

Annual Report
2015

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 Mohammad Bin Nayef Bin
Abdulaziz Al Saud**

Crown Prince, Deputy Premier
and Minister of Interior and Chairman of the
Council for Political and Security Affairs



His Royal Highness

Prince Mohamed Bin Salman Bin

Abdulaziz Al Saud

Deputy Crown Prince, Second Deputy Premier,
Minister of Defense and Chairman of the Council
for Economic and Development Affairs

CMA Board



H.E. Mr. Mohammed Bin Abdullah Al-Jadaan

CMA Board Chairman

Qualifications:

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

Experience:

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



Mr. Abdulrahman Bin Mohammad Al-Rashid

CMA Board Vice Chairman

Qualifications:

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

Experience:

- Several positions at the Saudi Arabian Monetary Agency (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).
- Participated in and chaired several committees concerned with regulating and developing the capital market sector at SAMA and the CMA.
- Represented CMA in meetings of international financial markets authorities.



Dr. Abdulrahman Bin Mohammad Al-Barrak

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 (2005 – 2009). Assigned several academic and administrative posts, the last of which was the Dean of Faculty Affairs.
- During his service in the University, Dr. Al-Barrak contributed to establishing the Finance Sciences Department, which included a virtual trading platform, one of the first of its kind in a Saudi university.
- Head of the Finance Department, King Faisal University, Al-Ahssa (2007 – 2009)
- CMA Board member (14/5/2009 to current date).
- Participated in and chaired CMA committees and taskforces concerned with regulating and developing the capital market sector.
- Represented CMA in meetings of international and regional financial markets authorities.
- Member of SOCPA (as a representative of CMA).



Dr. Adnan Bin Abdulfattah Soufi

CMA Board Member

Qualifications:

- PhD in Business Administration, George Washington University, USA (1984).

Experience:

- Professor of Business Administration at King Abdulaziz University in Jeddah. Assigned several academic and administrative posts, the last of which was the Dean of Economics and Administration College, (1984 – 2006).
- Worked at SEDCO Holding Company and held several positions, the last of which was CEO (1991-2013).
- Visiting Professor at St. Antony's College, Oxford University, UK (2005).
- Board member, SEDCO Capital (2010 – 2011).
- Board member, Arabian Cement Company (2011 – 2014).
- Member of the Board of Trustees, University of Business and Technology, Jeddah (2013 - 2014).
- Member of the investment committee, Scientific Endowment of King Abdulaziz University (2013 – 2014).
- CMA Board member (18 March 2014 to current date).



Dr. Najem Bin Abdullah Al-Zaid

CMA Board Member

Qualifications:

- PhD in Law, George Washington University, USA.

Experience:

- Member of the Bureau of Investigation and Public Prosecution (1995-1997).
- Advisor, World Bank Group, USA (Jul – Sep 2000).
- Legal Advisor, Islamic Development Bank Group (IDB Group), Jeddah (2001 - 2004).
- Worked at CMA (2004 – 2014) and was assigned several positions, most recently Director of Legal Affairs.
- Member of the technical team of Saudi representatives in the negotiations for accession to the World Trade Organization (2005).
- CMA Board member (Mar 2014 – to current date).
- Participated in and chaired several committees and taskforces associated with the development of the capital market.
- Represented CMA in meetings of international financial markets authorities and the financial sector in general.

This report was prepared to demonstrate CMA's compliance with the highest standards of transparency and to inform the public about the business it 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 submit 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 fulfill all the requirements and rules relating to the production of annual reports as mandated for ministries and public 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

It is my pleasure to present CMA's annual report of 1436/1437H (2015) that highlights key initiatives and regulatory and supervisory achievements of the last year as well as its ambitions for 2016.

CMA attaches great importance to its Strategic Plan adopted last year, which I had the honor to present to the Council for Economic and Development Affairs so as to benefit from its observations and opinions. The Council provided a number of notes and observations, and graciously recommended approval of the Plan. Subsequently, a high order was issued, approving the recommendations. Moreover, a new strategic objective was added in 1436/1437H (2015) with the aim of deepening the capital market by broadening the participant base and encouraging companies to list their shares. A host of other strategic initiatives were also adopted so as to further improve transparency and corporate governance standards and increase communication programs with investors in the capital market.

CMA is in the process of implementing 54 initiatives included in the approved Strategic Plan. These initiatives cover 342 activities, of which 311 have been completed, representing 91% of the total planned activities for the year. In 2016, the CMA will pursue the implementation of its Strategic Plan to include: Deepening the capital market by expanding the participants' base, promoting investment awareness and communication with investors, improving the internal efficiency and effectiveness of CMA, strengthening internal governance and risk management, enhancing the level of

coordination and cooperation with relevant entities and managing the transition to the new governance principles. This will be facilitated through the implementation of new activities listed under 51 ongoing initiatives that commenced in 1436/1437H (2015), as well as through 13 new initiatives that will be implemented during 2016.

Since its establishment, CMA has spared no effort to achieve the highest degree of organizational excellence, improve efficiency and effectiveness, and strengthen internal governance. Among the initiatives which were given special attention in 2015 and which will be continued in 2016 is the enhancement of CMA Board's governance to improve its performance in fundamental regulatory and supervisory roles, increase its efficiency in decision-making, employ the expertise of its members in the Authority's main functions such as: dealing with internal and external risks, developing policies, determining and developing strategies, monitoring performance, expanding participation in international affairs and tasks, and effectively communicating with relevant parties.

In the context of internal development, CMA reviewed its organizational structure in recognition of the need to adapt to internal and external changes in the organizational, developmental, and legislative environment. Revisions include: adoption of CMA's Strategic Plan, issuance of the new Companies Law which confers greater power on CMA in regard to the regulation of listed

companies, separation of tasks and functions between CMA and the Saudi Stock Exchange Company (Tadawul), and the transfer of some tasks from CMA to the Bureau of Investigation and Public Prosecution. In support of these revisions, CMA Board approved a new organizational structure to be effective as of 23/6/1437H, corresponding to 1/4/2016. We are optimistic that the new structure will contribute to the successful delivery of CMA's Strategic Plan, and improvements in governance, in addition to raising the Authority's performance, and facilitating and enhancing communication with relevant parties.

In regard to developing rules and regulations for the capital market, CMA Board approved the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares, which aim to promote institutional investment in the Saudi capital market, which in turn should support market stability and help to reduce volatility. The Rules will also assist in transferring knowledge and expertise to local financial institutions and investors, promoting the performance of listed companies, particularly in disclosure of financial information; improving the status of the Saudi capital market and promoting research, studies and evaluations on the market in general and companies in particular.

Recognizing the importance of its responsibilities derived from the new Companies Law issued by Royal Decree No. (M/3) dated 28/1/1437H, CMA is in the process of reviewing and updating the Implementing Regulations, preparing regulatory documents to conform to the new Companies Law and issuing regulations necessary to the implementation of relevant provisions. Moreover, CMA is currently coordinating with the Ministry of Commerce and Industry in regard to the regulation of the Law. The Authority has reviewed and completed a considerable part of the following Implementing Regulations: Investment Funds Regulations, Listing Rules, Market Conduct Regulations, Special Purpose Entities Regulations and the instructions for investment accounts, which are expected to be re-issued in 1437/1438H (2016).

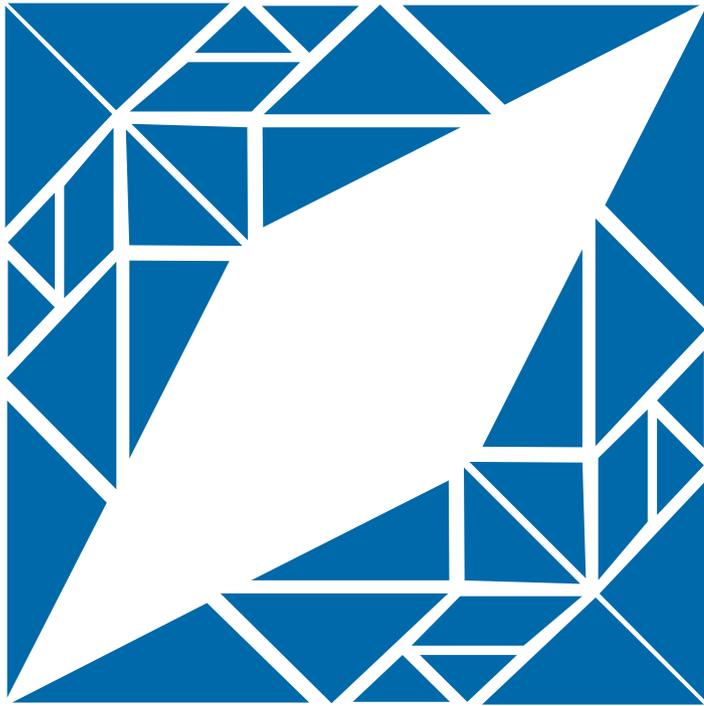
CMA continued its efforts to deepen the capital market during 2015 by approving the offering of 4 companies for public subscription at a total share value of SR 4.2 billion. The total value of securities offerings reached SR 34.2 billion. Despite a 7.0% decline in the asset values of public investment funds in 2015, the year proved to be an exceptional one for private investment funds, with their asset values increasing by 50.5% (SR 26.0 billion).

Highlighting its commitment to the protection of market investors and participants, in 2015, CMA enacted an accelerated process to decide upon violations of the CML and its Implementing Regulations. This enabled the Authority to finalize 616 cases, representing a 146.4% year-on-year improvement. Enforcements were achieved in 346 of the 385 decisions issued by the CMA Board, CRSD and ACRSD against violators of the CML and its Implementing Regulations.

CMA remains committed to its supervisory and regulatory responsibility over the APs' sector which included in 2015 the inspection of 105 out of 495 licenses. The sector maintained its strong financial position in 2015, with the average capital adequacy ratio rising to 2.12, significantly surpassing the ratio recommended by Basel. The paid-up capital of APs' amounted to SR 16.1 billion, up by 1.0% year-on-year. The year 2015 also witnessed the licensing of the first credit rating company.

In conclusion, I express my sincere thanks and gratitude to our wise leadership for supporting CMA and providing the resources necessary to enable the capital market's development, growth and stability. I also thank all those who contributed to our success in the development and regulation of the capital market, particularly the Board members and our staff. My gratitude is also extended to our success partners: the Advisory Committee of the Board, the Saudi Stock Exchange Company (Tadawul), listed companies, APs, and the general traders and investors in the capital market.

H.E. Mr. Mohammed Bin Abdullah Al-Jadaan
CMA Board Chairman



Introduction

- Establishment
- Main Functions and Responsibilities
- Parties Supervised by 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. CMA is a government entity that enjoys financial and administrative autonomy and reports directly to the President of the Council of Ministers. CMA 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 CMA’s main functions, the most important of which are to:

1. 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.
2. Regulate and monitor the issuance of and dealing in securities.
3. Regulate and monitor business activities of parties subject to CMA’s supervision.
4. 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.
5. Regulate proxy and purchase requests and public offers of shares.
6. License the establishment of a Special Purpose Entity (SPE), and regulate and control its business, uses, issuance of securities, the registration in its registry established by CMA 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 relevant regulatory rules.
7. Protect citizens and investors in securities from unfair and unsound practices, or acts involving fraud, deception, cheating, or manipulation.
8. Seek to achieve fairness, efficiency and transparency in securities transactions.

Parties Supervised by CMA

The following parties are subject to CMA’s supervision:

- (1) The Saudi Stock Exchange Co. (Tadawul).
- (2) Authorized Persons (APs).
- (3) Listed companies.
- (4) Capital market dealers/participants.

- (5) Special Purpose Entities (SPEs)
- (6) Credit rating agencies and companies.

Organizational Structure

The approval of CMA’s Strategic Plan for 2015 – 2019 necessitated review and modification of the organizational structure to assist in the implementation of the Plan. Therefore, CMA Board issued Resolution No. (1 – 103 – 2015) dated 9/3/1437H (20/12/2015) adopting CMA’s new organizational structure. The amendment of the organizational structure was based on a number of foundations and perspectives including:

- The issuance of the new Companies Law, which resulted in entrusting CMA with a number of new tasks and powers.
- CMA’s desire to adopt and apply more good governance practices.
- Approving the Special Purpose Entities Regulations in the near future and implementing the functions included in Paragraph a(8) of Article 5 of the CML relating to the regulation and control of their business, uses, issuance of securities, registration etc.
- The project for separating the functions and jurisdictions between CMA and the Saudi Stock Exchange Co. “Tadawul”.
- Transfer of some of CMA’s functions to the Bureau of Investigation and Public Prosecution (by virtue of jurisdiction) pursuant to the High Directive on this regard.

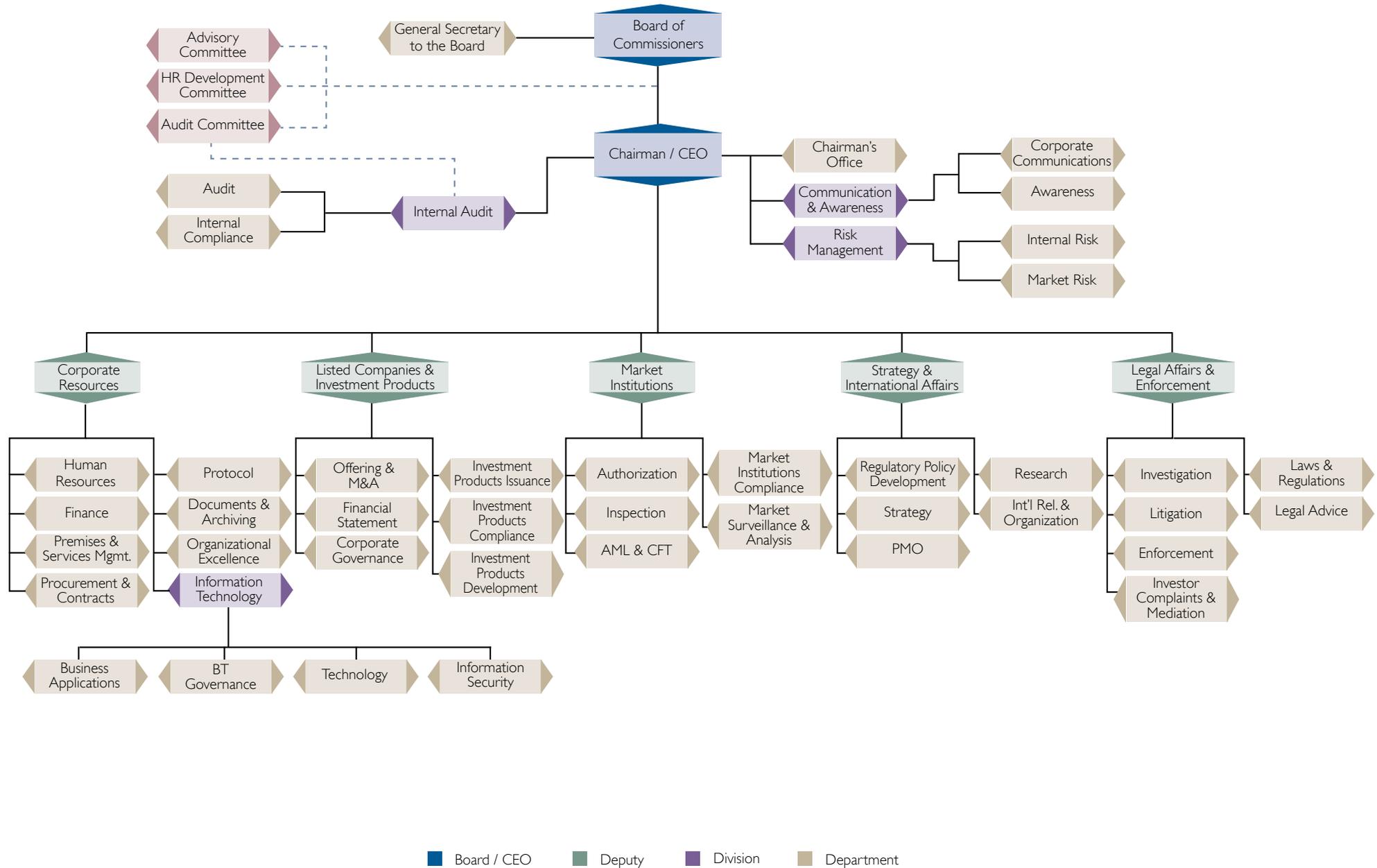
The new structure helps to achieve a number of important changes in CMA’s business, including:

- Documenting the optimal model for the role of Board members and their communication with CMA’s executive management.
- Granting more power to managers through expanded authorities.
- Rationalizing and improving the activities of CMA Board committees.
- Participation and organized communication within CMA and with all parties concerned with the capital market.
- Improving the processes of the General Secretariat of CMA Board and utilizing supportive technological tools.

During the transitional period of the new organizational structure, CMA will endeavor to achieve the following:

- Develop organizational roles and responsibilities of CMA’s departments/divisions.
- Enhance efficiency of CMA Board.
- Enhance risk management.
- Apply a unified framework for internal policies and procedures.
- Apply a performance management system within CMA.
- Promote CMA values within organizational culture.

Organizational Structure

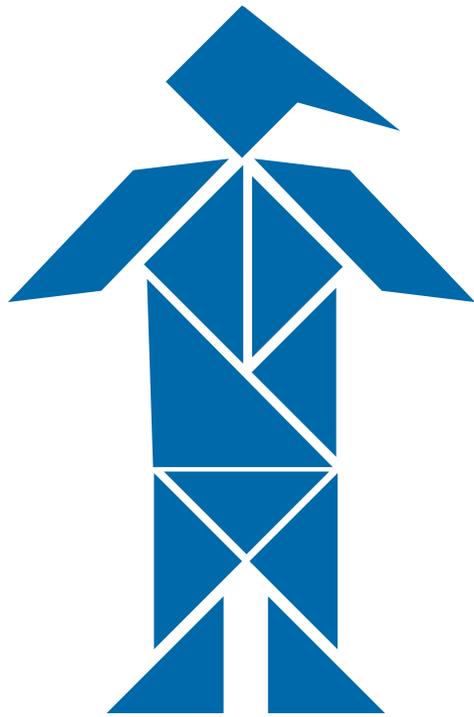


■ Board / CEO ■ Deputy ■ Division ■ Department



Chapter One

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



Section I

CMA's Strategic Plan

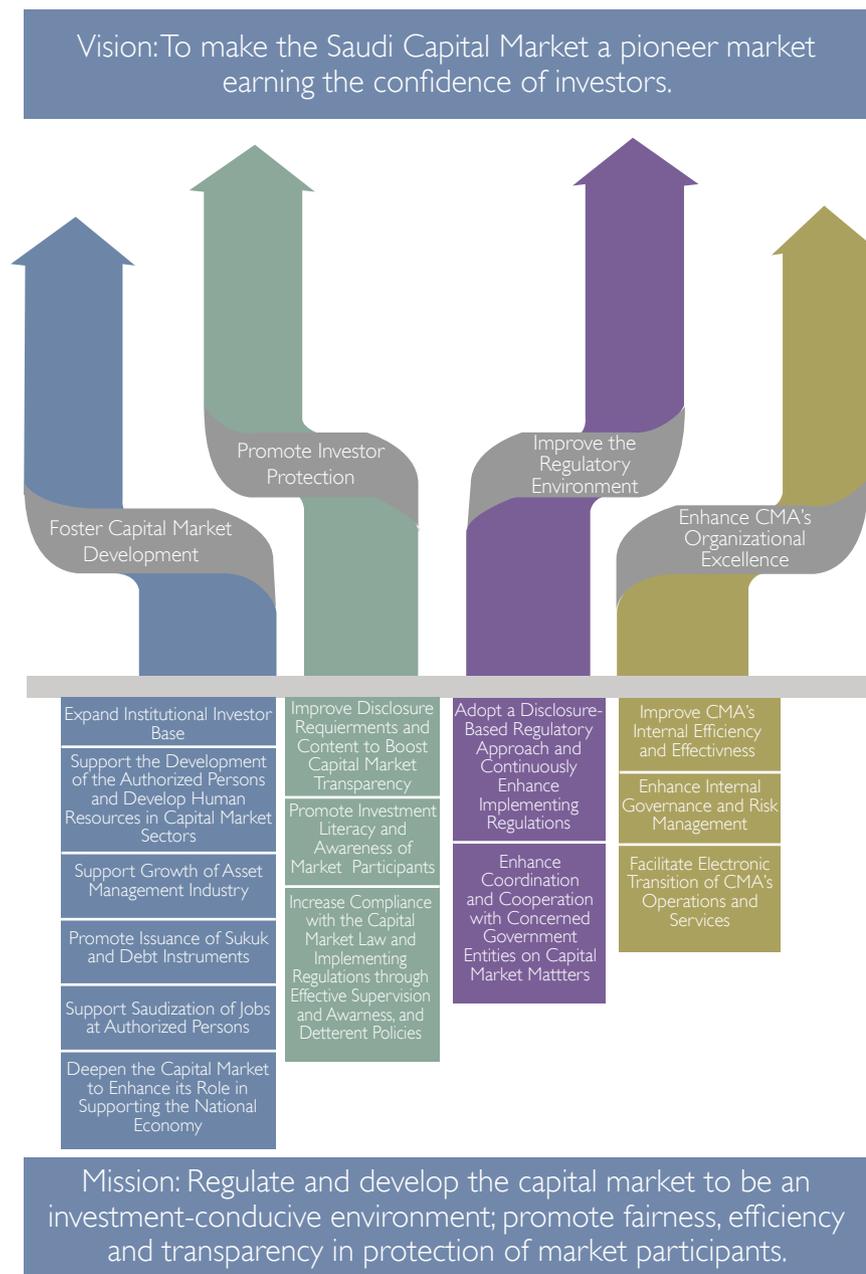
- I.1 Achievements of the Strategic Plan
- I.2 Strategic Priorities of 2016
- I.3 Main Challenges to the Implementation of CMA's Strategic Plan



In 2014, CMA developed a comprehensive strategic plan covering the period 2015 – 2019. It took into account the need for harmonization of the plan with the Kingdom of Saudi Arabia's 10th Development Plan and accounted for the resiliency needed to adapt to future changes. The Strategic Plan comprises 4 themes covering 13 objectives which are to be achieved through implementation of 63 initiatives. The Strategic Plan aims to deliver upon 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 businesses.

In 2015, CMA's Strategic Plan was subjected to a comprehensive review in light of the notes and comments received from the Council for Economic and Development Affairs. The Council approved the key objectives and visions of the Plan, and it was updated in accordance with the notes and comments of the Council which resulted in the addition of a new strategic objective to deepen the capital market through a number of initiatives. Several strategic initiatives were also added to promote transparency and governance in the capital market and increase investor awareness programs. Currently, the Strategic Plan has 14 objectives to be achieved through 69 initiatives (Diagram (1)). Also, the Council instructed CMA to devise a program with the purpose of achieving the approved objectives and visions covering initiatives and appropriate performance indicators. The High Authority approved CMA's Strategy and relevant objectives and visions.

Diagram (1): Themes and Goals of CMA Strategic Plan

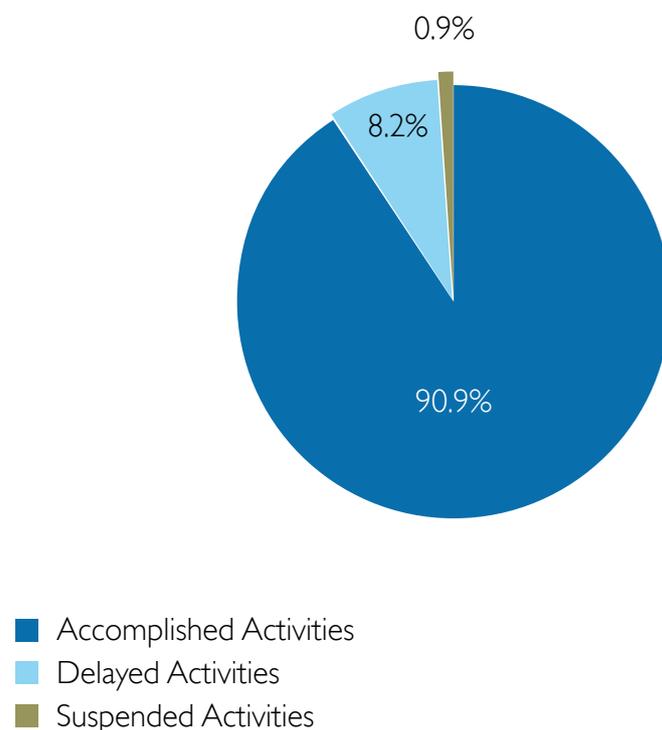


1.1 Achievements of the Strategic Plan

As part of CMA's commitment to implement the Strategic Plan within the specified timeframe and reach the desired outcome, CMA Board approved a quarterly detailed action plan that outlines the initiatives and activities to be carried out during the year as well as expected deadlines. Data relating to achievements and challenges will be compiled from CMA's departments/divisions and the results will be reported to CMA Board.

In 2015, CMA started implementing 54 initiatives as per the implementation tables provided in the Strategic Plan. 311 out of 342 activities were accomplished, reaching 90.9% of the total number of planned activities during the year. Due to certain factors beyond CMA's control, 28 activities were unaccomplished and 3 activities were suspended (Chart (1)).

Chart (1): Completion Percentages of Strategic Plan in 2015



During 2015, CMA completed 3 initiatives as follows:

Initiative 1.1.2: Finalization of the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares, falling under the Theme: Foster Capital Market Development, and the Strategic Objective: Expand Institutional Investor Base.

All phases of this initiative are complete; CMA Board issued Resolution No. (1 – 42 – 2015) dated 15/7/1436H (4/5/2015) including the approval and publication of the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares.

Initiative 2.1.2: Improve Disclosure of APs, falling under the Theme: Promote Investor Protection, and the Strategic Objective: Raise Governance Level and Improve Disclosure Requirements in the Capital Market.

All phases of this initiative are complete; the CMA Board issued Resolution No. (4 – 86 – 2015) dated 15/1/1437H (28/10/2015) requiring APs to create their own websites to publish information and improve disclosure as provided for in the Resolution.

Initiative 2.3.1: Develop Policies and Standards for Referring Violations of the CML and its Implementing Regulations, falling under the Theme: Promote Investor Protection, and the Strategic Objective: Increase Compliance with the CML and Implementing Regulations through Effective Supervision and Awareness, and Adoption of Deterrent Policies.

All phases of this initiative are complete; CMA Board issued Resolution No. (2 – 91 – 2015) dated 27/1/1437H (9/11/2015) approving the Policies and Procedures for Detecting Violations of the CML and its Implementing Regulations.



1.2 Strategic Priorities of 2016

CMA is committed to implement the Strategic Plan and take adequate and necessary measures to facilitate the implementation of its initiatives. It will continue implementing 51 initiatives that were commenced in 2015 in addition to 13 new initiatives to be commenced during 2016. CMA's strategic priorities are briefly provided as follows:

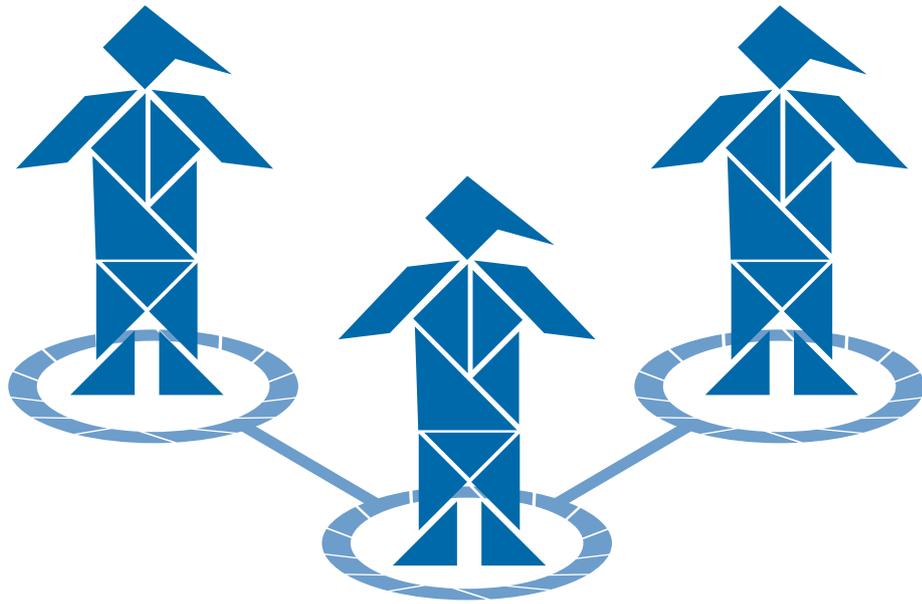
No.	Initiative
1	Encourage the establishment of citizen savings schemes.
2	Facilitate mergers and acquisitions among APs.
3	Encourage organization of an award for APs with best workplace sponsored by reputable entities.
4	Improve and facilitate procedures of sukuk and debt instrument offering, and deepen the secondary market.
5	Develop regulatory infrastructure to support securitization.
6	Explore ways to stimulate companies to offer and list shares on the capital market.
7	Raise corporate awareness of the importance of listing on the capital market to maintain sustainability.
8	Improve disclosure of the Saudi Stock Exchange Company (Tadawul).
9	Enhance alignment of Implementing Regulations, policies and work procedures with the disclosure-based regulatory approach.
10	Develop CMA's organizational roles and responsibilities.
11	Enhance CMA's risk management.
12	Build and implement the information and data management tasks.
13	Electronic Connectivity and integration with the Saudi Stock Exchange Company (Tadawul).

In addition to the strategic objectives and initiatives planned for this year, the priorities and objectives of CMA Board for 2016 focus on the following:

- Deepening the capital market.
- Increasing communication with investors.
- Enhancing risk management and internal governance of CMA.
- Promoting coordination with other relevant entities.
- Managing the transition to CMA's new organizational structure and principles of governance.

1.3 Main Challenges to the Implementation of CMA's Strategic Plan

Realization of strategic objectives is affected by several factors beyond CMA's control. Such factors may include but are not limited to: economic changes; investor confidence and preferences; changes in issuers' preferences; and the dependence of some objectives on the cooperation and response of other bodies.



Section 2

Internal Environment

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



Saudization Reached
99.2% at the CMA

2.1 Workforce and Saudization

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 638 at the end of 2015, up by 2.9% year-on-year.

Saudization reached 99.2% with female Saudi employees accounting for 13.8% of the total workforce; an increase of 35.4% year-on-year (Table (1)).

Table (1): Workforce Breakdown

Year	Nationality				Total
	Saudi		Non-Saudi		
	Males	Females	Males	Females	
2014	548	65	7	-	620
2015	545	88	5	-	638

A turnover for some CMA employees was noted during 2015 as the high level of their qualifications makes them highly attractive to the labor market (Table (2)).

Table (2): New Employees and Resigned

Year	Newly Joined	Resigned
2014	8	26
2015	54	36

CMA employees are characterized by high academic qualifications; the percentage of employees holding “BA, higher diploma/masters” degrees represents 76.8% (Table (3)).

Table (3): Academic Qualifications of CMA Staff in 2015

Academic Qualification	Number	(%) out of Total
High School and Below	77	12.1%
Diploma	66	10.3%
Bachelor	266	41.7%
Higher Diploma/ Master	224	35.1%
Ph.D.	5	0.8%
Total	638	100%

2.2 Training and Development

CMA has continued to sharpen the skills of its employees in all areas related to its business. It has also offered training opportunities through training programs and scholarships both within the Kingdom of Saudi Arabia and abroad. During the course of 2015, 378 employees enrolled in 22 in-house training programs while

696 employees participated in 428 international training programs. 88 employees have graduated from the international scholarships program (obtaining bachelor or master degrees) since its inception (Table (4)).



