,512</u>	<u>1,779,705,116</u>

The advance payments for lands, which amounted to SR 187 million, are the cost of project land to construct the CMA head quarters and the Finance Academy at King Abdullah Financial District SR 170 million was paid in cash to the Public Pension Agency (PPA) (the owner of the land) and SR 17 million, which is the cost of the general outline of the project, was paid by the CMA on behalf of the PPA. The final cost of the land will be determined when the project is developed and the final cost per square meter is determined.

The advances to the contractors amounting to SR 295 million represents payments made to consultants and contractors who have been assigned to the implementation of the construction of a CMA building at the King Abdullah Financial District

Royal Decree No. 51728 dated 01/12/1433H, corresponding to 17/12/2012 stipulated transferring the ownership of the CMA headquarters building under construction at King Abdullah Financial District (KAFD) to the PPA to be added to buildings owned and managed by it at KAFD. The CMA was given the option to either rent or own the space it requires at the finalization of construction.

A joint committee from CMA, PPA and a third party specialist was formed to reach a proper settlement.

On 14/3/1434H, corresponding to 26/1/2013 the agreement between PPA and CMA was concluded through the joint committee appointed by the two parties in addition to Omrania & Associates (being an independent specialist party). The two parties agreed, as stipulated by the Royal Decree, to transfer the building ownership from CMA to PPA as at 14/11/2012 and to transfer all CMA rights, benefits, responsibilities and obligations related to the project to PPA. As for the period from the beginning of the project up to the end of the 14th day of November 2012, CMA will be responsible for all administration and payments issues related to the project during that period. The parties shall sign the final purchase agreement at the initial delivery of the project (the purchase price of the space allocated to CMA is 33% of the total project cost) for the floors 52 to 73 in the building. If the costs borne by CMA exceeded the cost of the allocated space that it will own, PPA will pay the difference to CMA, and vice versa.



Details of the cost of the head quarters of the CMA at King Abdullah Financial District as at December 31 are as follows:

	Saudi Riyals	
	2014	2013
Design and consultancy	253,242,237	253,242,237
Construction work	1,026,812,552	1,026,812,552
Others	17,107,803	17,107,803
	<u>1,297,162,592</u>	<u>1,297,162,592</u>

7. PROPERTY AND EQUIPMENT, NET	Saudi Riyals						
	Lands	Buildings	Decorations and Improvements	Furniture and Office Tools	Motor Vehicles	Computers and Programs	Total
Cost							
January 1, 2014	412,046,635	132,300,020	59,636,188	60,632,426	4,456,499	95,313,549	764,385,317
Additions	-	-	2,766,239	610,563	800,000	3,743,561	7,920,363
Disposals	-	-	(35,438)	(509,991)	(1,312,599)	(394,031)	(2,252,059)
December 31, 2014	412,046,635	132,300,020	62,366,989	60,732,998	3,943,900	98,663,079	770,053,621
Accumulated depreciation							
January 1, 2014	-	(7,607,251)	(38,049,609)	(35,050,638)	(3,845,078)	(74,993,616)	(159,546,192)
Depreciation for the year	-	(3,969,001)	(9,439,597)	(8,850,064)	(365,988)	(11,457,308)	(34,081,958)
Disposals	-	-	-	522,528	1,154,666	394,027	2,071,221
December 31, 2014	-	(11,576,252)	(47,489,206)	(43,378,174)	(3,056,400)	(86,056,897)	(191,556,929)
Net book value:							
December 31, 2014	412,046,635	120,723,768	14,877,783	17,354,824	887,500	12,606,182	578,496,692
December 31, 2013	412,046,635	124,692,769	21,586,579	25,581,788	611,421	20,319,933	604,839,125

8. ACCOUNTS PAYABLE	Saudi Riyals	
	2014	2013
Suppliers of services	433,827	2,924,847
Others	57,599	176,781
	<u>491,426</u>	<u>3,101,628</u>

9. ACCRUALS AND OTHER PAYABLES	Saudi Riyals	
	2014	2013
Employee accruals	41,548,772	37,613,126
Accrued expenses	3,931,056	9,292,595
Deferred revenues	7,514,141	8,142,978
Others	<u>2,342,687</u>	<u>5,177,189</u>
	<u>55,336,656</u>	<u>60,225,888</u>

