



Annual Report

1440 - 1441H (2019)



The Custodian of the Two Holy Mosques

King Salman bin Abdulaziz Al-Saud

President of the Council of Ministers



His Royal Highness

Prince Mohammed bin Salman bin Abdulaziz Al-Saud

Crown Prince, Vice-President of the Council of
Ministers, Minister of Defense



Pursuant to paragraph (b) of Article 7 of the Capital Market Law (CML), Royal Order No. (A/36) dated 06/02/1439H was issued to reform the CMA Board as follows:



His Excellency Mr.
Mohammed Bin Abdullah El-Kuwaiz¹
Chairman



Mr.
Youssef bin Hamad Al-Blihid
Vice-Chairman



Mr.
Ahmad bin Rajeh Al-Rajeh
Member



Mr.
Khaled bin Abdulaziz Al-Homoud
Member



Mr.
Khalid bin Mohammed Al-Solai
Member



¹ Royal Order number (A/303) dated 26/10/1438 H was issued to appoint His Excellency Mr. Mohammed bin Abdullah El-kuwaiz as Chairman of the Capital Market Authority Board at the rank of "Minister".



His Excellency Mr.

Mohammed bin Abdullah El-Kuwaiz

Chairman, CMA Board



Academic Qualifications

• MBA, New York University's Leonard N. Stern School of Business, USA	2003
• Bachelor's Degree, Law, King Saud University, KSA	1998
• The General Securities Qualification Certificate (CME-1)	2008



Professional Experience

• Chairman, CMA Board of Directors	2017 – present
• Vice-Chairman, CMA Board of Directors	2016 - 2017
• CEO, Derayah Financial	2006 - 2016
• Administrative Consultant, McKinsey & Company, UAE	2004 - 2006
• Senior Manager of Investment Banking and Corporate Finance, Samba Financial Group	1999 - 2004
• Broker, International Markets and Precious Metals, Arab National Bank	1996 - 1999



Membership

- Member, Financial Sector Development Program, Supervisory Committee, Council of Economic and Development Affairs (CEDA)
- Member, Board of Trustees, Oqal Group
- Former Member, Investment and Securities Committee, Riyadh Chamber of Commerce and Industry
- Former Member, Investment Committee, King Faisal Foundation
- Former Member, Investment Committee, Awqaf Sulaiman bin Abdulaziz Al-Rajhi Holding Co
- Former Member, Advisory Committee, Capital Market Authority
- Former Member, Board of Directors, Bank Albilad
- Former Member, Business Youth Committee, Riyadh Chamber of Commerce and Industry
- Former Member, Board of Directors, Public Pension Agency
- Former Member, Board of Directors, Al-Yamamah Steel



Mr.

Youssef bin Hamad Al-Blihid

Vice-Chairman, CMA Board



Academic Qualifications

• Master's Degree, Law, School of Law, Wake Forest University, USA	2008
• Higher Diploma, Legal Studies (Professional Master's Degree), Institute of Public Administration, KSA	2002
• Bachelor's Degree, Islamic Studies (Jurisprudence), King Saud University, KSA	2000



Professional Experience

• Vice-Chairman, CMA Board of Directors	2017 – present
• Deputy of Legal Affairs and Enforcement, CMA	2016 - 2017
• Director, Department of Follow-up and Enforcement, CMA	2016
• Director, Department of Legal Affairs, CMA	2015 - 2016
• Manager, Department of Legal Advice, CMA	2010 - 2015
• Legal Adviser, Department of Legal Affairs, CMA	2005 - 2010
• Case Lawyer, Legal Division, Royal Court	2002 - 2005



Membership

- Head of CMA Delegation, meetings of the Islamic Financial Services Board (IFSB)
- Head of CMA Delegation, meetings of the regulators of Arab financial markets
- CMA Representative, Saudi Delegation to meetings of the Standing Ministerial Committee of the Chairmen of GCC Capital Market Authorities
- Head of CMA Delegation, meetings of the Executive Committee of the GCC Heads of Capital Market Authorities (or their equivalent)
- Chairman / Member of a number of committees and teams comprising regulators of GCC Capital Markets for the Integration of GCC Capital Markets Project
- Head of CMA Delegation, Saudi-Emirati Coordination Council (the Retreat of Resolve)
- Chairman of the Standing Committee for Awareness on Dealing in Securities Activities in the Unauthorized Foreign Exchange Market (Forex)
- CMA Representative in several committees at the Bureau of Experts, Council of Ministers for the review of draft laws, regulations, and other issues referred to the Bureau
- Chairman / Member of a number of committees and teams tasked with implementing regulations of the Capital Market Law and Companies Law
- Chairman, Supreme Joint Committee to Separate the Functions and Jurisdictions of CMA and Tadawul
- Chairman, Inspection Committee for Listed Companies, CMA
- Vice-Chairman of Administrative Committee, CMA
- Chairman, Supervisory Committee for the Capital Market Documentation Initiative



Mr.
Ahmad bin Rajeh Al-Rajeh
Member, CMA Board



Academic Qualifications

• Master's Degree, Public Administration, University of Missouri, USA	1991
• Bachelor's Degree, Political Science, King Saud University, KSA	1986



Professional Experience

• Member, CMA Board of Directors	2017 – present
• Deputy of Corporate Resources, CMA	2016 - 2017
• Director, General Management, CMA	2009 - 2016
• Manager, Department of Human Resources, CMA	2005 - 2009
• Director General, Corporate Communications, supervisor of the Restructuring and Privatization Project, Saudi Arabian Mining Company (Ma'aden)	1999 - 2005
• Consultant to the Minister, Ministry of Labor	1998 - 1999
• Faculty Member, Institute of Public Administration – participated throughout his work at the institute in implementing a number of training programs and workshops; Conducted studies in administrative reform and regulatory and administrative consultancy for government agencies	1986 - 1998



Membership

- Chairman / Member of several CMA committees concerned with regulating and developing the capital market sector
- Chairman, Human Resources Development Committee, CMA
- Vice-Chairman, E-Transactions Committee, CMA
- Chairman, Supervisory Committee, Financial Academy, CMA
- Former Member, Executive Committee, CMA
- Former Member, Administrative Committee, CMA
- Former Member, E-Transactions Committee, CMA
- Former Member, Committee for Archives and Records, CMA
- Former Member, Steering Committee for CMA Headquarters in the Financial District, CMA
- Former Chairman, Savings Plan Committee, CMA
- Former Member, Scholarships and Training Committee, CMA
- Former Member, Policies Committee, Saudi Arabian Mining Company (Ma'aden)
- Former Member, Administrative Committee, Saudi Arabian Mining Company (Ma'aden)



Mr.

Khaled bin Abdulaziz Al-Homoud

Member, CMA Board



Academic Qualifications

• Master's Degree, Business Administration, Kent University, Ohio, USA	1999
• Bachelor's Degree, Accounting, King Saud University, KSA	1995



Professional Experience

• Member, CMA Board of Directors	2017 – present
• Deputy of Strategy and International Affairs, CMA	2013 - 2017
• Manager, Investment Funds Department, CMA	2006 - 2012
• Chief Executive, Corporate Finance, CMA	2004 - 2005
• Faculty Member (Financing and Investment), Saudi Arabian Monetary Authority (SAMA) – Institute of Banking	1995 - 2004



Membership

- Member, International Organization of Securities Commissions (IOSCO) Board of Directors
- Vice-Chairman, African / Middle East Regional Committee, International Organization of Securities Commissions (IOSCO)
- Chairman, Remuneration and Nomination Committee, General Authority for Zakat and Tax
- Member, General Authority for Zakat and Tax Board of Directors
- Member, Financial Sector Development Committee
- Chairman, Capital Account Committee, Capital Market Awareness, CMA
- Former Member, the National Committee for Saving
- Former Member, Human Resources Development Committee, CMA
- Former Member, E-Transactions Committee, CMA
- Former Member, Employee Savings Plan Committee, CMA
- Former Secretary, CMA Advisory Committee



Mr.
Khalid bin Mohammed Al-Solai
Member, CMA Board



Academic Qualifications

• CGMA, USA	2012
• CRMA, USA	2012
• ACFE, USA	2008
• CPA, USA	1990
• Diploma, Economy and Management, Economic Institute, USA	1985
• Bachelor's Degree, Accounting, King Saud University, KSA	1983



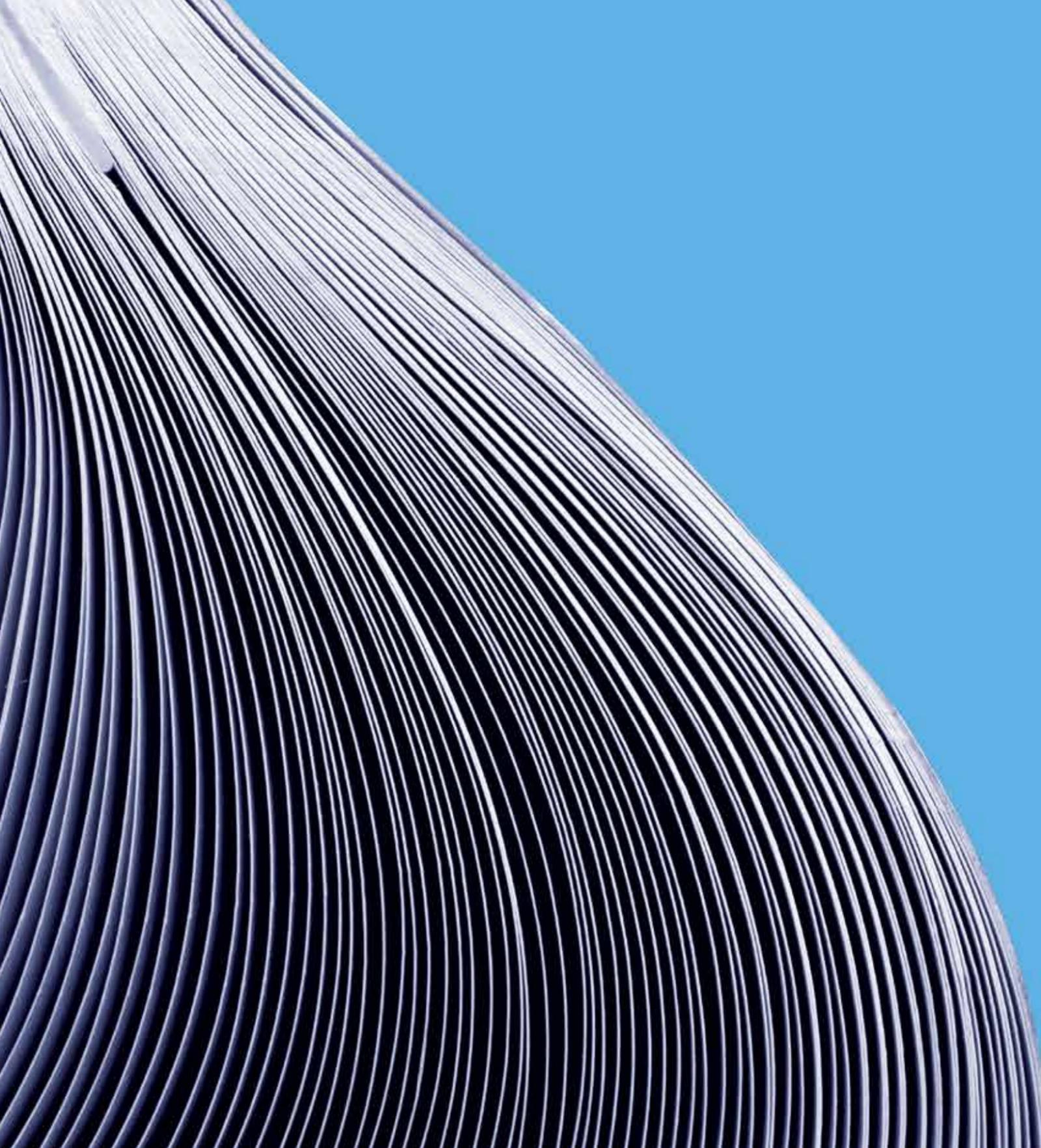
Professional Experience

• Member, CMA Board of Directors	2017 – present
• Supervisor, Professional Quality Assurance Program, Saudi Organization for Certified Public Accountants	2016 - 2017
• President, Internal Audit, Saudi Telecom Company	2006 - 2015
• Secondment to Ernest and Young for Accounting and Audit, USA	1986 - 1988
• Director, Audit and Financial Consulting, Saudi Industrial Development Fund	1983 - 2005



Membership

- Former Member, Board of Directors, Saudi Coca-Cola Bottling Company
- Member of the Board of Directors and former Chairman of the Audit Committee of Andalus Real Estate Company
- Former Member, Internal Audit Committee, Riyadh Chamber of Commerce and Industry
- Member, Board of Directors of Awqaf Sulaiman bin Abdulaziz Al-Rajhi Holding Co. and former Chairman of the Audit Committee
- Former Member, Board of Directors, Saudi Association for Internal Auditors
- Former Member, Board of Directors, Saudi Accounting Association
- Former Chairman, Audit Committee, King Saud University Endowments
- Former Member, Audit and Accounting Standards Committee and Management of Professional Quality Assurance Program, Saudi Organization for Certified Public Accountants
- Former Chairman, audit committees of several listed and unlisted companies: (ACWA Power, ACWA Holding, Aslak Co., Shaker Group, MEBCO, Al-Rajhi United, Saudia Cargo, Alitco)
- Former Member, audit committees of several companies, banks, financial institutions and insurance: (National Commercial Bank, Savola, Aljazira Takaful, Riyadh Cables Group Company, Aldrees Petroleum and Transport Services Company, Saudi Group Co., Eastern Province Cement Company, Saudi Aerospace Engineering Industries, Banque Saudi Fransi)



This report was prepared to demonstrate CMA's compliance with the highest standards of transparency, and to inform the public of its business during the past year pursuant to the requirements of Article 16 of the Capital Market Law (CML) which states: "The Chairman of the Board shall submit to the Prime Minister 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". Pursuant to Article 29 of the Law of the Council of Ministers, the presentation and contents of the document fulfill the requirements of the preparation of annual reports as mandated for ministries and public agencies, including universities and other government bodies.



Vision

To become the main market in the Middle East and one of the top ten financial markets in the world.

Mission

A capital market that facilitates funding... encourages investment... promotes confidence... and builds capacities.



Values

1

Continuing Development

CMA constantly develops and improves its business policies and procedures, laws, and programs used to run tasks, thus enhancing the services provided to capital market participants and supporting the growth of the national economy.

2

Excellence

CMA is known for its competent employees. It seeks to develop their skills and expertise to achieve the highest levels of quality and professional conduct, as well as providing the best services to capital market participants.

3

Communication and Consultation

Promoting professional cooperation, consultation, and communication as a work team that carries itself with the highest levels of professional conduct when dealing with capital market participants, within and outside CMA.

4

Social Responsibility and Staff Care

CMA believes that its employees are its greatest assets and that strengthening their loyalty is beneficial to the society and the Kingdom. Therefore, CMA is dedicated to creating a supportive and motivating work environment and providing various development, training, and financial awareness programs to the society.

5

Responsibility

Demonstrating the sense of responsibility and duty CMA has towards its community and staff, the responsibility borne by its employees towards their tasks, and the dedication to work honestly and faithfully to achieve its vision and mission.

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Introduction

1. Chairman's Message
2. Establishment
3. CMA Main Functions
4. Organizational Structure
5. Parties Supervised by CMA





Mohammed bin Abdullah El-Kuwaiz

Chairman, CMA Board

It gives me great pleasure to present to you the Annual Report of the Capital Market Authority for the year 1440/1441H (2019), which reviews CMA's most important initiatives and efforts in developing and regulating the Saudi capital market and protecting its participants.

The year 2019 has been full of accomplishments. In the context of the capital market, the fourth quarter of this year witnessed the offering and listing of the Saudi Arabian Oil Company (Saudi Aramco). This has been the largest public offering in history with a value exceeding (110) billion Saudi Riyals. Saudi Aramco has become the only company among the top (10) companies in the world whose shares are traded in an emerging market only. With the listing of Aramco, the Saudi capital market has progressed in rankings by value to become one of the (10) largest capital markets in the world by market value. The second quarter saw the first implementation of a merger between companies listed on the Saudi Stock Exchange by completing the legal merger between the Saudi British Bank and Alawwal Bank.

Concerning sukuk and bonds market, CMA worked with the Saudi Stock Exchange (Tadawul) and the National Debt Management Center on a range of improvements, notably the nominal devaluation of sukuk issued by the government

from one million Riyals to one thousand Riyals, reducing the fees for a number of services, and cutting down the trading commission for sukuk and bonds to stimulate their listing and trading.

As for encouraging investment and increasing the market attractiveness to foreign investors, the Saudi market completed most of the stages towards inclusion in the Global Indices (MSCI), (Standard & Poor's Dow Jones), and (FTSE Russell) for emerging markets, which contributed to a rise in the number of registered Qualified Foreign Investors (QFIs) by 309% (from 453 to 1853 investors) at the end of 2019. Net foreign investments in the capital market during the same period stood at 100 billion Riyals. These inclusions also contributed to an increase in institutional investors trading during 2019, recording a rise in change rate by 29.6% at the end of 2019 compared to 2018, which enhances the market efficiency and stability.

In the same context, CMA approved a number of essential changes to "Nomu" Parallel Market, including implementing a mechanism for transitioning listed companies to the main market, allowing direct listing in "Nomu" Parallel Market, and other adjustments that contributed to increasing the momentum and attractiveness of this market.