Table (4): Male/Female Employees Enrolled in CMA Programs

Element	Number	
	2014	2015
In-house Training Programs	304	378
International Training Programs	411	696
Rotation Program	6	10
English Language Programs (Domestic)	9	8
English Language Programs (Abroad)	6	6
On-the-Job Training Programs at Peer International Organizations and Authorities	8	9
International Scholarships ¹	41	44
Domestic Scholarships ²	5	4

In support of its effort to create distinguished leaders, CMA launched the third version of its “High Potential Program”, an essential resource for succession, and one of CMA’s manpower planning components. CMA redesigned the program in 2015 and approved and executed

“Phase One” during the course of the year. It is currently preparing individual plans to train high potential employees through various development interventions.

2.3 Savings Plan and Housing Finance Program

CMA offers its staff two incentive programs:

■ Savings Plan

Keen on promoting the culture of saving, CMA has implemented a program (Savings Plan) to encourage employees to save their income. It is a flexible long-term savings plan, under which CMA provides a financial contribution to supplement the contributions made by employees subscribed to the plan. At year-end 2015 the number of participants in the plan stood at 378 (59.2% of total CMA staff).

■ Housing Finance Program

To anchor its relationship with its employees and promote a sense of belonging, and in line with the Government’s directives to improve citizens’ wellbeing and provide appropriate accommodation, CMA has fostered an “Employee Housing Finance” program in cooperation with local banks, where CMA bears the full Murabaha rate on finance. The program offers long-term financing with affordable

1) 135 CMA employees have received international scholarships since commencement of the program.

2) 7 CMA employees have received domestic scholarships since commencement of the program.

installments. All CMA's Saudi employees may benefit from the program in accordance with the applicable terms and conditions. At year-end 2015, the number of beneficiaries stood at 108.

2.4 Promoting Social Responsibility

In continuation of CMA's efforts to qualify national human resources for the capital market, CMA, in 2015, launched the 2nd version of the "CMA Graduate Development Program". Under the program, CMA selects the top Saudi university graduates and provides them with on-the-job training, 27 trainees; 6 female and 21 male graduates (holding bachelor or master degrees) joined the program in the streams of finance and investment, rules and regulations, management, inspection, compliance, international relations and research as well as technology and operations.

Moreover, CMA has executed "CMA's Program for Diploma Holders" to qualify distinguished diploma holders to professionally practice various administrative support jobs through on-the-job training. The program included 22 graduates from different majors (executive secretariat; commercial accounting; office administration; computer science).

CMA has also contributed effectively in cooperative training of students of universities and colleges in the Kingdom. 78 students joined the cooperative training program in 2015; 28 in post-secondary diploma and 50 students in BA.

CMA has participated in career day and education development events organized by Saudi universities such as AlYamamah University, Prince Sultan University and King Saud University in addition to the participation in the National Forum for the Employment of People with Disabilities.

2.5 Owned and Rented Buildings

Table (5) illustrates the buildings owned and rented by CMA in 2015.

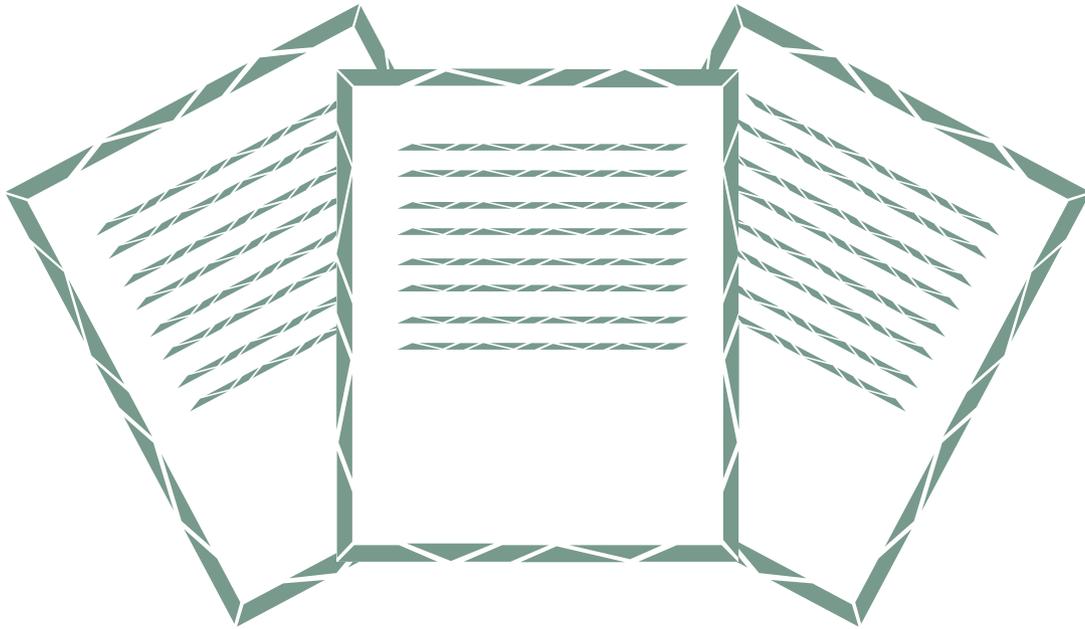
Table (5): Owned and Rented Buildings

Buildings	2015
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
High Orders and Council of
Ministers' Resolutions



CMA implemented several High Orders and Council of Ministers' Resolutions during 2015, and took several actions which can be summarized as follows:

- ◆ High Order No. (22980) dated 26/05/1436H, requiring each minister to prepare the administrative arrangements to reduce the work procedures in his office as per the reference guidelines, and that each minister's office manager submit a report thereon to the Standing Committee.

CMA has taken practical steps to adopt governance practices that ensure compliance with the High Order, including:

- Reducing the number of organizational units directly linked with CMA Board Chairman in order to enable him to reduce workflow procedures, and approving such units in CMA's new organizational structure.
- Revising and delegating powers in accordance with the CML and its Implementing Regulations.
- Forming a taskforce to manage the project of transition to the new organizational structure in 2016 to implement the new organizational structure by assuming the duties specified in the action plan, including:

1. Managing the transition program and coordinating all program-related activities.
2. Overseeing all details relating to the action plan, including coordination between relevant parties and management of conflicting activities and roles.
3. Overseeing the implementation of the Board's enhanced effectiveness plan.
4. Overseeing implementation of initiatives, following up on such implementation in light of the action plan, ensuring coordinated efforts and activities and direct coordination between departments/divisions.
5. Preparing periodic reports on the project's progress and submitting them to the Steering Committee and to CMA Board.
6. Reviewing results and ensuring consistency with the agreed plan and taking necessary actions.

7. Making decisions relating to the tasks assigned to the taskforce and reporting pending issues and matters to the Chairman of the Steering Committee for review and decision.

- Updating the financial and administrative authority matrix.
- ◆ Royal Decree No. (M/46) dated 05/06/1436H, approving Council of Ministers Resolution No. (258) dated 3/6/1436H which approved the amendments to the Labor Law.
- ◆ CMA has undertaken the following:
 - Reviewing all CMA's policies relating to human resources and relevant internal procedures, and amending them in line with the Labor Law amendments.
 - Reviewing CMA's automated human resources system to make necessary and timely amendments.
 - Amending CMA's work procedures. Upon finalization, they will be submitted to the Ministry of Labor for approval.
- ◆ High Order No. (56663) dated 12/11/1436H, regarding the annual report of the General Auditing Bureau, and which instructed:
 - All government agencies not to contract with companies for the sole purpose of employing and providing the government agency with personnel, and to ensure that such personnel continue working for and being paid by their companies.
 - Public agencies, funds and authorities with respect to payment of salaries, remunerations and benefits to the governors of public agencies and the heads of authorities and funds.
 - Government agencies to comply with the statutory percentages for increasing or decreasing the value of concluded contracts.
 - Government agencies not to delay awarding contracts and delivering sites to contractors.

CMA has taken the necessary measures to ensure compliance with the High Order.

- ◆ Royal Court Telegram No. (5776) dated 29/1/1437H, concerning the instructions issued by the Council of Ministers in its session on 27/1/1437H regarding the Companies Law promulgated by Royal Decree No. (M/3) dated 28/1/1437H.

Prior to promulgation, CMA Board formed a steering committee chaired by CMA Board member Dr. Najem Bin Abdullah Al-Zaid, and the membership of concerned directors to prepare CMA to adopt the powers stated in the Law, and set in place an action plan to exercise such powers. The committee submitted its recommendations to CMA Board.

In the same context, CMA has worked in coordination with the Ministry of Commerce and Industry regarding the policies and procedures to be formulated by them in order to implement the new Companies Law, so as to ensure integration and harmony in executing the tasks assigned to each party under the Law and to achieve the envisaged objectives. CMA has started reviewing and updating the CML's Implementing Regulations and preparing the regulatory documents in light of the new Companies Law through which the Corporate Governance Regulations and the Merger and Acquisition Regulations shall be reviewed and updated, as well as preparing the regulatory documents (instructions, controls...) which the new Companies Law designated CMA to issue in implementation of the Law, in accordance with international best practices.

- ◆ High Order No. (11904) dated 5/3/1437H requiring counting of all services and applications available at government agencies to include them in the Government Services Observatory at the MCIT.

Pursuant to the High Order, CMA has, in cooperation with the competent department at the MCIT, published its electronic services at the MCIT's Government Services Observatory. It has also established and operated the Enterprise Architecture Office which is currently working on determining and developing the services to be included in the MCIT's Government Services Observatory during 2016.



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



CMA undertakes the responsibility of drafting and 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 functions stated in Articles Five and Six of the CML.

CMA practices its regulatory and development roles in a balanced way to ensure that those roles do not overlap. It regulates and develops the capital market, develops and enhances the methods followed by the entities working in securities trading and strengthens the measures for reducing the risks associated with securities transactions. CMA also endeavors to achieve fairness, efficiency and transparency, as well as to promote the disclosure principle as set out in Article Five of the CML. To ensure this balance between its regulatory and development roles, CMA has designated in its new organizational structure a department, reporting to the Strategy & International Affairs Deputy, to be independent in developing regulatory policies. Furthermore, CMA will rely upon the project to separate the functions and jurisdictions between CMA and the Saudi Stock Exchange Co. "Tadawul" to reduce any potential conflict between CMA's regulatory and development objectives.

2.1 New/Amended Implementing Regulations

CMA Board issued Resolution No. (I-42-2015) dated 15/7/1436H (4/5/2015) approving the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares.

These Rules determine the procedures, requirements and conditions necessary for registering qualified foreign investors with CMA and for approving their clients to invest in the listed shares. The Rules also enable qualified foreign investors, and approved clients to exercise all rights associated with their ownership of listed shares, including trading in rights issues. The Rules also explain the phases of the registration application, and the approval of clients, as well as the disclosure requirements and investment restrictions.

2.2 Implementing Regulations Under-Development

CMA is developing and reviewing a number of Implementing Regulations, namely:

I. Investment Funds Regulations:

The taskforce formed by CMA for this purpose has completed the requirements of the draft regulations, and taken the required procedures; the draft is in its final stages.

2. Special Purpose Entities Regulations:

The taskforce formed by CMA for this purpose has finalized the draft rules, and public opinion will be solicited during 2016.

3. Listing Rules:

CMA has posted on its website the updated draft Rules to survey the opinions of specialists and concerned persons on these Rules, in order for the taskforce formed by CMA to consider them and introduce necessary amendments to the final draft.

4. Market Conduct Regulations:

The taskforce formed by CMA for this purpose has completed the draft regulations; the draft is in its final stages.

5. Investment Accounts Instructions:

CMA has posted on its website the draft Instructions to survey the opinions of specialists and concerned persons, in order for the work team formed by CMA to consider them and introduce necessary amendments to the final draft.

6. Review and Update of Implementing Regulations and Preparation of Regulatory Documents in Light of the Companies Law promulgated by Royal Decree No. (M/3) dated 28/1/1437H:

The taskforce formed by CMA currently reviews all Implementing Regulations and regulatory documents issued by CMA in order to amend them or issue new regulatory documents as required in light of the new Companies Law, including the Corporate Governance Regulations and the Merger and Acquisition Regulations.

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 2015, CMA Board held 108 meetings compared to 71 meetings in 2014 and issued 775 resolutions covering different CMA functions and activities compared to 431 resolutions/decisions in 2014. Chart (2) illustrates the CMA Board's resolutions/decisions classified by subject in 2014 and 2015.

Chart (2): Number of CMA Board Resolutions Classified by Subject



As to the resolutions on the implementation of CMA's Strategic Plan, CMA Board passed 560 resolutions, representing 72.3% of the total resolutions made in 2015; the "Promote Investor Protection" theme accounted for 64.6%, followed by the "Foster Capital Market

Development" theme which accounted for 27.1%, while the "Improve the Regulatory Environment" and the "Enhance CMA's Organizational Excellence" themes accounted for 4.1% (Table (6)).

Table (6): CMA Board Resolutions on the Implementation of the Strategic Plan Classified by Theme as of 2015

Theme	Number	% out of Total
Foster Capital Market Development	152	27.1%
Promote Investor Protection	362	64.6%
Improve the Regulatory Environment	23	4.1%
Enhance CMA's Organizational Excellence	23	4.1%
Total	560	100%

Table (7) indicates the number of CMA Board meetings classified by the number of members in attendance. Table (8) reflects the number of CMA Board meetings by member attendance/non-attendance in 2015.

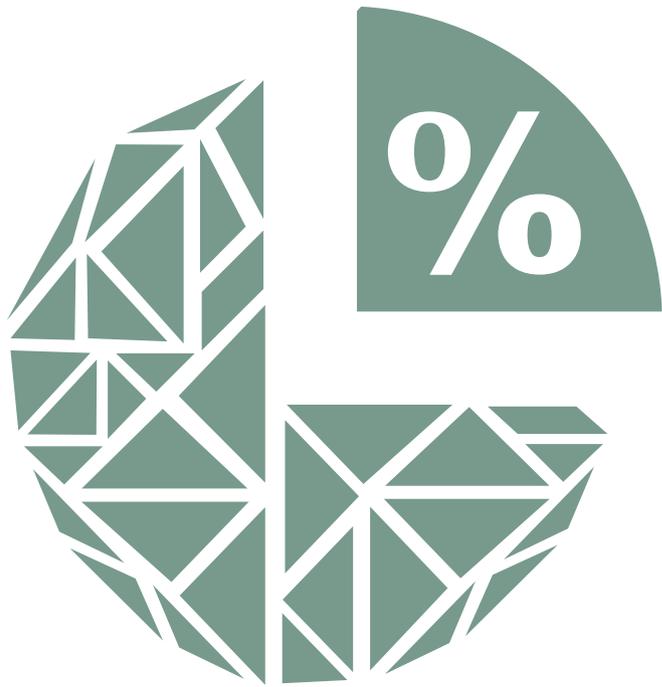
Table (7): CMA Board Meetings Classified by the Number of Attendees

Number of Attendees	Number of CMA Board Meetings	
	2014	2015
All-Member Meeting	25	70
4-Member Meeting	32	21
3-Member Meeting	14	17
Total	71	108

Table (8): CMA Board Meetings Classified by Member Attendance/Non-Attendance in 2015

CMA Board Members	Number of CMA Board Meetings	
	Attendance	Non-Attendance
H.E. CMA Board Former Chairman	3	4
H.E. CMA Board Chairman ³	88	13
CMA Board Vice-Chairman	102	6
Board Member/ Dr. Abdulrahman Al-Barrak	97	11
Board Member/ Dr. Adnan Soufi	95	13
Board Member/ Dr. Najem Al-Zaid	98	10

³) Royal Order No. (A/90) dated 9/4/1436H was issued to appoint Mr. Mohammad Bin Abdullah Bin Abdulaziz Al-Jadaan as CMA Chairman at the rank of "minister".



Section 3

Securities Offering and Listed Companies' Actions

3.1 Securities Offering and Regulation

3.2 Initial Public Offerings of Shares

3.3 Capital Alteration of Listed Companies



Since its establishment, CMA has been keen to create an environment that attracts and encourages investment in securities by regulating the issuance of securities, approving their offering, promoting the

actions regulating their issuance, monitoring and dealing, as well as supervising the full disclosure of relevant information and issuing entities.

3.1 Securities Offering and Regulation

In 2015, CMA approved and regulated 229 securities operations. These operations included public offerings of shares, debt instruments and rights issues, private placements of shares and debt instruments and issuing bonus shares, as well as a single capital

reduction. The increase in securities operations is attributed to the increase in the number of private placements for shares and debt instruments (Table (9)).

Table (9): Applications for Securities Offering and Corporate Actions Approved by CMA and Private Placement Notifications Received

Operation Type	Number	
	2014	2015
Initial Public Offering	5	5
Share Private Placement	60	130
Debt Instrument Public Offering	0	1
Debt Instrument Private Placement	58	68
Rights Issue	10	4
Acquisition	1	0
Capital Reduction	0	1
Bonus Shares Issue	24	20
Total	158	229



The total value of securities offerings during 2015 decreased by 50.5% to SR 34.2 billion compared to the previous year. This decrease is attributed to the decline in the value of initial public offerings, which fell by SR 21.1 billion compared to 2014, as well as a

year-on-year decline in the debt instrument private placement value of SR 9.3 billion. The number of completed offerings during 2015 also declined by 11.8% to 82 offerings compared to 93 offerings during 2014 (Table (10)).

Table (10): Number and Total Amounts Raised from Securities Offerings by Type

Type	2014		2015		Change (%) in Offering Value
	Total Value of Offerings (SR Million)	Number	Total Value of Offerings (SR Million)	Number	
Initial Public Offerings of Shares	25,229.0	6	4,152.0	4	- 83.5%
Share Private Placements	2,980.9	48	2,517.7	33	- 15.5%
Debt Instrument Public Offerings ⁴	4,500.0	1	3,900.0	1	- 13.3%
Debt Instrument Private Placements	30,614.0	36	21,304.4	32	- 30.4%
Rights Issues	5,820.0	2	2,325.0	12	- 60.1%
Total	69,143.9	93	34,199.1	82	- 50.5%

4) In 2015, the sukuk of the National Shipping Company of Saudi Arabia (Bahri) were offered.



3.2 Initial Public Offerings of Shares

In 2015, the shares of 4 companies were partially offered to the public. The total value of offered shares was SR 4.2 billion with 5.4 million subscribers (Table (11)).

Table (11): Companies that Offered Part of their Shares for Public Subscription in 2015

Company Name	Offering Value (SR Million)	Ratio of Offered to Issued Shares	Over-subscription Times		Number of Individual Subscribers (Thousand)
			Individuals ⁵	Institutions ⁶	
Saudi Ground Services Company	2,820	30.0%	3.4	9.0	1,856
Middle East Paper Co.	450	30.0%	4.7	10.4	1,330
Saudi Company for Hardware (SACO)	504	30.0%	6.2	12.1	1,083
Alandalus Property Company	378	30.0%	4.6	10.9	1,097
Total	4,152	--	--	--	5,365

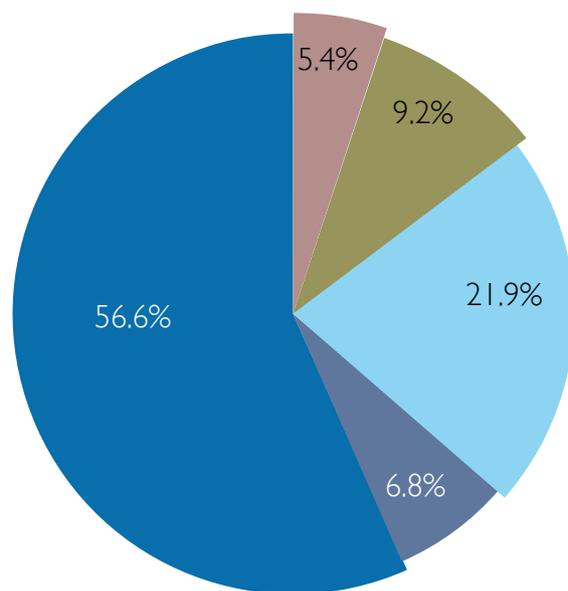
5) Level of oversubscription was calculated by dividing the number of shares subscribed by individuals by the number of shares allocated to them.

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

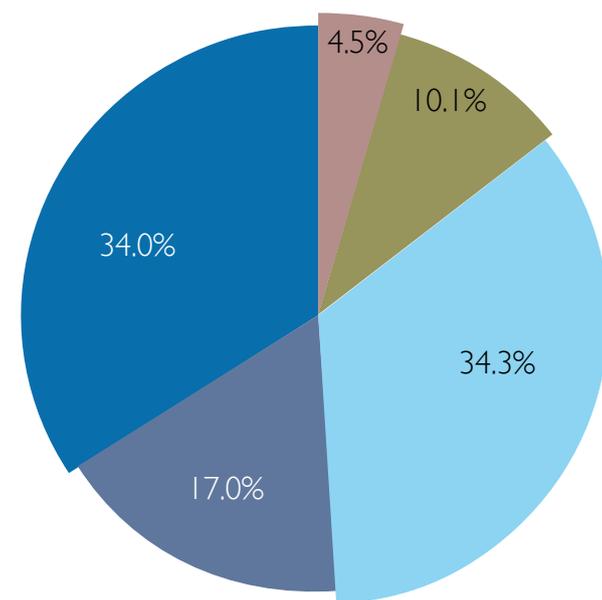
Total individual subscription amounts (before returning over-subscribed amounts) through different subscription channels in 2015 stood at SR 6.6 billion, 68.3% of which was collected via internet banking and ATMs. There were 5.4 million subscribers in total, with nearly 3 million of them choosing to subscribe through ATMs (Chart (3)).

Chart (3): Individual Subscriptions Classified by Subscription Channels in 2015

% of Individual Subscribers by Subscription Channel



% of Individual Subscription Amounts by Subscription Channel



■ Phone Banking
■ Internet Banking
■ Bank Branches
■ ATMs
■ Smart Phone Applications

3.3 Capital Alteration of Listed Companies

A total of 32 companies listed on the Saudi Stock Exchange "Tadawul" increased their capital in 2015, taking the number of their outstanding shares to 10.7 billion shares (up by 57.5%) against 6.8 billion shares before the capital increase. 20 listed companies

increased their capital by issuing bonus shares. 12 companies increased their capital by issuing rights shares, while one company decreased its capital by 46.0% (Table (12)).

Table (12): Listed Companies that Altered their Capital during 2015

Method of Capital Alteration	Number of Companies	Total Number of Shares (Million)		Change (%)
		Prior to Capital Alteration	Post Capital Alteration	
Bonus Shares	20	4,782.3	6,658.0	39.2%
Rights Issues	12	2,040.0	4,090.0	100.5%
Capital Reduction	1	1,080.1	583.7	- 46.0%
Total	33	7,903.4	11,331.7	43.4%



Section 4

Investment Funds and ETFs

4.1 Investment Funds

4.2 Exchange Traded Funds (ETFs)



4.1 Investment Funds

In 2015, CMA approved 28 publicly offered investment funds; 25 of which invest in equities. In addition, CMA received 104 notifications of complete privately placed investment funds, and successfully processed 369 (out of 462) applications for amendments to material information of investment funds in 2015⁷.

In 2015, the investment funds sector grew by 11.2% over the preceding year, reaching SR 180.3 billion in total investment funds assets. This rise was due to the increase of the values of the private funds assets by 50.5% (Table (13)).

Table (13): Indicators of Investment Funds Sector

Item	2014			2015			Change (%)
	Public	Private	Total	Public	Private	Total	
Number of Funds	263	315	578	267	274	541	- 6.4%
Number of Subscribers	245,776	3,145	248,921	236,728	3,476	240,204	- 3.5%
Value of Assets (SR Million)	110,654.9	51,433.2	162,088.1	102,862.8	77,394.5	180,257.3	11.2%

4.1.1 Public Funds

At the end of 2015, asset values of public investment funds (which offer their units to the public) accounted for 57.1% of total asset values and their asset values decreased at the end of 2015 by 7.0% compared to the previous year, totaling SR 102.9 billion. This decrease coincided with a decrease in the number of subscribers by 3.7% to 236,728 subscribers, despite a 1.5% rise in the number of funds (Table (14)). Lower asset values of public funds may be

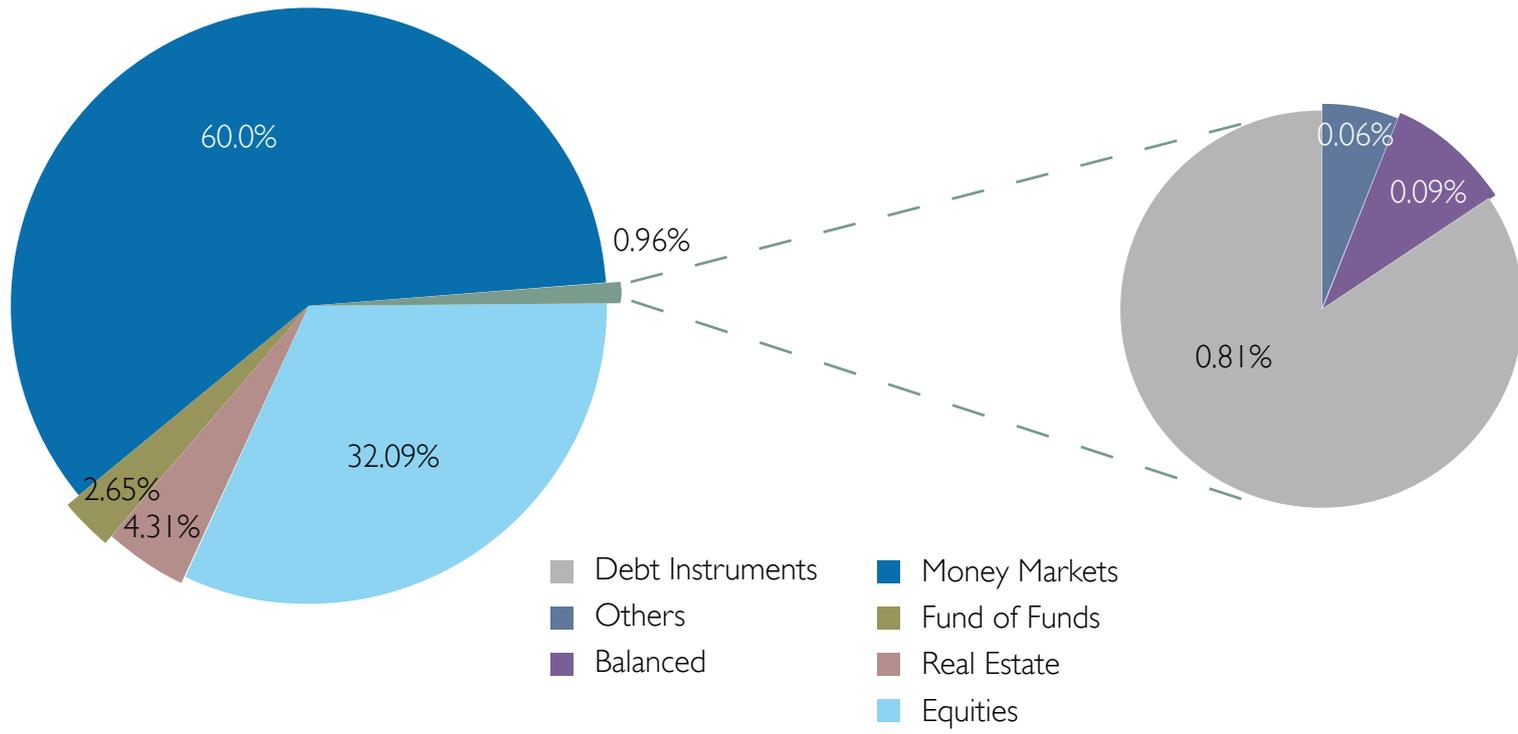
attributed to a decrease in the asset values of equity and money market investment funds (combined value of 92.1% of total asset values of public funds) by SR 4.7 billion and SR 2.6 billion respectively (Chart (4)). Most of the decrease in the number of subscribers to public funds is reflected by reduced participation in equity investment funds from 187,426 subscribers at the end of 2014 to 181,997 subscribers at the end of 2015.

⁷) Including 21 applications received in 2014.

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

Investment Type	Number of Funds			Number of Subscribers			Value of Assets (SR Million)		
	2014	2015	Change (%)	2014	2015	Change (%)	2014	2015	Change (%)
Equities	150	169	12.7%	187,426	181,997	- 2.9%	35,585.4	33,011.6	-7.2%
Debt Instruments	9	9	0.0%	232	207	-10.8%	641.9	831.3	29.5%
Money Markets	46	44	-4.3%	46,307	43,430	- 6.2%	66,381.6	61,713.3	-7.0%
Real Estate	11	10	-9.1%	5,869	5,455	-7.1%	4,975.5	4,430.5	-11.1%
Fund of Funds	41	30	-26.8%	5,254	4,996	- 4.9%	2,837.2	2,727.0	-3.9%
Balanced	2	2	0.0%	414	377	- 8.9%	124.6	91.9	- 26.3%
Capital Protected	0	0	-	0	0	-	0	0	-
Others	4	3	-25.0%	274	266	-2.9%	108.7	57.4	- 47.2%
Total	263	267	1.5%	245,776	236,728	- 3.7%	110,654.9	102,862.8	-7.0%

Chart (4): Percentages of Public Investment Funds Assets by Type of Investment for 2015



Public Funds Investing in Equities

Asset values of public funds investing in equities declined at the end of 2015 to SR 33.0 billion, 7.2% less than 2014 (Table (15)).

Table (15): Indicators of Public Investment Funds in Equities Classified Geographically

Geographical Scope	Number of Funds			Number of Subscribers			Value of Assets (SR Million)		
	2014	2015	Change (%)	2014	2015	Change (%)	2014	2015	Change (%)
Local Equities	71	89	25.4%	169,156	164,087	- 3.0%	22,634.1	20,024.5	-11.5%
GCC Equities	26	28	7.7%	12,319	12,264	-0.4%	2,342.8	3,104.3	28.7%
Arab Equities	6	6	0.0%	439	403	-8.2%	459.5	306.9	- 33.2%
Asian Equities	10	10	0.0%	1,243	1,172	- 5.7%	786.8	856.0	8.8%
US Equities	4	4	0.0%	247	235	- 4.9%	2,020.1	2,003.6	-0.8%
European Equities	6	6	0.0%	266	266	0.0%	2,662.5	2,747.9	3.2%
Other International Equities	27	26	-3.7%	3,756	3,570	- 5.0%	4,679.6	4,058.5	-13.3%
Total	150	169	12.7%	187,426	181,997	- 2.9%	35,585.4	33,011.6	-7.2%

4.1.2 Private Funds

Asset values of private funds (units of these funds were privately placed) rose by 50.5% to SR 77.4 billion at the end of 2015. This was accompanied by a year-on-year increase of 10.5% in the number of subscribers, despite the decline in the number of funds by 13.0% to 274 funds.

85.6% of the rise in the asset values of private funds is attributable to increases in the assets of real estate funds by SR 12.4 billion and a SR 9.8 billion increase in the assets of equity funds (Table (16)).