10. PROVISION FOR END OF SERVICE BENEFITS	Saudi Riyals	
	2014	2013
Balance, January 1,	115,997,899	95,452,907
Provision for the year	27,346,455	26,044,321
Paid during the year	<u>(5,791,634)</u>	<u>(5,499,329)</u>
Balance as at December 31,	<u>137,552,720</u>	<u>115,997,899</u>



11. ACCUMULATED SURPLUS OF REVENUES OVER EXPENSES

The total “accumulated surplus of revenues over expenses” (prior to transfer to reserves) as at December 31, 2014 amounted to SR 3,319,486,134 (2013: SR 3,171,239,558), while the cash surplus, representing cash and bank balances, amounted to SR 1,155,551,812 (2013: SR 991,898,778). Accordingly and pursuant to Article 14 of the Capital Market Law, CMA has established an expenses reserve amounting to SAR 559,332,253 (2013: SR 524,907,906).

As at December 31, 2014 a general reserve has been established in accordance with the requirements of the Capital Market Law

amounting to SR 596,219,559 (2013 SR 466,990,872) and no amounts were transferred to the Ministry of Finance as at the mentioned date as there was no cash surplus after establishing the mentioned reserves. Accordingly, the balance of accumulated surplus revenue over expenses (non-cash) as of December 31, 2014, after making the transfers to the reserves, amounted to SR 2,163,934,322 (2013: SR 2,179,340,780).

12. SALARIES AND EMPLOYEES' RELATED BENEFITS	Saudi Riyals	
	2014	2013
Salaries	135,126,356	141,817,562
Allowances	72,894,268	75,900,362
Bonuses	35,271,022	33,993,525
Social insurance	18,697,636	18,556,953
End of service benefits	27,346,455	26,044,321
Medical insurance	19,365,638	15,723,947
CMA share of saving program	15,847,519	14,980,055
Business trips and travel expenses	3,508,983	3,216,293
Employment expenses	222,336	137,489
Others	5,028,391	3,882,880
	<u>333,308,604</u>	<u>334,253,387</u>

13. GENERAL AND ADMINISTRATIVE EXPENSES	Saudi Riyals	
	2014	2013
General services and maintenance	26,494,997	24,132,985
Rent	10,147,914	14,029,257
Subscription	5,982,363	12,879,205
Committee's members' fees	3,740,625	3,352,000
Telephone, postage and internet	3,302,833	2,790,944
Public relations	2,744,668	2,807,487
Entertainment	2,113,516	1,991,128
Co-operative training program	1,896,775	629,866
Operational contracts expenses	1,635,666	2,219,230
Stationery and printing	731,300	974,679
Media expenses and investor awareness	614,838	597,580
Consumer assets	95,379	67,915
Others	462,171	561,279
	<u>59,963,045</u>	<u>67,033,555</u>

14. OTHER REVENUES AND EXPENSES, NET	Saudi Riyals	
	2014	2013
Revenues from bank deposits	10,184,662	12,492,139
Prior years adjustments, net	(377,251)	(297,070)
Gain from disposal of property and equipment, net	49,898	3,259,644
Others	208,767	648,069
	<u>10,066,076</u>	<u>16,102,782</u>



15. CAPITAL COMMITMENTS

As shown in note (6), the obligations of the CMA for construction contracts of its head quarters at King Abdullah Financial District have been transferred to the PPA; the capital commitments of the CMA for other contracts as at December 31, 2014 were SR 2.8 million (2013: SR 1.79 million).

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit Risk

Credit risk is the risk that other parties will fail to discharge their obligations and cause the organization to incur a financial loss. Financial instruments that subject the CMA to concentrations of credit risk consist primarily of bank balances and accounts receivable balances. The CMA deposits its cash balances with high credit-rated financial institutions and does not believe that there is a significant risk of non-performance by these financial institutions, and the accounts receivable balance is due from a related party and other parties with high financial profiles and therefore there is no significant credit risk.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The CMA believes that it is not susceptible to a high risk of exchange rate fluctuations because most transactions are in Saudi Riyals. The CMA didn't perform any major transactions in foreign currencies other than the U.S. dollar. Since the Saudi Riyal exchange rate is fixed against the U.S. dollar, the U.S. dollar balances do not represent a significant currency risk. Management monitors fluctuations foreign currency exchange rates and believes that the currency risk is not significant.