The Council of Ministers issued a resolution to amend the Capital Market Law, which is the first substantial change since the Law was enacted. The amendments to the Law aim at supporting the development of capital market infrastructure institutions, reducing risk, as well as making available new classes of securities, and attracting foreign investment, through entrusting CMA with the power to license capital market infrastructure institutions, which includes exchanges, depository centers, and clearing centers. These amendments also aim to improve compensation mechanisms for affected investors in the capital market by developing the mechanism of the class action suit and activating the affected investors' compensation funds, and facilitating the provision of the affected persons with the due compensations and expedite the procedures in this regard. These amendments will enhance the efficiency and attractiveness of the capital market and raise the level of its soundness and integrity. The amendments will also aim towards achieving fairness

in securities transactions, by amending some of the penalties stipulated in the Capital Market Law and granting CMA some additional powers to address violations in a manner that will enhance the efficiency of deterrence. CMA worked also on developing Laws, regulations, and rules governing the capital market. In 2019, CMA's Board approved "Securities Central Counterparties Regulations", which regulate securities clearing operations in the Kingdom, and determine the requirements for obtaining the necessary license for their practice, which will contribute to the provision of new classes of securities such as derivatives contracts, and ensure that the settlement has been completed and all parties have fulfilled their obligations upon settlement of transactions. This would develop the market current infrastructure and enhance its efficiency. Moreover, CMA's Board approved the "Instructions for the Foreign Strategic Investors' Ownership in Listed Companies." The instructions aim to regulate the necessary terms, requirements and conditions for the foreign strategic investor ownership of a strategic shareholding in listed companies, and determine the obligations and restrictions imposed thereon in this regard, with the aim of attracting foreign strategic partners to invest in listed companies who enjoy the required knowledge and expertise to enhance knowledge transfer and operational experience.

CMA fast-tracked the necessary procedures to decide on violations of the Capital Market Law, regulations and rules enforced by CMA during 2019, which emphasizes its attention to protecting investors and dealers in the market. CMA finalized the required procedures for 208 cases by an increase of 17% from the previous year, 109 decisions were enforced out of 129 issued by CMA's Board and the CRSD and ACRSD against violators of the Capital Market Law, regulations and rules enforced by CMA. On a different note, CMA issued "Investor Rights Document" hoping to contribute to raising awareness and investment culture of the market participants, making them a factor involved in developing the capital market and promoting investment confidence.

Regarding the performance of authorized persons, the sector maintained its strong financial position. The average capital adequacy coverage rate stood at 2.4 times. The total

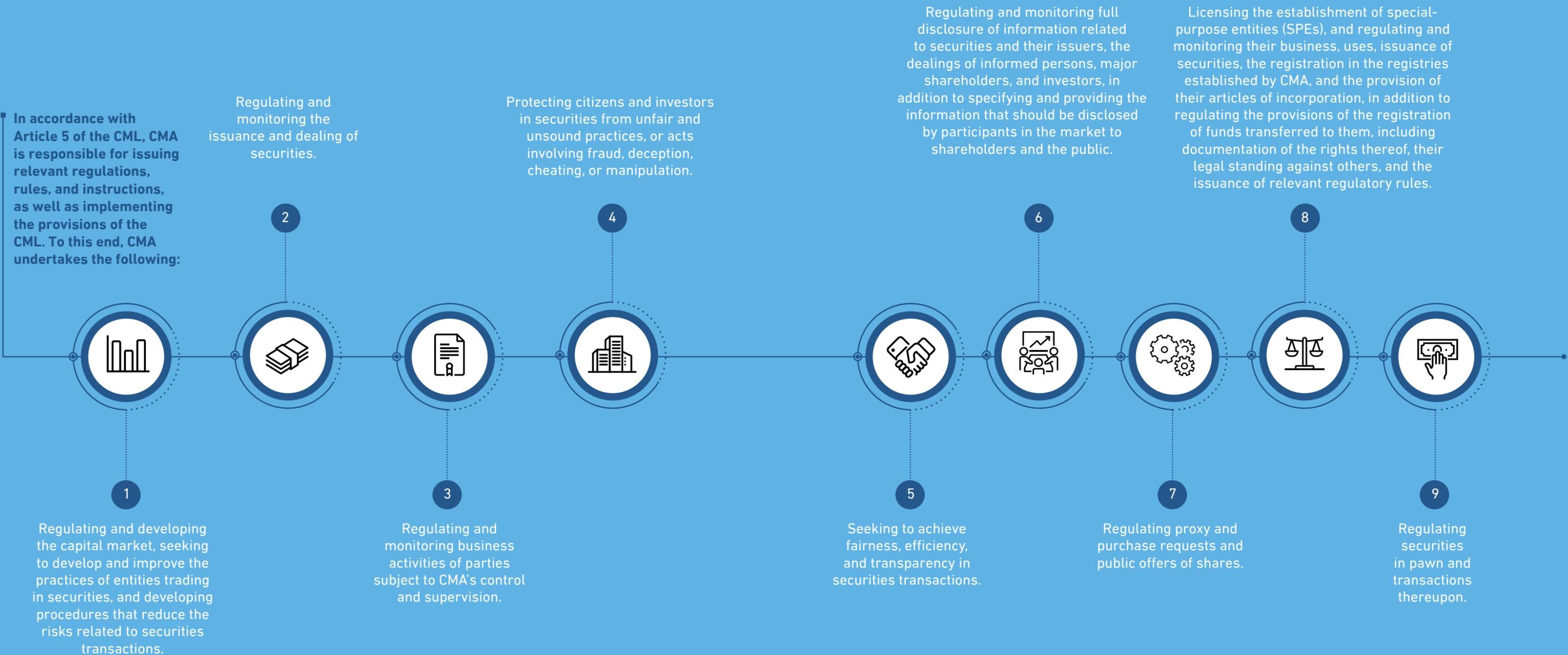
revenue of authorized persons reached 6.3 billion Riyals, rising by 11% compared to the previous year. Their net profits rose to 2.2 billion Riyals, by an increase of 15.1% compared to the preceding year.

Concerted government efforts contributed to the improved ranking of the Kingdom in a number of international indicators, including the World Bank Group's report "Doing Business" in which the Kingdom ranked (62) in 2020, compared to (92) in 2019, advancing (30) ranks. In this report, the Kingdom came in first at the world level in terms of progress and reform. It has made remarkable progress in the index of protecting minority investors, as it ranked third worldwide in this year compared to seventh in the preceding year. In addition, the Kingdom improved its ranking in a number of competitiveness indices issued in the World Economic Forum report. The Kingdom came in second in the "Shareholders' Governance" index, and ranked first in the "Shareholders' Governance" index within the G20. In the IMD World Competitiveness Yearbook, issued in 2019, the Kingdom ranked (26), achieving the largest progress among the most competitive countries in the yearbook; which was attributable in part to the Kingdom's improved rankings in 13 indices related to the capital market in this year compared to 2018.

In conclusion, I can only express my sincere thanks and gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al-Saud, the Prime Minister, and HRH Prince Mohammed bin Salman bin Abdulaziz Al-Saud, Crown Prince, Deputy Prime Minister, and Chairman of the Council for Economic and Development Affairs, for supporting CMA and providing everything needed to enable the development, growth and stability of the capital market. I also thank everyone who contributed to the success of our developmental, regulatory and supervisory efforts in the capital market, most notably are the members of CMA's Board, the executive body, the relevant entities that are also CMA's partners in this success, and all participants in the capital market whether institutions or individuals, whose efforts outlined these success stories.



The Capital Market Authority was established pursuant to the “Capital Market Law” issued by Royal Decree No. (M/30) dated 02/06/1424H corresponding to 31/7/2003. CMA reports directly to the President of the Council of Ministers, has a legal personality, and enjoys independent financial and administrative autonomy. It is responsible for supervising, regulating, and developing the capital market as well as issuing of regulations, rules, and instructions required to implement the provisions of the Capital Market Law.





In 2019, CMA applied a number of amendments to its organizational structure. CMA board issued in this regard the following resolutions:

1- Resolution No. (3-18-2019) dated 15-6-1440H, corresponding to 20-2-2019, approving an amendment to the name of the "Capital Market Academy" to become the "Financial Academy."

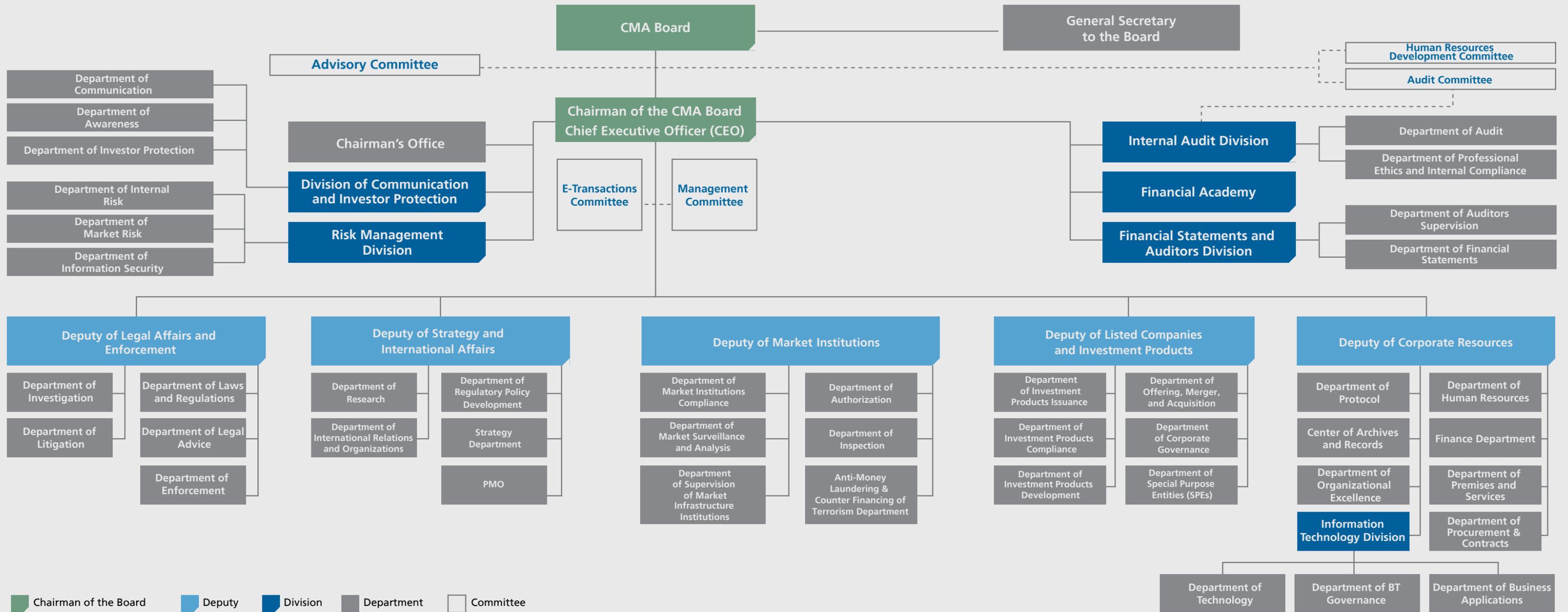


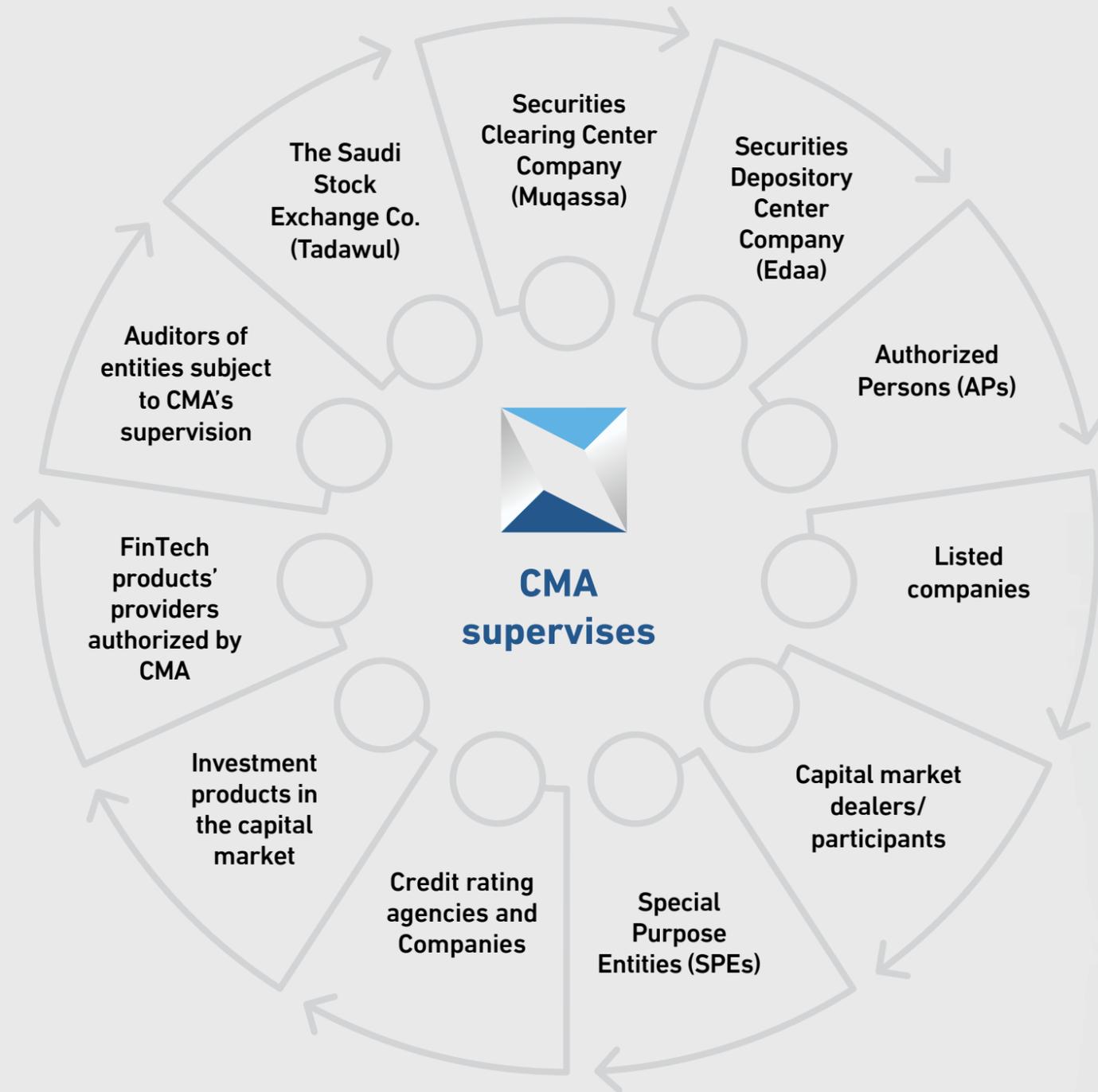
2- Resolution No. (5-81-2019) dated 15-6-1440H, corresponding to 20-2-2019, approving the following:

- Transference of the "Department of Investor Protection" from the "Deputy of Legal Affairs and Enforcement" to the "Division of Communication and Awareness".
- Amendment to the name of the "Division of Communication and Awareness" to become the "Division of Communication and Investor Protection."
- Amendment to the name of "Department of Internal Compliance" to become "Department of Professional Ethics and Internal Compliance."

3- Resolution No. (4-128-2019) dated 22-3-1441H, corresponding to 19-11-2019, approving an amendment to the name of "Department of Supervision of Market Infrastructure Institutions" to become "Department of Market Infrastructure Institutions Supervision".









Chapter One

Strategic Plan of the Capital Market



Section One: Strategic Plan of the Capital Market

1. Interconnection between the Strategic Plan of the Capital Market and the Financial Sector Development Program
2. Achievements of the Strategic Plan of the Capital Market in 2019
3. Strategic Plan Governance of the Capital Market

(1) Interconnection between the Strategic Plan of the Capital Market and the Financial Sector Development Program



CMA has begun developing its strategic plans and implementing them since the year 2009. In 2016, after KSA adopted Vision 2030, CMA started reviewing its strategic plans and working on developing the "Financial Leadership Program 2020" as part of its strategic plan with the aim of aligning its strategic priorities and objectives with KSA Vision 2030.