Table (16): Indicators of Private Funds Classified by Type of Investment

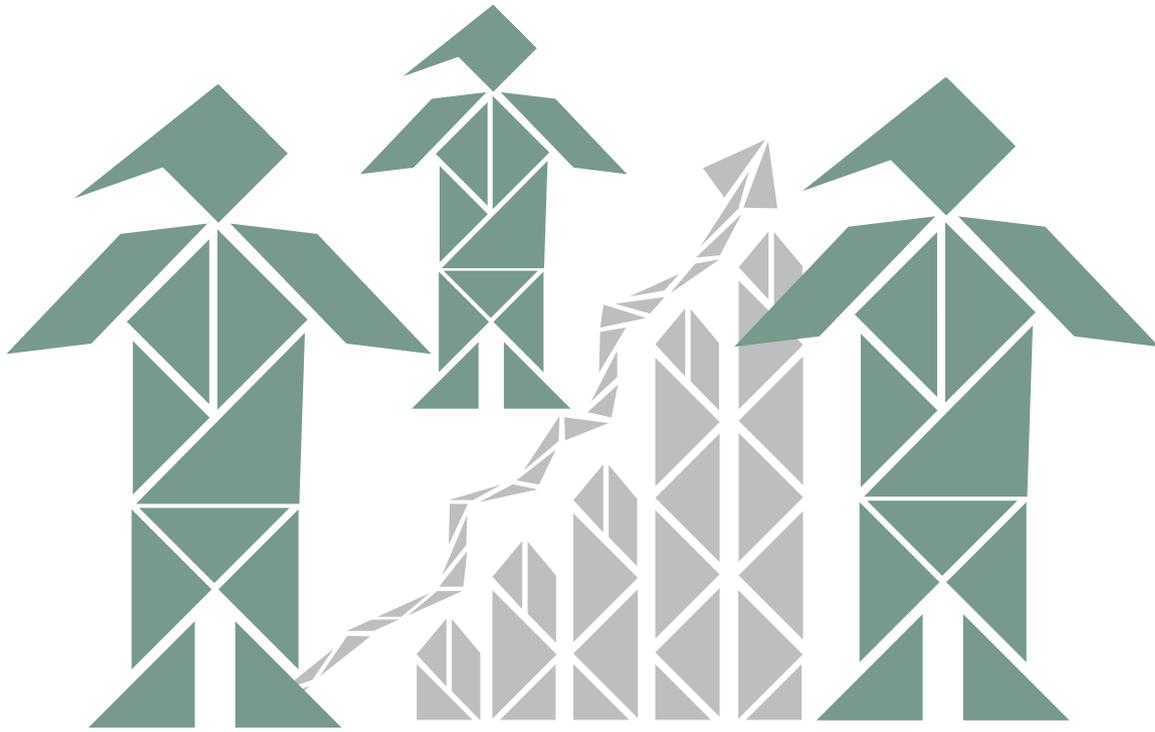
Investment Type	Number of Funds			Number of Subscribers			Value of Assets (SR Million)		
	2014	2015	Change (%)	2014	2015	Change (%)	2014	2015	Change (%)
Equities	142	109	-23.2%	848	1,077	27.0%	13,667.8	23,499.2	71.9%
Debt Instruments	28	9	-67.9%	72	16	-77.8%	126.2	3,085.0	2,344.4%
Money Markets	7	9	28.6%	35	40	14.3%	1,688.7	1,725.3	2.2%
Real Estate	97	112	15.5%	1,883	2,027	7.6%	33,068.1	45,466.8	37.5%
Commodities	1	1	0.0%	2	2	0.0%	46.8	252.2	438.9%
Multi Asset	14	13	-7.1%	82	121	47.6%	506.5	1,145.8	126.2%
Hedging and Derivatives	26	21	-19.2%	223	193	-13.5%	2,329.1	2,220.2	-4.7%
Total	315	274	-13.0%	3,145	3,476	10.5%	51,433.2	77,394.5	50.5%

4.2 Exchange Traded Funds (ETFs)

Asset values of ETFs retreated by 36.8% to SR 35.3 million at the end of 2015 and the number of subscribers declined by 2.4% year-on-year (Table (17)).

Table (17): Exchange Traded Funds (ETFs)

ETF Name	Asset Value (SR Million)			Number of Subscribers		
	2014	2015	Change (%)	2014	2015	Change (%)
Falcom Saudi Equity	26.9	22.4	- 16.7%	137	132	- 3.6%
Falcom Petrochemical	13.0	6.1	-53.1%	61	59	- 3.3%
HSBC Saudi 20	16.0	6.8	- 57.5%	57	58	1.8%
Total	55.9	35.3	- 36.8%	255	249	- 2.4%



Section 5

Investment of Qualified
Foreign Financial Institutions
in Listed Shares



For promoting institutional investment in the Saudi capital market, supporting market stability and reducing volatility, transferring knowledge and expertise to local financial institutions and investors, enhancing the performance of listed companies; particularly in the disclosure of financial information, solidifying the position of the Saudi capital market to be a leading market, promoting research, studies and evaluations prepared on the market in general and companies in particular, and in implementation of Initiative No. (1.1.2) of its Strategic Plan, CMA Board issued Resolution No. (1-42-2015) dated 15-7-1436H (4-5-2015). This Resolution includes

approval and publication of the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares and allows such institutions to invest in the local stock exchange as of 28-8-1436H (15-6-2015).

In 2015, the number of registered qualified foreign investors and their approved clients for investment in local shares reached 17; 9 of which are qualified foreign investors registered by CMA, and 8 of their clients were approved to invest in listed shares (Table (18)). It should be noted that CMA received 7 new swap agreements during 2015, totaling 34 outstanding swap agreements.

Table (18): Names of Registered Qualified Foreign Investors and their Clients Approved to Invest in the Local Stock Exchange in 2015

No.	QFI	QFI Clients
1	HSBC Bank Plc	–
2	Ashmore Investment Management Limited	–
3	Silchester International Investors LLP	1- CAPE ANN GLOBAL DEVELOPING MARKETS FUND
4	Citigroup Global Markets Limited	–
5	Ashmore Equities Investment Management US LLC	1- Ashmore SICAV Middle East Equity Fund 2- Ashmore Emerging Markets Frontier Equity Fund 3- Ashmore SICAV Emerging Markets Global Small Cap Equity Fund 4- Ashmore SICAV Emerging Markets Frontier Equity Fund
6	Black Rock Fund Advisors	1- iShares MSCI Saudi Arabia Capped ETF
7	Black Rock Advisors UK Limited	1- iShares MSCI Saudi Arabia Capped IMI UCITS ETF
8	UNLU MENKUL DEGERLER AS	–
9	La Francaise Asset Management	1- Fonds Equipe de France



Section 6

Surveillance

6.1 Surveillance of Trades

6.2 Surveillance of Electronic Means



Pursuant to Articles Five and Six of the CML which empowers 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, and in compliance with Articles Forty Nine and Fifty of the CML which set out the practices and actions that constitute a violation of the provisions of the CML. CMA continuously monitors trades, websites and electronic means.

As part of the Authorized Persons' legal responsibility towards the conduct of their clients - detailed in Article Eleven of the Market Conduct Regulations - 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, fraudulent, deceptive or manipulative acts.

6.1 Surveillance of Trades

Surveillance of trades is carried out as follows:



The number of Surveillance System alerts on trades declined to 30,549 at the end of 2015. Moreover, 1,707 intensive scans for trades suspected of violating the CML and its Implementing Regulations

were made. Surveillance inquiries rose to 390 in 2015, and 29 cases of suspected violations were detected compared to 15 cases in the last year (Table (19)).



Table (19): Developments in Surveillance of Trades and Deals

Incident	Number	
	2014	2015
Surveillance System Alerts	30,824	30,549
Intensive Scans for Trades Suspected of Violating the CML and its Implementing Regulations	1,974	1,707
Surveillance Inquiry ⁸	376	390
Suspected Violations	15	29

The source-based classification of intensive scans for suspected violations of the CML and its Implementing Regulations in 2015

shows that CMA conducted 1,047 intensive scans through market surveillance, and 660 through surveillance system alerts (Table (20)).

Table (20): Intensive Scans for Trades and Deals Suspected of Violating the CML and its Implementing Regulations by Source

Source of Intensive Scans	2014		2015		Change (%)
	Number	% of the total	Number	% of the total	
Market Surveillance	1,228	62.2%	1,047	61.3%	-14.7%
Alert	746	37.8%	660	38.7%	-11.5%
Total	1,974	100%	1,707	100%	-13.5%

8) CMA contacts the Authorized Person (AP) regarding the suspicion of a misconduct, which requires a response and clarification from the AP.



6.2 Surveillance of Electronic Means

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.

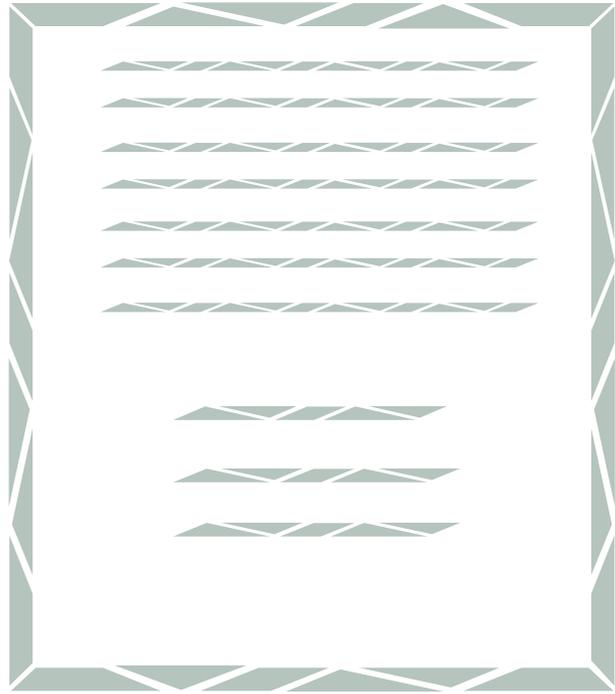
The electronic surveillance system generates alerts once it identifies topics and news released or broadcast on various local or Arab

mass media and websites that are related to the capital market or listed companies. 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 91.1%, amounting to 3,467 in 2015 compared to the preceding year. CMA conducted 42 intensive scans on those alerts, resulting in 16 cases of suspected violations (Table (21)).

Table (21): Highlights of Surveillance on Electronic Means

Incident	Number		Change (%)
	2014	2015	
Alerts on Electronic Means	1,814	3,467	91.1%
Intensive Scans for Alerts on Electronic Means	70	42	- 40.0%
Suspected Violations	10	16	60.0%



Section 7

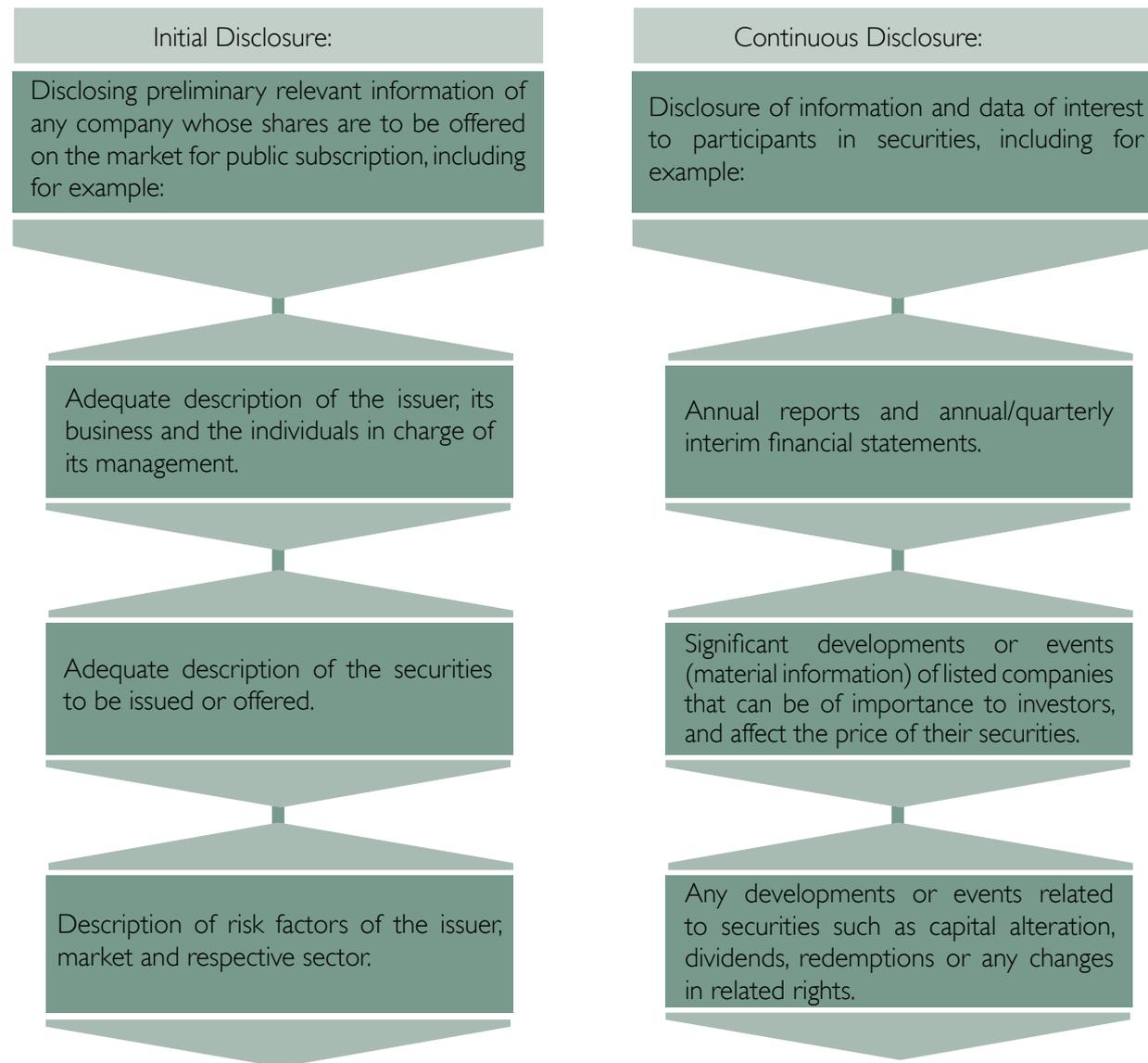
Listed Company Disclosure

- 7.1 Review of Annual and Quarterly Financial Statements
- 7.2 Announcements of Listed Companies
- 7.3 Supervisory Visits
- 7.4 Notifications of Ownership and Requests of Disposal
- 7.5 Listed Companies with Accumulated Losses of 50% or more
- 7.6 Improving Disclosure



Article Five of the CML empowers 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 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 CMA:



7.1 Review of Annual and Quarterly Financial Statements

CMA reviews detailed and condensed annual and quarterly financial statements of listed companies, which are posted on the website of the Saudi Stock Exchange "Tadawul", to ensure that they meet all

disclosure requirements according to the CML and its Implementing Regulations. During 2015, CMA reviewed 841 condensed financial statements and 833 detailed financial statements (Table (22)).

Table (22): Condensed and Detailed Financial Statements Reviewed and Posted on "Tadawul" Website

Category	Number		Change (%)
	2014	2015	
Condensed Financial Statements	811	841	3.7%
Detailed Financial Statements	790	833	5.4%

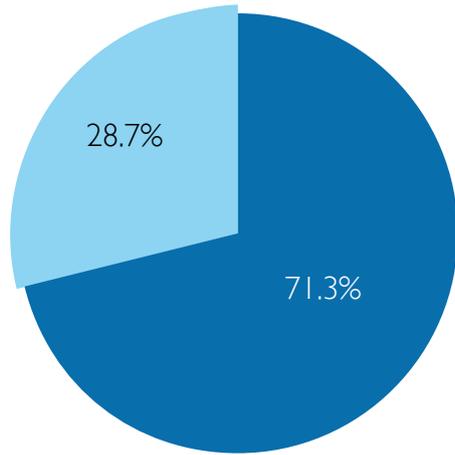
The reviews in 2015 revealed that there were qualified audit reports on the annual financial statements of 48 companies (out of 167 listed companies). The number of listed companies that

had qualified audit reports on their quarterly financial statements amounted to 53 (out of 170 listed companies⁹⁾ (Chart (5)).

⁹⁾ Three companies were listed during the first 9 months of 2015.

Chart (5): Percentages of Companies' Quarterly and Annual Financial Statements with Qualified and Unqualified Audit Opinions Reviewed by CMA

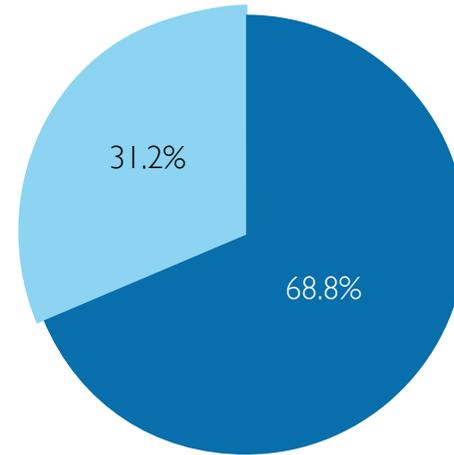
2015
Annual Financial Statements



■ Listed Companies with Unqualified Audit Opinions on their Annual Financial Statements

■ Listed Companies with Qualified Audit Opinions on their Annual Financial Statements

2015
Quarterly Financial Statements



■ Listed Companies with Unqualified Audit Opinions on their Quarterly Financial Statements

■ Listed Companies with Qualified Audit Opinions on their Quarterly Financial Statements

7.2 Announcements of Listed Companies

CMA seeks to ensure the compliance of listed companies with the disclosure of any material developments that can be of significance to participants in securities. All material information must be announced on the website of the Saudi Stock Exchange "Tadawul" pursuant to CMA's prescribed instructions and requirements regarding listed companies' announcements as to timing and content. The total number of announcements posted during 2015 increased by 9.1% to 4,109 compared to the preceding year. The number

of announcements related to other material developments increased by 29.7% compared to the preceding year. The number of announcements related to changes in the composition of corporate board of directors and top management increased by 24.9% compared to last year (Table (23)).

Table (23): Announcements Posted on "Tadawul" Website Classified by Type

Type of Announcement	Number		Change (%)
	2014	2015	
Financial Results	839	834	- 0.6%
Recommendation of Capital Increase through Rights Issue	11	6	- 45.5%
Recommendation of Capital Increase through Bonus Shares Issue	27	18	- 33.3%
Recommendation of Capital Decrease	1	2	100.0%
Invitation to General Assemblies and Announcements of their Results	778	801	3.0%
Dividends	167	158	- 5.4%
Explanatory Announcement	551	521	- 5.4%
Change in the Composition of Corporate Board of Directors and Top Management	189	236	24.9%
Approval on New Product	96	99	3.1%
Other Material Developments	1,106	1,434	29.7%
Total	3,765	4,109	9.1%



7.3 Supervisory Visits

CMA carried out two supervisory visits to two listed companies. Meetings with these companies were held later to discuss the issues relating to said visits. CMA carries out such visits when necessary to raise awareness and support communication with the boards of 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.

7.4 Notifications of Ownership and Requests of Disposal

Notification of substantial shareholdings (5% or more) of shares or convertible debt instruments, or 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 CMA under paragraphs (a/1), (a/2), (a/3) and (a/4) of Article Forty Five of the "Listing Rules".

Notifications of shareholdings and change in ownership by major shareholders amounted to 32 and 182 respectively at the end of 2015. The number of notifications of shareholdings and ownership changes by board members and senior executives stood at 540 and 235 respectively (Table (24)).

Table (24): Number of Notifications of Shareholding and Ownership Changes by Major Shareholders, Board Members and Senior Executives

Source of Notification	2014		2015	
	Ownership	Ownership Change	Ownership	Ownership Change
Major Shareholders	22	95	32	182
Board Members and Senior Executives	454	128	540	235
Total	476	223	572	417

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 2015, CMA received 98 disposal requests, up by 46.3% compared to the previous year (Table (25)).

Table (25): Disposal Requests of Owner of, or Interested in 10% or More of Any Class of Shares or Convertible Debt Instruments

Type of Disposal	Number		Change (%)
	2014	2015	
Sell	56	58	3.6%
Transfer of Ownership	6	17	183.3%
Pledge	5	23	360.0%
Total	67	98	46.3%



7.5 Listed Companies with Accumulated Losses of 50% or more

The number of companies whose accumulated losses have reached 50% or more of their capital declined from 12 companies at the end of 2014 to 9 companies at the end of 2015; three of which had accumulated losses of 100% or more of their capital (Table (26)).

Table (26): Listed Companies with Accumulated Losses of 50% or More

Percentage of Accumulated Losses	Number of Companies	
	2014	2015
Companies with Accumulated Losses of 50% or more, and less than 75%	8	5
Companies with Accumulated Losses of 75% or more, and less than 100%	1	1
Companies with Accumulated Losses of 100% or more	3	3
Total	12	9

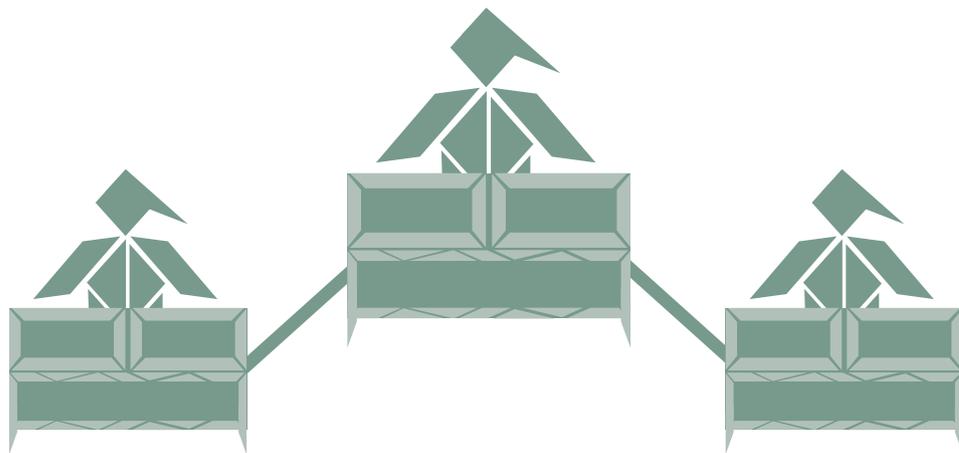
Paragraph (1) of Article (150) of the new Companies Law indicates that if a joint stock company's losses amount to 50% of the paid-up capital at any time during the fiscal year, the company's board of directors shall call for an extraordinary meeting of the general assembly within 45 days of becoming aware of the same, to decide whether to increase or reduce capital, or dissolve the company prior to the date stated in the company's articles of association.

Also, Paragraph (2) of the same Article indicates that the company shall be deemed terminated by force of law if the extraordinary general assembly fails to convene within the period specified in Paragraph (1) of said Article, or if the general assembly convenes but no decision was reached on the matter; or if it decides to increase the capital, but the issued shares are not fully subscribed to within (90) days from issuance of the capital increase decision.

7.6 Improving Disclosure

To achieve its goals aimed at developing the procedures and principles of continuous disclosure of listed companies, CMA organized 6 workshops in Riyadh, Jeddah, and Al-Khobar to raise awareness of the legal requirements for compliance officers of

listed companies. It also organized a practical training program for the members of the Union of Arab Securities Authorities (UASA) during 2015.



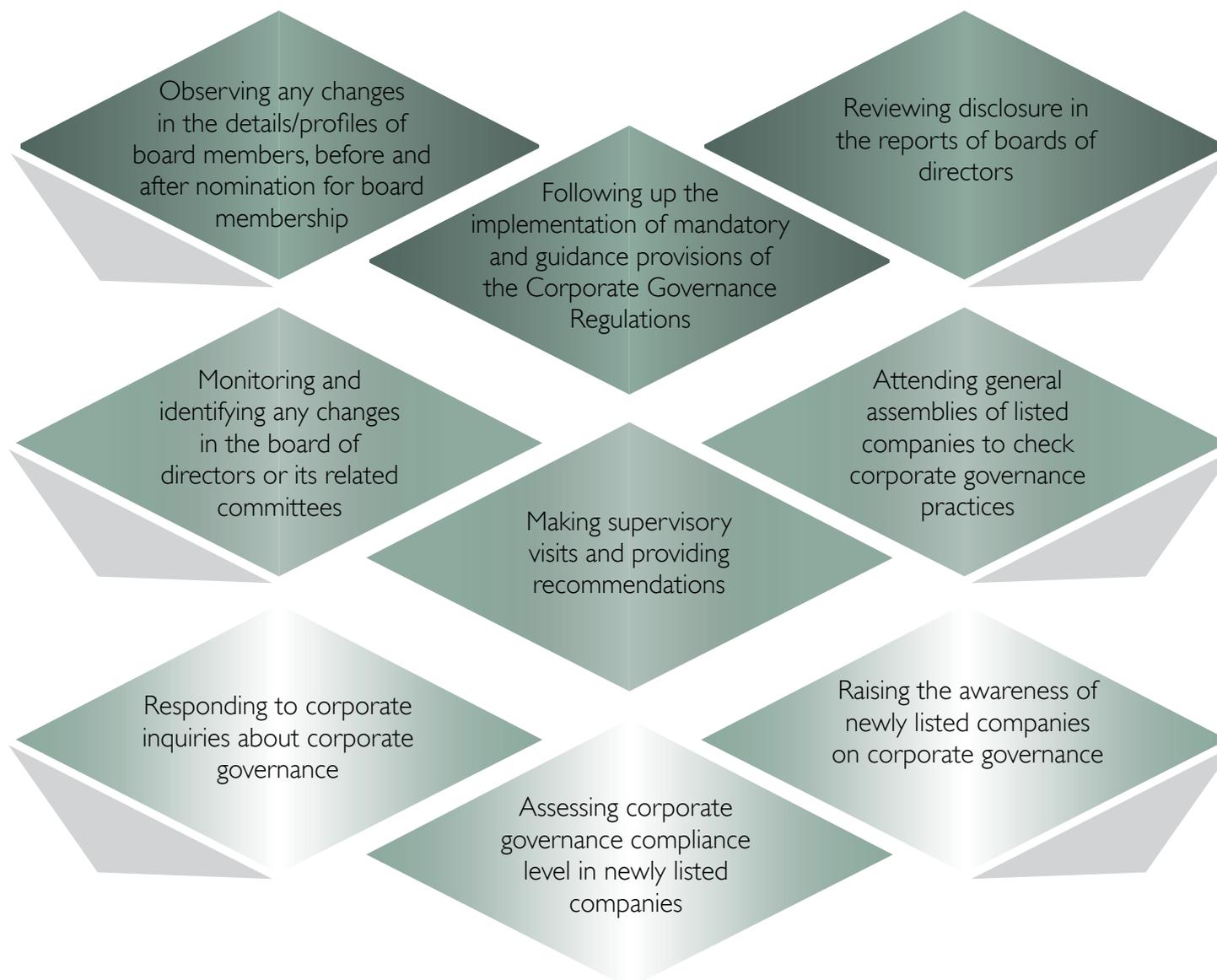
Section 8

Corporate Governance

- 8.1 Board Composition of Listed Companies
- 8.2 Board Meetings of Listed Companies
- 8.3 Boards of Directors' Main Committees
- 8.4 Enhancing Corporate Governance
Compliance



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



8.1 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.

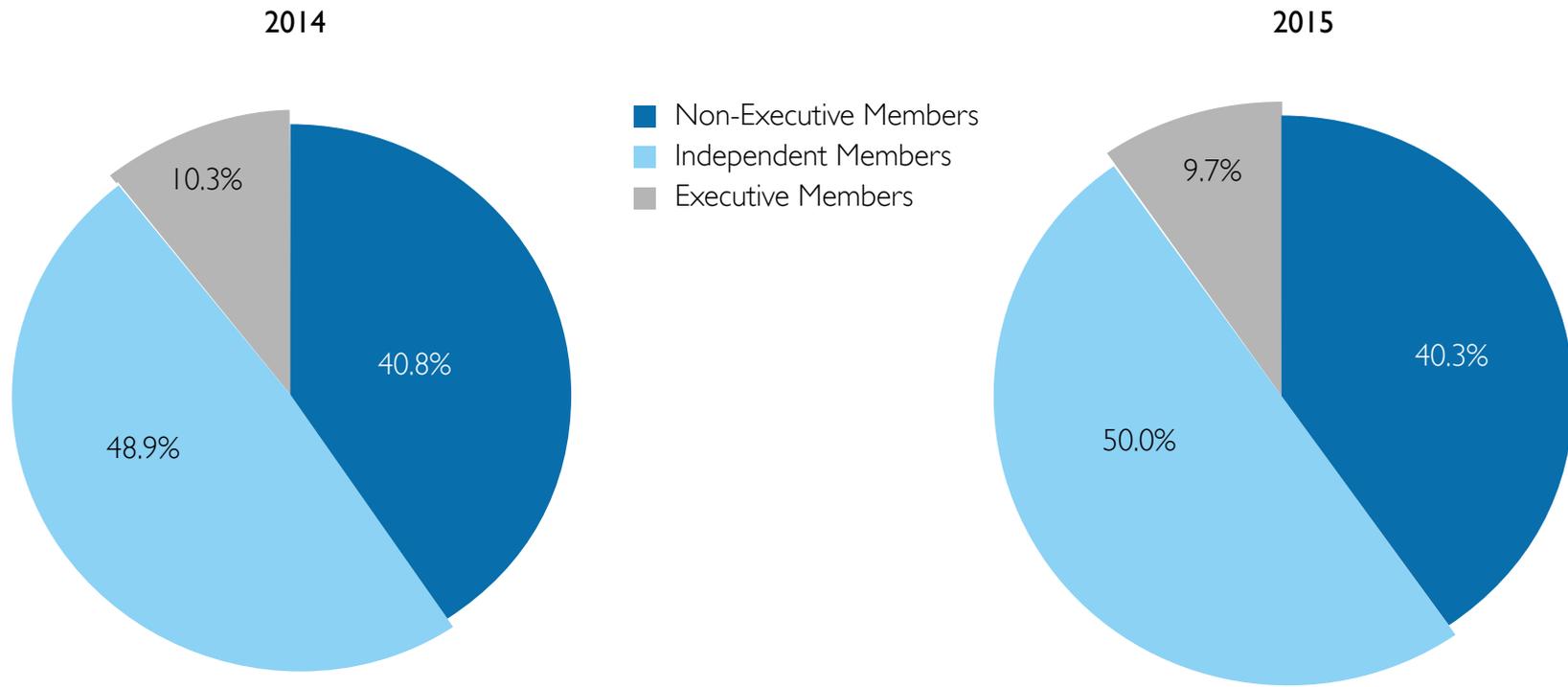
The number of independent members' seats in listed companies' boards of directors increased by 4.7% in 2015 to 719 compared to the last year; also the number of seats for non-executive members increased by 0.9% to reach 579 seats, while the number of seats for executive members declined by 4.1% to 139. Both non-executive and independent members accounted for almost 90.3% of total seats in the boards of directors of listed companies in 2015 (Table (27), Chart (6)).

Table (27): Composition of Boards of Directors in Listed Companies by Membership Type

Membership Type	2014		2015		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Non-Executive ¹⁰	574	40.8%	579	40.3%	0.9%
Independent	687	48.9%	719	50.0%	4.7%
Executive	145	10.3%	139	9.7%	-4.1%
Total	1,406	100%	1,437	100%	2.2%

¹⁰) 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 a monthly or yearly salary. Consequently, any independent member is a non-executive member at the same time.

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



8.2 Board Meetings of Listed Companies

Article 16 of the Corporate Governance Regulations has instructed board members to convene on a regular basis upon a call by the chairman. The number of board meetings of listed companies,

as indicated in board of directors' reports of 2015, reached 918 meetings; an average of 5.3 meetings for each company (Table (28)).