Commission Rate Risk

Commission rate risk is the risk that a movement in commission rates would have an adverse effect on the value of assets and liabilities or would affect commission cash flows. The CMA is not exposed to any risks related to fluctuations in commission rates, as it does not have any assets or liabilities subject to commissions.

Liquidity Risk

Liquidity risk is the risk that the CMA will not be able to meet its obligations related to financial liabilities when they become due. Liquidity needs are monitored periodically and the Management ensures the availability of sufficient funds to meet any obligations when due. The CMA does not expect to face significant risks relating to liquidity during the twelve months from the date of the financial position.

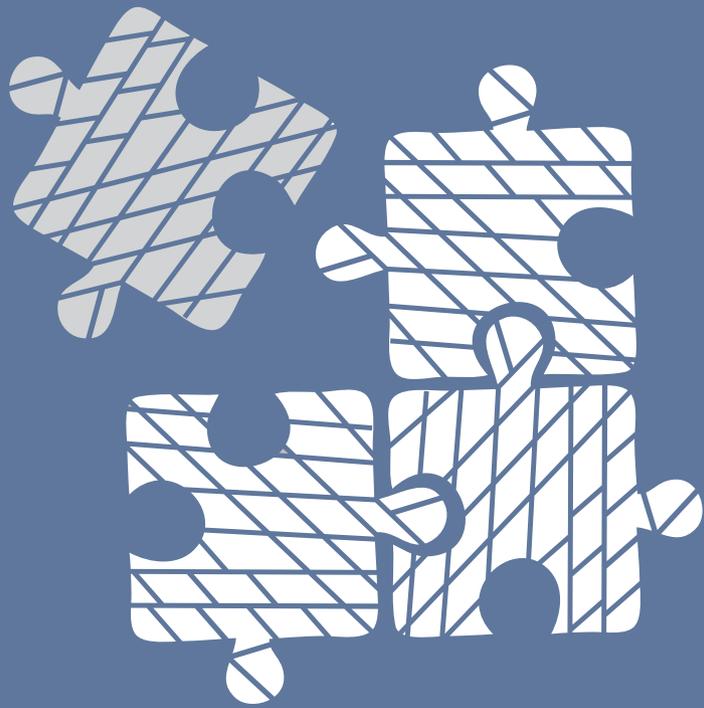
Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The financial assets include cash and bank balances, receivables and other assets, and financial liabilities include accounts payable, contractor balances and other liabilities. Management does not believe that the fair values of the CMA's financial assets and liabilities differ materially from their carrying values.

17. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 24/05/1436H, corresponding to 15/03/2015.





Chapter Four

Statistical Appendix



Content of the Statistical Appendix

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Table (1): Number of Applications for Securities Offerings 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	90	1	3	1	1	22
2013	5	115	2	1	1	0	18
2014	5	118	0	10	1	0	24

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

Year	Initial Public Offering	Share Private Placement	Rights Issues Offering	Debt Instrument Public Offering	Total
2006	10.5	0	7.2	3.0	20.7
2007	22.6	0.8	3.8	13.0	40.2
2008	36.4	6.7	22.5	5.0	70.6
2009	3.9	17.9	1.4	7.7	30.9
2010	3.8	19.1	0.4	7.0	30.3
2011	1.7	10.0	4.5	5.6	21.8
2012	5.3	33.3	7.4	0.2	46.2
2013	2.0	50.3	0.2	7.5	60.0
2014	25.2	33.6	5.8	4.5	69.1

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

Year	Phone Banking	Internet Banking	Bank Branches	ATMs	Total
2006	6.1	4.2	11.2	12.0	33.5
2007	9.0	5.7	6.2	15.0	35.9
2008	12.1	11.0	6.7	28.6	58.4
2009	3.1	2.7	1.0	6.1	12.9
2010	2.1	2.0	0.8	5.3	10.2
2011	0.6	0.9	0.2	1.3	3
2012	1.4	2.4	1.0	6.4	11.2
2013	0.9	2.0	1.1	6.2	10.2
2014	1.1	2.5	1.0	6.5	11.1

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

Year	Phone Banking	Internet Banking	Bank Branches	ATMs	Total
2006	5.5	3.6	12.0	9.3	30.4
2007	8.3	7.7	49.4	13.1	78.5
2008	14.4	17.4	18.7	30.8	81.3
2009	1.8	1.7	0.6	3.2	7.3
2010	1.4	1.6	0.7	3.0	6.7
2011	0.5	1.1	0.4	1.0	3.0
2012	1.2	3.5	1.7	4.6	11.0
2013	0.6	1.7	0.8	3.5	6.6
2014	4.2	37.5	269.5	6.6	317.8