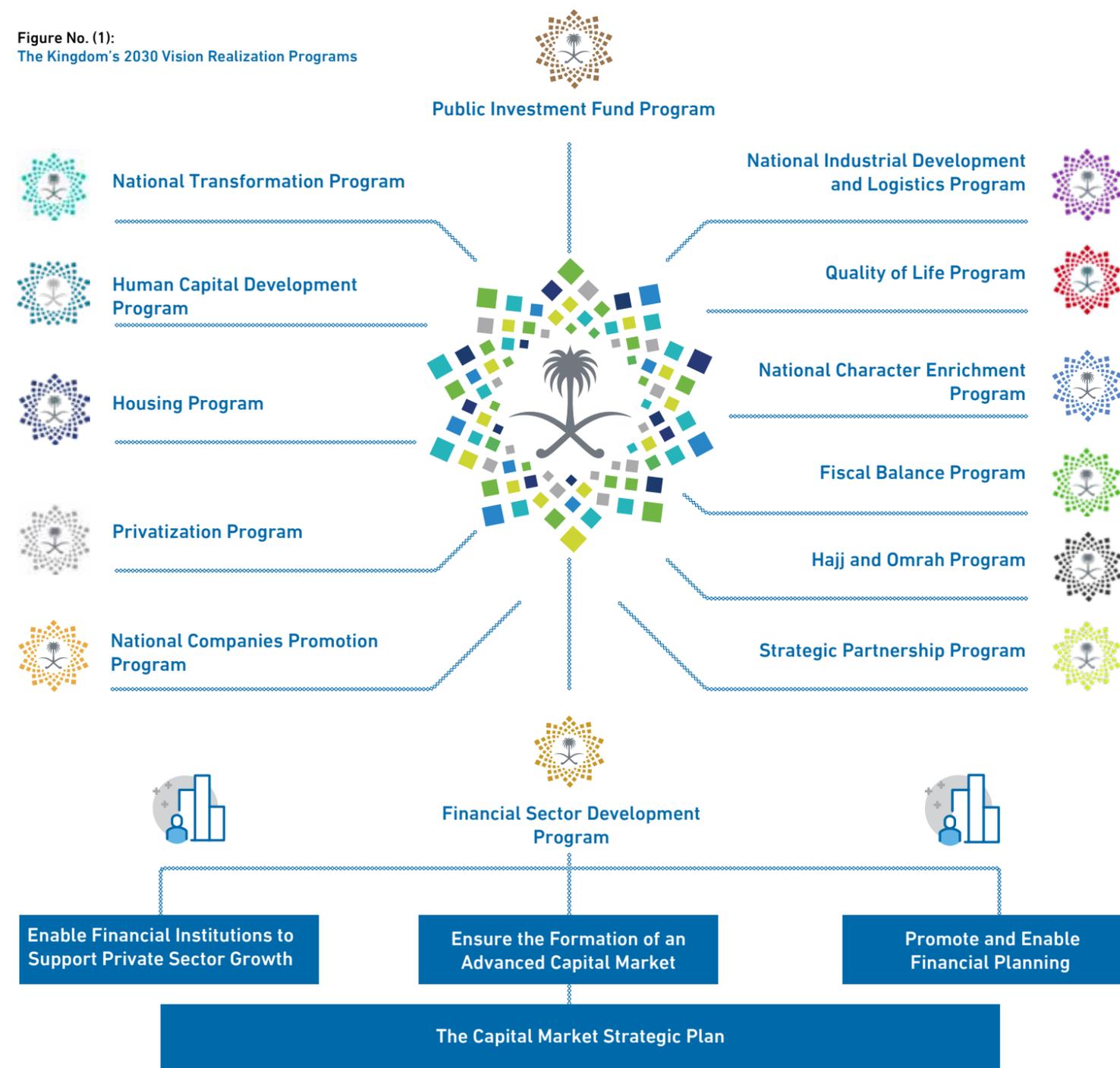
From the two themes of a thriving economy and an ambitious nation, which constitute part of the themes of KSA Vision 2030, the Financial Sector Development Program emerged, one of the thirteen executive programs of KSA Vision 2030 (Figure No.(1)), which aims to develop the financial sector into a diversified and effective financial services sector to support the

development of the national economy by stimulating savings, finance and investment.

As a member of the Program, CMA participated in developing the executive plan of the Financial Sector Development Program as well as developing the strategic objectives and initiatives for the second strategic pillar, "Developing an Advanced Capital Market" through reviewing its "Financial Leadership Program 2020" to identifying indicators and initiatives that have an impact on the development of the financial sector and its efficiency, as well as the growth of the capital market to become an advanced capital market that provides investment alternatives and diversified financing sources which contribute to raising the market attractiveness.

CMA aims through its participation in the Financial Sector Development Program to contribute to the national economic development efforts through the development of the financial sector and the enhancement of the Saudi capital market by increasing its ability to confront and address challenges, ensuring a capital market that facilitates funding, stimulates investment, and enhances market participants' confidence.

Figure No. (1):
The Kingdom's 2030 Vision Realization Programs



The Strategic Plan of the capital market comprises four main themes (Financial Leadership Program 2020), as well as implementation enablers, and includes 16 strategic objectives for accomplishment through 172 initiatives, of which work was underway on 117 during 2019. The Plan aims to achieve CMA's vision for the Saudi capital market to become the main market in the Middle East and one of the top ten financial markets in the world. (Figure No. (2)) shows the main themes of the Strategic Plan of the capital market and the implementation enablers and objectives in each theme.

16 Strategic Objectives

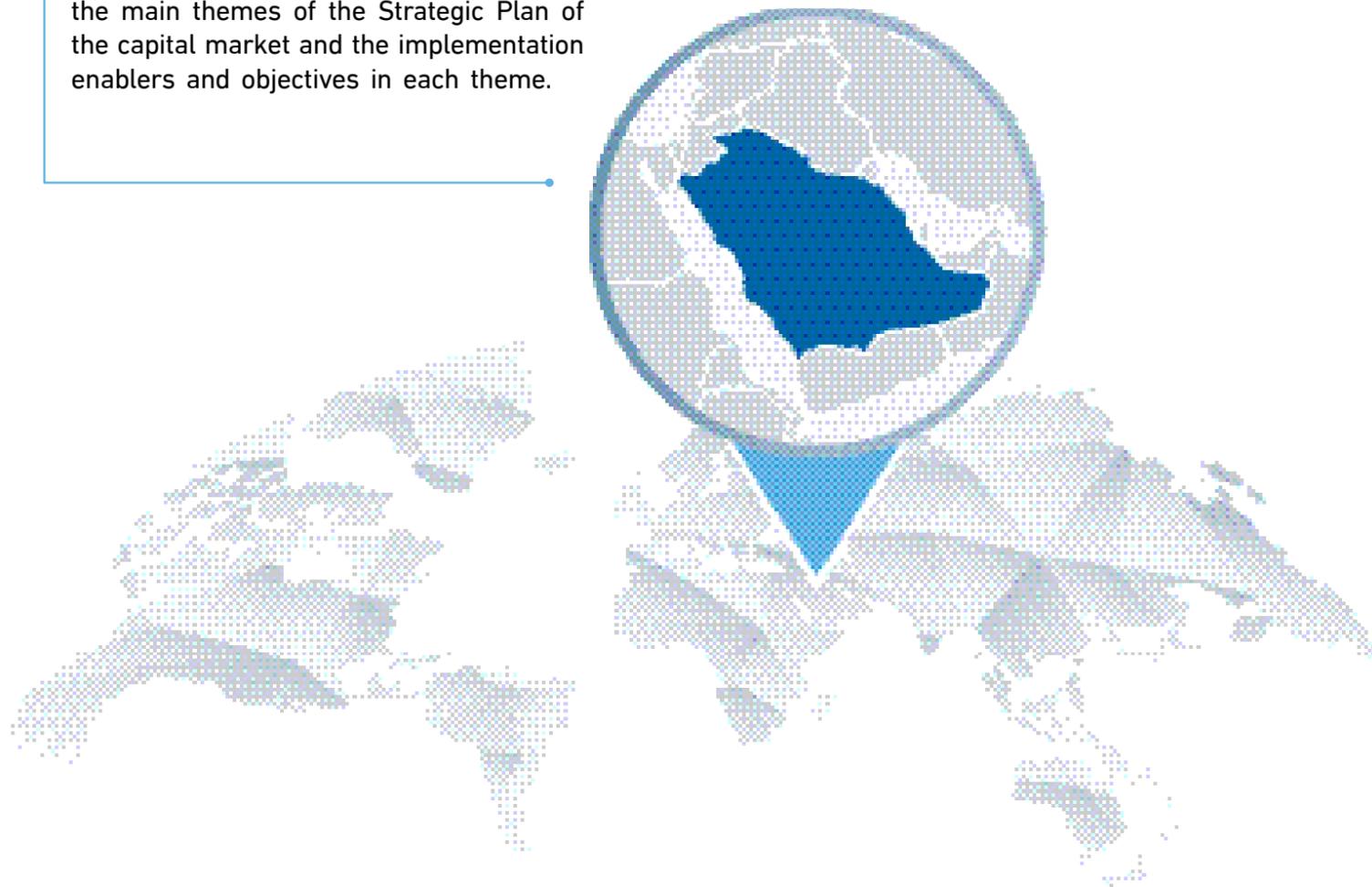
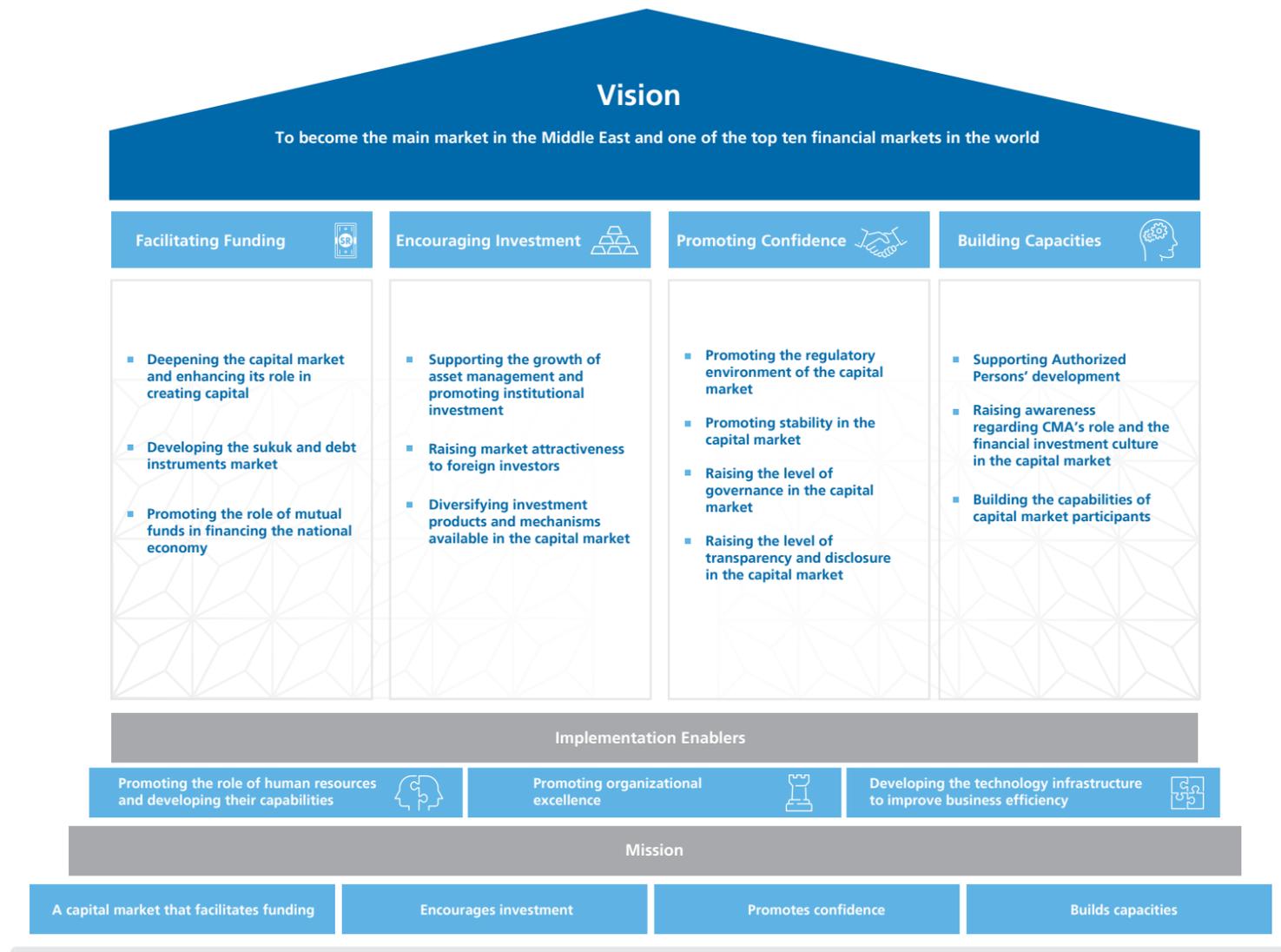


Figure No. (2):
Themes and Objectives of the Capital Market Strategic Plan





(2) Achievements of the Strategic Plan in 2019

The CMA Board approved a detailed action plan outlining the Strategic Plan initiatives and activities to be executed during 2019, as well as their implementation timeframe. Data related to the achievements and challenges were compiled and the results of the action plan were submitted to the CMA Board. CMA continued to work on 117 initiatives as part of its Strategic Plan during 2019.



According to the themes of the Strategic Plan of the capital market; facilitating funding, stimulating investment, enhancing confidence, building capacities, and its objectives, the following shows some achievements and their expected outcomes:

Facilitating Funding



Objective

Deepening the capital market and promoting its role in creating capital

Achievement

- Adoption of the Amended Rules on the Offer of Securities and Continuing Obligations
- Approval of the Amended Listing Rules

Outcome

- The investments limits imposed by the Capital Market Law and its implementing regulations on the investments of foreign investors shall not apply to the investments of foreign investors (of all categories, whether resident or non-resident) in the shares of the foreign issuer that are listed on the Main Market in accordance with the Listing Rules.
- All categories of foreign investors are allowed to invest directly in the shares of the foreign issuer whose shares are listed on the Main Market in accordance with the Listing Rules.
- Allowing direct listing of joint stock companies on the Parallel Market without initial public offering.
- Determining a mechanism for a regulated transition of companies from the Parallel Market to the Main Market.
- Extending the scope of the exempt offer to include individual investors (according to specific conditions).

Achievement

Offering and Listing the Saudi Arabian Oil Company (Saudi Aramco)

Outcome

- Deepening the Saudi capital market by increasing the number of listed companies, trading values and activities.
- Conducting the largest IPO in history with a value exceeding (110) billion Saudi Riyals, and by this offering the Saudi Stock Exchange has become one of the (10) largest capital markets in the world by market value.



Achievement

A number of essential changes were launched in the Parallel Market (Nomu), the most important of which are:

- Allowing direct listing of companies in (Nomu) Parallel Market without IPO.
- Determining a mechanism for regulated transition of companies from the Parallel Market to the Main Market.
- Converting financial reports from quarterly to semi-annually.
- Introducing (Nomu) Parallel Market Capped Index.



Outcome

- Developing the Parallel Market and increasing the number of listed companies.
- Higher market performance and increased investor appetite.
- Higher trading activity and values in the Parallel Market.



Achievement

Announcing several incentives for listed companies in cooperation with various government agencies, most notably:

- Increased loan limits granted to listed companies (Saudi Industrial Development Fund).
- Providing a fast-track service and a relationship manager to help settle any disputes related to Zakat or Income Tax (General Authority of Zakat and Tax).
- Facilitating approval process for listed companies to register foreign partners (Ministry of Investment).



Outcome

- Supporting national listed companies, and encouraging qualified companies to list their shares on the capital market.



Achievement

Developing the Merger and Acquisition Regulations.



Outcome

- Facilitating mergers and acquisitions in the Kingdom in accordance with international best practices.

Facilitating Funding



Objective

Development of the sukuk and debt instruments market



Achievement

Announcing a set of improvements in the sukuk and debt instruments market by CMA, the Saudi Stock Exchange Company (Tadawul), and the Public Debt Office, such as:

- Reducing the par value of government issued sukuk from one million Riyals to one thousand Riyals.
- Reducing the fees related to the service of establishing a register of securities owners.
- Reducing the annual fees related to the management service of securities owners' register for sukuk and bonds.
- Reducing the minimum annual fee for each first and subsequent issue.
- Adding a maximum annual fee for each first and subsequent issue.
- Reducing the commission of trading sukuk and bonds.



Outcome

Encouraging the listing and trading of sukuk and debt instruments by restructuring the fees for services provided in the sukuk and bond market, which contributed to a rise in the number of transactions concluded thereon.



Achievement

Listing and trading government debt instruments in the Saudi capital market with a value exceeding 69 billion Riyals during 2019.



Outcome

Continuing government coordination to deepen the debt instruments market in the Kingdom as one of the main initiatives of the Financial Sector Development Program.



Encouraging Investment



Objective Raising market attractiveness to foreign investors

Achievement Issuing Instructions for the Foreign Strategic Investors' Ownership in Listed Companies.

Outcome

- Regulating the necessary provisions, requirements and conditions for foreign strategic investor's ownership of a strategic shareholding in listed companies.
- No upper limit on the percentage of foreign strategic investor's ownership in listed companies.

Achievement Inclusion in the emerging market indices (MSCI, FTSE Russell and the S&P Dow Jones)

Outcome

- An increase in the number of qualified foreign investors.
- Higher foreign investors' ownership.
- Higher net foreign investment in the capital market.

Encouraging Investment



Objective Raising market attractiveness to foreign investors

Achievement Saudi real estate investment funds inclusion in the FTSE EPRA Nareit Global Real Estate Index.

Outcome

Enhancing the level of disclosure and transparency in the real estate investment funds sector to keep pace with the world best practices and diversify the investor base by enabling foreign investors to gain access to the sector.

Achievement Launching the joint MSCI Tadawul 30 Index (MT30) for the largest listed companies on the Saudi capital market.

Outcome

- The index is an important benchmark for investors interested in the most liquid and largest companies in the Saudi capital market. It also serves as a basis for development of future indices contracts in the Saudi capital market, tradable funds indices, and other traded products including financial derivatives.

Achievement CMA becomes a member of the International Forum of Independent Audit Regulators (IFIAR).

Outcome

- Enhancing cooperation and consistency in the regulatory activity, providing a platform for dialogue with other international organizations interested in the quality of auditing, sharing knowledge about sophisticated audit environments and the practical experience of independent audit regulatory activity.

Objective Diversifying investment products and mechanisms available in the capital market

Achievement Applying a new trading session at the closing price.

Outcome

Aligning the market with world best practices through the application of a flexible mechanism that allows investors to trade after the auction period at the closing price.