Table (28): Number of Board Meetings of Listed Companies Classified by Sector

Sector	2014		2015	
	Number of Meetings	Average Meetings per Company	Number of Meetings	Average Meetings per Company
Banks and Financial Services	63	5.3	68	5.7
Petrochemical Industries	63	4.5	63	4.5
Cement	77	5.5	70	5.0
Retail	66	4.7	77	5.1
Energy & Utilities	20	10.0	20	10
Agriculture and Food Industries	92	5.8	82	5.1
Telecommunication & Information Technology	33	8.3	28	7
Insurance	180	5.1	172	4.9
Multi-Investment	34	4.9	37	5.3
Industrial Investment	71	5.1	90	6
Building & Construction	97	5.7	96	5.6
Real Estate Development	50	6.3	49	5.4
Transport	23	5.8	27	5.4
Hotel and Tourism	22	7.3	23	5.8
Media and Publishing	15	3.8	16	5.3
Total Number of Board Meetings	906		918	
Meetings Average for All Listed Companies	5.4		5.3	



8.3 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 by 3.6% to 571 in 2015. The number of seats for non-board members accounted for 40.6% of total audit committees' seats (Table (29), Chart (7)).

It is worth mentioning that the new Companies Law includes four articles relating to the audit committee. There is no doubt that these

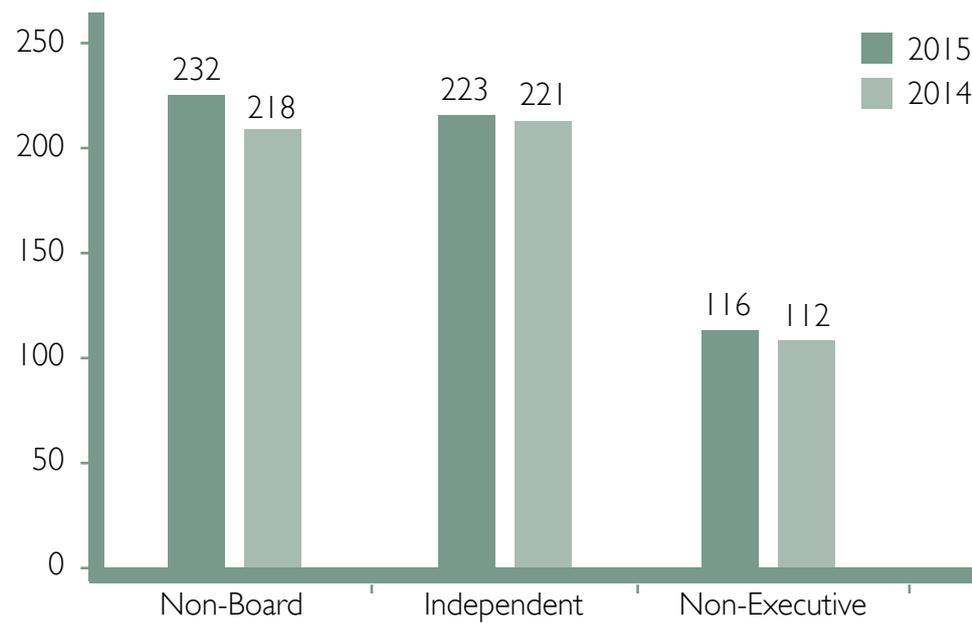
statutory provisions will have a profound impact on the development of the work of the committee and improvement of its performance. The legislator's attention is focused on the rules governing the work of the audit committee due to its vital role in the company, as this committee is concerned with monitoring the company's business and reviewing financial statements as well as reports and notes provided by the independent auditor and expressing its view thereon, if any. It also prepares a report including its opinion on the adequacy of the company's internal control system.

Undoubtedly, the audit committee forms an integral part of any company and is very important to various parties such as the board of directors, external/internal auditor, shareholders and stakeholders. Therefore, the legislator stated that such committee shall be formed by virtue of a general assembly's decision and shall comprise only non-executive board members, be they shareholders or others. Composing such committee of non-executive board members increases the efficiency of the company's internal control systems and enhances audit quality.

Table (29): Seats of Audit Committees in Listed Companies Classified by Membership Type

Type	2014		2015		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Non-Executive	112	20.3%	116	20.3%	3.6%
Independent	221	40.1%	223	39.1%	0.9%
Non-Board	218	39.6%	232	40.6%	6.4%
Total	551	100%	571	100%	3.6%

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



(2) Nomination and Remuneration Committees

CMA obliged all listed companies to comply with Article Fifteen (Nomination and Remuneration Committee) as of 1/1/2011, which states that “the company’s general assembly shall, upon a proposal by the board of directors, issue the rules for appointing members of the nomination and remuneration committee and their membership term as well as committee’s work procedures”.

The number of seats of nomination and remuneration committees in listed companies increased to 567 at the end of 2015. Independent members occupied the greatest number of seats with 52.0% of total seats (Table (30)).



Table (30): Seats of Nomination and Remuneration Committees in Listed Companies Classified by Membership Type

Membership Type	2014		2015		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Non-Executive	199	36.0%	204	36.0%	2.5%
Independent	283	51.2%	295	52.0%	4.2%
Executive	47	8.5%	42	7.4%	-10.6%
Non-Board	24	4.3%	26	4.6%	8.3%
Total	553	100%	567	100%	2.5%

8.4 Enhancing Corporate Governance Compliance

To attain the goals of protecting investors by applying corporate governance rules, CMA participates in workshops 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 2015, CMA participated in 13 workshops as follows:

- 5 workshops for compliance officers in the listed companies in Riyadh, Jeddah and Al-Khobar.
- 4 presentations on the Corporate Governance Regulations for female students of King Saud University, students of Prince Sultan University and GCC Board Directors Institute in Riyadh and Al-Khobar.
- 4 workshops for introducing the Corporate Governance Regulations for the Public Pension Agency, Saudi Electricity Company, Kuwaiti Capital Markets Authority and the Union of Arab Securities Authorities (UASA), in Riyadh.



Section 9

Investor Complaints and CML Violations

- 9.1 Investor Complaints
- 9.2 Handling Investor Complaints
- 9.3 Taking Actions against CML Violations
- 9.4 Classification of CML Violation Cases



9.1 Investor Complaints

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



Complaints received by CMA are classified based on their subject. Table (31) shows that 1,022 complaints were received in 2015. This represents an increase of 17.3% over the previous year. The Table also indicates that the complaints “against CMA”, “APs’ complaints against investors” and “the complaints relating to the securities transactions” have declined by 92.9%, 75.0% and 38.3% respectively

compared to the previous year. On the other hand, the number of complaints relating to “agreements and contracts between investors and APs”, “management of portfolios by individuals” and “against the Saudi Stock Exchange Company (Tadawul)” rose by 237.5%, 127.3% and 116.7% respectively compared to 2014.



Table (31): Received Complaints Classified by Subject

Subject of Complaint	Number		Change (%)
	2014	2015	
Investment Portfolios	131	100	-23.7%
Agreements and Contracts between Investors and APs	8	27	237.5%
IPOs Subscriptions and Rights Purchase	52	81	55.8%
Investment Funds	45	44	-2.2%
Services Provided by APs	57	54	-5.3%
Execution of Securities Transactions	60	37	-38.3%
Against the Saudi Stock Exchange Co. (Tadawul)	6	13	116.7%
APs against Investors	4	1	-75.0%
Management of Investment Portfolios by Individuals ¹¹	11	25	127.3%
Against Listed Companies ¹²	333	360	8.1%
Listed Companies Profits	44	57	29.5%
Against CMA	14	1	-92.9%
Reports, Inquires and Transactions	106	222	109.4%
Total	871	1,022	17.3%

11) Including complaints of unlicensed brokerage.

12) Including complaints against boards' chairmen and members, executive managements, independent auditors, speculators and stock certificates.



When classifying the complaints received by CMA per respondent, it is noted that in 2015 the number of complaints filed against CMA decreased to one complaint, while the complaints filed against

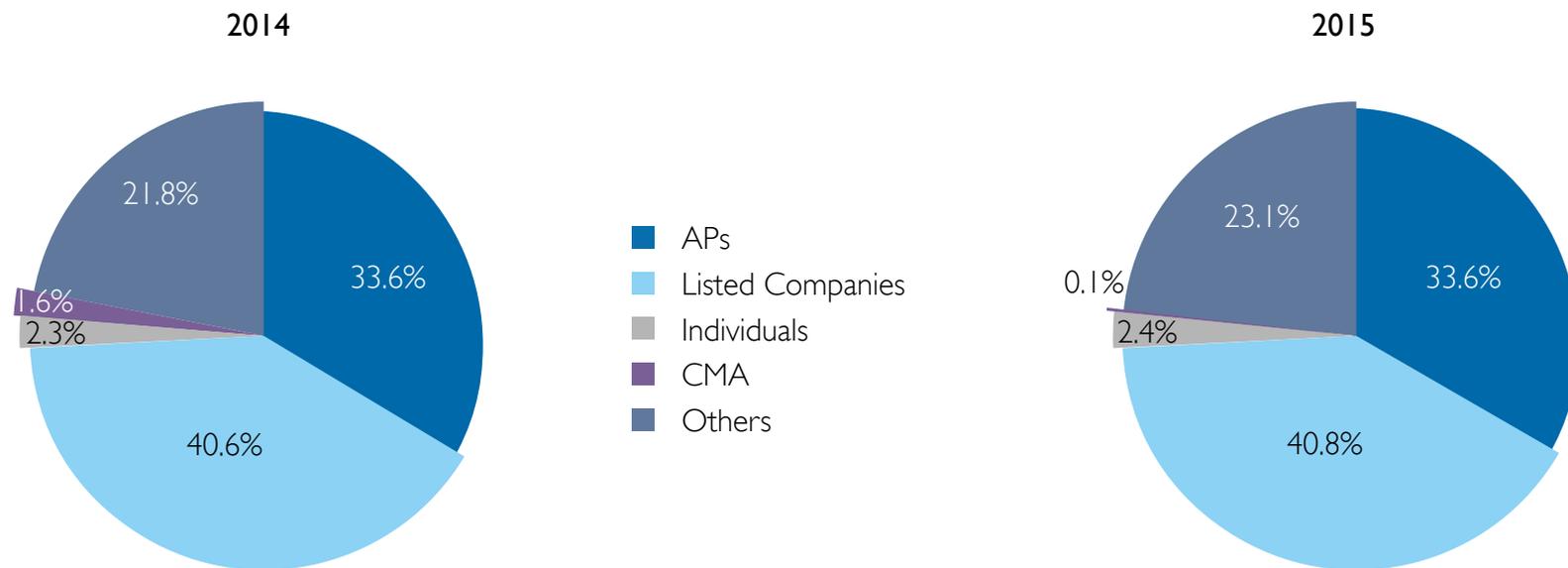
listed companies increased by 17.8% (Table (32)). The complaints against listed companies represent the majority of total complaints accounting for 40.8% in 2015 (Chart (8)).

Table (32): Complaints Classified by Respondent

Respondent	Number		Change (%)
	2014	2015	
APs	293	343	17.1%
Listed Companies	354	417	17.8%
Individuals	20	25	25.0%
CMA	14	1	- 92.9%
Others ¹³	190	236	24.2%
Total	871	1,022	17.3%

¹³) Including complaints filed against Tadawul and complaints of APs against investors as well as reports, inquires and transactions.

Chart (8): Complaints Percentages Classified by Respondent



9.2 Handling Investor Complaints

Paragraph (e) of Article Twenty Five of the CML requires complainants to first lodge their complaints with 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 date of filing the complaint, a notice shall be served

to the complainant giving him/her the right to file a case with the Committee for the Resolution of Securities Disputes (CRSD) for review.

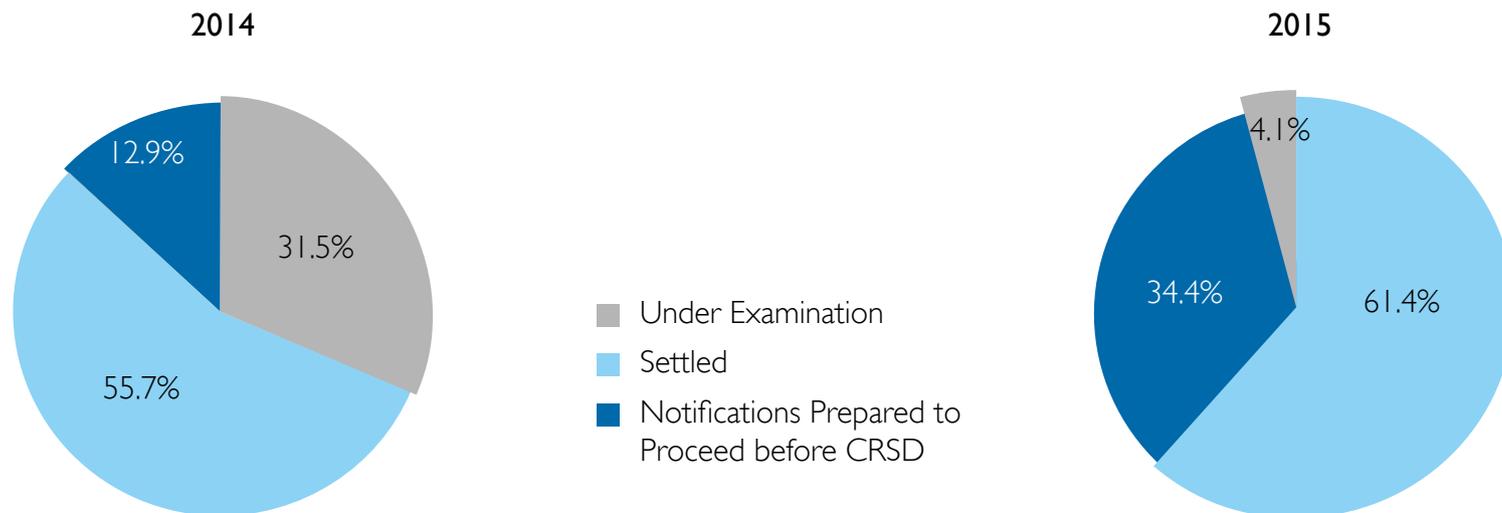
In 2015, the number of settled complaints increased to 628 complaints, representing 61.4% of the total complaints lodged with CMA amounting to 1,022 complaints. It is noted that the complaints under examination decreased by 84.7% in 2015 compared to the last year (Table (33), Chart (9)).



Table (33): Status of Complaints Received by the CMA

Complaint Status	Number		Change (%)
	2014	2015	
Under Examination	274	42	- 84.7%
Settled	485	628	29.5%
Notifying the Claimant to Proceed with the Case to CRSD	112	352	214.3%
Total	871	1,022	17.3%

Chart (9): Percentages of Complaints Received by CMA



Notifications have been prepared for 352 received complaints so that complainants are able to resume their claims before the CRSD; 223 notifications have been served, representing 63.4% of total notifications prepared by CMA (Table (34)).

Table (34): Status of Notifications Prepared by CMA to Complainants to Proceed with their Cases to CRSD

Status of Notifications	Number		Change (%)
	2014	2015	
Served to Complainants	75	223	197.3%
Not Served to Complainants	37	129	248.6%
Total	112	352	214.3%

9.3 Taking Actions against CML Violations

Paragraph (c) of Article Five of the CML states that: “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”.

Concerning the implementation of High Order No. (4690) dated 6/2/1435H with regard to transferring the powers of bodies and committees relating to investigation and prosecution of criminal cases to the Bureau of Investigation and Public Prosecution, CMA and the Bureau agreed under the “Minutes for Coordinating the Transfer of Powers between CMA and the Bureau” to carry out the following:

First: Cases covered by the aforementioned High Order together with violations’ initial reports, evidence, relevant procedures and data shall be referred to the Bureau of Investigation and Public Prosecution.

Second: When there is a necessity to assign an expert from CMA, he shall be assigned pursuant to the Law of Criminal Procedures.

Third: CMA shall furnish the Prosecutor General with all violation-related documents.

Fourth: CMA shall continue litigating and following up the cases filed with the CRSD prior to the effective date (26/01/1436H).

Fifth: CMA and the Bureau shall coordinate in case of any implementation difficulties (cooperation is still ongoing through meetings between CMA and the Bureau).

Sixth: Representatives of CMA and the Bureau shall coordinate regarding temporary emergency measures prior to the issuance of indictment (e.g. travel ban and provisional attachment).

Seventh: The Bureau shall notify CMA of the results of investigation or trial in the cases referred by CMA.



In 2015, CMA approved a number of policies and procedures to detect and process violations of the CML and its Implementing Regulations, aimed at enhancing work procedures between CMA departments/divisions entrusted with detecting violations, optimally using CMA's resources, expediting procedures for processing capital market violations and reducing the time spent on litigation before

the CRSD and the ACRSD. The number of cases referred to the Bureau of Investigation and Public Prosecution amounted to 42 cases in 2015.

CMA takes necessary measures against violations of the CML and relevant rules and regulations by means of a multi-stage process summarized below:



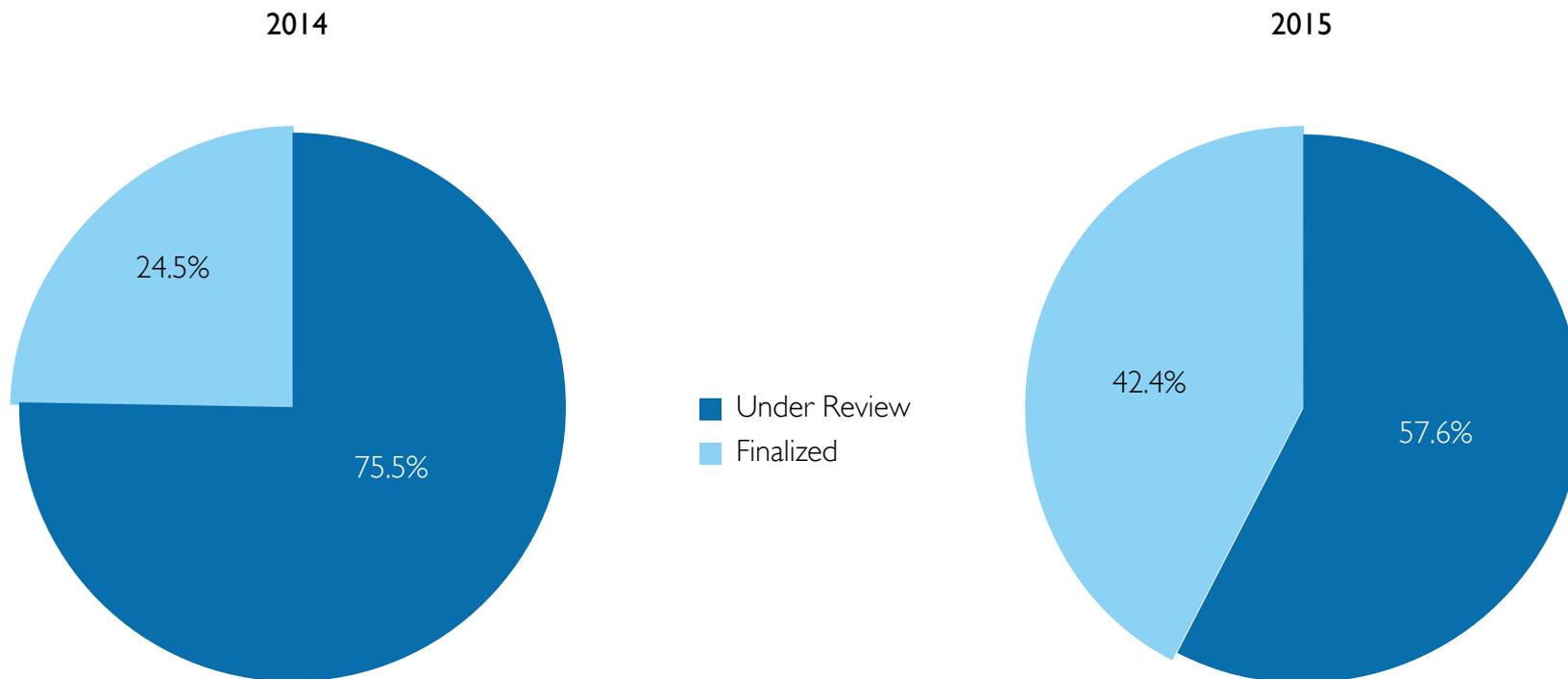
During 2015, necessary procedures were finalized with respect to 183 cases out of 432 filed cases, accounting for 42.4% of the total

filed cases of suspected CML violations. The remaining 249 cases are still under review (Table (35), Chart (10)).

Table (35): Procedures Taken with Regard to Filed CML Violation Cases

Status	Number	
	2014	2015
Under Review	400	249
Finalized	130	183
Total	530	432

Chart (10): Percentages of Procedures Taken in Regard to Filed CML Violation Cases



9.4 Classification of CML Violation Cases

9.4.1 Filed Violation Cases

In 2015, the total number of filed violation cases declined by 18.5% compared to the last year. The investigation cases related to “Investment/Real Estate Funds Regulations” declined by 100%, and investigations related to “Disclosure” fell by 59.4%. The violations of “Insider Trading”, “Offers of Securities Regulations” and “CMA Board Resolutions” soared significantly in 2015, recording increases of 1,900.0%, 300.0% and 242.9% respectively (Table (36)).

9.4.2 Finalized Violation Cases

At the end of 2015, the total number of finalized violation cases went up by 146.4% compared to the previous year. It is noted that the number of finalized cases of all types of violation increased, with the exceptions of violations related to “Conducting Securities Business without CMA License” and “Corporate Governance Regulations” which recorded year-on-year falls of 25.0% and 18.8% respectively (Table (36)).



Table (36): Filed/Finalized Investigation Cases into Violations of the CML Classified by Type of Violation

Type of Violation	Filed			Finalized ¹⁴		
	Number		Change (%)	Number		Change (%)
	2014	2015		2014	2015	
Manipulation and Misleading	14	10	- 28.6%	5	12	140.0%
Disclosure	244	99	- 59.4%	109	210	92.7%
Insider Trading	1	20	1,900.0%	2	25	1,150.0%
Authorized Persons Regulations ¹⁵	62	89	43.5%	30	89	196.7%
Change in Ownership/Disposal Percentages without Notifying CMA	20	31	55.0%	2	24	1,100.0%
Conducting Securities Business without CMA License	11	24	118.2%	16	12	- 25.0%
CMA Board Resolutions	7	24	242.9%	8	23	187.5%
Offers of Securities Regulations	1	4	300.0%	1	1	0.0%
Listing Rules	1	2	100.0%	1	2	100.0%
Trading during Prohibited Period	42	65	54.8%	27	57	111.1%
Corporate Governance Regulations	22	30	36.4%	32	26	- 18.8%
Investment/Real Estate Funds Regulations	72	0	- 100.0%	4	87	2,075.0%
Prudential Rules	27	30	11.1%	12	44	266.7%
Merger and Acquisition Regulations	2	0	- 100%	0	2	-
CMA Circulars	4	4	0.0%	1	2	100.0%
Total	530	432	-18.5%	250	616	146.4%

14) Including cases from previous years.

15) Refers to inspection visits conducted to ensure APs compliance with the provisions of the Authorized Persons Regulations and the Anti-Money Laundering and Counter-Terrorist Financing Rules as well as other rules and regulations.



Section 10

Prosecution, Sanctions and Penal Verdicts on Violations

- 10.1 Cases Pending before CRSD and ACRSD
Filed against/by CMA
- 10.2 Statements of Claim and Defense in
Cases Filed against/by CMA
- 10.3 Following up Enforcement of Decisions
- 10.4 Classification of Sanction Decisions Filed
by CMA against Violators of CML and its
Implementing Regulations
- 10.5 Classification of Financial Penalties Issued
against Violators of the CML and its
Implementing Regulations
- 10.6 Requests Received by CMA for Imposing/
Removing Attachment and Enforcement



10.1 Cases Pending before CRSD and ACRSD Filed against/by CMA

After the CMA Board issues a decision to approve filing a general lawsuit in relation to violations of the CML and its Implementing Regulations, CMA prepares indictments against violators to be filed with the CRSD. After the CRSD rules on the case, CMA may appeal before the ACRSD.

CMA's approval of the policies and procedures to detect and process violations of the CML and its Implementing Regulations enhanced work procedures between CMA departments/divisions entrusted with detecting violations, expedited procedures for processing violations of the CML and its Implementing Regulations, and reduced the time spent on litigation before the CRSD and the ACRSD.

The number of cases pending before the CRSD, filed against/by CMA, decreased to 37 at the end of 2015. It is noted that the cases of "enforcement lawsuits", "conducting securities business without license" and "manipulation and misleading" declined by 100%, 96.9% and 52.9% respectively (Table (37)).

Also, the number of cases pending before the ACRSD, filed against/by CMA, decreased to 30 cases at the end of 2015. All types of cases decreased year-on-year with the exception of cases categorized as "manipulation and misleading" which witnessed an increase of 84.6% compared to the previous year (Table (37)).

Table (37): Number of Cases Pending before CRSD and ACRSD Filed against/by CMA

Case Type	CRSD			ACRSD		
	2014	2015	Change (%)	2014	2015	Change (%)
Manipulation and Misleading	34	16	- 52.9%	13	24	84.6%
Insider Trading	0	1	-	2	0	-100.0%
Conducting Securities Business without License	34	1	- 97.1%	20	3	-85.0%
Violation of Listing Rules	6	10	66.7%	2	1	-50.0%
Violation of Authorized Persons Regulations	4	5	25.0%	4	2	-50.0%
Violation of Corporate Governance Regulations	1	1	0.0%	0	0	-
Disclosure Violation	0	2	-	0	0	-
Other Violations of Market Conduct Regulations	1	1	0.0%	0	0	-
Enforcement Lawsuits	1	0	- 100.0%	0	0	-
Violation of Unlicensed Offering of Securities	0	0	-	1	0	- 100.0%
Total	81	37	- 54.3%	42	30	- 28.6%

10.2 Statements of Claim and Defense in Cases Filed against/by CMA

The CMA's representative attended 40 sessions before CRSD during 2015, a decrease of 38.5% year-on-year. Briefs of appeal against the CRSD decisions increased by 83.3% during 2015, while the number

of statements of claim and defense in cases filed by CMA as well as the statements of defense in cases filed against CMA declined by 27.3% and 15.4% respectively (Table (38)).

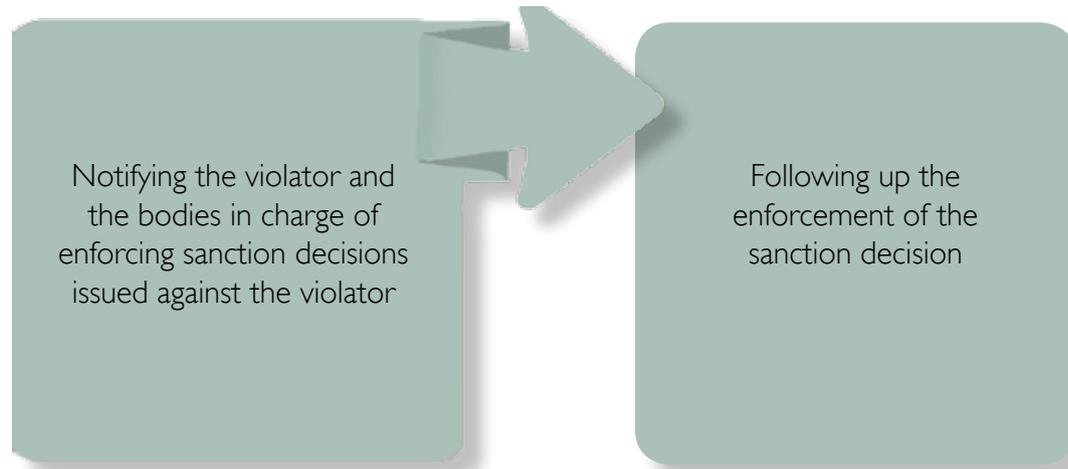
Table (38): Number of Statements of Claim and Defense in Cases Filed against/by CMA

Number of Statements of Claim/Defense	2014	2015	Change (%)
Statements of Claim and Defense in Cases Filed by CMA	66	48	- 27.3%
Statements of Defense in Cases Filed against CMA	13	11	- 15.4%
Briefs of Appeal against CRSD Decisions	18	33	83.3%
Total	97	92	- 5.2%

10.3 Following up Enforcement of Decisions

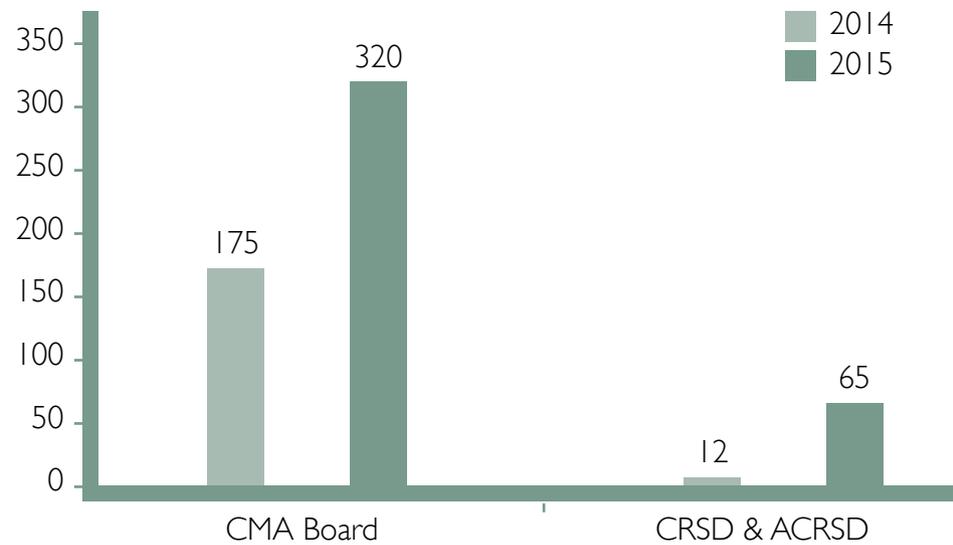
CMA follows up the enforcement of decisions issued by its Board, the interim decisions to impose/lift provisional attachments issued by the CRSD, and final decisions issued by the CRSD and the ACRSD

against the violators of the CML and its Implementing Regulations. This is carried out through the following two steps:



In 2015, CMA followed up the enforcement of 320 sanction decisions issued by CMA Board, and 65 sanction decisions issued by the CRSD and the ACRSD (Chart (11)).

Chart (11): Sanction Decisions Issued against Violators of CML and its Implementing Regulations Classified by Decision Issuer



10.4 Classification of Sanction Decisions Filed by CMA against Violators of CML and its Implementing Regulations

The number of sanction decisions issued by CMA Board, CRSD and ACRSD in the cases filed against violators of the CML and its Implementing Regulations at the end of 2015 stood at 385 decisions,

89.9% of these decisions were enforced and the remainder is still in process (Table (39)).

Table (39): Sanction Decisions against Violators of the CML and its Implementing Regulations Classified by Violator Type in 2015

Type of Violator	Number	Enforced	Enforced (%)	Enforcement Followed Up	Enforcement Followed Up (%)
Investor	71	34	47.9%	37	52.1%
Listed Company/ Senior Executive	172	172	100.0%	0	0.0%
Authorized Person/Registered Person	142	140	98.6%	2	1.4%
Total	385	346	89.9%	39	10.1%

Table (40) illustrates sanction decisions against violators of the CML and its Implementing Regulations classified by the type of violation, indicating that 89.9% of such decisions were enforced in 2015.