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
2007	122	11	49	4	33	0	0	14	233
2008	135	7	57	4	34	0	0	25	262
2009	151	6	61	6	30	2	3	7	266
2010	154	6	56	6	27	2	8	8	267
2011	150	7	50	10	43	2	5	5	272
2012	138	9	47	10	43	3	2	4	256
2013	141	8	45	13	41	2	0	4	254
2014	150	9	46	11	41	2	0	4	263

Table (6): Values 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	62,317.0	808.0	33,893.0	1,591.0	2,363.0	0	0	4,127.0	105,099.0
2008	24,824.0	153.0	43,035.0	2,293.0	1,756.0	0	0	2,754.0	74,815.0
2009	29,719.0	205.0	54,518.0	2,237.0	1,913.0	115.3	217.5	635.1	89,559.9
2010	30,974.0	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	2,731.0	64.2	43.3	30.2	87,959.8
2013	34,441.2	563.3	60,945.8	4,131.1	2,797.9	130.5	0	111.3	103,121.1
2014	35,585.4	641.9	66,381.6	4,975.5	2,837.2	124.6	0	108.7	110,654.9

Table (7): Values 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	1,8541.8	1,780.4	405.4	1,092.8	1,072.8	2,089.5	4,736.3	29,719.0
2010	19,074.1	1,942.1	246.3	1,116.8	1,162.2	2,211.3	5,221.2	30,974.0
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
2013	21,331.3	2,127.4	196.7	860.6	1,763.2	2,746	5,416	34,441.2
2014	22,634.1	2,342.8	459.5	786.8	2,020.1	2,662.5	4,679.6	35,585.4

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
2013	197,523	203	49,024	5,021	5,453	440	0	139	257,803
2014	187,426	232	46,307	5,869	5,254	414	0	274	245,776

Table (9): Most Significant Developments of Surveillance of Trades and Deals

Year	Surveillance System Alerts	Intensive Scans for Trades and Deals Suspected of Violating the CML and Implementing Regulations	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
2013	26,251	1,779	43
2014	30,824	1,974	15

Table (10): 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
2013	808	789
2014	811	790

Table (11): 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
2013	111	49
2014	118	48

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

Year	Financial Statements with Unqualified Audit Reports for the Preceding Year	Financial Statements with Qualified Audit Reports for the Preceding Year
2006	57	20
2007	70	16
2008	97	14
2009	86	41
2010	97	36
2011	107	38
2012	106	44
2013	113	46
2014	112	51

Table (13): Filed Investigation Cases into Violations of the CML by Type of Violation

Type	Year							
	2007	2008	2009	2010	2011	2012	2013	2014
Violation of Investment/Real Estate Funds Regulations	0	0	3	7	35	41	20	72
Violation of Corporate Governance Regulations	0	0	9	15	35	41	43	22
Trading During Prohibited Period	3	0	7	17	15	20	39	42
Other Violations of the Listing Rules	0	3	3	8	1	1	3	1
Violation of the “Offers of Securities Regulations”	0	4	6	2	1	3	6	1
Violation of the CMA Board Resolutions	0	1	2	0	2	7	4	7
Conducting Securities Business and Investment of Funds without License	45	53	55	39	67	49	39	11
Ownership/Disposal of Percentages without Notifying the CMA	19	11	4	3	10	10	7	20
Violation of the Authorized Persons Regulations	7	4	6	54	23	29	23	62
Insider Trading	0	0	2	3	6	1	2	1
Disclosure Violation	10	28	19	67	63	36	56	244
Manipulation and Creating Misleading Impression	14	47	41	38	30	31	39	14
Violation of Prudential Rules	0	0	0	0	0	0	5	27
Violation of Merger and Acquisition Regulations	0	0	0	0	0	0	0	2
Other Violations	0	0	0	0	0	0	1	4
Total	98	151	157	253	288	269	287	530