Promoting Confidence



Objective Promoting the regulatory environment of the capital market

Achievement Amending the Capital Market Law

- Outcome**
- Supporting development of capital market infrastructure institutions and reducing risks.
 - Enabling new classes of securities and attracting foreign investments.
 - Regulating the securities clearing center and activating its role in performing its obligations within the capital market infrastructure institutions.
 - Developing the mechanisms for the compensations of affected investors in the capital market.
 - Enhancing the efficiency and attractiveness of the capital market, raising the level of its soundness and integrity, and achieving fairness in securities transactions.

Objective Promoting Stability in the Capital Market

Achievement Issuing Cybersecurity Guide for Capital Market Institutions.

- Outcome**
- Supporting stability in the capital market by promoting Cyber security in the capital market and reducing related risks. The guide explains cybersecurity-related controls in the capital market institutions subject to the supervision of CMA, which are based on the best international and local practices and standards.

Building Capacities



Objective Raising the level of transparency and disclosure in the capital market

Achievement Releasing an Electronic Service for the Disclosure of a Deceased's Investment Assets

- Outcome**
- This service enables the heirs or their legal agent to review the data of securities and investment accounts that belong to the deceased person via direct link with the Depository Center and the Authorised Persons by CMA. This comes as a part of facilitating the disclosure procedures and helping the heirs in expediting the completion of procedures for registering the heirs of the deceased.

Objective Supporting Development of the Authorised Persons

Achievement The Financial Academy and the Chartered Institute for Securities & Investment (CISI) Sign Joint Strategic Partnership Agreement

- Outcome**
- Enhancing the efficiency of dealers in the capital market and to create an attractive investment environment trusted by local and international investors. The CISI is the largest professional body for the securities and investment profession in the UK. CISI's examinations are recognized by over 50 jurisdictions, with over 40,000 CISI exams taken in over 80 countries around the world.

Achievement Launching the International Certificate in Wealth Management and Investment provided by the Chartered Institute for Securities & Investment (CISI)

- Outcome**
- Raising the knowledge level of professionals in the field of asset management and investment analysis, and enhancing their technical capabilities. This certificate covers the fundamentals of investment and its analysis. It shall be required from persons to be registered under the management activity such as fund managers, investment portfolio managers and related investment analysts.

Objective Raising level of awareness of CMA's role and financial investment culture in the capital market

Achievement Issuing the Investor Rights Document.

Outcome - Raising general awareness of investors and participants in the capital market through clarifying their most prominent rights guaranteed to them according to the Capital Market Law and its implementing regulations.

Objective Building the capabilities of participants in the capital market

Achievement Signing agreements and memoranda of understanding between the Financial Academy and a number of local and international entities (HRDF, General Authority for Awqaf, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and IE Business School)

Outcome

- Training and developing workers in the Awqaf sector.
- Keeping up with the best regional and international practices and offering them to the financial sector to raise the efficiency of its workers.
- Providing advanced and modern professional training courses in the field of finance, banking, capital market, and insurance for the development of workers in the financial sector in these fields.
- Qualifying the national cadres through "Doroob" platform, and providing them with the knowledge and professional skills and capabilities required by the job market.

As a result of these achievements, the Kingdom improved its ranking in the global competitiveness indicators related to the Saudi capital market for the year 2019, as follows:

A- Doing Business Report:

The Kingdom ranked third globally in the minority investor protection index for the year 2020, compared to seventh in 2019. In this index, the Kingdom achieved its best ranking compared to other indices.

In general, the Kingdom advanced (30) ranks in the Doing Business Report issued by the World Bank Group. Ranked (92) in 2019, the Kingdom advanced to (62) in 2020.² According to this report, the Kingdom came in first at the world level in terms of progress and reform.



² Data for all index groups in Doing Business 2020 are as of 01 May 2019 (from the Frequently Asked Questions section at the World Bank website): <https://www.doingbusiness.org/en/reports/global-reports/doing-business-2020>



B- Global Competitiveness Report

In 2019, the Kingdom witnessed an advancement in its rankings in most of the financial indices associated with the Saudi capital market. In the Global Competitiveness Report issued by the World Economic Forum (WEF), (Table No. (1)), for example:



In general, the Kingdom improved its ranking in the Global Competitiveness Report issued by the World Economic Forum to (36) in 2019 compared to (39) in 2018.

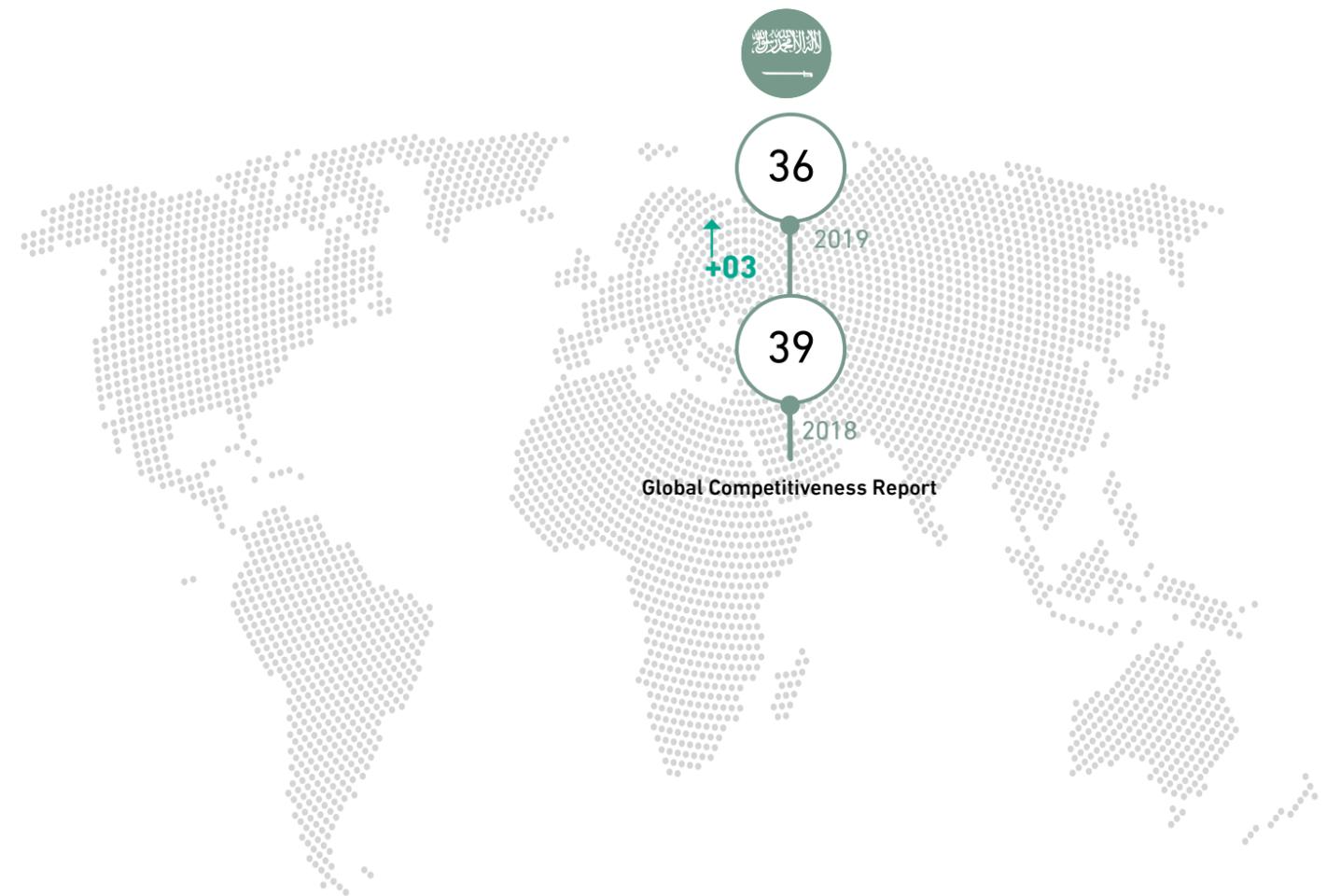


Table No. (1): The Kingdom's ranking in indices related to the Saudi capital market in the Global Competitiveness Report

Strength of auditing and reporting standards	2018: 33	2019: 23	+10 ↑ change	Financing of small- and medium-sized enterprises (SMEs)	2018: 36	2019: 19	+17 ↑ change
Conflict of interest regulation	2018: 23	2019: 21	+2 ↑ change	Venture capital availability	2018: 29	2019: 12	+17 ↑ change
Shareholder governance	2018: 5	2019: 2	+3 ↑ change				

C- World Competitiveness Yearbook

In the World Competitiveness Yearbook issued by IMD World Competitiveness Center for the year 2019, the Kingdom's ranking improved in a number of indices associated with the capital market compared to 2018, including in the capital market index (ratio of change in the index) from rank (38) in 2018 to rank (12) in 2019, and in venture capital index (venture capital availability), from rank (44) in 2018 to rank (25) in 2019 (Table No. 2).

In general, the Kingdom achieved the largest progress among the most competitive countries in the World Competitiveness Yearbook for the year 2019, advancing (13) ranks from last year to rank (26).

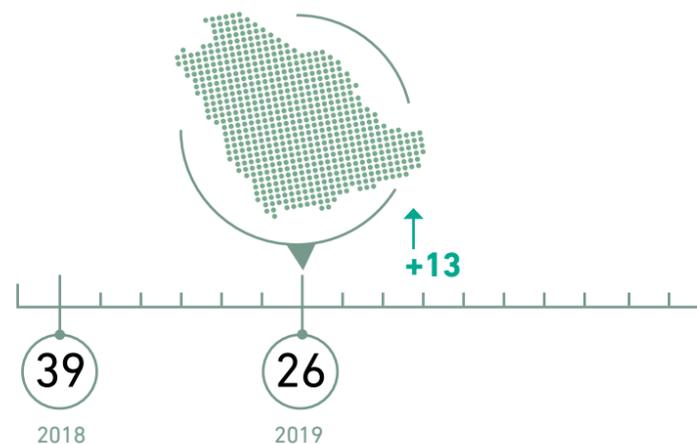
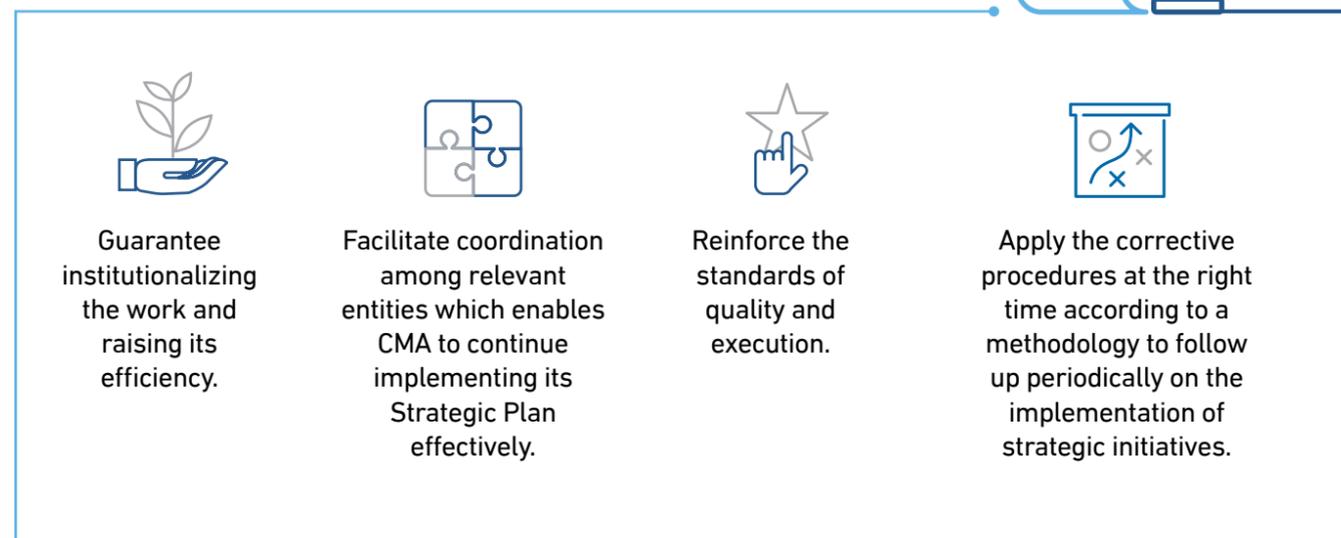


Table No. (2):
The Kingdom's ranking in the World Competitiveness Yearbook indices relevant to the Saudi capital market

	2018	2019	Change
Foreign investors (Foreign investors are free to acquire control in domestic companies)	59	52	+7↑
Stock markets (Stock markets provide financing to companies)	36	25	+11↑
Listed domestic companies (Number of listed domestic companies)	34	33	+1↑
Stock market index (Percentage change on index)	38	12	+26↑
Shareholders' rights (Shareholders' rights are sufficiently implemented)	39	24	+15↑
Venture capital (Venture capital is easily available for business)	44	25	+19↑
Corporate boards (Corporate boards do supervise the management of companies effectively)	32	23	+9↑
Auditing and accounting practices (Auditing and accounting practices are adequately implemented in business)	35	25	+10↑
Capital markets (Capital markets, foreign and domestic, are easily accessible)	40	33	+7↑
Investment incentives (Investment incentives are attractive to foreign investors)	43	34	+9↑
M&A Activity (Deals per listed company)	47	45	+2↑

(3) Strategic Plan Governance of the Capital Market

CMA legislated a comprehensive governance framework for the Strategic Plan of the capital market to achieve the following:



Work Mechanism



Adopting a methodology of periodically following up on the implementation of strategic initiatives. The governance framework consists of a number of bilateral and joint committees and committees with external parties to guarantee coordination with relevant entities in the implementation of strategic initiatives and common associated work.

Periodic Review



CMA reviews its entire Strategic Plan periodically to identify any gaps and develop initiatives that contribute to achieving targets.

Measuring Performance



Governance framework

The governance framework includes a clear methodology for measuring performance to identify the progress in achieving strategic objectives.



CMA and Aada

CMA collaborates with the National Center for Performance Measurement "Aada" to measure some performance indicators for the Financial Sector Development Program included within CMA's scope of work.



(Table No. 3) shows the main performance indicators for the Financial Leadership Program, included within the Financial Sector Development Program. CMA achievement reached 98% on most main performance indicators within the Financial Sector Development Program.

Table No. (3):

Performance Measurement Indicators in the Financial Sector Development Program within CMA's scope of work.

	Performance Indicator ³	Target 2019 ⁴	Realized Value ⁵	Achievement Percentage
1	Market capitalization (shares and debt instruments) as a percentage of GDP ⁶	86.75 =<%	83.41 %	96 %
2	Assets under management as percentage of GDP	18 =<%	16.94 %	94 %
3	Concentration percentage in the market capitalization for the largest 10 companies	=> 56%	60.32 %	93 %
4	Trading volume of institutional investment as a percentage of total trading volume	19 =<%	35.96 %	100 %
5	Foreign investors ownership as a percentage of of the total market capitalization of shares	10 =<%	9.35 %	100 %
6	Number of Micro and small entities listed as a percentage of the total number of listed companies	39 =<%	40.68 %	100 %
7	Average volatility of the Saudi Stock Exchange Index (average volatility over 90 days)	=>25	15.01	100 %
8	Minimum value of free float shares as a percentage of the total market capitalization of shares	45 =<%	55 %	100 %

3) All eight indicators do not include the impact of 'Aramco IPO', except for indicators 4, 6 and 7.

4) the symbol "<=" means less than or equal to, the symbol ">=" means greater than or equal to.

5) As of the end of the year 2019.

6) GDP used is for the year 2018, issued by the General Authority for Statistics.



Chapter One

Strategic Plan of the Capital Market



Section Two: Saudi Capital Market Inclusion in Global Financial Indices

First: Benefits of Inclusion in Global Financial Indices

Second: Achievements in Gaining Inclusion in Global Financial Indices

Third: Saudi Capital Market Inclusion in Global Financial Indices

Fourth: Effects of Saudi Capital Market Inclusion in Global Financial Indices



Global equity indices constitute a major reference for the asset management industry as they provide performance comparability and a basis for asset distribution in building investment portfolios according to a diversity of markets' geographies, sizes, and investment sectors. Similarly, these indices are also an important resource for researchers in the field of global stock markets. MSCI, S&P Dow Jones, and FTSE Russell are considered leading global equity indices given the asset size of the investment funds that set these indices as basis for their performance comparisons.





First: Benefits of Inclusion in Global Financial Indices

Several advantages follow from joining the global financial indices at the level of the economy and capital market, which can be summarized in the following:

Fair evaluation of share prices listed in these indices.



Improved balance of payments in case of cash inflows.



Developing the investment environment and legal frameworks of the Saudi capital market and keeping up with continuous developments through fulfillment of necessary requirements to remain in these indices.



Raising the level of transparency and reducing the asymmetry of information between investor segments on one hand and between investors and companies on the other hand through stimulating development of investment products that require, to monitor their performance, availability of a range of information in the market



Enhancing market liquidity as a result of a rise in the level of market attractiveness for both local and foreign investors, and entry of new segments of investors to the market.



Integration with advanced global markets and keeping pace with their developments.



Drawing attention of the world and marketing the Kingdom's economy and its investment products.



Enhancing the role of the institutional investor in the Saudi capital market.