Table (40): Sanction Decisions against Violators of the CML and its Implementing Regulations Classified by Type of Violation in 2015

Type of Violation	Number	Enforced	Enforced (%)	Enforcement Followed up	Enforcement Followed up (%)
Manipulation and Misleading	20	10	50.0%	10	50.0%
Disclosure	107	107	100.0%	0	0.0%
Insider Trading	0	0	-	0	-
Authorized Persons Regulations	37	34	91.9%	3	8.1%
Change in Ownership/Disposal Percentages without Notifying CMA	4	4	100.0%	0	0.0%
Conducting Securities Business without CMA License	40	16	40.0%	24	60.0%
CMA Board Resolutions/Circulars	13	13	100.0%	0	0.0%
Offers of Securities Regulations	3	2	66.7%	1	33.3%
Listing Rules	31	30	96.8%	1	3.2%
Trading During Prohibited Period	22	22	100.0%	0	0.0%
Corporate Governance Regulations	19	19	100.0%	0	0.0%
Investment/Real Estate Funds Regulations	72	72	100.0%	0	0.0%
Prudential Rules	17	17	100.0%	0	0.0%
Others ¹⁶	0	0	-	0	-
Total	385	346	89.9%	39	10.1%

¹⁶) Represent other violations of Market Conduct Regulations.

In 2015, financial penalties were the most common sanctions issued by CMA Board, the CRSD and ACRSD, accounting for 374 out of 397 penalties (Table (41)).

Table (41): Sanctions Issued by CMA Board, CRSD and ACRSD Classified by Type of Sanction

Sanction	Number	
	2014	2015
Financial Penalty	187	374
Banning from Brokerage Activity, Portfolio Management, Investment Advisory or any Registrable Function	0	7
Banning from Work in Listed Companies	0	5
Other ¹⁷	0	11
Total	187	397

10.5 Classification of Financial Penalties Issued against Violators of the CML and its Implementing Regulations

The total financial penalties issued by the CMA, CRSD and ACRSD against violators of the CML and its Implementing Regulations at the end of 2015 stood at SR 212.5 million, distributed among 464 violations; of which SR 76.5 million (36.0%) were collected during 2015. The financial penalties issued against the violations of manipulation and misleading ranked first as they amounted to

nearly SR 140.6 million representing about 66.2% out of the total financial penalties imposed; of which SR 8.9 million were collected. The financial penalties issued against the violators of Authorized Persons Regulations ranked second, amounting to SR 55.7 million, representing about 26.2% of the total financial penalties issued in 2015; of which SR 54.5 million were collected (Table (42)).

¹⁷) Including banning from purchasing shares of companies listed on the capital market.



Table (42): Total Amounts of Penalties Issued by CMA, CRSD & ACRSD against Violators of the CML and its Implementing Regulations Classified by Type of Violation in 2015

Type of Violation	Number	Total Amounts of Financial Penalties Imposed (SR) 1/1/2015 – 31/12/2015	Total Amounts Collected (SR) 1/1/2015 – 31/12/2015	Percentage of Collected Amounts out of Total Penalty
Manipulation and Misleading	74	140,561,809.75	8,908,393.75	6.3%
Disclosure	107	4,360,000.00	4,360,000.00	100.0%
Insider Trading	0	0	0	--
Violation of Authorized Persons Regulations	48	55,730,000.00	54,540,000.00	97.9%
Change in Ownership/Disposal Percentages without Notifying CMA	4	650,000.00	650,000.00	100.0%
Conducting Securities Business without CMA License	49	3,385,000.00	500,000.00	14.8%
CMA Resolutions/Circulars	13	520,000.00	520,000.00	100.0%
Offers of Securities Regulations	6	300,000.00	60,713.16	20.2%
Listing Rules	33	1,360,000.00	1,330,000.00	97.8%
Trading during Prohibited Period	22	940,000.00	940,000.00	100.0%
Corporate Governance Regulations	19	370,000.00	370,000.00	100.0%
Investment/Real Estate Funds Regulations	72	3,570,000.00	3,570,000.00	100.0%
Prudential Rules	17	740,000.00	740,000.00	100.0%
Others ¹⁸	0	0	0	--
Total	464	212,486,809.75	76,489,106.91	36.0%

¹⁸) Including other violations of the Market Conduct Regulations.

Table (43) shows the total amounts of fines imposed by the CMA, CRSD and ACRSD against violators of the CML and its Implementing Regulations, classified by violator type in 2015. Fines imposed on listed companies ranked first in number of violations reaching 147,

where fines imposed on investors ranked first in value with nearly SR 144.6 million, of which SR 9.7 million (6.7%) were collected during 2015.

Table (43): Total Amounts of Fines Issued by CMA, CRSD & ACRSD against Violators of the CML and its Implementing Regulations Classified by Violator Type in 2015

Type of Violator	Number of Penalties	Total Amounts of Financial Penalties Imposed (SR) 1/1/2015 – 31/12/2015	Total Amounts Collected (SR) 1/1/2015 – 31/12/2015	Percentage of Collected Amount out of Total Penalty
Investor	132	144,586,809.75	9,689,106.91	6.7%
Senior Executives	28	1,000,000.00	970,000.00	97.0%
Registered Person	15	570,000.00	210,000.00	36.8%
Listed Company	147	5,970,000.00	5,970,000.00	100.0%
Authorized Person	142	60,360,000.00	59,650,000.00	98.8%
Total	464	212,486,809.75	76,489,106.91	36.0%



10.6 Requests Received by CMA for Imposing/Removing Attachment and Enforcement

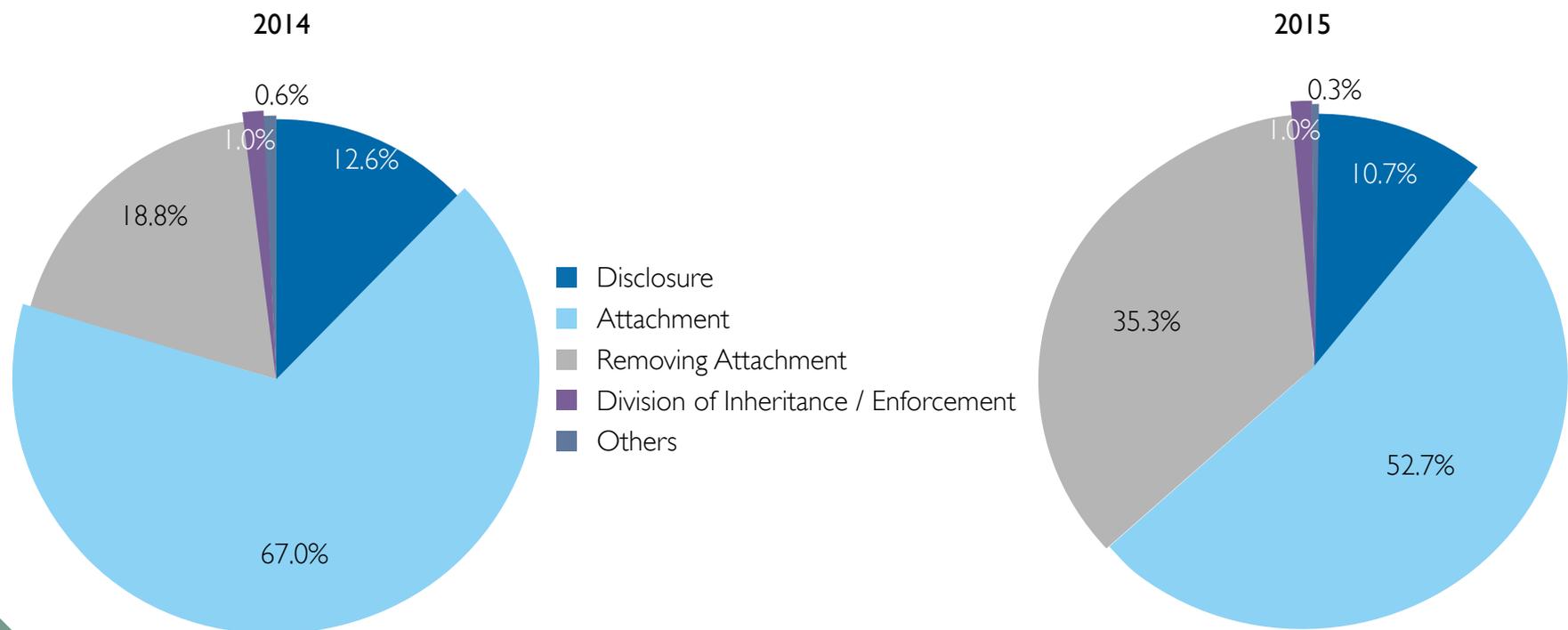
CMA processes requests received from government agencies including judicial orders issued by enforcement judges and general courts. The number of these requests stood at 16,423 in 2015, denoting an increase of 38.7% year-on-year. 16,158 requests were received from the Ministry of Justice representing 98.4% of total incoming requests (Table (44)).

In classifying requests by type, it is noted that the majority of incoming requests during 2014 and 2015 were related to attachment, representing 67.0% and 52.7% of total incoming requests during the two years respectively (Chart (12)).

Table (44): Requests Incoming to CMA Classified by Requesting Party

Requesting Party	2014		2015		Change (%)
	Number	% of Total	Number	% of Total	
Ministry of Justice	11,419	96.5%	16,158	98.4%	41.5%
Other Government Agencies	276	2.3%	108	0.7%	- 60.9%
Investors/Heirs	144	1.2%	157	1.0%	9.0%
Total	11,839	100%	16,423	100%	38.7%

Chart (12): Percentages of Requests Incoming to CMA Classified by Type





Section II

Authorization to Conduct Securities Business and Credit Rating

- II.1 Authorization Decisions to Conduct
Securities Business
- II.2 Licenses Classified by Securities Business
Activities
- II.3 Credit Rating Licenses



11.1 Authorization Decisions to Conduct Securities Business

CMA issues authorization decisions for conducting securities business, including licensing, amendment, cancellation and revocation. In 2015, CMA Board issued 8 decisions pertaining to securities

business; 5 decisions to cancel an activity and 3 decisions to add an activity (Table (45)). By the end of 2015, the number of authorized persons remained the same as the last year at 88.

Table (45): Number of Authorization Decisions Classified by Type

Decision		2014	2015
New License Issued		2	0
Amendment to License	Activity Added	3	3
	Activity Cancelled	5	5
Cancellation of License		3	0
Revocation of License		0	0
Total		13	8

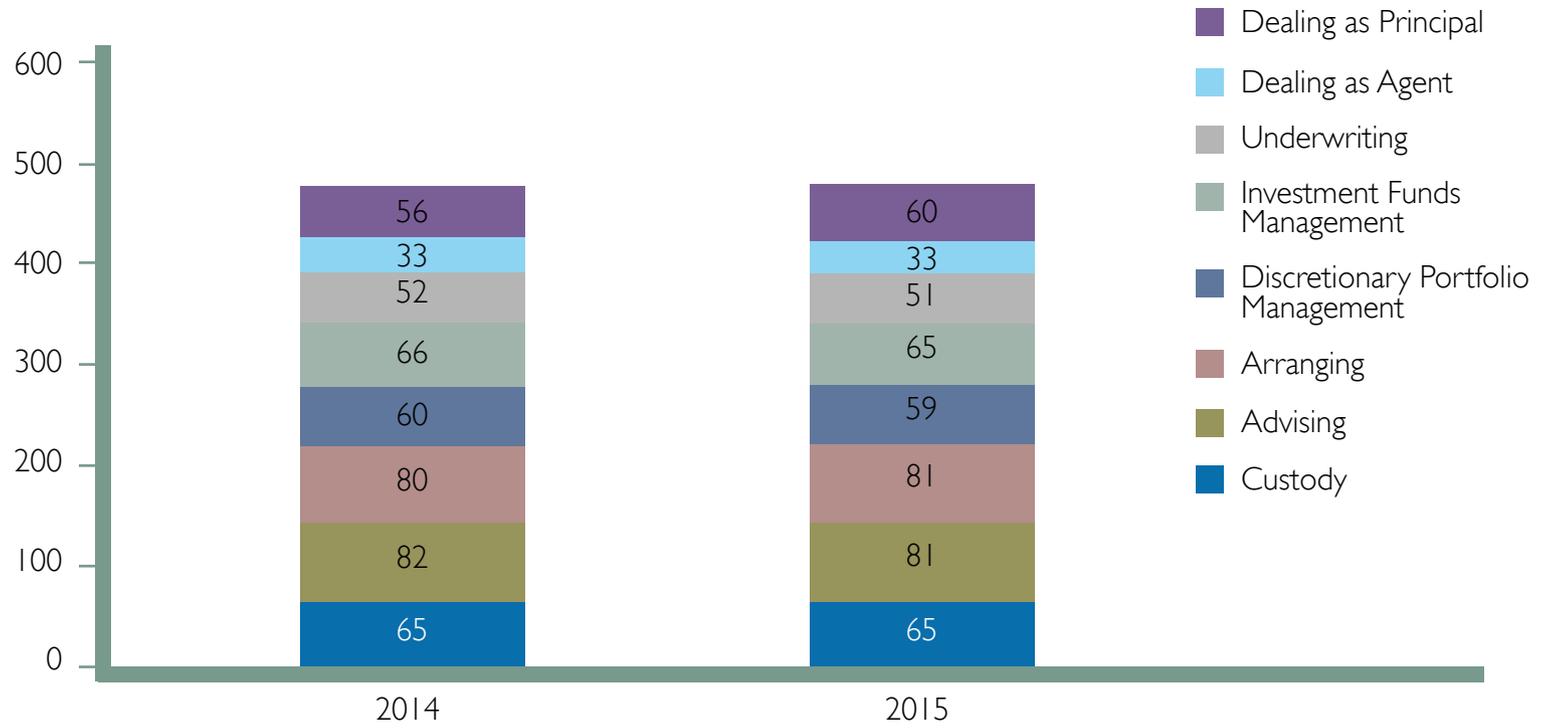
11.2 Licenses Classified by Securities Business Activities

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 (46): Number of Licenses by Business Commencement Status

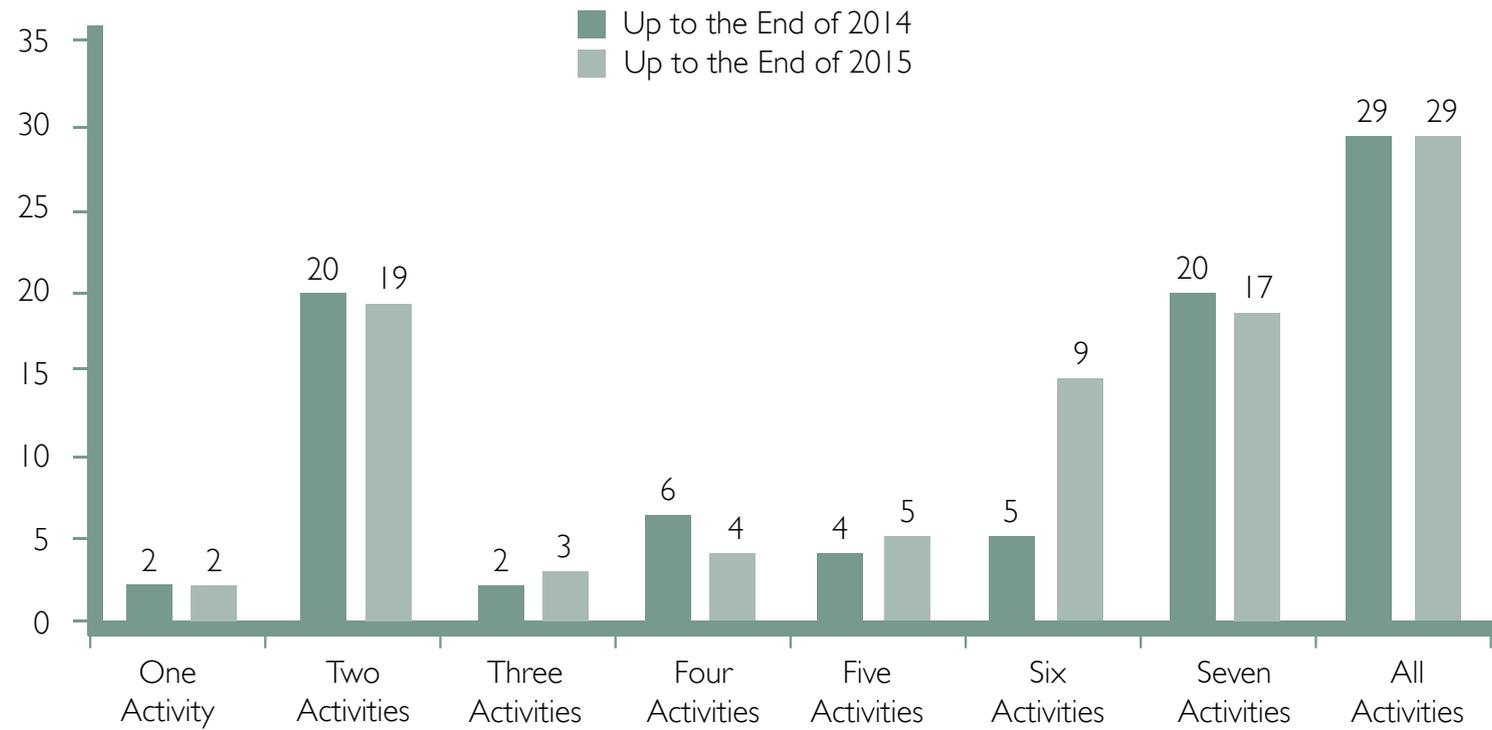
Securities Business Activity		2014			2015		
		Commenced	Not Commenced	Total	Commenced	Not Commenced	Total
Dealing	As Principal	54	2	56	58	2	60
	As Agent	32	1	33	33	0	33
	As Underwriter	51	1	52	51	0	51
Managing	Investment Funds Management	65	1	66	65	0	65
	Discretionary Portfolio Management	59	1	60	59	0	59
Arranging		79	1	80	80	1	81
Advising		81	1	82	81	0	81
Custody		65	0	65	65	0	65
Total		486	8	494	492	3	495

Chart (13): Total Number of Licenses Classified by Securities Business Activities



The total number of APs conducting all activities stood at 29 by the end of 2015 (Chart (14)).

Chart (14): Number of APs Classified by Number of Securities Activities' Licenses





The total number of employees working at APs increased to 4,601 by the end of 2015, with a Saudization rate of 70.0%; 3,090 of which are registered persons with a Saudization rate of 73.0% (Table (47)).

Table (47): Number of Employees at APs

Requesting Party	Number of Employees		Saudization (%)	
	2014	2015	2014	2015
Registered Persons ¹⁹	2,937	3,090	71.7%	73.0%
Unregistered Persons	1,406	1,511	60.0%	65.0%
Total	4,343	4,601	67.9%	70.0%

11.3 Credit Rating Licenses

Keen to develop the capital market and keep pace with the development of various activities, CMA Board approved the Credit Rating Agencies Regulations in 2014. These Regulations shall regulate and control the credit rating business in the Kingdom and

shall determine the procedures and conditions required to obtain the license. On 19/3/1437H (30/12/ 2015), CMA Board issued a resolution indicating its approval for licensing "SIMAH Rating Agency" to be the first company licensed by CMA to conduct credit rating.

¹⁹ According to Article (19) of the Authorized Persons Regulations, a registered person is the person who performs a duly registrable function.



Section 12

Supervising Authorized Persons

12.1 Inspection

12.2 Prudential

12.3 Margin Lending

12.4 Authorized Persons' Performance
Indicators



12.1 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, 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 CMA, in addition

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

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 2015, inspections covered 105 activities, divided into 55 cycle inspections and 50 cause inspections (Table (48)).

Table (48): Number of Inspections Classified by License type

Type of License	2014			2015		
	Cycle Inspection	Cause Inspection ²⁰	Total	Cycle Inspection	Cause Inspection ²¹	Total
Dealing	10	66	76	11	30	41
Managing	11	30	41	11	17	28
Arranging	11	8	19	11	3	14
Advising	11	2	13	11	0	11
Custody	11	1	12	11	0	11
Total	54	107	161	55	50	105

20) The total excludes 33 cause inspection visits related to other aspects of APs business such as compliance with corporate governance and prudential requirements.

21) The total excludes 118 cause inspection visits related to other aspects of APs business such as compliance with corporate governance and prudential requirements.

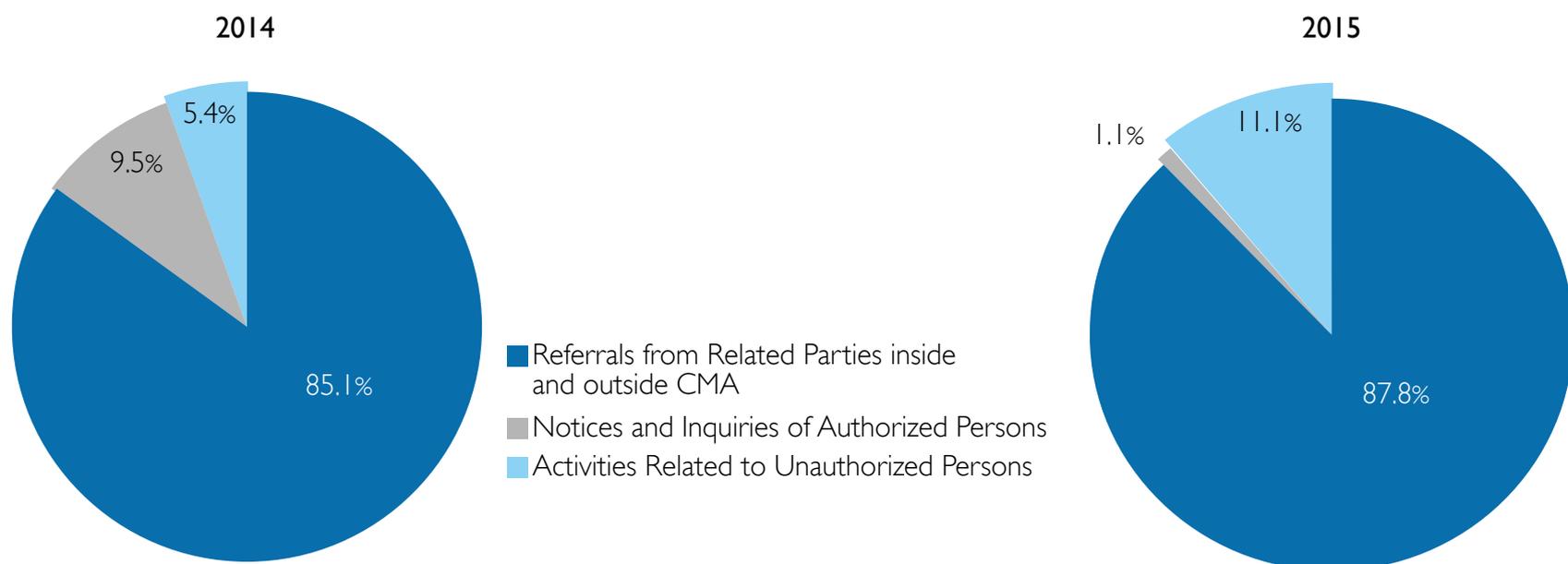
In 2015, 189 cause inspections were conducted, with an increase of 27.7% compared to the last year. Referrals from relevant parties

inside and outside CMA represented 87.8% of the reasons requiring such inspection (Table (49) and Chart (15)).

Table (49): Number of Cause Inspections Classified by Reason

Reason	Number	
	2014 ²²	2015 ²³
Referrals from Related Parties inside and outside CMA	126	166
Notices and Inquiries of Authorized Persons	14	2
Activities Related to Unauthorized Persons	8	21
Total	148	189

Chart (15): Percentages of Cause Inspections Classified by Reason



Cycle inspections of APs in 2015 unveiled a range of observations on their compliance with the requirements of the CML and its

Implementing Regulations. Chart (16) reflects the observations of cycle inspections classified by subject.

22) The total includes 33 cause inspection visits related to other aspects of APs business such as compliance with corporate governance and prudential requirements, etc.

23) The total includes 118 cause inspection visits related to other aspects of APs business such as compliance with corporate governance and prudential requirements, etc.



Chart (16): Observations of Cycle Inspections by Subject



■ Anti-Money Laundering (AML)

CMA monitors the compliance of APs with the Anti-Money Laundering and Counter-Terrorist Financing Rules issued by CMA Board through carrying out periodical inspection programs in collaboration with the AML Unit. Key functions of the Unit include:

1. Developing anti-money laundering systems through CMA's membership in the Anti-Money Laundering Standing Committee, which includes a number of government agencies concerned with anti-money laundering.
2. Applying anti-money laundering and terrorism financing recommendations issued by the Financial Action Task Force (FATF).
3. Educating and guiding APs on the best practices in the field of anti-money laundering and terrorism financing.
4. Reviewing annual reports generated by Money Laundering Reporting Officers (MLROs) at APs.

5. Informing APs of countries with strategic deficiencies in their AML/CFT regimes.
6. Cooperating through specialized committees with the Financial Intelligence Unit (FIU) at the Ministry of Interior and other agencies concerned with anti-money laundering and terrorism financing.
7. Reviewing APs' requests to open investment accounts for government agencies or nonprofit organizations or the like.
8. Looking into APs' inquiries pertaining to anti-money laundering and terrorism financing and responding to them.

The total number of incoming requests from government agencies about anti-money laundering and terrorism financing reached 411 requests in 2015, denoting a jump of 99.5% compared to the last year. It is noteworthy that the percentage of incoming requests from government agencies soared by 113.3% (Table (50)).

Table (50):Tasks Processed by the CMA on Compliance, AML, and Enforcement of Incoming Requests from Enforcement Judges and Public Courts by Type of Request

Type of Incoming Requests	Number		Change (%)
	2014	2015	
Requests from Government Agencies	60 ²⁴	128	113.3%
Requests ²⁵ and Inquiries of Authorized Persons	146	283	93.8%
Total	206	411	99.5%

12.2 Prudential

To ensure compliance with Paragraph (b/4) of Article Five of the Authorized Persons Regulations which 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, 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 1,172 in 2015, with an increase of 1.4% compared to 2014. Review of the business plans to raise capital adequacy beyond minimum level declined by 50.0%. The number of reviews of large exposures in 2015 was the same as in 2014 (Table (51)).

24) The mechanism of calculating the number of requests sent by government agencies was amended by ruling out the requests that are irrelevant to anti-money laundering and terrorism finance, such as the requests received from courts based on the Enforcement Law and the like.

25) Means the APs request for CMA's approval to open investment accounts for government agencies and nonprofit organizations.



Table (51): Numbers of Financial Reviews of APs Classified by Type of Review

Type	Number		Change (%)
	2014	2015	
Periodical Reviews of Financial Prudence	1,021	1,050	2.8%
Capital Adequacy Assessments of APs Underwriting Offerings	35	29	- 17.1%
Subordinated Loan Agreements	2	1	- 50.0%
Business Plans to Raise Capital Adequacy Beyond Minimum Level	10	5	- 50.0%
Large Exposure/Undue Concentration Cases Follow-up	4	4	0.0%
Audited Financial Statements Reviews	84	83	- 1.2%
Total	1,156	1,172	1.4%

■ APs Consolidated Capital Adequacy Positions

CMA supervises the capital adequacy of APs in accordance with the requirements of the Prudential Rules which are based on the 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 includes the internal capital adequacy assessment process (ICAAP) that came into force during 2014. Pillar 3 covering disclosure, came into effect 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 2.12, higher than the requirements of Basel framework which calls for a ratio of one (1). The capital base stood at SR 18,922 million while the minimum capital requirement amounted to SR 8,938 million (Table (52)).



Table (52): Capital Adequacy Requirements of APs Licensed to Conduct Dealing/Managing/Custody

Item	Authorized Persons								Average/Total	
	Bank Affiliate		Local		Regional		International			
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Capital Adequacy Coverage (Times)	2.84	2.52	1.77	1.56	2.36	2.08	10.35	10.28	2.39	2.12
Capital Adequacy Ratio ²⁶	31.9%	29.5%	22.6%	19.9%	30.3%	26.4%	108.1%	106.2%	29.1%	26.0%
Capital Base (SR Million)	7,591	8,309	6,912	6,790	2,378	2,382	1,316	1,441	18,197	18,922
Minimum Capital ²⁷ Requirement (SR Million)	2,678	3,304	3,913	4,351	1,008	1,143	127	140	7,726	8,938
Credit Risk ²⁸ (SR Million)	1,809	2,450	3,420	3,773	888	981	69	74	6,187	7,278
Market Risk ²⁹ (SR Million)	295	214	247	274	41	62	3	5	585	555
Operational Risk ³⁰ (SR Million)	573	640	246	304	79	100	88	62	953	1,105

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

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

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

29) 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.

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



2. APs Licensed to Conduct Arranging/Advising Activities

Prudential Rules require APs licensed to conduct arranging/advising to maintain at all times a shareholder equity of no less than SR 200,000 and a three-month supply of working capital. APs' working

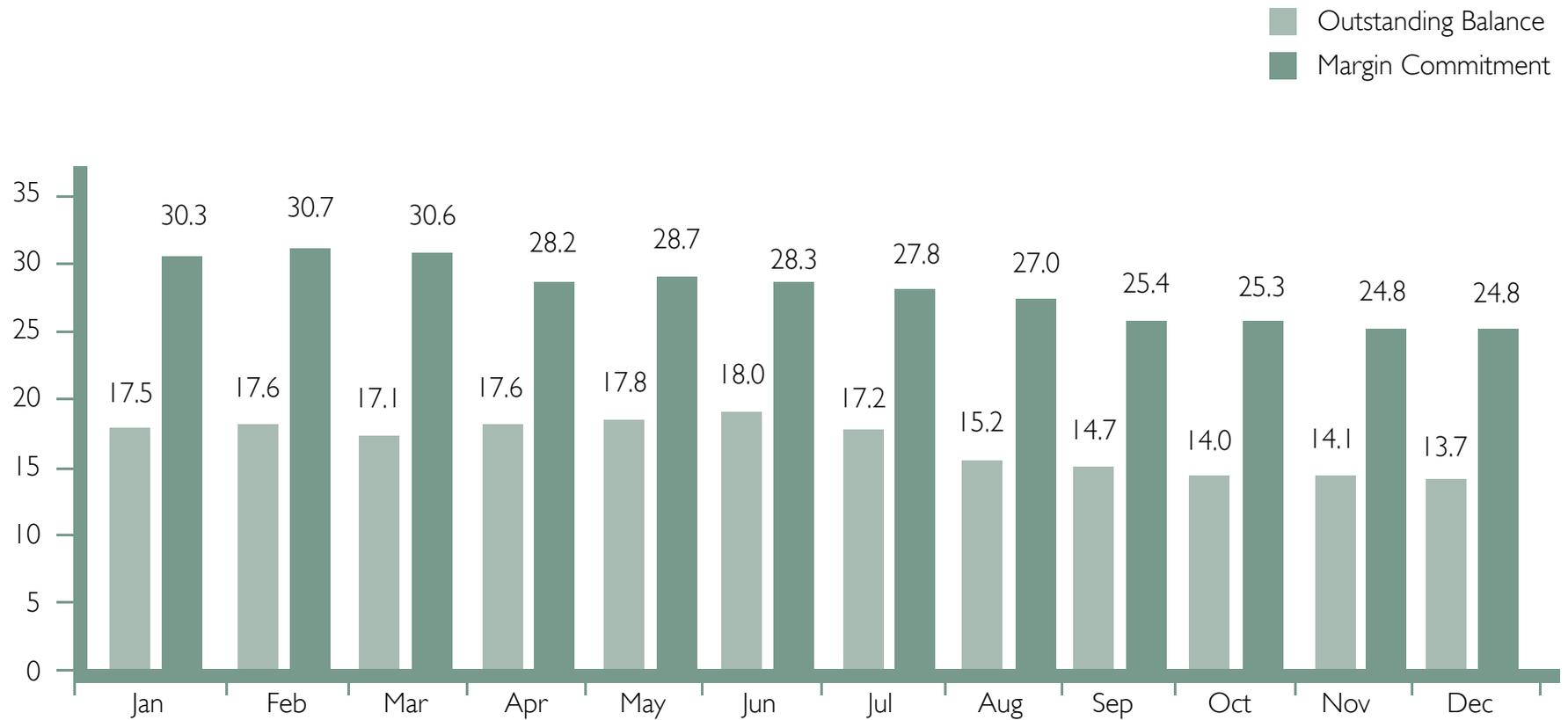
capital stood at SR 266 million. Total excess in working capital amounted to SR 235 million and average excess in capital reached SR 11 million.