Table (14): Closed CML Violation Cases Classified by Type of Violation

Type	Year							
	2007	2008	2009	2010	2011	2012	2013	2014
Violation of Investment/Real Estate Funds Regulations	0	0	0	7	27	45	6	4
Violation of Corporate Governance Regulations	0	0	8	12	27	51	9	32
Trading During Prohibited Period	0	0	0	19	21	8	16	27
Other Violations of the Listing Rules	0	0	6	8	1	1	1	1
Violation of the “Offers of Securities Regulations”	0	0	4	3	2	1	2	1
Violation of the CMA Board Resolutions	0	0	3	0	1	2	3	8
Conducting Securities Business and Investment of Funds without License	25	46	53	37	69	35	12	16
Ownership/Disposal of Percentages without Notifying the CMA	18	9	7	12	4	11	7	2
Violation of the Authorized Persons Regulations	1	5	10	25	45	27	3	30
Insider Trading	0	0	4	4	4	2	-	2
Disclosure Violation	6	12	28	49	73	67	24	109
Manipulation and Creating Misleading Impression	8	8	34	44	29	20	1	5
Violation of Prudential Rules	-	-	-	-	-	-	-	12
Violation of Merger and Acquisition Regulations	-	-	-	-	-	-	-	0
Other	-	-	-	-	-	-	-	1
Total	58	80	157	220	303	270	84	250

Table (15): Number of Licensing Decisions by Type

Year	New License Issued	Amendment to License	Revocation of License	Cancellation of License
2007	35	6	2	0
2008	34	9	2	2
2009	12	4	6	6
2010	4	13	3	14
2011	3	8	0	16
2012	2	8	0	2
2013	5	5	0	0
2014	2	8	0	3

Table (16): Number of APs 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
2013	84	5	89
2014	87	1	88

Table (17): Number of Valid Licenses of Securities Business Activities by Business Commencement Status

Year	Business Commencement Status	Dealing	Managing	Arranging	Advising	Custody
2007	Commenced	51	46	64	68	49
	Not Commenced	0	0	0	0	0
2008	Commenced	67	69	92	97	72
	Not Commenced	0	0	0	0	0
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
2013	Commenced	56	65	78	77	67
	Not Commenced	4	5	4	6	3
2014	Commenced	56	65	79	81	65
	Not Commenced	2	1	1	1	0

Table (18): Number of APs 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
2013	2	18	4	9	56
2014	2	22	4	7	53

Table (19): Number of Inspection Visits/Tasks Carried out by the CMA by Type

Year	Cause	Cycle
2007	33	0
2008	51	2
2009	67	5
2010	54	18
2011	82	20
2012	96	17
2013	65	18 ³⁶
2014	107	54

36) Including inspection of the Saudi Stock Exchange "Tadawul".



Table (20): Tasks Processed by the CMA on Compliance and AML, and Enforcement of Incoming Requests from Enforcement Judges and Public Courts by Type of Requests

Year	Incoming Requests from Government Agencies	Requests and Inquiries of APs
2009	492	18
2010	1,067	33
2011	2,401	92
2012	1,958	47
2013	2,819	774
2014	11,660	146

Table (21): Consolidated Balance Sheet (Unaudited) – APs Assets (SR Million)

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/Advising APs			Total		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Cash and Cash Equivalents	4,188	4,313	5,137	1,051	1,404	1,535	2,222	1,525	1,784	1,439	1,466	1,421	125	119	280	9,025	8,827	10,157
Accounts Receivable	353	363	406	814	641	637	146	122	291	51	109	82	48	70	64	1,412	1,305	1,480
Margin Lending Creditors	2,102	3,314	3,763	221	248	227	13	17	18	0	0	0	0	0	0	2,336	3,579	4,008
Investments	2,905	2,754	3,340	5,297	4,853	5,070	1,064	1,069	1,087	2	44	0	23	58	48	9,291	8,778	9,545
Fixed Assets	279	219	226	271	810	417	45	246	266	43	29	22	5	23	7	643	1,327	938
Other Assets	303	309	327	269	787	693	59	103	73	29	46	38	6	8	13	666	1,253	1,144
Total Assets	10,130	11,272	13,199	7,923	8,743	8,579	3,549	3,082	3,519	1,564	1,694	1,563	207	278	412	23,373	25,069	27,272

Table (22): Consolidated Balance Sheet (Unaudited) – APs Liabilities (SR Million)