Second: Achievements in Gaining Inclusion in Global Financial Indices

In light of the Kingdom's Vision 2030, and in implementation of CMA's Strategic Plan, CMA has worked since 2016 to achieve several essential developments in the Saudi capital market in order to facilitate market entry, improve its efficiency, raise the levels of governance and transparency, and promote its position as a leading market in the region in terms of size, liquidity and attractiveness. The achievement of joining global equity indices came as a result of the following accomplishments:

1. Establishing a Central Counterparty Clearinghouse Company (CCP) for developing future clearing services in accordance with the best international risk management practices and standards.
2. Moving from a Volume Weighted Average Price (VWAP) to an auction method for determining closing prices for both the Main Market (TASI) and (Nomu) Parallel Market, and improving the current method of opening prices for the market (auction method).
3. Developing the Independent Custody Service to enable institutional investors - locally and globally - to have access to better trading limits.
4. Introducing a new - optional - service for asset managers to aggregate all orders of managed assets (discretionary portfolios and investment funds) under a single comprehensive order.
5. Amending the settlement cycle of securities transactions listed on the Saudi Stock Exchange to be during two working days subsequent to the date of execution of the transaction (T + 2).
6. Waiving the cash prefunding requirement for specific investors, leaving the timing of cash availability to the contractual terms between the Authorized Person and the investor.
7. Introduction of Fails Management Controls that is offered by Securities Depository Center Company (Edaa) for enabling brokers to cover securities shortage by transferring securities from the principle account, buying securities on open market, borrowing securities via SBL function, or performing optional Buy-in.
8. Activating a delivery versus payment transactions (DVP) and offering the necessary guarantees in line with applicable regulations in the Kingdom.
9. Amending the Independent Custody Model in order to enable custodians to reject the settlement of unconfirmed trades executed by the Authorized Persons.
10. Introduction of Securities Borrowing & Lending in the market as well as short selling.
11. Adoption of Corporate Governance Regulations issued by CMA, which enhance the rights of shareholders and board members, and provide more transparency in relation to determining strategic structures of ownership, roles, and responsibilities of corporate entities and third parties.
12. Permitting QFIs to participate in IPOs of Saudi companies.
13. Developing the infrastructure of the capital market, as an agreement was signed with NASDAQ to develop clearing and settlement systems.
14. Establishing the Securities Depository Center Company (Edaa), to bolster the efficiency of register and depository services.
15. Conducting Investor relations workshops and partnerships to develop and facilitate communication between listed companies, financial market stakeholders, financial analysts and legislative and regulatory bodies in the Kingdom.
16. Amending the Independent Portfolio Management Model in order to enable custodians to reject the settlement of unconfirmed trades executed by the Authorized Persons.

Third: Saudi Capital Market Inclusion in Global Financial Indices



CMA has worked since the beginning of 2015 on developing and improving regulations and laws related to the capital market to raise the level of legislations to align them with the best international practices and requirements of global indices for emerging markets. In 2018, approvals were issued by the most prominent global equity indices for emerging markets: MSCI Emerging Markets Index, the FTSE Russell Index, and the S&P Index for the inclusion of the Saudi capital market in the emerging markets category. The Saudi capital market is to be included in these indices starting from 2019 in several phases according to each index as follows:

1. MSCI Emerging Markets Index

On 20 June 2018, the inclusion of the Saudi Stock Exchange "Tadawul" in the MSCI index was approved, provided that the actual inclusion is carried out in two phases.

This decision comes after progress has been made in applying best world practices in terms of regulation and operation in the Saudi Stock Exchange.

One of the most important of these measures was to open the market to foreign institutional investors. CMA implementation of Qualified Foreign Investors Regulations contributed to facilitating foreign investors' access to the stock market and their direct ownership therein.

2. FTSE Russell Index

On 28 March 2018, the inclusion of the Saudi Stock Exchange "Tadawul" in FTSE Russell Index was approved, provided that the actual inclusion is carried out in five phases in 2019 and 2020.

The approval came after the Index announced that CMA had taken the requisite steps to meet the formal requirements for inclusion in the FTSE GEIS.

The most important changes comprised amendments to the Independent Custody Model (ICM) and opening the stock market to Qualified Foreign Investors which started in 2015 and developed in 2018.

3. S&P Index

On 24 July 2018, the inclusion of the Saudi Stock Exchange "Tadawul" in S&P Index was approved, provided that the actual inclusion is carried out in two phases in 2019.

The approval came after the Index announced that the Saudi capital market had satisfied the minimum standards, which allow it to be upgraded to the Emerging Markets Index.

Fourth: Effects of Saudi Capital Market Inclusion in Global Financial Indices

In a major achievement towards its strategic objective, CMA raised market attractiveness to foreign investors by finalizing the inclusion of the Saudi capital market in the global indices (within emerging market classification) in the MSCI, FTSE Russell, and S&P Indices. The weight of the Saudi capital market varies from one index to another, as well as the phases of the actual inclusion in the indices, their number, and the size of cash flows generated from them as shown in (Table No. 4).

Table No. (4):
Inclusion of the Saudi capital market by global indices

	MSCI	FTSE Russell	S&P Dow Jones Indices
Date of inclusion announcement	20 June 2018	28 March 2018	24 July 2018
Date of actual inclusion	Two phases (May, August) 2019	Five phases (March, April, June, September, March) 2019 - 2020	Two phases (March, September) 2019
The Saudi market weight in the index as of the end of 2019	2.59 %	3.76 %	2.83 %
Volume of cash inflows (billion Riyals)⁷⁾	40.9	14.3	6.4

⁷⁾ The numbers represent passive cash flows during the closing auction period for the day foreign investors are in.

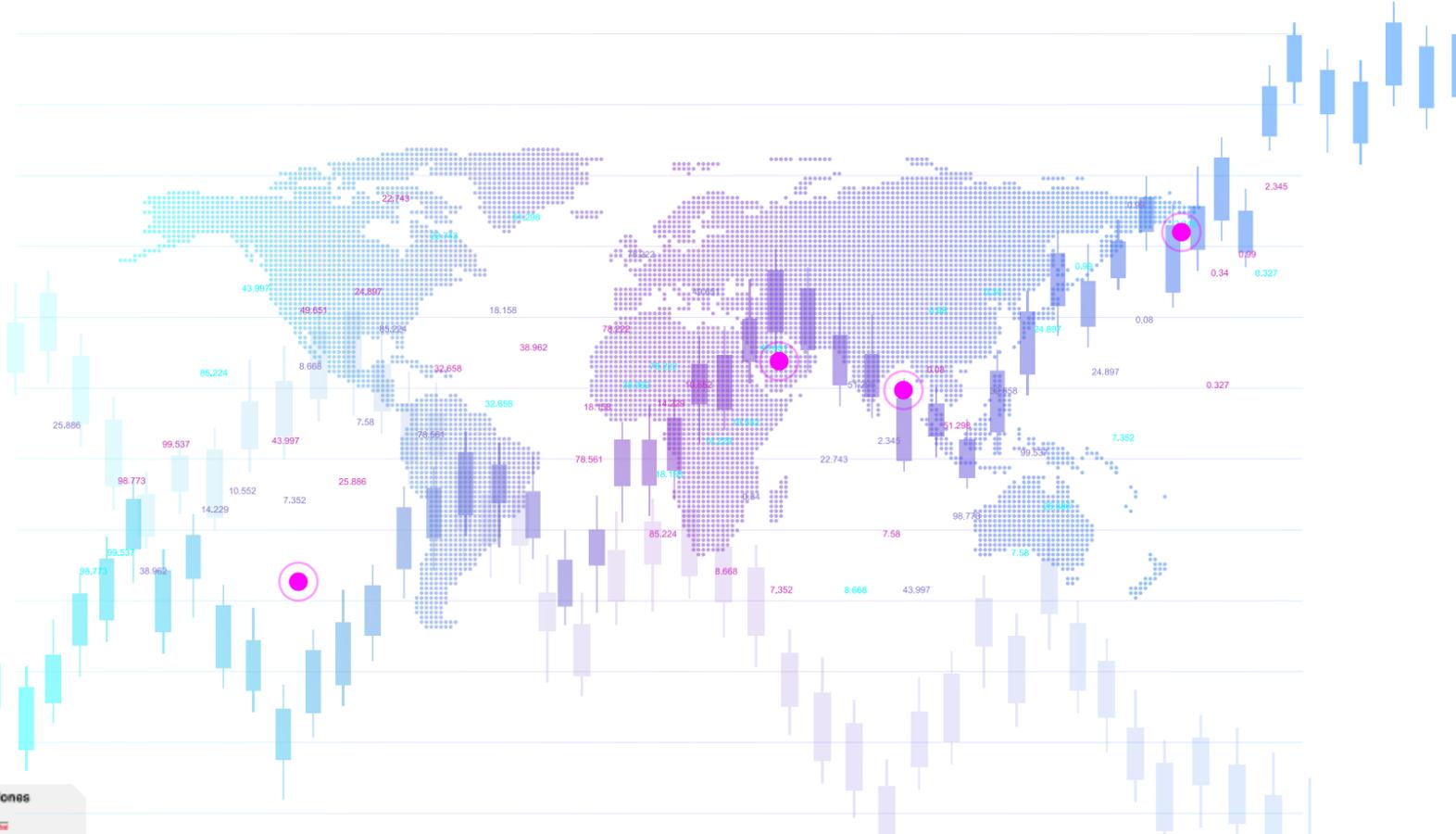
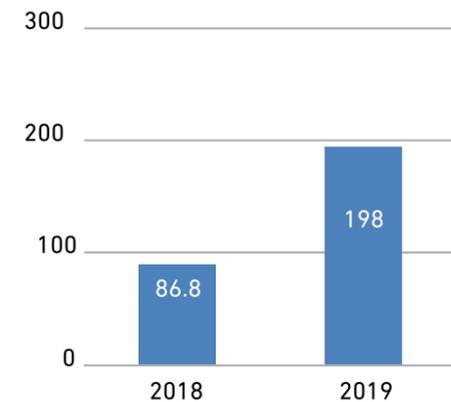


Chart No. (1):
Value of foreign investments (billion Riyals) in the stock market



The value of foreign investors' ownership increased to

198 billion

Riyals by the end of 2019

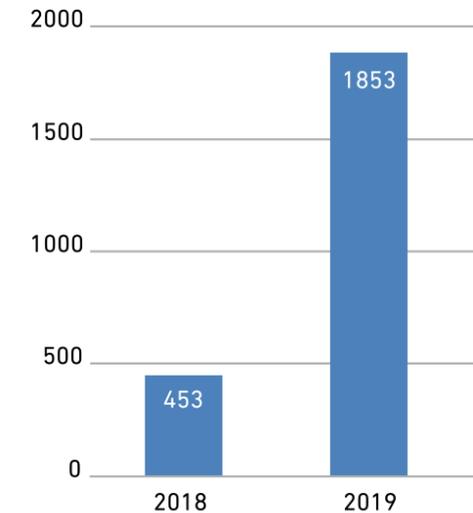
Inclusions in the international indices were reflected positively on the Saudi capital market, as the ownership value of foreign investors rose by 128.1%, from 86.8 billion Riyals at the end of 2018 to 198 billion Riyals at the end of 2019 (chart No. 1). This coincided with a rise in the number of registered Qualified Foreign Investors by 309% at the end of 2019 compared to 2018 (chart No. 2)

309%

Number of Qualified Foreign Investors increased in 2019



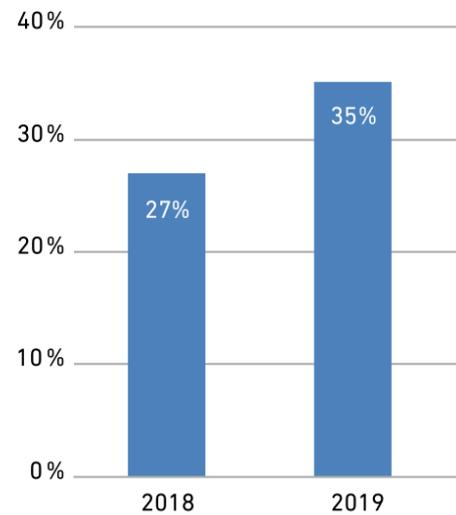
Chart No. (2):
Number of registered Qualified Foreign Investors





These inclusions have also contributed to an increase in institutional investor trading rates during 2019, with the ratio of change in institutional investor trading rising by 29.6% by the end of 2019 compared to 2018, which contributes to increasing the efficiency and stability of the market (Chart No. 3).

Chart No. (3):
Institutional investor trading rates in 2019



Institutional investor: means the category of investors with institutional investment behavior, including specialized individual investors, companies, investment funds, government entities and portfolios managed by Saudis or non-Saudis, Gulf countries' institutions, swap agreements, strategic partners and qualified investors.

Non-institutional investor: means the category of investors with non-institutional investment behavior, including individual investors, major individual investors, Gulf countries' individuals and foreign residents.





Chapter Two

Current Status of CMA



Section One: CMA Internal Environment

1. Actions Taken to Implement Royal and High Orders and Council of Ministers' Resolutions
2. CMA Board Meetings and Resolutions
3. Human Resources, Training and Development Programs, and Social Responsibility
4. Savings Plan and Housing Finance Program for Employees
5. CMA Owned and Rented Buildings
6. Physical Working Environment of CMA
7. Center of Archives and Records



(1)

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

In implementation of High Orders and Council of Ministers' Resolutions that CMA received during 2019, CMA took a number of measures, which can be summarized as follows:



High Order No. (20223) dated 13/4/1440H, in which the General Committee of the Council of Ministers approves the results reached in the report prepared by the Bureau of Experts No. (332) dated 21/2/1440H, which includes the recommendation that government agencies should do the following: First: Set a specific period of time for the completion and implementation of each service they provide, whether this service is electronic or traditional, without prejudice to the time prescribed by law. Second: setting up a mechanism - on the website or other online access channels - for escalation and communication regarding failure to complete the service at designated period of time, through a service level agreement (SLA) provided to beneficiaries. Third: Include in their annual reports relevant statistics of the services provided, the time taken to complete such services, and the extent of satisfaction of the beneficiaries.

In implementation of the High Order, CMA has undertaken the following:

1. Concerning item "First," CMA compiled a list of electronic and traditional services it provides to beneficiaries and the time required to complete them, and measured the actual time taken to complete each service from its factual records. CMA introduced this criterion into the quarterly criteria of "performance evaluation" for each Deputy/Division. The Internal Audit Division is responsible for addressing any measurement that does not meet expectations, suggests appropriate solutions and follows up on their implementation.
2. Concerning item "Second," CMA provided several official channels for receiving communications and complaints and for anyone who wishes to benefit from its services referred to in Section Two of Chapter Six. These channels can be used for escalation, especially since they enable users to follow up on communications and complaints with ease and absolute confidentiality.
3. Concerning item "Three," CMA measured the satisfaction of beneficiaries with its services through a questionnaire distributed to the beneficiaries after the end of the service provided to them by CMA during the second half of 2019. In this questionnaire, CMA achieved a satisfaction rate of 83.6% from beneficiaries of CMA services.

It is worth mentioning that, starting from 2020, CMA will publish on its website a link to a new questionnaire to measure the degree of satisfaction with its services, and the results will be reflected in the annual report of 2020.



High Order No. (28192), dated 23/5/1440H, approving the Council of Ministers' directives which stated that if a government entity wanted to seek the assistance of a private sector party to organize its documents and archives, it must provide the National Center for Archives & Records with a copy of the terms and conditions of the contract to be concluded with that party for review - within a period not exceeding two weeks - according to its laws and regulations.

In implementation of this High Order, CMA coordinated with the National Center for Archives & Records prior to signing a contract to preserve and archive CMA's documents.



High Order No. (42186) dated 28/7/1440H, which includes the order for the government agencies that have not yet provide their electronic services to investors on the unified national e-services platform (Meras), to report the expected date of completion of implementing the services in a period not exceeding (two weeks). The implementation period must not exceed (90) days from the date of this Order.

In implementation of this High Order, CMA has undertaken the following:

1. Established interconnection with "Meras" platform according to the preliminary requirements that were requested and agreed upon with "Meras" team, including:
 - Single sign-in through Meras eGate.
 - Adherence to the "Meras" identity.
2. Notify "Meras" team officially that the service is ready to run the necessary tests by the end of June 2019.
3. Finalize the additional requirements of change to link with the Ministry of Commerce's "Wathq" service, and notify "Meras" team to run the necessary tests.
4. Work is underway to study the new requirements for adding the services of the Ministry of Commerce "Wathq" to "Yesser" platform, as connection therewith must be worked on through the Government Service Bus (GSB).



High Order No. (45462), dated 13/8/1440H, which provides for approval of the directives issued by the General Secretariat of the Council of Ministers regarding the Minister of Interior's cable No. (247682) dated 7/11/1439H concerning information available about some government agencies that employ several foreigners from different nationalities in routine administrative work and who are on the payroll of contracting companies with government agencies and state-owned companies, and work in important departments.

In implementation of this High Order, CMA carried out the following:

1. Removed the option of hiring individuals who are on the payroll of and in continued affiliation with their company from companies contracts.
2. Announced periodically jobs occupied by non-Saudis.
3. Employed citizens in all of CMA routine and secretarial positions.



High Order No. (49053) dated 1/9/1440H, approving the Council of Ministers' directive which comprises the following:

1. Instructing public agencies to avail of services and resources provided by the National Project Management, Operation and Maintenance Organization (Mashroat), to improve capacities and practices of project management in public entities.
2. Instructing the Vision Realization Programs Offices to solve the problems related to the implementation of their initiatives by activating a communication mechanism with the implementing agencies within a clear timeframe (Service Level Agreement) to ensure that the agencies do not delay in implementing their initiatives.
3. Government agencies coordinate with the relevant offices of Vision Realization Programs to set targets for their indicators - for which they have not adopted targets - and to report within (30) days to the Strategic Committee of the Economic and Development Affairs Council.