12.3 Margin Lending

Article 45 of the Authorized Persons Regulations allows an AP to extend credit facilities. By the end of 2015, total margin commitment amounted to SR 24.8 billion, 20.3% less than the 2014 figure of SR

31.1 billion. The outstanding balance at year-end 2015 stood at SR 13.7 billion, decreasing by 19.9% compared to SR 17.1 billion in 2014 (Chart (17)).

Chart (17): Margin Lending Values in 2015



12.4 APs Performance Indicators

By the end of 2015, total paid-up capital of APs amounted to SR 16.1 billion (up by 1.0%) with revenues totaling SR 6.3 billion (down by 13.0%). Net profits amounted to SR 2.3 billion decreasing by 23.8% compared to 2014. Table (53) shows some of the APs' financial indicators. In order to facilitate the process of reviewing APs' financial statements and comparing them with their counterparts, they were

classified according to ownership structure, regional presence and business type into five categories as follows: bank affiliate, local, regional, international and arranging/advising APs.

The profits gained by the bank affiliate APs amounted to SR 2.1 billion, accounting for 90.7% of total APs' profits realized during 2015.

Table (53): APs' Performance Indicators

(SR Million)

Item	Bank Affiliate		Local		Regional		International		Arranging/ Advising		Total		Change (%)
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	
Paid-up Capital	5,200	5,200	6,517	6,518	2,396	2,531	1,520	1,583	300	262.5	15,933	16,094	1.0%
Total Assets	13,200	13,895	8,578	10,166	3,519	3,700	1,563	1,685	412	391.6	27,272	29,838	9.4%
Total Liabilities	3,659	4,065	1,057	2,656	1,178	1,176	153	150	77	108.9	6,124	8,156	33.2%
Total Shareholder Equities	9,514	9,830	7,521	7,510	2,341	2,524	1,410	1,535	335	282.7	21,148	21,682	2.5%
Revenues	4,452	4,144	1,847	1,421	497	321	308	319	137	96.6	7,241	6,301	- 13.0%
Profits/ losses	2,265	2,102	551	175	117	- 25.6	66	69.7	42	- 3.5	3,041	2,317	- 23.8%

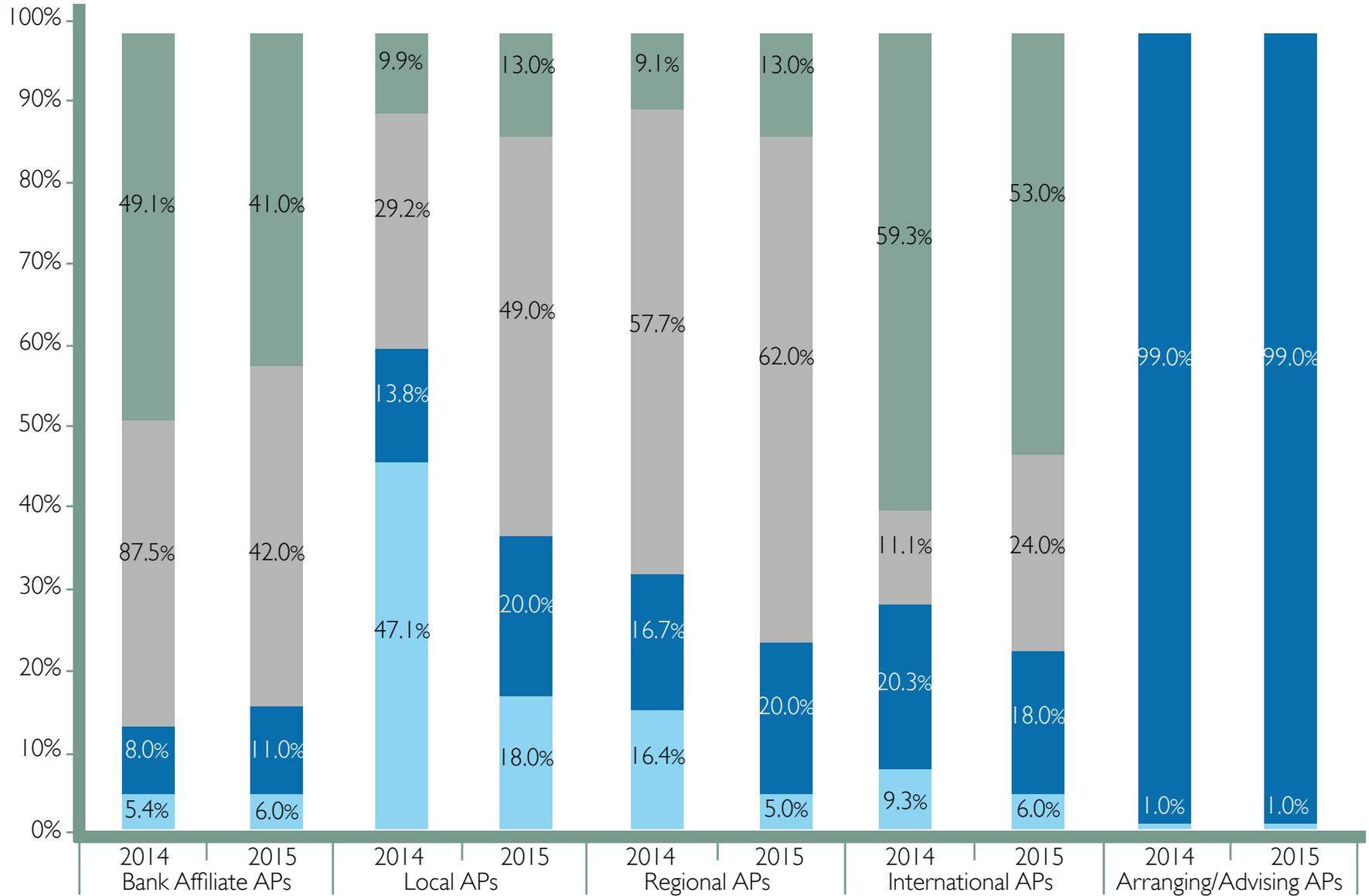
Chart (18) illustrates APs' main sources of revenue indicating that revenues from assets management forms the largest source of 2015

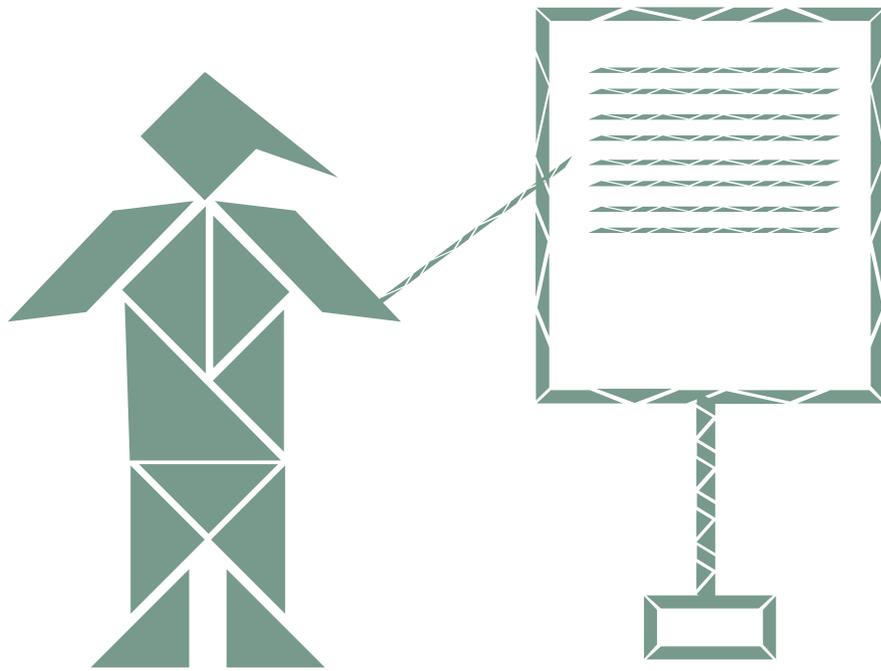
total income of regional, local and bank affiliate APs at percentages of 62.0%, 49.0% and 42.0% respectively.



Chart (18): Percentages of APs' Main Sources of Revenue

- Dealing Revenues
- Asset Management Revenues
- Revenues of Investment Banking Services
- Investment Revenues





Section 13

Investor Awareness

13.1 Media Programs

13.2 Public Communication Programs

13.3 Investment Literacy Programs



Since its establishment, 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 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. Accordingly, CMA has founded several channels to raise the awareness of investors in the capital markets. Through such channels, CMA has executed the following main programs:

13.1 Media Programs

CMA has published a wide range of press and information materials covering or explaining the resolutions issued by CMA Board, and has disseminated them in local, regional and international mass media in both Arabic and English. These materials were also published through CMA's social media pages (Facebook, YouTube and Twitter). 1,119 awareness reports were published in CMA's social media pages with the aim of raising the awareness of current and potential investors. Furthermore, CMA organized a press conference for local media and interviews for the Wall Street Journal and Reuters Agency with H.E. the Chairman of CMA Board, with the aim of keeping journalists abreast of CMA's functions provided for in the CML, and to inform them of its 2015 – 2019 Strategy.

Furthermore, in 2015, 14 awareness reports were developed and published in 476 media outlets. The reports covered topics including: shareholders' rights, how to read financial statements, foreign investment, market conduct violations, obligations of authorized persons, insider trading, investor's rights in investment funds, anti-money laundering and terrorism financing and other awareness topics related to the capital market. In addition, 12 press releases were published in 400 media outlets.

CMA also took the following actions during 2015:

■ Design and Publication of Information Materials:

This included:

- Designing and publishing e-brochures on several websites and social media networks. They covered the following subjects:
 - Know your rights in investment funds.
 - Financial planning for pensioners.
 - Understanding financial statements.
 - Awareness bulletin on anti-money laundering.
 - Principles of Authorized Persons.
 - Objectives of institutional investment.
 - How the investor effectively participates in general assemblies.
 - Voting in general assemblies to select board members.
 - Why read the board's report of a company listed on the stock exchange?
- Production and transmission of 4 awareness-raising videos on several websites and social media networks. The subjects explained the following:
 - Objectives and rules of qualified foreign financial institutions investment.
 - Market conduct violations.
 - Companies with accumulated losses.
 - How to use CMA's smart applications.

13.2 Public Programs

CMA's Contact Center received and handled 7,760 communications during 2015. The interactions included 6,544 telephone calls (84.3%), 963 e-mails (12.4%), 9 facsimiles (0.1%) and 244 inquiries via social media networks (3.1%) (Table (54)).

Table (54): Activities of Contact Center Classified by Subject in 2015

Subject	Number of Calls
Inquiries on How to File a Complaint	570
Inquiries about Authorized Persons	120
Inquiries about CMA's Qualification Examinations	115
Inquiries about Investment Portfolios	2,771
Inquiries about Electronic Forms	36
Inquiries about the Phone Numbers of CMA's Employees	982
Inquiries about Employment	1,197
Inquiries about IPOs	94
Inquiries about Listed Companies	252
Inquiries about Qualified Foreign Financial Institutions	37
Inquiries about Investor Awareness Programs	133
Inquiries about Investment Funds	30
Inquiries about Implementing Regulations	240
Inquiries Directly Referred to "Tadawul" due to Jurisdictional Reasons	408
Investors Reporting Market Violations	100
Follow up Calls	104
General Remarks	571
Total	7,760

13.3 Investment Literacy Programs

In line with its strategy relating to investment literacy programs, during 2015 CMA:

- Launched a number of educational campaigns on several websites with the aim of reinforcing the electronic content of social media with (infographic) awareness materials covering the channels and mechanisms for receiving and filing complaints with CMA.
- Published 563,000 printed materials, pamphlets and brochures related to investment awareness, including 500,000 copies of a pamphlet on the objectives of opening the Saudi Stock Exchange to foreign investment. About 64,700 of these publications, leaflets, brochures and pamphlets have been disseminated so far.

■ Smart Investor Program

This program utilizes interactive materials to instill in the target audience, a notion of the benefits to be derived from engaging in proper transactions and positive financial behaviors. The program targets children from five to fourteen years old, and facilitates efforts by persons interested in raising the awareness of both male and female students, and those who would like to disseminate such culture at schools, centers or clubs. In this regard, CMA held training courses for 31 female ambassadors for smart investors, and equipped them with the instruments required to successfully present the course. CMA is keen, not only encourage participation in the program, but also to promote the culture of volunteering that it engenders.



In addition, CMA organized, sponsored and participated in a number of investment awareness booths in several events during 2015, including:

- The Smart Investor Program was presented during the course of open day events for the sons of the employees of Saudi Basic Industries Corporation (SABIC) held in January 2015 in the presence of SABIC's Chairman of the Board.
- CMA participated in "My Production - 5" program under the slogan "I am Productive" held in one of the shopping centers for three days from 14 - 16 May 2015. During this event, more than 2,000 copies of CMA's publications and leaflets and 800 copies of the Smart Investor's publications were disseminated.
- As one of the activities of the Ambassadors of the Smart Investor Program, the CMA participated in a lecture at Sparks Academy on 11 April 2015, entitled "7 Smart Steps" where female students between 9 and 12 years old were present.
- CMA paid a visit on 18 November 2015 to the "278 Female Primary School" where publications of the Smart Investor magazine were distributed to students.

■ Awareness Activities

CMA organized and participated in a number of workshops, forums and meetings including:

- Participation in the forum on the Conversion into International Standards project during 25 – 26 October 2015.
- Participation in the World Savings Day organized by Saudi Aramco in King Abdulaziz University on 5 November 2015.
- Organization of two workshops entitled "Requirements for Continuous Disclosure of Listed Companies" at CMA's headquarters during 22 - 23 April 2015. These workshops were attended by 35 representatives of listed joint stock companies.
- Participation in the Euromoney Conference (5 - 6 May 2015).
- Participation in a workshop on Developing the National Strategy of Saving sponsored by the Saudi Credit and Savings Bank on 4 November 2015.
- Participation in organizing 6 workshops entitled "Legal Requirements for Compliance Officers of Listed Joint Stock Companies" during October 2015.
- Participation in a workshop to enhance the role of financial and banking institutes and colleges in raising financial awareness in the society; organized in the Institute of Finance headquarters on 8 December 2015.

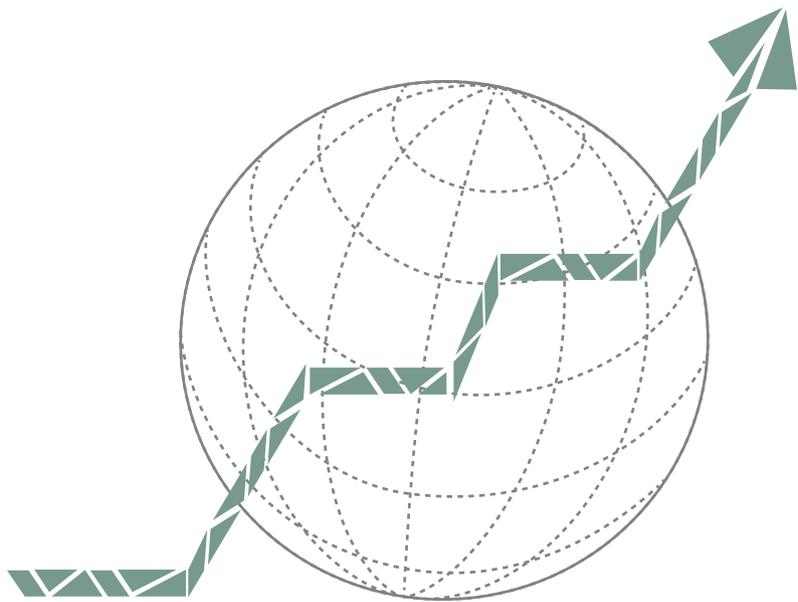
- Organization of a workshop for APs on 10 December 2015 in which 70 participants were present.
- Organization of a workshop on "Trading Surveillance in the Capital Market" held on 23 December 2015 and attended by 19 APs.
- Participation in a workshop on "Financial Awareness" organized by the Investment Club, King Saud University during 7 - 9 November 2015.
- Participation in organizing the "Practical Training" program in collaboration with the UASA from 26 to 27 October. This program included 20 participants from different Arab countries.
- Holding of a meeting with employees of the Saudi Credit and Savings Bank to present CMA's experience in the field of awareness on 23 November 2015.
- Organization of and participation in the Orientation Day of the Saudi Capital Market held at Princess Noura University on 21 October 2015.

■ Delivering Lectures

During the course of 2015, CMA delivered awareness and educational lectures for male and female students of Saudi universities. Through such lectures, students were made aware of the services provided by CMA and the nature of its work in addition to other topics. The most important of these lectures were:

- Lecture on "Overview of CMA" and a detailed explanation of "Corporate Governance", King Saud University on 10 - 14 May 2015.
- Lecture at the Public Pension Agency on 2 - 3 November 2015.
- Lecture on "Channels of Investor's Literacy and Market Information" at Al Yamamah University on 28 October 2015.
- Lecture on "CMA's Strategic Directions" at Prince Sultan University on 1 December 2015.
- Lecture on "Introduction to the Capital Market and CMA's Strategic Directions" at King Abdulaziz University on 12 November 2015.
- Lecture on "The Five Targeted Objectives of Foreign Investment" delivered to the female students of Princess Noura University.

Several awareness lectures held at CMA's headquarters on capital market transactions and basic legislations issued by CMA as part of raising the financial and legal awareness of several university students in the Kingdom.



Section 14

International Relations and
Organizations



CMA has continued to develop and strengthen its regional and international relations with the organizations, authorities and institutions involved in regulating and monitoring capital markets while making use of the latest experiences and international practices in related areas. In order to gain and exchange experiences, corroborate bilateral and multi-lateral relations, coordinate multi-lateral initiatives and open channels for joint cooperation, CMA collaborated with a number of regulators in related fields. CMA has received a number of financial market authorities/commissions and international organizations, and participated in several reports and surveys conducted by international organizations including the International Organization of Securities Commissions (IOSCO), Union of Arab Securities Authorities (UASA), Financial Stability Board (FSB), etc... In addition, during 2015, CMA participated in international programs, forums and conferences related to the development and oversight of capital markets as follows:

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 collaborates with its members to reach the highest regulatory levels to maintain efficient and proper securities transactions, exchange

information and experience to support and develop capital markets and consolidate efforts to achieve an effective control of securities transactions. CMA was announced as an ordinary member during IOSCO's 35th Annual Conference in Montreal, 2010. In addition, CMA joined the Retail Investor Committee and changed the capacity of its membership in the Investment Management Committee from its status as an observer member to an ordinary member in 2015. IOSCO has several key committees including:

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

CMA's participations in IOSCO's activities and committees in 2015 may be summed up as follows:

Event	Venue	Date
IOSCO's 40 th Annual Conference CMA participated in the meetings of the Presidents Committee, IOSCO's Board, GEM Committee and AMERC	London UK	14-18 June 2015
IOSCO's Board Meeting CMA participated in the Meeting of the Steering Committee which reports to GEM Committee	Seoul South Korea	11-13 Feb 2015
IOSCO's Board Meeting CMA participated as a member of the Board	Toronto Canada	5-7 Oct 2015
GEM Committee Meeting	Cairo Arab Republic of Egypt	27-29 Apr 2015
AMERC Meeting	Muscat Sultanate of Oman	24-25 Feb 2015
Regulation of Secondary Markets Committee	New Delhi India	29-30 Jan 2015
	Toronto Canada	26-28 May 2015
	Sao Paulo Federative Republic of Brazil	27-29 Oct 2015
Investment Management Committee Meeting	Tokyo Japan	13-14 Oct 2015
Commodity Derivatives Markets Committee Meeting	Madrid Spain	28-29 May 2015
Committee on Emerging Risks (CER) Meeting Participation	Rio de Janeiro Federative Republic of Brazil	1-2 Sep 2015
Assessment Committee Meeting - Participation	Pretoria South Africa	16-18 Mar 2015



Second: Gulf Cooperation Council (GCC) Countries

CMA participated in the meetings of the Ministerial Committee of the Chairpersons of GCC Capital Markets Regulators as follows:

Event	Venue	Date
6 th Meeting of the Ministerial Committee of the Chairpersons of GCC Capital Markets Regulators	Doha Qatar	15 Sep 2015
12 th Meeting of the Committee of the CEOs of GCC Capital Markets Regulators	Doha Qatar	5 May 2015
13 th Meeting of the Committee of the CEOs of GCC Capital Markets Regulators		14 Sep 2015
11 th Meeting of the GCC Capital Markets' Supervision/Oversight Taskforce		3 Jun 2015
19 th Meeting of the GCC Capital Markets' IPOs and Subscriptions Taskforce	Riyadh KSA	11-12 Mar 2015
3 rd Meeting of the Training Officers Taskforce of GCC Capital Markets Regulators		4 Jan 2015
4 th Meeting of the Training Officers Taskforce of GCC Capital Markets Regulators		22 Jan 2015

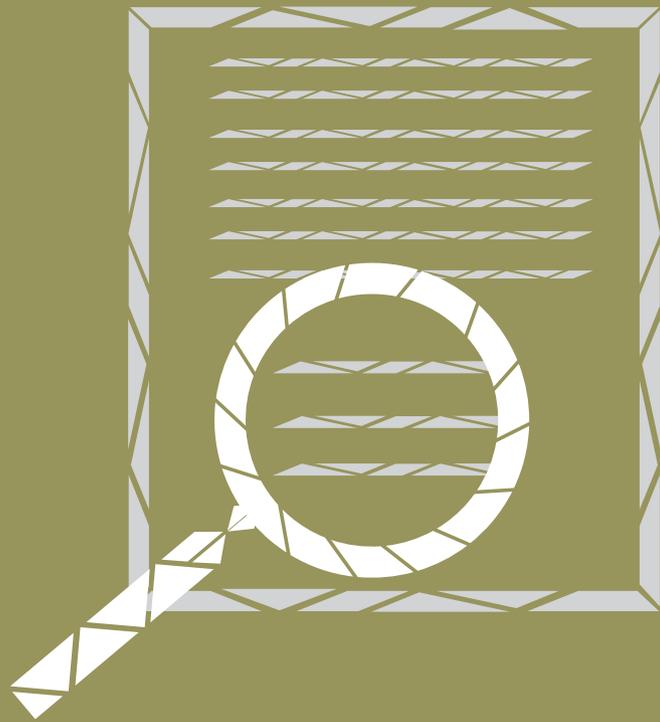
Third: Union of Arab Securities Authorities (UASA)

The Union of Arab Securities Authorities (UASA) was established in 2007, and CMA is one of its founders. UASA includes 15 active members, three associate members and one observer member. UASA's targets at raising the performance of Arab capital markets, consolidate efforts to reach effective levels of oversight on transactions in Arab capital markets, and exchange information,

technical assistance and expertise. It also encourages cooperation and coordination to set up standards to ensure the efficiency and integrity of capital markets' transactions, and coordination on related laws and regulations so as to achieve the maximum harmony and consistency.

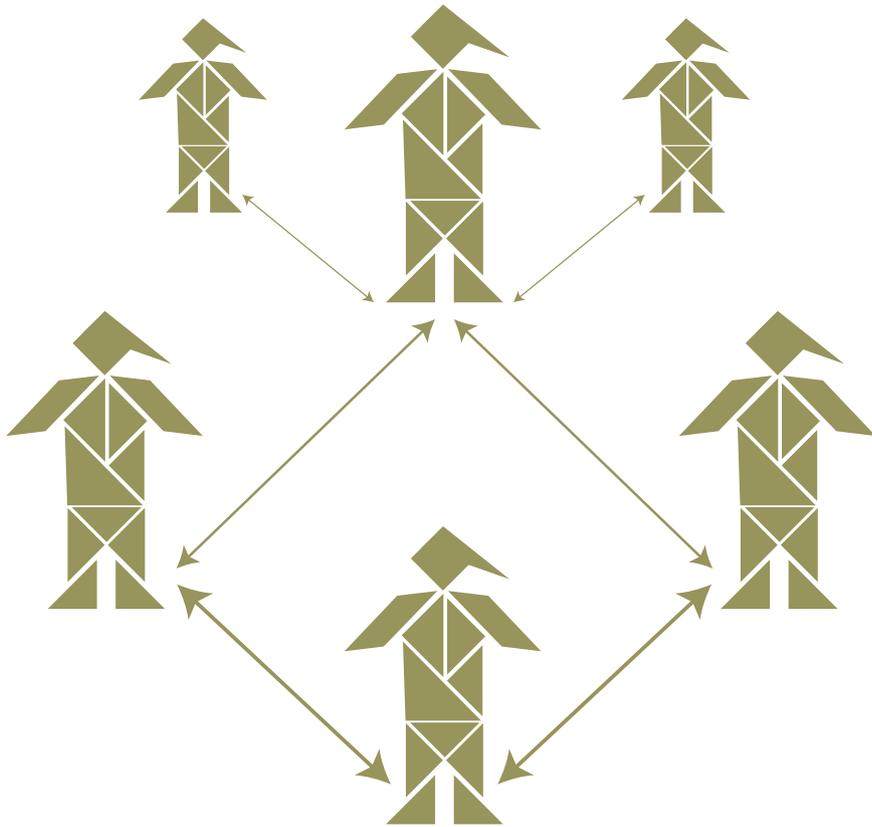
CMA also participated in several UASA activities in 2015:

Event	Venue	Date
2 nd Consultative Meeting of the UASA's Board (held during the IOSCO's 40th Annual Conference)	London UK	14 Jun 2015
1 st Meeting of the Temporary Committee for the Preparation of UASA's 2016-2020 Strategic Plan	Dubai UAE	10 Sep 2015
2 nd Meeting of the Temporary Committee for the Preparation of UASA's 2016-2020 Strategic Plan	Dubai UAE	16-17 Dec 2015
Practical Training Program in Collaboration with UASA	CMA's Headquarters Riyadh KSA	26-27 Oct 2015



Chapter Three

Committees of Governance
and Development and CMA
Disclosure



Section I

Governance Committees

I.1 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

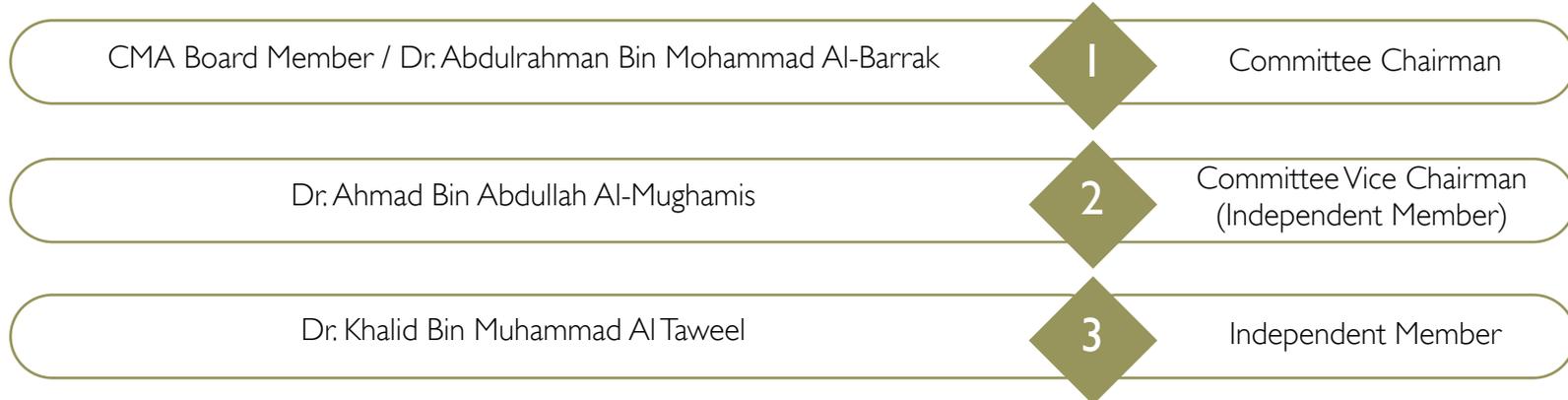


Given the importance of applying the standards and rules of governance to CMA's business and internal and operating environment in order to enhance its internal institutional and organizational structure in line with the best practices and standards adopted in similar international authorities, CMA Board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

CMA's Internal Audit Division and the independent auditor assigned to audit CMA's financial statements. It also provides proposals and recommendations to CMA Board to develop the monitoring environment at CMA, without prejudice to the powers and functions of CMA Board set forth in the CML and its Implementing Regulations. The Committee aims to study the issues referred to it pursuant to its charter; provide proposals and recommendations and express its views thereon. The Audit Committee shall be supervised by CMA Board and shall consist of the following members:

1.1 Audit Committee

The Audit Committee is responsible for following up the duties of



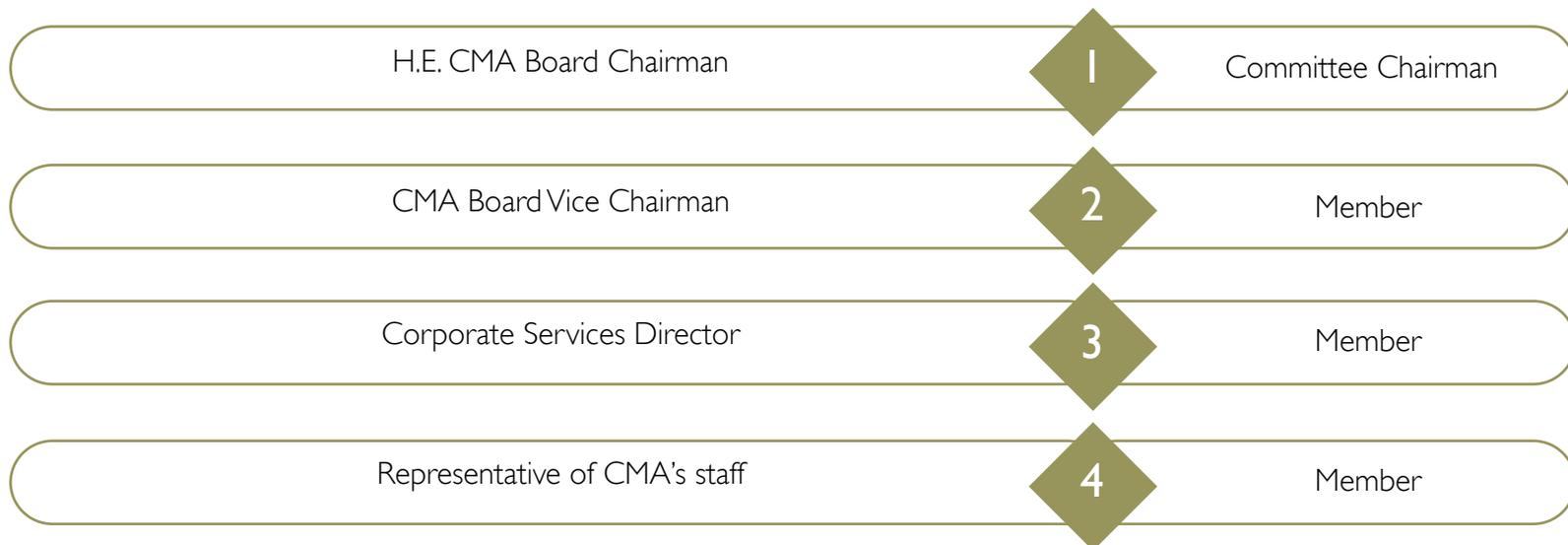
The Committee held 7 meetings during 2015 where it discussed many issues on its agenda and made appropriate recommendations.