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/Advising APs			Total		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Accounts Payable and Accrued Expenses	578	325	480	839	664	313	259	161	281	134	86	34	11	17	12	1,821	1,253	1,120
Bank Loans	1,128	2,112	2,337	207	294	491	650	299	412	0	20	48	0	0	0	1,985	2,725	3,288
Subordinated Loans	0	0	0	40	0	0	108	243	217	29	0	0	12	12	0	189	255	217
Zakat and Income Tax	0	122	175	0	98	75	0	46	50	0	10	15	0	2	3	0	278	318
End of Service Benefits	397	225	304	162	82	78	46	19	20	12	15	18	6	6	6	623	347	426
Other Accounts Payable	84	309	362	4	172	101	3	69	198	7	63	38	0	8	56	98	621	755
Total Liabilities	2,187	3,093	3,658	1,252	1,310	1,058	1,066	837	1,178	182	194	153	29	45	77	4,716	5,479	6,124



Table (23): Consolidated Balance Sheet (Unaudited) – APs Shareholder Equity (SR Million)

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/Advising APs			Total		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Paid-up Capital	5,050	5,200	5,200	5,601	6,056	6,517	3,132	2,566	2,396	1,622	1,674	1,520	216	190	300	15,621	15,686	15,933
Statutory Reserve	603	666	819	457	456	488	19	36	28	35	35	43	6	11	12	1,120	1,204	1,390
Retained Earnings	1,868	661	1,091	58	-165	108	-718	-566	-334	-274	-281	-219	-46	-7	-45	888	-358	601
Profit/Loss for the Period	180	1,497	2,265	-17	633	550	0	108	118	0	73	66	0	32	42	163	2,343	3,041
Other Shareholder Equity	242	155	166	571	452	-141	51	102	134	0	0	0	2	5	24	866	714	183
Total Shareholder Equity	7,943	8,179	9,541	6,670	7,432	7,522	2,484	2,246	2,342	1,383	1,501	1,410	178	231	333	18,658	19,589	21,148

Table (24): Investments of APs in 2013 and 2014 (SR Million)

Item	Bank Affiliate APs		Local APs		Regional APs		International APs		Arranging/Advising APs		Total	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Listed Shares	147	210	1,474	939	99	112	12	0	9	0	1,741	1,261
Investment Funds	2,541	3,082	2,140	2,532	436	500	0	0	0	0	5,117	6,114
Debt Instruments	10	10	54	53	426	298	32	0	14	0	536	361
Securitization	0	0	0	0	0	6	0	0	0	0	0	6
Private Equity/Subsidiaries and Sister Companies	55	38	886	1,150	67	66	0	0	9	38	1,017	1,292
Real Estate	0	0	298	396	41	105	0	0	26	10	365	511
Total	2,753	3,340	4,852	5,070	1,069	1,087	44	0	58	48	8,776	9,545

Table (25): APs Consolidated Income Statement (Unaudited) (SR Million)

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/Advising APs			Total		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Dealing	2,033	1,504	2,155	98	87	139	15	20	41	56	51	63	0	0	0	2,202	1,662	2,398
Asset Management	1,063	1,232	1,645	190	263	409	111	212	263	24	3	12	0	0	0	1,388	1,710	2,329
Investment Banking	652	435	352	338	260	193	29	93	76	18	51	22	69	74	105	1,106	913	748
Advice/Research	0	0	0	0	2	2	0	3	15	0	0	0	8	2	0	8	7	17
Custody	31	44	60	4	9	8	3	3	4	0	0	0	0	0	0	38	56	72
Investments	124	253	236	387	780	660	111	114	75	4	23	10	4	12	1	630	1,182	982
Other Revenues	97	-100	4	400	565	436	7	9	23	207	232	201	2	17	31	713	723	695
Revenues	4,000	3,368	4,452	1,417	1,966	1,847	276	454	497	309	360	308	83	105	137	6,085	6,253	7,241
Salaries and Wages	1,017	1,038	1,142	460	496	535	177	177	185	188	168	145	38	43	64	1,880	1,922	2,071
Marketing	17	24	32	7	37	41	2	4	6	0	2	2	0	0	1	26	67	82
Other Expenses	696	811	1,013	636	800	721	137	164	189	162	117	95	24	22	30	1,655	1,914	2,047
Total Expenses	1,730	1,873	2,187	1,103	1,333	1,297	316	345	379	350	287	242	62	65	95	3,561	3,903	4,200
Profit/Loss	2,270	1,495	2,265	314	633	550	-40	109	118	-41	73	66	21	40	42	2,524	2,350	3,041