CMA is one of the government agencies which started early in enhancing its internal project management skills and activities. In 2016, CMA established a department within its organizational structure under the name of "Project Management Office" responsible for carrying out several tasks, including:



- Design, develop, and maintain a comprehensive record of CMA's projects, key performance indicators and their key outputs in cooperation with deputies, divisions, departments, and units.
- Ensure oversight, governance and proper management of CMA's internal projects.
- Promote a culture based on project management within CMA, which encourages project delivery that is outcome-focused, on time, and within budget.
- Actively support project managers in developing roadmaps to ensure delivery on time and within budget.
- Follow up on projects and their KPIs for the purpose of guiding project managers to identify the main obstacles, issues, challenges and risks, and escalate them appropriately and work to solve and mitigate them in a proactive and effective manner.
- Contribute to the continuous development and improvement of comprehensive project management tools and dashboards to follow up, track and submit reports based on performance levels and progress of the key performance indicators in cooperation with related IT functions.
- Contribute to identifying and managing risks related to policy objectives (resulting from internal and external factors), and report them if needed to the relevant entities.

In implementation of this High Order, CMA has undertaken the following:

- Continued to implement its strategic initiatives that intersect with relevant government agencies in an institutionalized manner and according to an organized governance framework. CMA established in 2017 a number of bilateral committees with the Saudi Arabian Monetary Authority, the Ministry of Commerce and Investment, and the Saudi Stock Exchange Company (Tadawul), in addition to CMA's membership in the Financial Sector Development Program Committee, to activate a communication mechanism with stakeholders in implementing the strategic initiatives. These committees meet periodically and on specified dates to discuss the progress of implementation and take decisions that address difficulties to ensure no delay in implementation.
- CMA has set all targets of its strategic indicators which are included in the Financial Sector Development Program while preparing the handover plan for the Financial Sector Development Program. Follow-up work has commenced since the Program was launched in mid-2018, and it is worth noting that CMA provides the Financial Sector Development Program Office and the National Center for Performance Measurement with monthly and quarterly outcomes of the strategic initiatives and indicators in order to be used in preparing periodic reports of performance submitted to the Council of Economic and Development Affairs.



High Order No. (49718) dated 4/9/1440H, which provides for the order to abide by the scholarship time abroad for employees of government agencies and not to overuse extension.

- In implementation of this High Order, CMA developed a precise mechanism of internal procedures to validate requests of scholarships and extensions. CMA set up a committee under the name of "Human Resources Development Committee" entrusted with the task of continuously following up on the scholarship holders as well as studying incoming requests in this respect according to specific controls and requirements.



High Order No. (60182) dated 22/10/1440H, instructing government agencies to abide by the provisions of the Government Document Destruction Regulations, and coordinate directly with the National Center for Archives and Records, and each government agency must ensure that they have no practices or instructions contrary to this regulation in any way.

- CMA shall abide by what is stated in the High Order, knowing that it has not conducted any destruction procedure of its documents so far.



High Order No. (4366), dated 21/1/1441H, which provides for approval of what has been instructed by the Council of Ministers to have in place the necessary mechanism that contributes to addressing the Loss of original documents of payment by some government agencies, institutions, and contracting companies.

In implementation of this High Order, CMA performed the following:

- Regarding employee benefits, CMA established an electronic system for the approval and documentation of procedures of commissioning and disbursement of employees.
- Concerning the Center for Archives and Records, CMA is committed to provide an electronic system for preserving and archiving documents, and work is underway on the system to include all the work of the Center.
- Automate all of its financial procedures.



High Order No. (5529), dated 26/1/1441H, approving what is stated in the Financial Committee Minutes (Item Three): All government agencies, institutions and authorities both Civil and Military shall provide the committee, formed by Order No. 5527 dated 26/1/1441H, with all the data and information related to allowances, bonuses, benefits and reimbursements, in addition to salaries scales, according to the form prepared by the Ministry of Civil Service during a maximum period of (two weeks) from the date of this Order.

CMA abided by what is stated in the High Order, as it provided all the required data of the Committee whether by the Ministry of Civil Service or by the Ministry of Finance at the required time.



High Order No. (17850) dated 16/3/1441H, approving what the General Committee of the Council of Ministers approved concerning the results reached by a majority of the attendees of the meeting in the minutes prepared by the Bureau of Experts No. (63), in which the attendees of the meeting recommended the approval of the following: First: The government agencies — mentioned in the accompanying statement of the E-Government Program letter No. (688) dated 11/11/1440H enclosed with the minutes — which did not share data electronically with other beneficiary government agencies — on the Government Service Bus (GSB) — to enable data integration between government agencies, and facilitate offering government services electronically, to report - within (30) days - about the reasons that led them not to abide by and apply what was stated in the Order No. 41526 dated 18/8/1439H, and paragraph (5) of the controls of e-government implementation issued by the Council of Ministers' Resolution No. (40) dated 27/2/1427H, and they may coordinate in this regard with the E-Government Program (Yesser). Second: The government agencies shall include in their annual reports statistics of what they have achieved in this regard, as stated in paragraph (5) of the controls of e-government implementation issued by the Council of Ministers' Resolution No. (40) dated 27/2/1427H, and the time taken to complete the service, and the extent of satisfaction of the beneficiaries. Third: The government agencies shall share their data and make the shared data available electronically for free (without fee) for other beneficiary government agencies to enable data integration between government bodies and facilitate the provision of government services electronically.

In implementation of this High Order, CMA has undertaken the following:

- With regard to item "First", the name of CMA was not included in this list, and therefore there was no need to take any action in this respect.
- Concerning item "Second" with regard to paragraph (5) of the controls of e-government implementation issued by the Council of Ministers' Resolution No. (40) dated 27/2/1427H, CMA adopted database systems to preserve its data and information, which are managed according to the world's best practices in this area, and rely on them to build all systems and applications via which CMA offers its electronic services, and achieves data integration with other government agencies electronically, in addition to linking them to business intelligence systems and reports to take advantage of data in decision-making and facilitate interaction with other government agencies. CMA executed 265,645 services provided to the Ministry of Justice via (Nafith) system, and approximately 1,550 services to the rest of government agencies via (Makken) system during 2019. There are also a number of integration requests under study with a number of government agencies. As for the time taken to complete the service, the reader may refer to the action taken by CMA with regard to the High Order No. (20223).
- With regard to item "Third", CMA integrated with the enforcement courts through "Nafith" system, designed and activated "Makken" system to automate government agencies' requests and inquiries related to combating money laundering and terrorist financing, and work is underway on the following:
 1. Integration with the Saudi Arabian Monetary Authority through "Tanfeeth" platform.
 2. Integration with the National Information Center to activate the "unified number" feature.

In this regard, coordination is ongoing with the following government agencies:

 1. General Commission for the Guardianship of Trust Funds for Minors.
 2. The Public Prosecution.
 3. Center of Spending Efficiency (CSE).
 4. Interconnection with "E-Correspondence System" for government agencies.



(2) CMA Board Meetings and Resolutions

During 2019, CMA Board held 148 meetings compared with 139 meetings during 2018. Table (5) shows the number of CMA Board meetings classified by the number of members in attendance. Table (6) shows the number of CMA Board meetings categorized by member attendance/non-attendance in 2019.

Table No. (5):
CMA Board Meetings Classified by the Number of Attendees

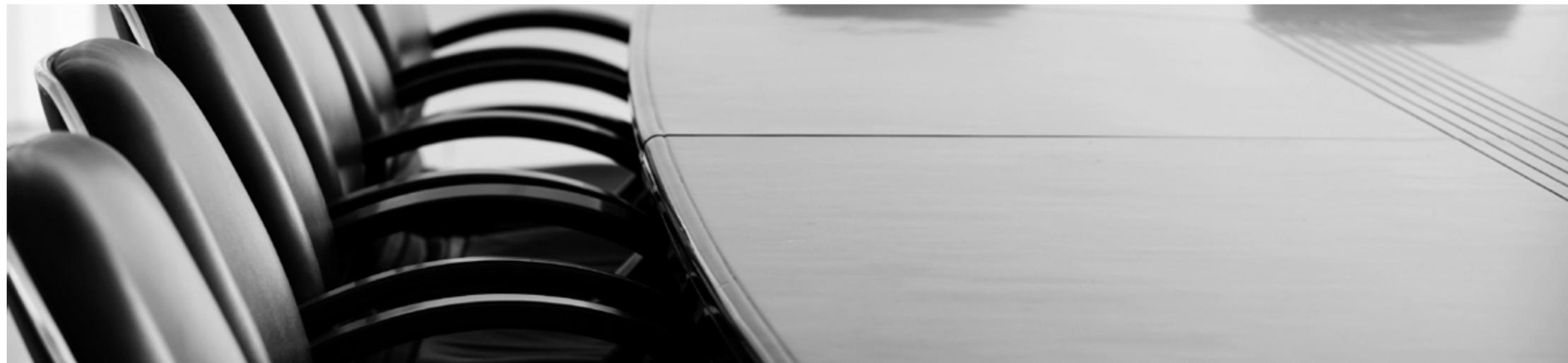
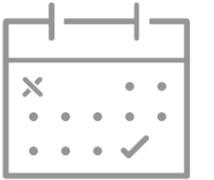
Number of Attendees	Number	
	2018	2019
All-Member Meeting	77	74
4-Member Meeting	47	62
3-Member Meeting	15	12
Total	139	148

CMA Board held

148
meetings during
2019

Table No. (6):
CMA Board Meetings Classified by Member Attendance/non-Attendance in 2019

CMA Board Members	Number of CMA Board Meetings	
	Attendance	non-Attendance
H.E. CMA Board Chairman	129	19
CMA Board Vice-Chairman Mr. Youssef Al-Blihidi	133	15
Board Member Mr. Ahmad Al-Rajeh	135	13
Board Member Mr. Khaled Al-Homoud	126	22
Board Member Mr. Khalid Al-Solai	131	17



CMA Board issued
507
resolutions
during 2019

During 2019, CMA Board issued 507 resolutions compared with 489 resolutions in 2018. Resolutions associated with the theme of "Promoting Confidence" in the capital market strategy ranked first by number which constituted 48.7%,

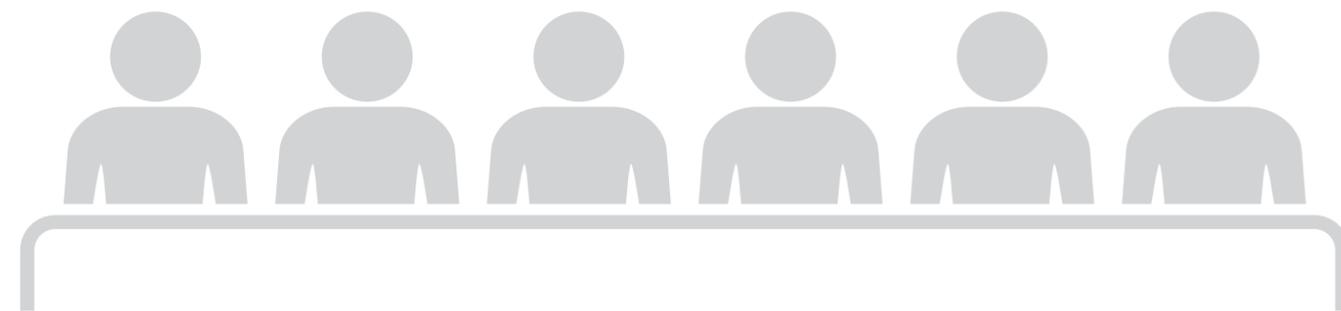
followed by resolutions related to the theme of "Implementation Enablers" by 16.6% (Table (7)).

The number of topics discussed by CMA Board associated with the themes of the Strategic Plan of the capital market stood at 566 topics in 2019 compared with 555 topics in 2018. Topics related to the theme of "Promoting Confidence" came in first by number which accounted for 48.7% followed by topics associated with the theme of "Implementation Enablers" by 18.6% in 2019 (Table (7)).



Table No. (7):
CMA Board Resolutions Classified by Themes and Topics of the Strategic Plan of the Capital Market.

 Themes of the Strategic Plan of the Capital Market	 Number of Topics Addressed Related to the Strategic Themes		 Number of Resolutions Issued Related to the Strategic Themes	
	2018	2019	2018	2019
Facilitating Funding	100	91	90	83
Encouraging Investment	58	39	41	30
Promoting Confidence	245	263	224	247
Building Capabilities	50	68	46	63
Implementation Enablers	102	105	88	84
Total	555	566	489	507





(3)

Human Resources, Training and Development Programs, and Social Responsibility

Human Resources

The total number of CMA employees stood at 768 in 2019, an increase of 9.9% compared to 2018. 109 new male/female employees joined CMA while 40 male/female employees resigned. Saudization rate reached 99.2%, with female Saudi employees representing 19.0% of the total workforce (Table No. (8) and Table No. (9)). CMA employees have high academic qualifications. The percentage of employees with Bachelor's Degree and Graduate Studies (Higher Diploma, Master's Degree and PhD) reached 82.0% of the total number of CMA employees (Table No. (10)).

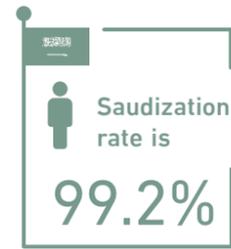
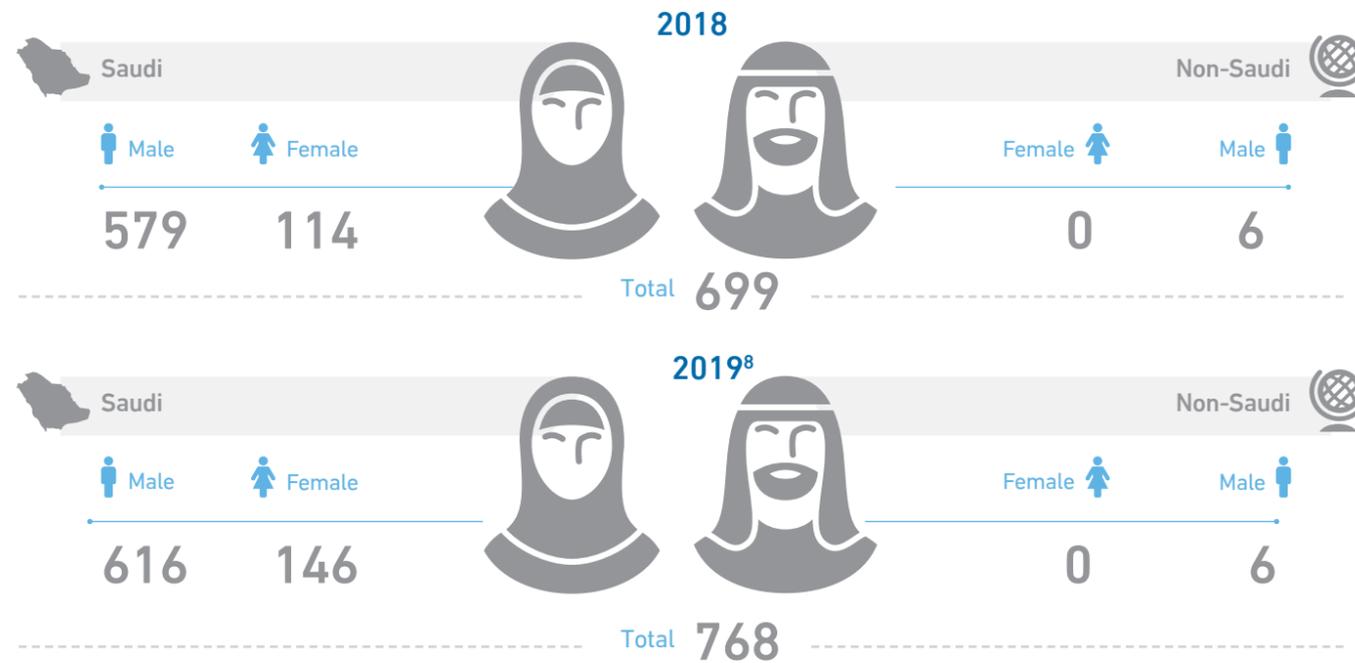


Table No. (8):
Distribution of Human Resources



⁸ Including 32 male/female employees of the Financial Academy.

Table No. (9):
New Recruits and Resignations

2018



2019⁹



Table No. (10):
Educational Qualification of CMA Staff

High School or below

Year	Number	Percentage of Total
2018	62	8.9%
2019	61	7.9%

Diploma

Year	Number	Percentage of Total
2018	71	10.2%
2019	77	10.0%

Bachelor's Degree

Year	Number	Percentage of Total
2018	306	43.8%
2019	344	44.8%

Higher Diploma/ Master's Degree

Year	Number	Percentage of Total
2018	259	37.1%
2019	282	36.7%

PhD

Year	Number	Percentage of Total
2018	1	0.1%
2019	4	0.5%

Total

Year	Number
2018	699
2019 ⁹	768

⁹ Including 32 male/female employees of the Financial Academy.