1.2 Ad-hoc Committees

(1) Executive Committee

This Committee studies all issues within CMA, except for those that fall under the jurisdictions of the Audit Committee and other ad-hoc

committees. The Committee consists of the following members:



The Committee held 14 meetings in 2015 where it discussed many issues on its agenda and issued the appropriate recommendations.

(2) Committee for Corporate Finance and Issuance

This Committee studies the issues related to the Corporate Finance and Issuance Division. This Committee consists of the following members:

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

The Committee held 10 meetings in 2015 where it discussed many issues on its agenda and issued the appropriate recommendations.

(3) Committee for Capital Market Institutions Supervision

This Committee studies the issues related to the activities of the Division of Capital Market Institutions Supervision. It consists of the following members:

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

The Committee held 9 meetings in 2015 where it discussed many issues on its agenda and issued the appropriate recommendations.



(4) Market Supervision Committee

This Committee studies the issues related to the activities of the Market Supervision Division. This Committee consists of the following members:

CMA Board Vice Chairman	1	Chairman
CMA Board Member/ Dr. Najem Bin Abdullah Al-Zaid	2	Member
Market Supervision Director	3	Member

The Committee held 7 meetings in 2015 where it discussed many issues on its agenda and issued the appropriate recommendations.

(5) Enforcement Committee

This Committee studies the issues related to the Enforcement Division. It consists of the following members:

CMA Board Member/ Dr. Abdulrahman Bin Mohammad Al Barrak	1	Chairman
CMA Board Member/ Dr. Najem Bin Abdullah Al-Zaid	2	Member
Enforcement Director	3	Member

The Committee held 15 meetings in 2015 where it discussed many issues on its agenda and issued the appropriate recommendations.

1.3 Human Resources Development Committee

This Committee supervises human resources development programs and exercises its powers as prescribed by the approved matrix of financial and administrative authorities. This committee consists of the following members:

CMA Board Member/ Dr. Abdulrahman Bin Mohammad Al Barrak	1	Chairman
Human Resources Department Manager	2	Member
Mr. Khalid Bin Abdulaziz Al Homoud	3	Member
Mr. Mohammad Bin Sulaiman Al Misfer	4	Member
Mrs. Maha Bent Hamad Al Rashudi	5	Member

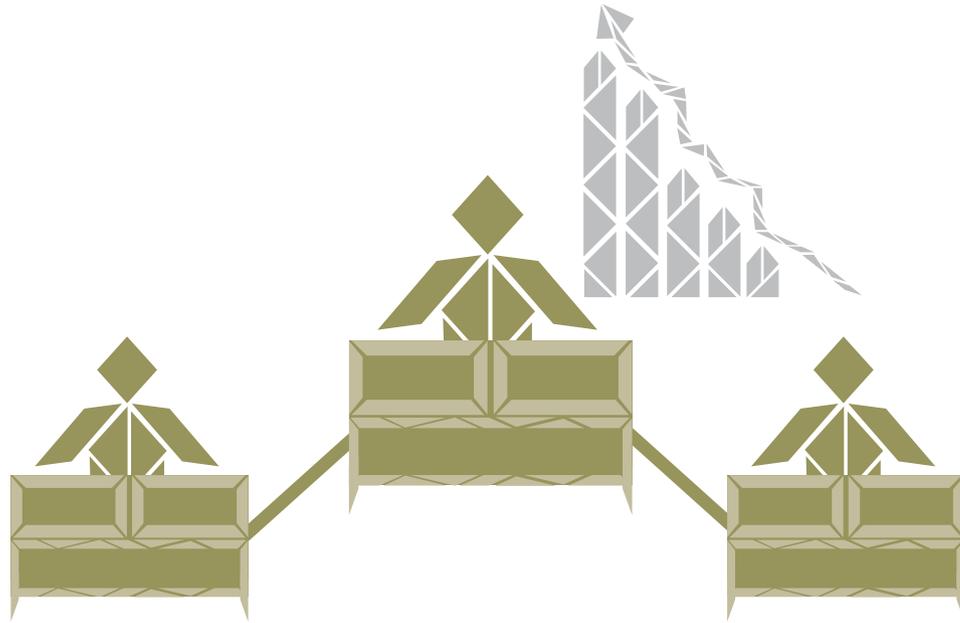
The Committee has the following functions:

- Set up the overall policy of 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.
- Develop the rules governing human resources development programs at CMA such as the rules related to the educational programs, targeted specializations, comparison standards between candidates and recommended universities as well as the rules governing part time enrolment programs in educational institutions, attachment program at international organizations, specialized programs, in-house training programs, professional certificates, technical tests, English language programs and the high potential (HiPo) program.
- Validate nominations for education programs in terms of applicant's eligibility requirements, and suitability of the targeted degree, as well as have them approved by the competent employee.
- Consider requests related to the attachment program at international organizations and validate them for approval by the competent employee.
- Study and make recommendations to the competent employee with regard to the special cases related to employees enrolled in educational 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 field study trips.
- Review educational and training programs reports and provide recommendations thereon.
- Validate the programs dedicated to fresh graduates and seek the Chairman's approval.



The Committee held 21 meetings in 2015 where it discussed many issues on its agenda, including:

- Updating and approving the regulation of human resources development.
- Setting up the overall policy of human resources development.
- Validating the human resources development plan for 2016 and obtaining the Chairman's approval.
- Following up and supervising the human resources development programs, including educational programs (scholarship program and part time program), attachment programs at external organizations, specialized programs, internal training programs, program of professional certificates and technical tests and English language programs.
- Directly supervising the high potential (HiPo) program by establishing an assessment center and reviewing its results, validating development plans of the employees joining the program and reviewing periodical reports on the program implementation progress.
- Directly supervising all phases of fresh graduate programs.
- Sponsoring the program dedicated to raise awareness in the field of Islamic finance and directly supervising its execution.
- Studying the recommendations of education programs in terms of the requirements the applicant needs to satisfy and suitability of academic qualifications, and validate them for the Chairman's approval.
- Updating the list of universities recommended for scholarship programs and limiting them to the best 120 universities around the world.
- Updating the program of professional certificates support and approving the list of professional certificates in line with the nature of CMA's work and its expectations for quality control.
- Reviewing and issuing recommendations regarding the periodical reports of education and training programs.
- Holding periodical meetings with participants in development programs at CMA to benefit from their feedback and suggestions for the delivery of future programs.
- Encouraging the development of initiatives and values program in CMA.
- Developing and preparing programs for the employees of different occupational categories who have recently joined CMA.



Section 2

Development Committees

- 2.1 Supreme Joint Committee to Separate Functions and Jurisdictions of CMA and the Saudi Stock Exchange Co. "Tadawul"
- 2.2 CMA Advisory Committee
- 2.3 E-Transactions 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 established in 2013 and chaired by the Vice-Chairman of CMA Board. It comprises eight members (four members from CMA and four members from Tadawul). The Committee aims to explore the practicalities of separating the functions and jurisdictions of CMA and "Tadawul" in accordance with the instructions of the CML, and report its activities to CMA Board as well as to make concrete recommendations for appropriate action. Eight taskforces have been formed (four from CMA and four from Tadawul) under this project to deliberate and consult on its various aspects, agree on business mechanisms and refer findings to the Supreme Joint Committee, for consideration and action.

The Committee was re-formed during 2015 to comprise 11 members (six from CMA and five from "Tadawul") and five meetings were held during the course of the year.

After CMA Board reviewed the targeted operational organizational structure prepared by the Saudi Stock Exchange Co. "Tadawul" and the program of change management and time-line for execution were determined, the second phase of the project started and two taskforces from CMA and Tadawul were formed to assume the following tasks:

1. The aspects related to the activity of corporate finance and issuance (representative members from CMA and Tadawul).
2. The aspects related to the activity of capital market institutions (representative members from CMA and Tadawul).

The second phase of the project included the following:

- Completion of the phase of assessment and gap analysis for the regulations governing the capital market institutions activities and the regulations governing the activities of corporate finance and issuance.

- Completion of a benchmarking study against a number of international capital markets concerning regulations of capital market institutions and corporate finance and issuance.
- Granting the work team of the project sufficient room to work together with the consultant appointed to complete the project and issue recommendations regarding the works assigned to such staff. These recommendations are then referred to the Committee during the meetings for proper action.
- Making a number of resolutions regarding the issue of the separation of functions and jurisdictions of the CMA and Tadawul. This task is to be completed by the end of 2016.
- A file containing all results, recommendations and grounds for proposed amendments to the regulations of capital market institutions and the regulations of corporate finance and issuance were prepared and submitted to the Supreme Joint Committee which approved them following discussions and consultations with relevant taskforces.
- Policy documents concerning capital market institutions and corporate finance and issuance activities were prepared, and will form the basis for drafting the regulations governing the said activities. The Supreme Joint Committee approved the referenced documents.
- Providing opportunities for investors to participate in the capital market by organizing periodical consultative/advisory workshops, so as to recognize the importance of their role in developing the market, and to review and benefit from their suggestions as well as keeping them informed of upcoming changes which may affect them.

Drafting of the regulations and rules for the capital market institutions and corporate finance and issuance activities is in progress.

2.2 CMA Advisory Committee

CMA's Advisory Committee was established in 2013 to provide channels of communication with all market stakeholders and create a regulated mechanism to enhance 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 may be studied at the request of CMA Board.
- b. Discuss issues and proposals referred by market participants, and solicit their feedback on any proposed changes or new policies it wishes to adopt, subject to 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.

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 Fayeze

6

Mr. Salman Al-Sudairi

8

Dr. Abdullah Alabdulakadir

10

Mr. Fahad Al-Saif

12

Mr. Mohammed Al-Gwaiz

The Committee exercises its powers as a consultative body to CMA Board. It has the right, when the need arises, to set up permanent or provisional sub-committees or taskforces of its members, or assign one of its members to examine specific issues on their own. Furthermore, the Committee has the right, subject to the Board approval, to hire local or international experts and specialists, as needed.

The Advisory Committee began its second term after the issuance of its reformation decision on 31/12/2014 as follows:

The Committee held in this term 8 meetings with an average attendance of 82.0% of the total number of members as 11 subjects

were discussed, and recommendations thereon were submitted to CMA Board and appropriate decisions were made.



The Committee reviewed and studied the following:

- CMA's Advisory Committee Charter.
- Proposals for the development of regulation of margin lending practices.
- The role of market maker.
- Regulatory obstacles in mergers and acquisitions among listed companies.
- Enhancing transparency and disclosure of listed companies.
- Amendment to Article (12) of the Market Conduct Regulations.
- Draft instructions for investment accounts.
- The role of CMA in developing human resources and improving professionalism.
- Developing means and tools to control the fluctuations of the capital market.
- Developing financial instruments to increase liquidity in the Saudi Stock Exchange.
- Proposals to develop the capital market to be the main regional market.

2.3 E-Transactions Committee

In implementation of High Order No. (8189/MB) dated 19/6/1426H, regarding formation of a committee at every government agency under the name "E-Government Committee" which reports directly to the top official at that agency or his designee and which shall be concerned with all matters pertaining to e-transactions, determining respective implementation requirements in coordination with the E-Government Program "YESSER" at the MCIT and other government agencies, CMA formed the E-Transactions Committee to assume the responsibility of supervising the implementation of the e-transactions plan at CMA, coordinate with the E-Government Program "YESSER" at the MCIT and other government agencies and carry out CMA's electronic transformation as well as to support projects with the same objective. The Committee consists of the following members:

H.E. CMA Board Chairman	1	Chairman
CMA Board Vice Chairman	2	Member
Corporate Services Director	3	Member
Strategy and Research Director	4	Member
Information Technology Manager	5	Member and Coordinator

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.

The Committee held 5 meetings during 2015 where it discussed many issues on its agenda and issued the appropriate recommendations. In 2015, CMA implemented the following:

First: “YESSER” Program

In the course of cooperation between CMA and “YESSER”, the Director General and senior officials of “YESSER” Program visited CMA Headquarters on 24 August 2015. Areas of partnership and cooperation and methods to enhance and develop CMA’s e-transactions were discussed as well as cooperation between CMA and “YESSER” in the electronic connection process.

MCIT’s National Team for Transformation Measurement visited CMA. The Team is tasked with assessing the 6th Transformation Measurement and the preparedness of government agencies to apply e-transactions transformation. The Team is charged with reviewing and scrutinizing the data and results of the 6th Transformation Measurement questionnaire, providing suggestions and producing a detailed report on the assessment results to be submitted to the head of the relevant agency. In the meeting with CMA officials, the Team was briefed on the measurement conditions and the efforts made to achieve exceptional results. The Team also visited the technical data center, the technical support center and the investor complaints’ and call center, and met with the customer service team, e-portal team, the team in charge of drafting the e-government transformation plan (Enterprise Architecture Team) and the information security team.

In pursuance of the Program’s requirements, CMA has executed the following:

- (1) The integrated connectivity project with the Ministry of Commerce and Industry (MCI).

- (2) Connection establishment project with “Nafith” (a system for handling judicial orders relating to securities disclosure, attachment and enforcement) between the Saudi Stock Exchange Company (Tadawul) and the Ministry of Justice³¹.
- (3) Commencement of connection projects with other government agencies.

It should be noted that CMA participated in the 6th Measurement of “YESSER” Program. However, the measurement results have not been released at the time of preparing this report.

Second: Information Security

In the area of information security and technological risks CMA has:

- Assessed CMA’s e-security level and applied corrective security solutions including preparation of an action plan to designate officers to be in charge of applying such solutions and pursuing implementation thereof.
- Started working with the National Information Center at the Ministry of Interior.
- Started working with the Computer Emergency Response Team (CERT).
- Identified levels of e-security risks.
- Completed the audit for ISO 27001 – 2015 certificate and subsequent improvement initiatives.
- Started setting up a security operations center with the aim of providing adequate analyses for all CMA’s technical operations as well as to detect potential threats.

31) “Nafith” (a system for handling judicial orders relating to securities disclosure, seizure and enforcement) electronically links together APs, the Saudi Stock Exchange (Tadawul), the Ministry of Justice and the CMA. The project aims to process the transactions of the Enforcement Department and the requests of enforcement judges using an electronic system. The most important goals of the system are:

- Raising efficiency and expediting enforcement of court rulings as referred in compliance with statutes of limitations provided for in the Enforcement Law.
- Maintaining the confidentiality of data and information relating to enforcement.
- Issuing necessary reports to follow up the requests of enforcement judges.



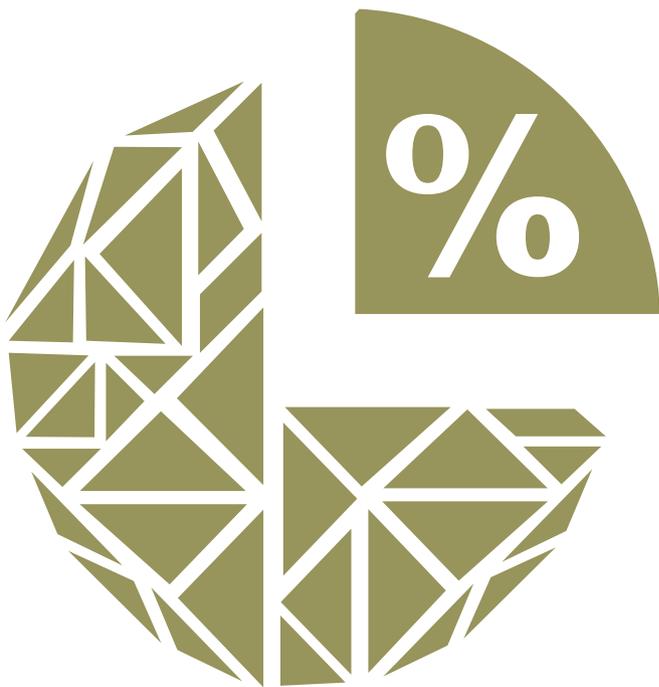
Third: Internal Systems

CMA has applied 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 2015, CMA implemented 52 projects; an increase of 40% year-on-year. The major projects of 2015 include:

- A system for handling judicial orders relating to securities disclosure, attachment and enforcement (Nafith).
- An automated system for daily disclosure of investment fund units.
- A system for lifting trade bans on the shares of founding shareholders.
- A system for listed companies' investment in listed securities.
- Listed companies' announcement system.
- A system for substantial shareholdings³².
- Integrated connectivity with MCI.
- Developing telephone communication systems as well as call centers and technical support systems.
- A system for managing CMA's user accounts.
- Upgrading the network information security solutions for all CMA's desktops.
- Improvements to the APs' e-portal.
- Email system upgrade.

³²) The system aims to follow up the stakes (5% or more) of major shareholders, board members and senior executives. It includes the issuance of reports on daily changes and also maintains the history of all these changes and the relevant disclosure forms in accordance to Articles (45) and (50) of the Listing Rules. The most important goals and outputs are:

- Providing a single database for major shareholders, board members and senior executives.
- System-generated alerts for any suspicious case that may be in violation of Articles 45 and 50 of the Listing Rules.
- Availability of printing out trading activity reports on major shareholders and senior executives.



Section 3

CMA Disclosures

3.1 Data and Statistical Disclosure

3.2 Financial Disclosure

- (1) CMA Financial Performance
- (2) Independent Auditors' Report
- (3) Statement of Financial Position
- (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 Data and Statistical Disclosure

Capital markets regulators recognize the importance of releasing statistical data highlighting the 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.

■ Capital Market Statistical Bulletin

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 CMA's website.

In addition to enhancing transparency and protecting investors, the bulletin aims to serve researchers and stakeholders 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. 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 of individuals, companies, government bodies and investment funds in sukuk and bonds.
- 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 on 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 stock markets classified by market region (European, Asian, US, Arab, GCC and local).
- Total assets of discretionary portfolios management (DPM) classified by investment class.
- Value of sukuk and bonds subscriptions by type of investor.

According to the minutes of the Administrative Committee Meeting No. (2/2015) held on 10/8/1436H corresponding to 28/5/2015, H.E. the Chairman has instructed to transform the semi-annual bulletin into a quarterly bulletin, to be issued and published on a quarterly basis as of the third quarter of 2015. The following data were added to such bulletin:

- Stock market indicators.
- Values and percentages of ownership in stock market classified by investor type.
- Values and percentages of ownership in stock market classified by investor and investment behavior.
- Values and percentages of trading classified by investor type.
- Values and percentages of trading in stock market as per investor's classification according to the investment behavior.
- Value and number of locally offered sukuk classified by issuer and offer type.
- Value and number of locally offered bonds classified by issuer and offer type.
- Net subscriptions in investment funds classified by investment type (subscriptions less redemptions).

- Indicators of workforce at authorized persons.
 - Requirements of capital adequacy for authorized persons.
- CMA Board issued Resolution No. (2–95–2015) dated 13/2/1437H corresponding to 25/11/2015 approving the quarterly statistical bulletin.

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

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

■ **Statistical Appendix**

In order to enhance transparency and in support of CMA's interest in providing statistical data on its business and activities, a Statistical Appendix is published every year along with the data published via time series. The Appendix includes data related to offerings and subscriptions, public offer funds, surveillance and investigation cases, CMA's inspection tasks, licenses and the Authorized Persons, as well as their financial statements.



3.2 Financial Disclosure

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

1. Fees for services and commissions charged by CMA in accordance with the provisions of the CML 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 the CML.
4. Funds provided by the government to CMA.
5. Any other resources determined by the Board.

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

1. Registration of securities with CMA.
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 finance all of its current and capital expenses and other expenses needed.

According to Article Fourteen of the CML, CMA shall have an independent budget to be submitted to the Minister of Finance and approved in accordance with applicable procedures. Accordingly, CMA submitted its annual budget to the Minister of Finance.

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. The cash basis conforms to government accounting requirements and the accrual basis conforms to the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) and the established international standards for the public sector.

(I) CMA Financial Performance

Receipts and payments up to 31/12/2015 were as follows:

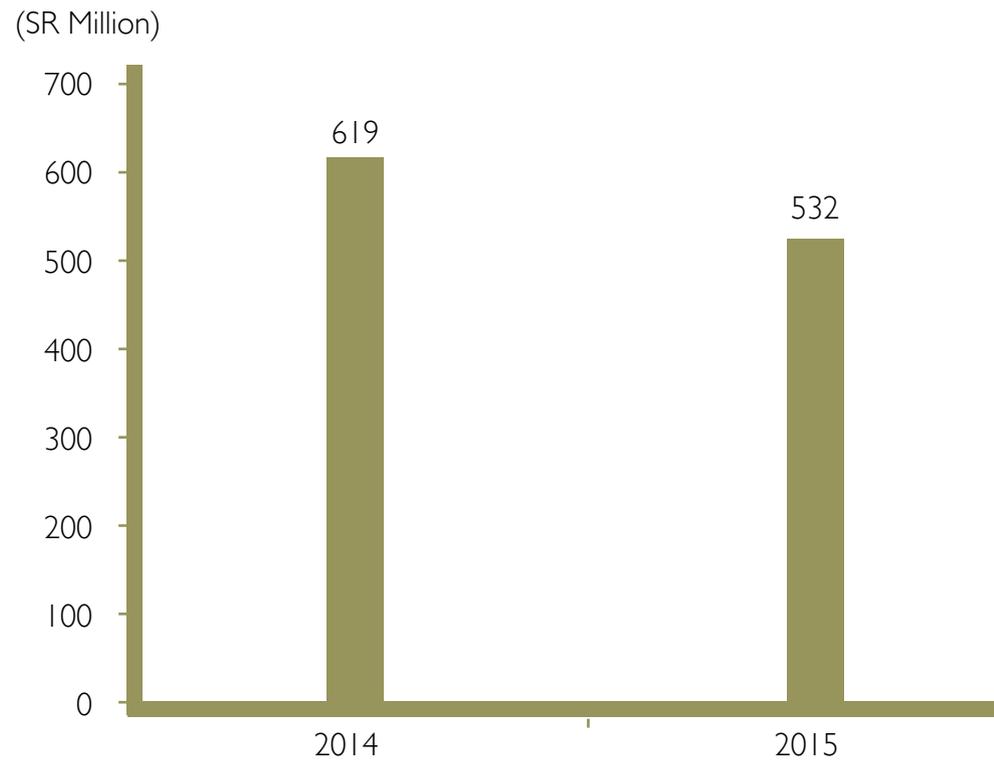
(A) Receipts (Revenues):

Total CMA revenues collected in 2015 declined by approximately 14% (SR 87 million) compared to 2014 (Table (55), Chart (19)).

Table (55): CMA's Collected Revenues

Item	2014	2015	Change	(%)
Collected Revenues (SR)	618,552,715	531,507,318	- 87,045,397	- 14.1%

Chart (19): CMA's Collected Revenues

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

Total payments (expenses) approved in the CMA's budget for 2015 stood at SR 587 million; 84% (SR 492 million) was disbursed out of the approved budget, generating a surplus close to SR 95 million (Table (56), Chart (20)).

Table (56): CMA's Budget vs. Payments (Expenses) for 2015

Item	Budget	Actual	Surplus	(%)
Payments (Expenses) (SR)	587,298,866	492,167,312	95,131,554	16.2%

Chart (20): CMA's Budget vs. Payments (Expenses) for 2015

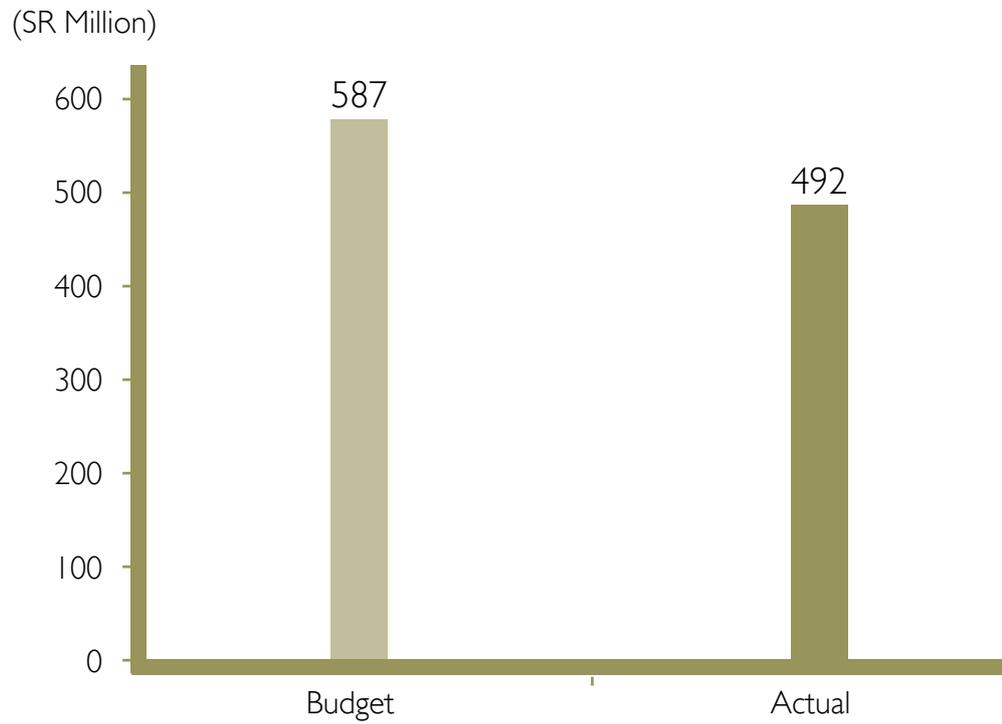


Table (57) indicates a comparison of the CMA's actual payments in 2014 and 2015, showing an increase of 8.3% year-on-year.

Table (57): CMA's Actual Payments in 2014 and 2015

Item	2014	2015	Change	(%)
Total Payments (SR)	454,315,601	492,167,312	37,851,711	8.3%

The most significant savings achieved by CMA during 2015 were in:

▪ **Employee Expenses:**

CMA posted a reduction of 13.5% in total employee expenses compared to the budget approved for 2015 (Table (58)).

Table (58): Budget vs. CMA's Employee Expenses for 2015

Item	Budget	Actual	Surplus	(%)
Employee Expenses (SR)	433,969,919	375,546,688	58,423,232	13.5%

▪ **General and Administrative Expenses:**

CMA posted a reduction of 22.1% in total general and administrative expenses compared to the budget approved for 2015 (Table (59)).

Table (59): Budget vs. CMA's General and Administrative Expenses for 2015

Item	Budget	Actual	Surplus	(%)
General and Administrative Expenses (SR)	134,800,345	104,976,884	29,823,461	22.1%

▪ **Capital Expenses:**

CMA spent 63% of the budget approved for capital expenses, generating a surplus of 37.2% (SR 7 million) (Table (60)).

Table (60): Budget vs. CMA's Capital Expenses for 2015

Item	Budget	Actual	Surplus	(%)
Capital Expenses (SR)	18,527,602	11,643,741	6,884,861	37.2%



(2) INDEPENDENT AUDITORS' REPORT



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Correspondent of
 **MAZARS**

INDEPENDENT AUDITORS' REPORT

To His Excellency, the chairman and board members
Capital Market Authority
Riyadh, Saudi Arabia

We have audited the accompanying financial statements of the **Capital Market Authority ("the CMA")** which comprise the statement of financial position as at 31 December 2015 and the related statements of financial performance, cash flows and changes in net assets for the year then ended and the attached notes (1) through (19) which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with basis of preparation described in Note (2) to the financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibilities

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 Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures, on a sampling basis, to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Opinion

In our opinion, the financial statements taken as a whole:

Present fairly, in all material respects, the financial position of the CMA as at 31 December 2015, and of its results of operations and its cash flows for the year then ended in conformity with basis of preparation described in Note (2) to the financial statements.

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Certified Public Accountants

Suleiman Abdullah AlKharashi
 License No.: 91



7 Jumada'II, 1437H
 16 March 2016



(3) STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	SAUDI RIYALS	
		2015	2014
ASSETS			
Current assets			
Cash and cash equivalents	4	1,194,891,818	1,155,551,812
Trade receivables	5	13,492,649	20,392,553
Prepayments and other current assets	6	58,631,448	65,747,400
Total current assets		1,267,015,915	1,241,691,765
Non-current assets			
Projects under construction	7	1,712,895,368	1,692,678,479
Property and equipment	8	558,127,889	578,496,692
Total non-current assets		2,271,023,257	2,271,175,171
Total assets		3,538,039,172	3,512,866,936
LIABILITIES			
Current liabilities			
Trade payables	9	1,913,954	491,426
Accruals and other current liabilities	10	67,398,466	55,336,656
Total current liabilities		69,312,420	55,828,082
Non-current liabilities			
Employees' end of service benefits	11	162,823,285	137,552,720
Total non-current liabilities		162,823,285	137,552,720
Total liabilities		232,135,705	193,380,802
Net assets		3,305,903,467	3,319,486,134
NET ASSETS			
Expenditure reserve	12	608,808,078	559,332,253
General reserve	12	586,083,740	596,219,559
Accumulated surplus of revenue over expenses	13	2,111,011,649	2,163,934,322
		3,305,903,467	3,319,486,134

The accompanying notes (1) through (19) form an integral part of these financial statements.



(4) STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	SAUDI RIYALS	
		2015	2014
Revenue			
Stock trading commission		299,010,314	386,561,187
Other services of Tadawul		103,655,143	100,583,035
CMA services and activities		22,357,275	20,563,788
Violations of the Capital Market Law and its implementing regulations		<u>92,119,468</u>	<u>109,035,675</u>
Total revenue		<u>517,142,200</u>	<u>616,743,685</u>
Expenses			
Salaries and employees' related benefits	14	(376,954,236)	(333,308,604)
Training and scholarships		(37,124,246)	(41,316,635)
Professional and consultancy fees		(25,663,373)	(9,892,943)
General and administrative expenses	15	(73,714,250)	(59,963,045)
Depreciation	8	<u>(27,636,216)</u>	<u>(34,081,958)</u>
Total expenses		<u>(541,092,321)</u>	<u>(478,563,185)</u>
(Deficit) surplus from main operations		(23,950,121)	138,180,500
Other revenue and expenses, net	16	<u>10,367,454</u>	<u>10,066,076</u>
Net (deficit) surplus of revenue over expenses		<u><u>(13,582,667)</u></u>	<u><u>148,246,576</u></u>

The accompanying notes (1) through (19) form an integral part of these financial statements.



(5) STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	SAUDI RIYALS	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (deficit) surplus of revenue over expenses	(13,582,667)	148,246,576
Adjustments to reconcile net surplus of revenue over expenses for the period with net cash from operating activities:		
Depreciation	27,636,216	34,081,958
Loss from disposal of property and equipment	156,372	(49,898)
Employees' end of services	28,947,278	27,346,455
Changes in operating assets and liabilities:		
Trade receivables	6,899,904	(10,093,049)
Prepayments and other current assets	7,115,952	(13,701,917)
Trade payables	1,422,528	(2,610,202)
Accruals and other current liabilities	12,061,810	(4,889,232)
Paid employees' end of services	<u>(3,676,713)</u>	<u>(5,791,634)</u>
Net cash from operating activities	<u>66,980,680</u>	<u>172,539,057</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and equipment and Projects under construction	(27,644,764)	(9,116,759)
Proceeds from disposal of Property, Plant and equipment	<u>4,090</u>	<u>230,736</u>
Net cash used in investing activities	<u>(27,640,674)</u>	<u>(8,886,023)</u>
Net increase in cash	39,340,006	163,653,034
Cash and cash equivalents at beginning of the period	<u>1,155,551,812</u>	<u>991,898,778</u>
Cash and bank balances at end of the period	<u><u>1,194,891,818</u></u>	<u><u>1,155,551,812</u></u>

The accompanying notes (1) through (19) form an integral part of these financial statements.