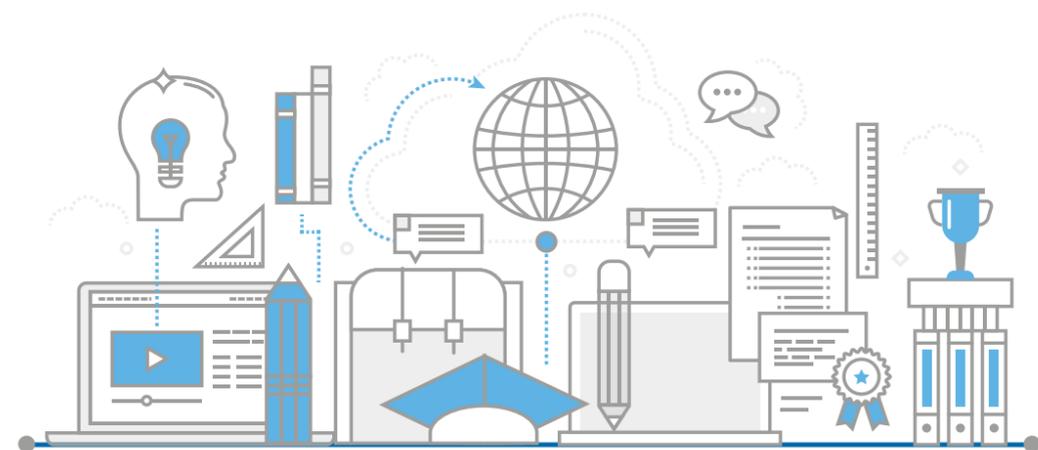
Training and Development Programs

CMA continued to provide training programs and opportunities for its employees to pursue studies inside and outside the Kingdom. Desiring to raise the level of qualification of its employees in all fields related to its functions, CMA offered 38 internal training programs with a total number of 741 participants. The number of external training programs reached 556, with a total number of 553 participants by the end of 2019. The number of employees who were granted international scholarships for attaining Bachelor's, Master's, or PhD degrees reached 20 (Table No. (11)).

Table No. (11):

Number of CMA Employees Participating in Human Resources Development Programs

Programs	Number of Participants	
	2018	2019 ¹⁰
Internal Training Programs	525	741
External Training Programs	515	553
Rotation Program	8	7
English Language Programs (Domestic)	36	28
English Language Programs (Abroad)	6	6
On-the-job Training Programs at Peer International Organizations and Authorities	4	8
International Scholarships ¹¹	20	20



¹⁰ Including employees of the Financial Academy.

¹¹ As at the end of the period.

38



Internal Training Programs

36



Enrolled in CMA Graduate Development Program

741



Participants in the Internal Programs

556



External Training Programs

123



Enrolled in internship training programs for university and college students in the Kingdom

553



Participants in the External Programs

20



International Scholarships of Bachelor's, Master's and PhD

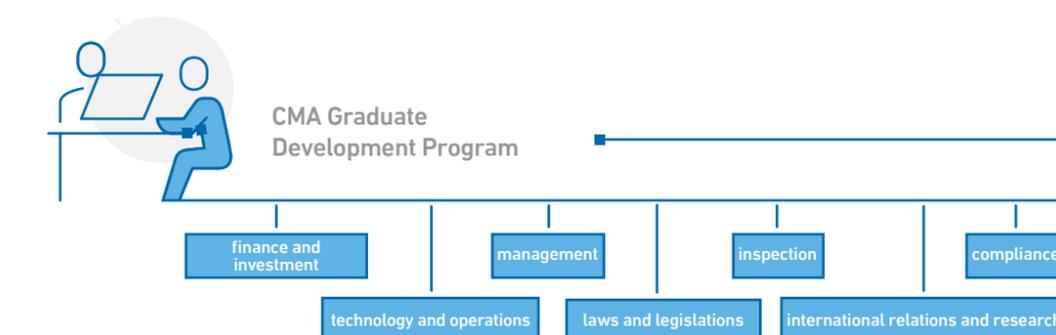
14



Enrolled in CMA Graduate Development Program for Authorized Persons

Social Responsibility

It is worth noting that CMA provides social contributions by offering on-the-job training within CMA for outstanding Saudi graduates from various universities. In 2019, CMA launched the "CMA Graduate Development Program," in its 6th edition. The number of male/female trainees enrolled in the program totaled 36, divided into seven specialized tracks: Finance and investment, laws and legislations, management, inspection, compliance, international relations and research, and technology and operations.



Further, CMA offered effective contributions to internship training programs for male and female students enrolled in the Kingdom's universities and colleges, preparing them to work in any entity after their graduation. The number of students who enrolled in this program amounted to 123 during 2019.

CMA also launched the "CMA Graduate Development Program for Authorized Persons" in its 2nd edition during March 2019 to raise the level of knowledge of the participants in the technical and regulatory aspects of the securities business and activities so that graduates of this program become ready to work in the capital market sector without the need to re-qualify them. The number of male/female trainees enrolled in this program stood at 14.



(4) Savings Plan and Housing Finance Program for Employees

CMA offers its staff two incentive programs:



Savings Plan

The number of participating reached at year-end 2019

545
employees



70.6%

of the total number of CMA employees eligible to join the Plan.



Housing Finance Program

As the end of the year 2019 the number of employee who benefits from the HFP

137
employees



17.7%

of the total number of CMA employees eligible to join the Plan.

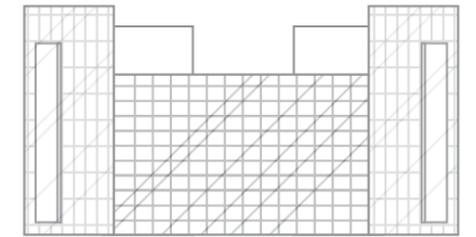


(5) CMA Owned and Rented Buildings

Buildings and lands owned or rented by CMA consist of:

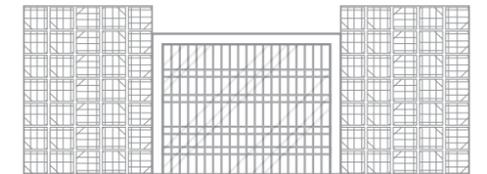
Owned

- CMA Headquarters Building, Riyadh.



Rented

- CMA Building No. 2, Eastern Tower, King Abdulaziz Center for National Dialogue (KACND).
- Car parking outside the main CMA Headquarters building, Riyadh, for visitors and staff.

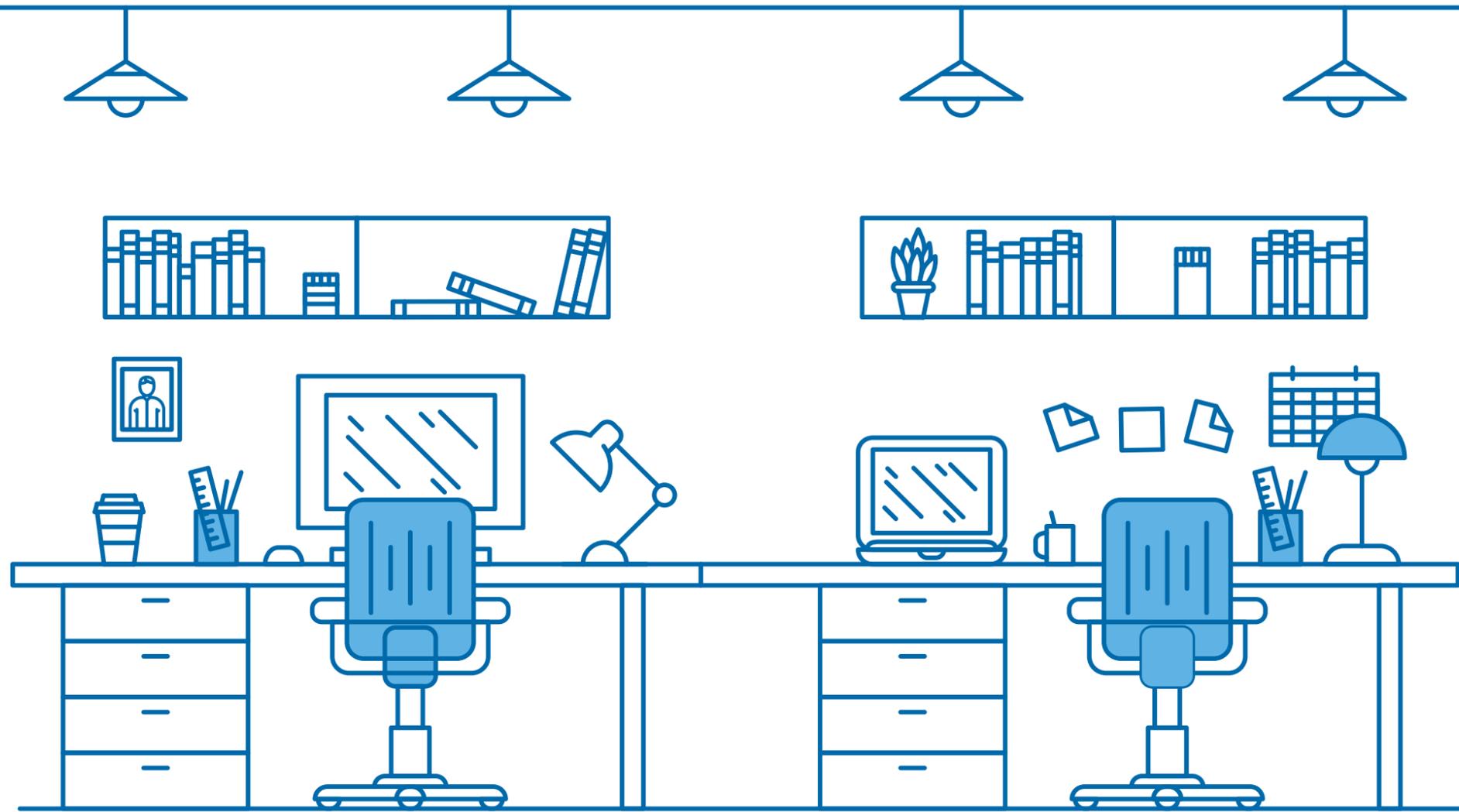




(6) Physical Working Environment of CMA

The main components of the physical working environment of offices, as provided in the guidebook for the physical working environment in government agencies, issued by the Ministry of Civil Service, consist of the following:

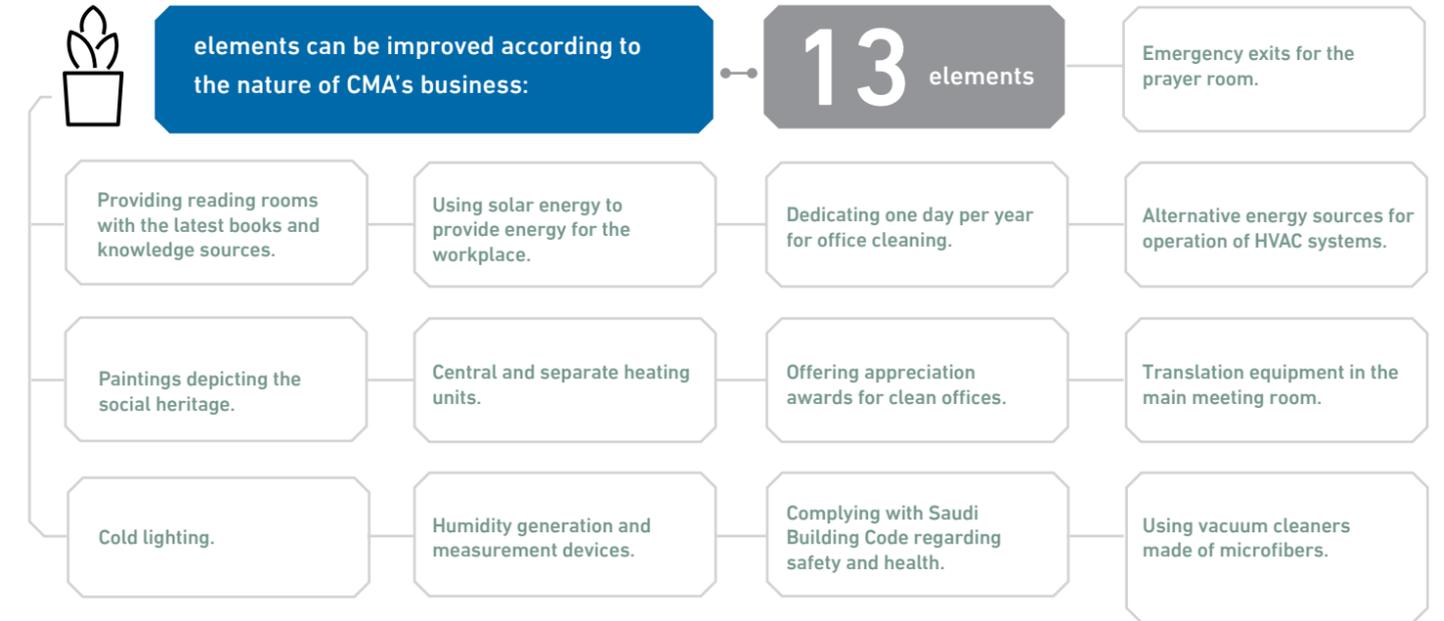
The main components of the physical working environment as in the guidebook



- 
Office design
- 
Using colors in the offices
- 
Office furnishing
- 
Creating reception spaces for beneficiaries
- 
Air conditioning
- 
Lighting and Acoustics
- 
Calmness and Noise Reduction
- 
Decorating offices
- 
Workplace organization and arrangement
- 
Safety and Security
- 
Hygiene
- 
Support services



After reviewing the guidebook and elements of the physical working environment, the comparison with practices applied at CMA revealed the following:





(7) Center of Archives and Records

Pursuant to the Council of Ministers' Resolution No. (9), dated 2/1/1438H, approving the organizational arrangements of the archiving and documentation centers at government agencies, CMA Board issued its Resolution to change the name of the "Department of Archives and Records" to become the "Center of Archives and Records". The Board also approved the Archives and Records Regulations and the Policy Guide. The Center enables CMA deputies and departments to effectively file and retrieve documents as needed.

Functions and Responsibilities of the Center:



- 

Archiving CMA documents in accordance with the policies and procedures of archiving, as per the requirements and controls of the National Center for Archives & Records.
- 

Organizing, indexing, and archiving documents in accordance with the approved rules and procedures, and ensuring their completeness, readiness, and the ability to retrieve them when needed.
- 

Coordinating with the Information Technology Division to ensure that digital storage and archiving is comprehensive and accurate.
- 

Restoring documents that were damaged, and disposal of documents that are no longer needed in accordance with the approved rules in this regard.
- 

Carrying out a periodic evaluation of the archiving and documentation locations and their containers to ensure their safety from damage.



Prominent Achievements of the Center in 2019:

- 
 - Representing CMA in the first international conference of the National Center for Archives & Records held on 24/03/2019 under the patronage of the Custodian of the Two Holy Mosques, organized by the National Center under the title "The Role of Arab Archives in Supporting Arab Knowledge Society between Current Challenges and Future Aspirations," and participating with a working paper on application of knowledge management.
- 
 - Holding three workshops entitled "The Concept of Knowledge Management and the Role of Project Managers in its Enrichment" for a number of female students and faculty members at the College of Business Administration, Princess Nourah bint Abdulrahman University, informing them about CMA's experience in respect to the hands-on application of knowledge management, and clarifying the points of convergence between knowledge management, project management, knowledge economy, and the Kingdom's Vision 2030.
- 
 - Designing a platform for documenting training materials for staff who attended training programs, and making them available to all CMA's employees to expand the benefit to include the rest of the employees and promote initiatives of spreading knowledge.
- 
 - Preparing a guidebook for records' trustees that contains important definitions, duties of a records' trustee, the most important procedures, forms and references, in addition to the standards upon which a records' trustee may receive an honorary distinction.
- 
 - Participating in the implementation of cybersecurity requirements, and program notes of e-government "Yesser" regarding data governance and management.
- 
 - Posting (22) open data batches on "Yesser" website via the open-data portal of "Yesser" program.



The Center of Archives and Records works currently on achieving the following:

- Complete services of scanning CMA's documents.
- Activate and develop tools of building and disseminating knowledge.
- Intensify initiatives of spreading awareness of the importance of sharing and spreading knowledge and its role in developing the employee and the organization.
- Interconnect with other government agencies via "Morasalaty" system in preparation for ending paper interaction among government agencies or reducing it as much as possible.



Chapter Two

Current Status of CMA

2



Section Two:
Committees



(1) The Management Committee

The Committee's regulations were issued by CMA Board's Resolution No. (2-69-2016) dated 3/9/1437H corresponding to 8/6/2016, based on the Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424H. The Committee's regulations were amended by the Board's Resolution No. (1-44-2018) dated 02/08/1439H corresponding to 18/04/2018, and amended by the Board's Resolution No. (3-121-2019) dated 08/03/1441H corresponding to 05/11/2019. The membership of the Committee was formed as follows:



The Committee held

37 meetings, in full attendance of the members during 2019, in which it addressed

87 topics listed on its agenda.





(2) E-Transactions Committee

In accordance with CMA Board's Resolution No. (6-106-2019) dated 03/02/1441H corresponding to 2/10/2019, the E-Transactions Committee was reconstituted as follows:

1.	Chairman of CMA Board	Chairman of the Committee
2.	CMA Board's Member Mr. Ahmad bin Rajeh Al-Rajeh	Vice-Chairman of the Committee
3.	Deputy Assistant of Corporate Resources	Member
4.	Deputy Assistant of Market Institutions	Member
5.	Deputy Assistant of Legal Affairs and Enforcement	Member
6.	Deputy Assistant of Listed Companies and Investment Products	Member
7.	Deputy Assistant of Strategy and international Affairs	Member
8.	Director of Financial Statements and Auditors	Member
9.	Director of Communication and Investor Protection	Member
10.	Director of Information Technology	Member
11.	Manager of Information Security Department	Member



The Committee held

11 meetings during 2019 in which it discussed

45 topics upon which it issued

34 decisions and recommendations.