(6) STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2015

	SAUDI RIYALS				
	Expenditure reserve	General reserve	Surplus cash	Accumulated surplus revenue over expenses	Total
Balance at 1 January 2014	524,907,906	466,990,872	--	2,179,340,780	3,171,239,558
Net surplus of revenues over expenses for the year	--	--	--	148,246,576	148,246,576
Beginning reserves transferred to accumulated surplus of revenues over expenses	(524,907,906)	(466,990,872)	--	991,898,778	--
Surplus cash as at 31 December 2014	--	--	1,155,551,812	(1,155,551,812)	--
Transferred to expenditure reserve	559,332,253	--	(559,332,253)	--	--
Transferred to general reserve	--	596,219,559	(596,219,559)	--	--
As at 31 December 2014	559,332,253	596,219,559	--	2,163,934,322	3,319,486,134
Balance at 1 January 2015	559,332,253	596,219,559	--	2,163,934,322	3,319,486,134
Net deficit of revenues over expenses for the year	--	--	--	(13,582,667)	(13,582,667)
Beginning reserves transferred to accumulated surplus of revenues over expenses	(559,332,253)	((596,219,559)	--	1,155,551,812	--
Surplus cash as at 31 December 2015	--	--	1,194,891,818	(1,194,891,818)	--
Transferred to expenditure reserve	608,808,078	--	(608,808,078)	--	--
Transferred to general reserve	--	586,083,740	(586,083,740)	--	--
As at 31 December 2015	608,808,078	586,083,740	--	2,111,011,649	3,305,903,467

The accompanying notes (1) through (19) form an integral part of these financial statements.



(7) NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND ACTIVITIES

Capital Market Authority was established based on "Capital Market Regulations" 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 Saudi Arabia under the name of "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 CMA.

CMA is a government organization financially and administratively independent linked directly to the Prime Minister. 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 development of 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 the authorizing, buying and public offering of shares.

Based on the CMA Board decision No. 02/05/2004 dated 23/06/1425H corresponding to 09/08/2004, the fiscal year of CMA begins on the eleventh day of Capricorn month (based on the Loner 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. BASIS OF PREPARATION

2.1. Statement of compliance

The accompanying financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA) and presented according to International Public Sector Accounting Standards.

2.2. Basis of measurement

The financial statements have been prepared on the historical cost basis using the accrual basis of accounting and the going concern concept.

2.3. Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and presentation currency.

2.4. Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements. Certain comparative amounts have been reclassified to conform to the current year's presentation.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts and deposits with banks and other short-term highly liquid investments with original maturities of three month or less and can be called at any time, if any, which are available without any restrictions.

Trade receivable

Accounts receivable are stated at original invoice amount, in accordance with the CMA regulations. Pursuant to Article fifteen, any due amounts from others are considered to be public funds, and have the same treatment of debts due to Public Treasury, and are collected according to the procedures for the collection of debts due to the Pubic Treasury.

Property and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement when incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of individual item of property, plant and equipment. The estimated useful lives of assets will be depreciated as follow:

	Years
Buildings	33,33
Decorations	5
Office furniture and equipment	5 – 10
Motor vehicles	4
Computer software and hardware	3 – 5

Trade payable and accruals

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

Provisions

A provision is recognized if, as a result of past events, the CMA has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit will be required to settle the obligation.

Employees' end of service benefits

Provision for end of service benefits is calculated based on one month for each of the first five years of employment and a month and a half for the year six onwards according to the CMA Board decision No. 3/113/2005 dated 14/11/2005. The provision is charged to the statement of financial performance during the financial period. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

Reserves

According to the article fourteen of CMA Regulations, 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 of total expenditure set out in the previous annual budget (general reserve).

Revenue recognition

The CMA's share of shares trading revenue are recorded based on the notifications which are received from the Saudi Stock Market Company ("Tadawul"). Tadawul's revenue is recognized when services are rendered and billed to clients on accruals basis. The CMA's share is 50% of the total trading revenue and other related services based on government decisions issued in this regard and approved by His Excellency, the President 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.

Other revenue of the CMA is recognized on accrual basis, with the exception of Violations of the Capital Market Law and its implementing regulations which are recorded upon collection and recognition.

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 in Saudi Riyals at the exchange rates prevailing at the financial position date. All profits and losses resulted from payments or transfers of foreign currency are recognized in the statement of financial performance.



4. CASH AND BANK BALANCES	SAUDI RIYALS	
	2015	2014
Cash in hand	--	11,969
Cash at bank on current accounts	3,391,818	3,539,843
Time deposits *	<u>1,191,500,000</u>	<u>1,152,000,000</u>
	<u>1,194,891,818</u>	<u>1,155,551,812</u>

* Time deposits/ callable accounts represent balances deposited with local banks at the date of financial statements for a period ranging between two to nine months at variable interest rates and can be called at any time. Total revenue of deposits amounting to

SR 10.82 million has been recognized in statement of financial performance during the year ended 31 December 2015 (2014: SR 10.18 million).

5. TRADE RECEIVABLE	SAUDI RIYALS	
	2015	2014
Saudi Stock Exchange Company (Tadawul)	11,904,744	17,927,592
Others	<u>1,587,905</u>	<u>2,464,960</u>
	<u>13,492,649</u>	<u>20,392,553</u>

The balance due from Tadawul (Related party) mainly represents the CMA's share of the fees and trading commissions which had not been processed 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 CMA's revenue should represent 50% of total revenue of Tadawul.

In accordance to CMA's Regulations and pursuant to Article twenty two, Tadawul is subject to supervision of CMA in addition to organizational relationship which represent the following:

- Tadawul is managed by a Board of Director that consists of nine members appointed through a decision of the Council of Ministers and through a nomination of the Chairman of CMA, in which they chose among them a Chairman of the Board and Vice Chairman of the Board. The term of the Board membership is three years with an option to renew.

- Regulations and guidelines approved by CMA's Board identify the procedures relating to the holding of meetings of Tadawul Board and the way resolutions are made therein, plans to work conduct of the Board, terms of reference and tasks assigned to each of the Chairman and the Director; and all related administrative and financial matters.

- The Board of Tadawul appoints a director after taking the approval of CMA's Board. The appointed director is prohibited from doing any governmental or commercial work, or have an interest in or ownership of any brokerage firm in Tadawul. The director is relieved of his post through a decision / the Tadawul Board.

The significant transactions with Tadawul and related amounts during the two financial periods ended were as follows:



	Relationship	SAUDI RIYALS	
		2015	2014
CMA's revenue collected through Tadawul	Supervisory and regulatory relationship	404,105,078	488,492,537
Payments on behalf of CMA	Supervisory and regulatory relationship	378,466	767,870
Payments on behalf of Tadawul	Supervisory and regulatory relationship	2,633,352	--

6. PREPAYMENTS AND OTHER CURRENT ASSETA	SAUDI RIYALS	
	2015	2014
Employees' loans	25,218,644	26,796,483
Prepaid expenses	20,406,800	3,020,794
Accrued revenue	8,446,428	28,059,330
Advances to suppliers	2,500,000	6,149,317
Deposits with others	636,465	636,465
Other receivables	<u>1,423,111</u>	<u>1,085,011</u>
	<u>58,631,448</u>	<u>65,747,400</u>

7. PROJECTS UNDER CONSTRUCTION	SAUDI RIYALS			
	Balance as at 1 January 2015	Additions during the year	Transferred to PP&E	Balance as at 31 December 2015
Advances payments for lands (A)	187,143,446	--	--	187,143,446
Advances to contractors (B)	294,543,844	--	--	294,543,844
CMA head quarter at King Abdullah Financial District (KAFD) (C)	1,297,162,592	--	--	1,297,162,592
Furniture at CMA head quarter at (KAFD)	694,568	--	--	694,568
Computers and programs	1,357,062	24,331,111	(4,114,222)	21,573,951
Less:				
Retentions	<u>(88,223,033)</u>	<u>--</u>	<u>--</u>	<u>(88,223,033)</u>
	<u>1,692,678,479</u>	<u>24,331,111</u>	<u>(4,114,222)</u>	<u>1,712,895,368</u>



- A) The advance payments for lands, which amounted to SR 187 million represent the cost of project land to construct the CMA head quarter 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 and paid when the project is developed and the final cost per square meter is determined.
- B) 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 in which its ownership has been transferred to PPA.

Based on the above (B), the obligations related to the held by the contractors have been deducted as a retention amounting to SR 88 million.

- C) Details of the cost of the headquarters of the CMA at King Abdullah Financial District as at are as follows:

	SAUDI RIYALS	
	2015	2014
Design and consultancy	1,026,812,552	1,026,812,552
Construction work	253,242,237	253,242,237
Others	<u>17,107,803</u>	<u>17,107,803</u>
	<u><u>1,297,162,592</u></u>	<u><u>1,297,162,592</u></u>

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 (KAFFD) to the PPA to be added to buildings owned and managed by it at KAFFD. 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 14/03/1434H corresponding to 26/01/2013, 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 into 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, with exception of the amounts spent by CMA to prepare the twenty floors amounted to SR 695 K as at 31 December 2015 (2014:SR 695 K).



8. PROPERTY AND EQUIPMENT	SAUDI RIYALS						
	Lands	Buildings	Decorations and Improvements	Furniture and Office Tools	Motor Vehicles	Computers and Programs	Total
Cost							
1 January 2015	412,046,635	132,300,020	62,366,989	60,732,998	3,943,900	98,663,079	770,053,621
Additions	--	--	652,127	917,290	300,000	1,444,236	3,313,653
Transferred from projects under construction	--	--	--	--	--	4,114,222	4,114,222
Disposals	--	--	(6,910)	(882,301)	(250,000)	(1,632,369)	(2,771,580)
At 31 December 2015	<u>412,046,635</u>	<u>132,300,020</u>	<u>63,012,206</u>	<u>60,767,987</u>	<u>3,993,900</u>	<u>102,589,168</u>	<u>774,709,916</u>
Accumulated depreciation							
1 January 2015	--	(11,576,252)	(47,489,206)	(43,378,174)	(3,056,400)	(86,056,897)	(191,556,929)
Depreciation for the period	--	(3,969,000)	(9,465,201)	(8,303,644)	(272,914)	(5,625,457)	(27,636,216)
Disposals	--	--	6,910	856,894	119,791	1,627,523	2,611,118
At 31 December 2015	--	<u>(15,545,252)</u>	<u>(56,947,497)</u>	<u>(50,824,924)</u>	<u>(3,209,523)</u>	<u>(90,054,831)</u>	<u>(216,582,027)</u>
Net book value:							
31 December 2015	<u>412,046,635</u>	<u>116,754,768</u>	<u>6,064,709</u>	<u>9,943,063</u>	<u>784,377</u>	<u>12,534,337</u>	<u>558,127,889</u>
31 December 2014	<u>412,046,635</u>	<u>120,723,768</u>	<u>14,877,783</u>	<u>17,354,824</u>	<u>887,500</u>	<u>12,606,182</u>	<u>578,496,692</u>

9. TRADE PAYABLE	SAUDI RIYALS	
	2015	2014
Suppliers of services	1,850,440	433,827
Others	<u>63,514</u>	<u>57,599</u>
	<u>1,913,954</u>	<u>491,426</u>



10. ACCRUALS AND OTHER CURRENT LIABILITIES	SAUDI RIYALS	
	2015	2014
Employee accruals	45,459,173	41,548,772
Accrued expenses	12,738,286	3,931,056
Deferred revenues	8,951,245	7,514,141
Others	<u>249,762</u>	<u>2,342,687</u>
	<u>67,398,466</u>	<u>55,336,656</u>

11. PROVISION FOR END OF SERVICE BENEFITS	SAUDI RIYALS	
	2015	2014
Balance at 1 January	137,552,720	115,997,899
Provided during the period	28,947,278	27,346,455
Paid during the period	<u>(3,676,713)</u>	<u>(5,791,634)</u>
Balance at 31 December	<u>162,823,285</u>	<u>137,552,720</u>

12. RESERVES

Pursuant to Article fourteenth of CMA's Regulations, CMA has established expenditure reserve and general reserve at the end of the financial year ended 31 December 2014, as follows:

- At the end of the financial year and before transfer the surplus of resources to the Ministry of Finance, CMA establishes an expenditure reserve equivalent to the value of the estimated expenses which are expected to be incurred by CMA in the next year of the financial statements. Accordingly, the expenditure reserve has been established during the financial year ended 31 December 2014 in the amount of SR 609 million (2013: SR 559 million).

- Also general reserve is established equivalent to the double its expenditure during the current year. As there is deficit in establishing reserves, CMA established a general reserve by the difference between the expenditure reserve and cash surplus at the end of the year, and no amount has been transferred to Ministry of Finance, as follows:



	SAUDI RIYALS	
	2015	2014
Cash surplus for the year at 31 December	1,194,891,818	1,155,551,812
Less:		
Expenditure reserve during the year	<u>(608,808,078)</u>	<u>(559,332,253)</u>
General reserve balance for the year as at 31 December	<u>586,083,740</u>	<u>596,219,559</u>
General reserve according to the regulation	<u>(984,334,622)</u>	<u>(908,631,202)</u>
Deficit in establishing general reserve	<u><u>(398,250,882)</u></u>	<u><u>(312,411,643)</u></u>

13. SURPLUS OF REVENUE OVER EXPENSES

Total accumulated surplus of revenues over expenses (before transferring to reserves) as at 31 December 2015 amounted to SR 3,305,903,467 (2014: SR 3,319,486,134), while the cash surplus, representing in cash and bank balances amounted to SR 1,194,891,818 (2014: SR 1,155,551,812).

Pursuant to Article fourteenth of the Capital Market Law, CMA has established expenditure reserve amounting to SR 608,808,078 (2014: SR 559,332,253).

During the year ended at 31 December 2015, a general reserve has been established according to requirements of capital market law amount to SR 586,083,740 (2014: SR 596,219,559) and no amounts have been transferred to Ministry of Finance as that date as there no cash surplus after establishing the reserves. Accordingly the balance of (non-cash) accumulated surplus of revenues over expenses amounting to SR 2,111,011,649 (2014: SR 2,163,934,322).

14. SALARIES AND EMPLOYEES RELATED BENEFITS	SAUDI RIYALS	
	2015	2014
Salaries	139,031,175	135,126,356
Employees' allowances	74,920,641	72,894,268
Employees' bonuses	54,052,350	35,271,022
End of service benefit	28,947,278	27,346,455
Medical insurance	22,081,263	19,365,638
Social insurance	20,006,260	18,697,636
CMA's share in savings program	17,275,509	15,847,519
Business trips and seminars	2,896,214	3,508,983
Others	<u>17,743,546</u>	<u>5,250,727</u>
	<u><u>376,954,236</u></u>	<u><u>333,308,604</u></u>



15. GENERAL AND ADMINISTRATIVE EXPENSES	SAUDI RIYALS	
	2015	2014
General services and maintenance	32,252,592	26,494,997
Rent	10,487,734	10,147,914
Subscription	7,777,856	5,982,363
New graduate program	5,460,830	1,896,775
Committee's members' fees	4,837,059	3,740,625
Telephone, postage and internet	4,266,236	3,302,833
Hospitality	2,493,745	2,113,516
Operational contracts expenses	2,162,514	2,744,668
Public relations	2,053,311	1,635,666
Media expenses and investors awareness	627,097	614,838
Others	<u>1,295,276</u>	<u>1,288,850</u>
	<u><u>73,714,250</u></u>	<u><u>59,963,045</u></u>

16. OTHER REVENUE AND EXPENSES, NET	SAUDI RIYALS	
	2015	2014
Revenues from bank deposits	10,817,405	10,184,662
Capital losses from disposal of fixed assets	(156,372)	49,898
Prior years expenses	(946,859)	(377,251)
Others	<u>653,280</u>	<u>208,767</u>
	<u><u>10,367,454</u></u>	<u><u>10,066,076</u></u>

17. CAPITAL COMMITMENTS

As at 31 December 2015, capital commitments of CMA amounted to SR 4 million, as total value of projects contracts amounted to SR 26.2 million, part of which paid amounted SR 22.3 million (2014: SR 2.8 million) after transferring CMA's head quarter at King Abdullah Financial Center to the PPA.

18. 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 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 as 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 of CMA 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

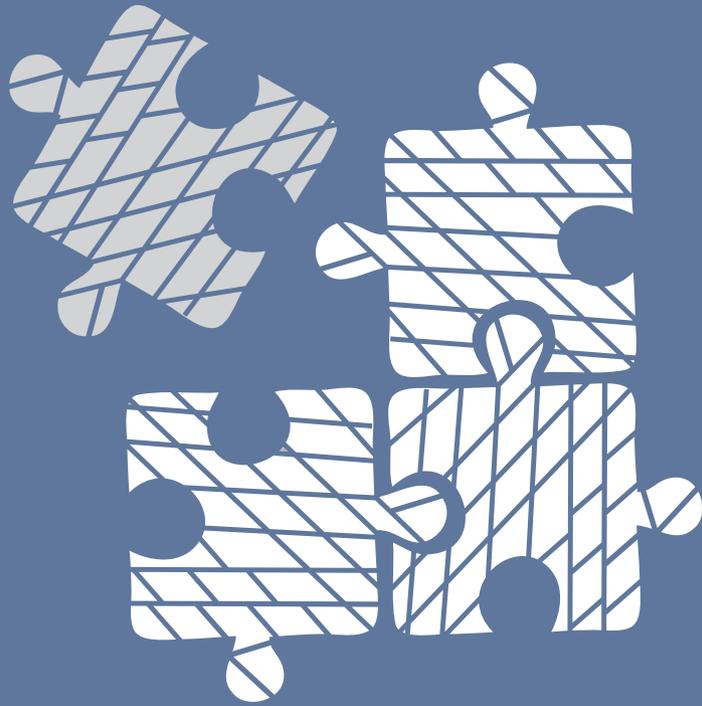
Liquidity risk is the risk that the CMA will not be able to meet its obligations related to financial liabilities when they become due. Liquidity needs are monitored periodically and the Management ensures the availability of sufficient funds to meet any obligations when due. The CMA does not expect 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.

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of CMA on 28 Jumada'l 1437H, corresponding to 8 March 2016.



Chapter Four

Data and Statistical Appendix



Content of the Statistical Appendix

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Table (1): Number of Applications for Securities Offerings and Corporate Actions Approved by CMA and Private Placement Notifications Received

Year	Initial Public Offering	Private Placement	Debt Instrument Public Offering	Rights Issues Offering	Acquisition	Capital Reduction	Bonus Shares
2006	10	-	1	3	3	1	21
2007	27	1	2	4	1	1	18
2008	13	19	1	5	1	-	17
2009	13	64	2	3	1	-	13
2010	7	93	1	1	-	1	4
2011	6	74	2	5	1	1	10
2012	8	90	1	3	1	1	22
2013	5	115	2	1	1	-	18
2014	5	118	-	10	1	-	24
2015	5	198	1	4	0	1	20

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	-	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
2015	4.2	23.8	0.8	3.9	32.7



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

Year	Phone Banking	Internet Banking	Bank Branches	ATMs	Other	Total
2006	6.1	4.2	11.2	12.0	-	33.5
2007	9.0	5.7	6.2	15.0	-	35.9
2008	21.1	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
2015	0.5	1.2	0.4	3.0	0.3	5.4

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

Year	Phone Banking	Internet Banking	Bank Branches	ATMs	Other	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
2015	0.7	2.3	1.1	2.3	0.3	6.6

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

Year	Equities	Debt Instruments	Money Markets	Real Estate	Fund of Funds	Balanced	Capital Protected	Other	Total
2007	122	11	49	4	33	-	-	14	233
2008	135	7	57	4	34	-	-	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	-	4	245
2014	150	9	46	11	41	2	-	4	263
2015	169	9	44	10	30	2	-	3	267

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	Fund of Funds	Balanced	Capital Protected	Other	Total
2007	62,317.0	808.0	33,893.0	1,591.0	2,263.0	-	-	4,127.0	105,099.0
2008	24,824.0	153.0	43,035.0	2,293.0	1,756.0	-	-	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	27,998.2	637.2	53,878.3	2,587.4	2,731.0	64.2	43.3	30.2	87,959.8
2013	24,441.2	563.3	60,945.8	4,131.1	2,797.9	130.5	-	111.3	103,121.1
2014	25,585.4	641.9	66,381.6	4,975.5	2,837.2	124.6	-	108.7	110,654.9
2015	33,011.6	831.3	61,713.3	4,430.5	2,727.0	91.9	-	57.4	102,862.8



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	18,541.8	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	30,974.4
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
2015	20,024.5	3,014.3	306.9	856.0	2,003.6	2,747.9	4,058.5	33,011.6

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

Year	Equities	Debt Instruments	Money Markets	Real Estate	Fund of Funds	Balanced	Capital Protected	Other	Total
2009	275,062	137	68,398	4,484	6,523	757	124	846	356,331
2010	427,771	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	-	139	257,803
2014	187,426	232	46,307	5,869	5,254	414	-	274	245,776
2015	181,997	207	43,430	5,455	4,996	377	-	266	236,728.0

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 its 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
2015	30,549	1,555	29

Table (10): Condensed and Detailed Financial Statements Reviewed and Published 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
2015	841	833



Table (11): Reviewed Quarterly Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports

Year	Quarterly Financial Statements with Unqualified Audit Opinions	Quarterly Financial Statements with Qualified Audit Opinions
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
2015	117	53

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

Year	Financial Statements with Unqualified Audit Opinions for the Preceding Year	Financial Statements with Qualified Audit Opinions 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
2015	119	48

Table (13): Filed CML Violation Cases by Type of Violation

Type	Year								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Violation of Manipulation and Misleading	14	47	41	38	30	31	39	14	10
Disclosure Violation	10	28	19	67	63	36	56	244	99
Insider Trading	-	-	2	3	6	1	2	1	20
Violation of the Authorized Persons Regulations	7	4	6	54	23	29	23	62	89
Ownership/Disposal of Percentages without Notifying CMA	19	11	4	3	10	10	7	20	31
Conducting Securities Business and Investment of Funds without License	45	53	55	39	67	49	39	11	24
Violation of CMA Board Resolutions	-	1	2	-	2	7	4	7	24
Violation of the “Offers of Securities Regulations”	-	4	6	2	1	3	6	1	4
Other Violations of Listing Rules	-	3	3	8	1	1	3	1	2
Trading during Prohibited Period	3	-	7	17	15	20	39	42	65
Violation of Corporate Governance Regulations	-	-	9	15	35	41	43	22	30
Violation of Investment Funds/Real Estate Investment Funds Regulations	-	-	3	7	35	41	20	72	0
Violation of Prudential Rules	-	-	-	-	-	-	5	27	30
Violation of Merger and Acquisition Regulations	-	-	-	-	-	-	-	2	0
Other Violations	-	-	-	-	-	-	1	4	4
Total	98	151	157	253	288	269	287	530	432



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

Type	Year								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Violation of Manipulation and Misleading	8	8	34	44	29	20	1	5	12
Disclosure Violation	6	12	28	49	73	67	24	109	210
Insider Trading	-	-	4	4	4	2	-	2	25
Violation of the Authorized Persons Regulations	1	5	10	25	45	27	3	30	89
Ownership/Disposal of Percentages without Notifying CMA	18	9	7	12	4	11	7	2	24
Conducting Securities Business and Investment of Funds without License	25	46	53	37	69	35	12	16	12
Violation of CMA Board Resolutions	-	-	3	-	1	2	3	8	23
Violation of the "Offers of Securities Regulations"	-	-	4	3	2	1	2	1	1
Other Violations of Listing Rules	-	-	6	8	1	1	1	1	2
Trading during Prohibited Period	-	-	-	19	21	8	16	27	57
Violation of Corporate Governance Regulations	-	-	8	12	27	51	9	32	26
Violation of Investment Funds/Real Estate Investment Funds Regulations	-	-	-	7	27	45	6	4	87
Violation of Prudential Rules	-	-	-	-	-	-	-	12	44
Violation of Merger and Acquisition Regulations	-	-	-	-	-	-	-	0	2
Other Violations	-	-	-	-	-	-	-	1	2
Total	58	80	157	220	303	270	84	250	616

Table (15): Number of Authorization Decisions by Type

Year	New License Issued	Amendment to License	Revocation of License	Cancellation of License
2007	35	6	2	-
2008	34	9	2	2
2009	12	4	6	6
2010	4	13	3	14
2011	3	8	-	16
2012	2	8	-	2
2013	5	5	-	-
2014	2	8	-	3
2015	1	8	-	-

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
2015	88	0	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	-	-	-	-	-
2008	Commenced	67	69	92	97	72
	Not Commenced	-	-	-	-	-
2009	Commenced	57	55	74	78	58
	Not Commenced	10	16	21	21	17
2010	Commenced	63	68	80	82	72
	Not Commenced	2	3	6	6	3
2011	Commenced	60	66	76	76	67
	Not Commenced	1	3	3	2	3
2012	Commenced	56	65	75	75	66
	Not Commenced	2	2	3	3	2
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	-
2015	Commenced	61	65	80	81	65
	Not Commenced	2	0	1	0	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
2015	2	21	5	6	54

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

Year	Cause	Cycle
2007	33	-
2008	51	2
2009	67	5
2010	54	18
2011	82	20
2012	65	77
2013	74	83 ³³
2014	107	54
2015	37	55

33) Including the Saudi Stock Exchange "Tadawul".



Table (20): Actions Taken by CMA on Anti-Money Laundering and Terrorism Financing

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
2015	128	283

Table (21): Consolidated Balance Sheet (Unaudited) – APs Assets (SR Million) for 2013 – 2015

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/ Advising APs			Total		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Cash and Cash Equivalents	4,313	5,137	5,560	1,404	1,535	1,211	1,525	1,784	1,633	1,466	1,421	1,537	119	280	248	8,827	10,157	10,189
Accounts Receivable	363	406	317	641	637	2,352	122	291	210	109	82	83	70	64	61	1,305	1,480	3,022
Margin Lending Creditors	3,314	3,763	2,711	248	227	259	17	18	9	0	0	0	0	0	0	3,579	4,008	2,979
Investments	2,754	3,340	4,731	4,853	5,070	5,268	1,069	1,087	1,589	44	0	0	58	48	58	8,778	9,545	11,647
Fixed Assets	219	226	165	810	417	201	246	266	123	29	22	18	23	7	13	1,327	938	520
Other Assets	309	327	411	787	693	875	103	73	136	46	38	46	8	13	12	1,253	1,144	1,480
Total Assets	11,272	13,199	13,895	8,743	8,579	10,166	3,082	3,519	3,700	1,694	1,563	1,685	278	412	392	25,069	27,272	29,838



Table (22): Consolidated Balance Sheet (Unaudited) – APs Liabilities (SR Million) for 2013 – 2015

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/Advising APs			Total		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Accounts Payable and Accrued Expenses	325	480	527	664	313	299	161	281	333	86	34	42	17	12	15	1,253	1,120	1,216
Bank Loans	2,112	2,337	2,451	294	491	1,582	299	412	445	20	48	38	0	0	46	2,725	3,288	4,561
Subordinated Loans	0	0	0	0	0	0	243	217	208	0	0	0	12	0	2	255	217	209
Zakat and Income Tax	122	175	109	98	75	191	46	50	61	10	15	19	2	3	4	278	318	383
End of Service Benefits	225	304	310	82	78	89	19	20	31	15	18	18	6	6	6	347	426	454
Other Accounts Payable Assets	309	362	669	172	101	496	69	198	98	63	38	33	8	56	36	621	755	1,333
Total Liabilities	3,093	3,658	4,065	1,310	1,058	2,656	837	1,178	1,176	194	153	150	45	77	109	5,479	6,124	8,156



Table (23): Consolidated Balance Sheet (Unaudited) – APs Shareholder Equity (SR Million) for 2013 – 2015

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/ Advising APs			Total		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Paid-up Capital	5,200	5,200	5,200	6,056	6,517	6,518	2,566	2,396	2,531	1,674	1,520	1,583	190	300	262	15,686	15,933	16,094
Statutory Reserve	666	819	913	456	488	536	36	28	41	35	43	47	11	12	18	1,204	1,390	1,555
Retained Earnings	661	1,091	1,671	-165	108	-32	-566	-334	266	-281	-219	-164	-7	-45	2	-358	601	1,210
Profit/Loss for the Period	1,497	2,265	2,102	633	550	175	108	118	-26	73	66	70	32	42	-3	2,343	3,041	2,317
Other Shareholder Equity	155	166	-56	452	-141	313	102	134	244	0	0	0	5	24	4	714	183	506
Total Shareholder Equity	8,179	9,541	9,830	7,432	7,522	7,510	2,246	2,342	2,524	1,501	1,410	1,535	231	333	283	19,589	21,148	21,682

Table (24): Investments of APs in 2013 - 2015 (SR Million)

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/ Advising APs			Total		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Listed Shares	147	210	116	1,474	939	595	99	112	295	12	0	0	9	0	0	1,741	1,261	1,005
Investment Funds	2,541	3,082	3,176	2,140	2,532	3,271	436	500	539	0	0	0	0	0	0	5,117	6,114	6,986
Debt Instruments	10	10	10	54	53	51	426	298	284	32	0	0	14	0	0	536	361	344
Securitization	0	0	0	0	0	0	0	6	6	0	0	0	0	0	0	0	6	6
Private Equity/ Subsidiaries and Sister Companies	55	38	25	886	1,150	781	67	66	72	0	0	0	9	38	18	1,017	1,292	897
Real Estate	0	0	1,405	298	396	571	41	105	394	0	0	0	26	10	40	365	511	2,409
Total	2,753	3,340	4,731	4,852	5,070	5,268	1,069	1,078	1,589	44	0	0	58	48	58	8,776	9,545	11,647



Table (25): APs Consolidated Income Statement (Unaudited) 2013 – 2015 (SR Million)

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/ Advising APs			Total		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Dealing	1,504	2,155	1,640	87	139	143	20	41	36	51	63	52	0	0	0	1,662	2,398	1,871
Asset Management	1,232	1,645	1,686	263	409	557	212	263	177	3	12	23	0	0	0	1,710	2,329	2,444
Investment Banking	435	352	443	260	193	230	93	76	58	51	22	18	74	105	66	913	748	815
Advice/Research	0	0	0	2	2	0	3	15	4	0	0	2	2	0	1	7	17	7
Custody	44	60	68	9	8	24	3	4	12	0	0	1	0	0	0	56	72	105
Investments	253	236	245	780	660	205	114	75	15	23	10	6	12	1	1	1,182	982	471
Other Revenues	- 100	4	62	565	436	262	9	23	19	232	201	217	17	31	29	723	695	589
Revenues	3,368	4,452	4,144	1,966	1,847	1,421	454	497	321	360	308	319	105	137	97	6,253	7,241	6,301
Salaries and Wages	1,038	1,142	1,240	496	535	555	177	185	210	168	145	140	43	64	64	1,922	2,071	2,208
Marketing	24	32	22	37	41	63	4	6	4	2	2	3	0	1	1	67	82	94
Other Expenses	811	1,013	780	800	721	628	164	189	132	117	95	106	22	30	35	1,914	2,047	1,682
Total Expenses	1,873	2,187	2,043	1,333	1,297	1,246	345	379	346	287	242	249	65	95	100	3,903	4,200	3,984
Profit/Loss	1,495	2,265	2,102	633	550	175	109	118	- 26	73	66	70	40	42	-3	2,350	3,041	2,317