Main Responsibilities of the Committee



Develop and approve CMA's E-transactions Plan in light of the National Plan for Communications and Information Technology (NCITP), and oversee its implementation.

Review and approve e-projects and review the potential threats and risks to CMA's services and electronic systems.



Coordinate with the E-Government Program "Yesser" at the Ministry of Communications and Information Technology and other government agencies in this regard.

Among the Topics Discussed by the Committee:

1 Adopting priority criteria to implement automation of CMA functions and services.

2 Approving commencement of implementing the automation program of CMA functions and services, which includes the following projects:

3 Governance, Risk Management and Compliance (GRC) Project:

4 Improvements to the following systems:

5 Interconnection and integration with the following government agencies:

6 Studying business requirements for financial analysis automation of the Department of Investigation

7 Compliance with the controls of the Cybersecurity Authority

The "Yesser" program released recently the Services Maturity Indicator for the third quarter. While the value given to CMA in the Maturity Indicator of transformation to e-services in the second quarter of 2019 was "60%", CMA advanced to "64.41%" at the end of the third quarter, i.e. at the yellow category.

- Project of the Department of Investment Products Compliance – phase three
- Licenses and registration project
- Investigation system
- Visitor management system
- Project of automating procedures of financial statements
- Project of automating procedures of corporate governance
- Project of developing CMA's recruitment platform
- Automating the procedures of financial statements
- Project of operational indicators
- E-misinformation
- Infrastructure expansion project to meet requirements of smart office services
- Project of database monitoring system
- Data camouflage project
- Project of unified communications system
- Project of call center system
- Customer Relationship Management (CRM) platform project
- Management of investor protection and notifications of violations
- Class action suit service

- Inspection of market institutions
- Management of internal risk
- Management of internal audit

- General Assembly System
- "e-Tmam" system to follow best practices of development system
- "Injaz" System - third phase
- Control system - third phase
- Improvements to the investment products issuance system - third phase

- Saudi Arabian Monetary Authority
- E-interconnectivity and integration with the National Information Center
- Interconnecting with "Meras" platform
- Project of applying the unified number, which begins with number 7, for non-government entities



(3) Supreme Joint Committee to Separate the Functions and Jurisdictions of CMA and the Saudi Stock Exchange (Tadawul)

The Committee assumes the separation of the functions and jurisdictions between CMA and the Saudi Stock Exchange (Tadawul) in accordance with the provisions of the CML. It enables Tadawul to carry out the functions and jurisdictions set forth in the CML. The Committee was re-formed due to the issuance of the Royal Order to reconstitute the CMA Board. Accordingly, the Board issued its Resolution No. (6-98-2017) dated 12/2/1439H corresponding to 1/11/2017 to keep the number of the Committee members unchanged: five CMA members and five Tadawul members. The Chairmanship of the Committee was assigned to CMA Board Vice-Chairman Mr. Youssef bin Hamad Al-Blihid. The Committee continued with its formation in 2019, which includes:



The Chairmanship of the Committee was assigned to CMA Board Vice-Chairman Mr. Youssef bin Hamad Al-Blihid

هيئة السوق المالية
Capital Market Authority



CMA
Representatives

1	CMA Board Vice-Chairman	Chairman
2	CMA Board Member Mr. Khaled bin Abdulaziz Al-Homoud	Member
3	CMA Deputy of Market Institutions	Member
4	CMA Deputy of Listed Companies and Investment Products	Member
5	CMA Deputy of Legal Affairs and Enforcement	Member
6	Mr. Mohammed bin Abdullah Al-Banyan	Rapporteur

تداول
Tadawul



Tadawul
Representatives

1	Dr. Abdullah bin Hassan Al-Abd Al-Qader	Member
2	Mr. Abdulaziz bin Abdulmohsen bin Hassan	Member
3	Dr. Abdulrahman bin Abdulmohsen Al-Khalaf	Member
4	Mr. Khalid bin Abdullah Al-Hussan	Member
5	Director of Policy Division	Member





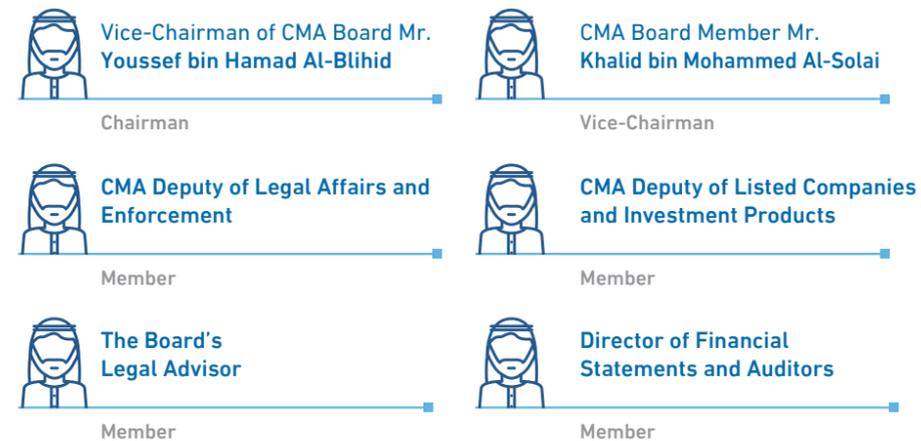
(4) Committee of Special Inspection on Listed Companies

CMA Board constituted a committee to supervise the inspection of listed companies. Some of CMA deputies participate in its membership headed by the Vice-Chairman of CMA Board. The Committee assumes, according to its approved framework, the task of special inspection of listed companies based upon an occurrence of a suspected case or a case about to occur of grave or criminal violations, which CMA is competent to seize or investigate.

The framework of the Committee is centered around the following:

1. Clarifying how the inspection proposal is submitted to the competent employee in terms of the relevant entity of submission, the mechanism of filing a proposal, and its requirements.
2. Clarifying and defining the points of inspection in terms of jurisdiction, requirements and roles.
3. Forming the steering committee, naming its members, and clarifying its functions in a way that contributes and helps to settle discussion points and consolidate opinions on inspection procedures and expedite them.

The Committee was constituted based on CMA Board's Resolution No. (1-16-2019) dated 13/06/1440H corresponding to 18/02/2019, as follows:



The Committee held

9 meetings during 2019, 6 of which in full attendance of the members, in which they discussed

19 topics on its agenda, and issued

15 decisions





(5) Human Resources Development Committee

Pursuant to CMA Board Resolution No. (4-121-2019) dated 08/03/1441H corresponding to 05/11/2019, the Committee was reconstituted as follows:



CMA Board Member Mr. Ahmad bin Rajeh Al-Rajeh

Chairman



CMA Deputy of Strategy and International Affairs

Vice-Chairman



CMA Deputy of Market Institutions

Member



CMA Deputy of Corporate Resources

Member



CMA Deputy of Listed Companies and Investment Products

Member



CMA Deputy of Legal Affairs and Enforcement

Member



Manager of the Department of Human Resources

Member



According to Article Five in the Committee's work regulations, amended by CMA Board's Resolution No. (3-121-2019) dated 08/03/1441H corresponding to 05/11/2019, the Committee's functions include the following:



1. Outline the overall policy of human resources development, including building cooperative relationships with educational and training institutions.
2. Approve the human resources development plan.
3. Validate the human resources development budget, and submit it to the competent employee for approval.
4. Develop the rules governing human resources development programs at CMA including the rules related to education programs, targeted specializations, differentiation criteria of candidates, recommended universities, controls of part-time study programs in educational institutions, attachment programs at international organizations, specialized programs, in-house training programs, professional certificates, technical tests, English language programs, and the high potential program for leadership positions.
5. Study nominations related to education programs in terms of the need, the candidate's fulfilment of the conditions, and suitability of the intended academic degree and its accreditation.
6. Study nominations related to attachment programs at international organizations and their accreditation.
7. Study special cases of employees enrolled in education and training programs that are reported by the Department of Human Resources, including requests to extend or complete studies or training, and enroll in a hands-on training program after graduation and other schemes, and decide thereupon.
8. Review the reports of education and training programs and take the necessary measures as needed.
9. Validate the programs designed for fresh graduates, and recommend their accreditation by the competent employee.

The Committee held

19

meetings during 2019 in which it discussed

63

topics on its agenda and issued

48

decisions



(6) Committee of the Financing Account for Awareness Program at CMA

The Financing Account for Awareness Program aims at financing CMA activities related to awareness programs in the capital market, which reflect on enhancing the investor's financial, saving, and investment culture, financing and developing surveillance of the trading at Authorized Persons (APs), as well as contributing to the establishment and operation of the Financial Academy. The Committee was founded pursuant to CMA Board Resolution No. (2-46-2017) dated 22/7/1438H corresponding to 19/4/2017, and was formed pursuant to CMA Board Resolution No. (7-49-2017) as follows:

1.	Member of the CMA Board to be appointed by the Board as	Chairman of the Committee
2.	CMA Deputy of Corporate Resources	Member
3.	CMA Deputy of Strategy and International Affairs	Member
4.	Director of Communication and Investor Protection	Member
5.	An experienced and specialized non-CMA member	appointed by the Board

It was re-formed pursuant to CMA Board Resolution No. (5-14-2019) dated 02/06/1440H corresponding to 11/02/2019, consisting of the following Members:

 Mr. Khaled bin Abdulaziz Al-Homoud Member of the Board Chairman of the Committee	 Mr. Abdullah bin Abdulqader Shibatalhamd, Deputy of Corporate Resources Member
 Mr. Nayef bin Abdulaziz Al-Dighaither Deputy of Strategy and International Affairs Member	 Dr. Obaid bin Saad Al-Abdali Independent Member
 Mr. Ali bin Sulaiman Al-Dakheel Member	



Tasks and Responsibilities of the Committee:



Formulate the general policy of the Account to achieve the desired objectives of financing the activities and programs referred to in Article Three of the Financing Account Regulations.



Review financing requests submitted to the Committee and issue financing decisions according to the provisions of the Regulations for the Financing Account Awareness Program in the Saudi capital market and following up on their implementation.



Approve the administrative and financial procedures derived from the approved Account policies which are required for the operation of the Account.



Setting the controls governing the process of financing from the Account.



Validate the Account's plan and budget, and submit it to the competent employee for approval within the annual budget of CMA, provided that it does not exceed the cash surplus transferred to the Account and the expected revenue during the budget's year.



Draft the Rules of the Account and the procedures necessary to carry out its activities in line with CMA's Authority Matrix.



Propose the performance indicators of the Account and recommend them to the Board for approval.



Review the status of activities and programs financed through the Account and provide recommendations thereon.

The Committee held

10 meetings during 2019, in which it discussed 20 topics on its agenda, and issued 19 decisions 07 meetings were held in full attendance of the members



(7) Audit Committee

In accordance with Article Three of the Committee regulations, amended by CMA Board Resolution No. (2-69-2016), dated 3/9/1437H corresponding to (8/6/2016), and without prejudice to the jurisdictions and tasks of the CMA Board indicated in the CML and its Implementing Regulations and the CMA by-laws, the Audit Committee shall:

1. Follow up on the tasks of the Internal Audit Division of CMA, to verify its efficiency in carrying out its tasks and functions.
2. Examine any restraints placed on the Internal Audit Division that may impede its ability to carry out its tasks and functions, and make proposals and recommendations for resolving them.
3. Examine the Internal Audit System in CMA and prepare a report with its relevant proposals and recommendations.
4. Examine internal auditing reports and follow up on the implementation of corrective procedures indicated in such reports.
5. Advise the CMA Board regarding the efficiency of the Director of the Internal Audit Division and provide recommendations regarding the performance appraisal thereof.
6. Ensure the suitability and adequacy of the arrangements taken by CMA regarding the concerns voiced by its employees on any violations or irregular practices within CMA.
7. Provide recommendations to the CMA Board regarding the appointment, remuneration and termination of the external auditor, given that he may not be employed for a period exceeding five consecutive years, following which there must be a period of two years before he can be reinstated.
8. Examine the external auditor plan for external auditing.
9. Follow up on the tasks of the external auditor and examine the observations thereof and the difficulties faced by them, while also following up on the same, providing relevant suggestions and recommendations, and convening with the external auditor at least once a year.
10. Review reports submitted by the Finance Department regarding budget performance and analyze deviations between the actual expenses and the adopted estimated budget.
11. Review the CMA financial statements and final accounts of CMA and submit recommendations to the Board regarding the approval of the same.
12. Issue the Audit Committee report and enclose it with the financial statement of CMA.
13. Examine the CMA Annual Internal Auditing Plan and ensure its adequacy.
14. Examine accounting policies adopted in preparing CMA financial statements and final accounts, and offer observations regarding the same to the CMA Board if necessary.



In carrying out its tasks, the Committee shall abide by the powers identified in the authority matrix.



Mr. Khalid bin Mohammed Al-Solai

CMA Board Member
Chairman

The Audit Committee was reconstituted in accordance with CMA Board Resolution (1-71-2018) dated 18/10/1439H corresponding to 2/7/2018, approving the reconstitution of the Audit Committee as follows:



Dr. Khalid bin Mohammed Al-Tawil

Independent Member
Vice-Chairman



Dr. AbdulMalik bin Abdullah Al-Hogail

Independent Member
Member

Approval of the amendment to the Audit Committee's Regulations was issued based on CMA Board's Resolution No. (3-121-2019) dated 8/3/1441H corresponding to 5/11/2019.

In 2019, the Committee held 8 meetings, during which it addressed 36 topics on its agenda. These included reports by the Finance Department on the estimated budget performance and financial deviation analysis between actual spending and the approved estimated budget, studying CMA's financial statements and its final accounts, and recommending its approval by the Board. This is in addition to the internal audit reports on its agenda to ensure the presence and prudence of the internal surveillance system and its effective implementation, as well as providing any recommendations to further develop the system in line with CMA objectives, the efficient protection of its interests at an appropriate cost, and reports to follow up on the implemented corrective measures in accordance with the contents of these reports.

Among the prominent achievements of the Committee:

IPSAS

Conversion into
International Public Sector
Accounting Standards
(IPSAS)

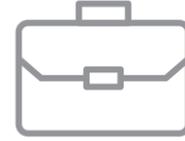


Examination of the quality of the internal audit to ensure that it complies with relevant international standards.



(8) CMA Advisory Committee

The Committee acts as an advisory body to the CMA Board. CMA Board Resolution No. (1-22-2019) dated 29/6/1440H corresponding to 6/3/2019 was issued for the re-formation of the Committee. Its membership included part-time persons ranging from market participants and experts to qualified specialists and academics:



Mr. Emad S. Al-Kharashi
Governor, General Authority for Awqaf



Dr. Mulhim H. Al-Mulhim
Lawyer & Legal Consultant, Founder of Al-Mulhim Lawyers & Consultants



Dr. Adnan A. Soufi
Office for Management Consultancy (Chairman of the Committee)



Mr. Tariq Z. Al-Sudairy
CEO and Managing Director - Jadwa Investment Company



Mr. Abd Al-Wahab A. Al-Bateri
Founding Partner - Watar Partners (Vice-Chairman of the Committee)



Ms. Rania M. Nashar
Chief Executive Officer - Samba Financial Group



Dr. Roland G. Bellegarde
Advisor to CEO, Tadawul



Mr. Fahad A. Al-Malki
Managing Partner – Al-Dhabaan and Partners in association with Eversheds Sutherland



Dr. Abdulaziz H. Algaeed
Associate Professor of Economics - Dar Al Uloom University



Mr. Rashid S. Al-Rashoud
Partner - Ernst & Young Saudi Company



Mr. Abd Al-Salam A. Al-Mani'
Deputy of Domestic Commerce, Ministry of Commerce and Investment



Mr. Ali F. Almarzouqi
Head of Compliance Department – AlAhli Capital



The Committee tasks include:



Provide recommendations and suggestions for any topic request by CMA board or by the Chairman of CMA board to study it.

Discuss topics and proposals brought up by capital market participants, and gauge their reactions towards any changes and new policies that CMA wishes to adopt, subject to the approval of the CMA Board.



Express opinions and recommendations on all matters contributing to the development of the market and the protection of investors in securities.



The Committee held five meetings during its fifth business cycle in 2019. Several proposals and recommendations were presented. Prominent topics were discussed including:



- CMA Strategic Plan and the most important achievements.
- Dual listing.
- The derivatives market.
- Financial Technology Lab and Robo Advisor Business Model.
- Project of developing the Authorized Persons Regulations and promoting securities business activities.
- Amending the Capital Market Law.
- Traded real estate funds.
- Policy of suspending shares of listed companies.
- Listed companies' use of the fair value model or re-measurement of real estate and investment real estate.



(9) Authorized Persons Committee

CMA set up the Authorized Persons Committee to address common topics and challenges that interest APs. It is the main point of contact between the Authorized Persons and CMA. The Committee consists of the following members:



**Mr.
Khaled Al-Baddah**

Chairman of the Committee
Goldman Sachs Saudi Arabia



**Mr.
Haitham Al-Ghannam**

Vice-Chairman, Jadwa Investment
Company



**Ms.
Kholoud Al-Dukheil**

Member, Al-Dukheil
Financial Group



**Mr.
Fahad Alsaud**

Member
Alpha Capital



**Mr.
Bassel Al-Ghalayini**

Member
BMG Financial Group



**Mr.
Ali Al-Marzouqi**

Member
NCB Capital



**Mr.
Bassam Al-Mubarak**

Member
Arab National Investment Company



**Mr.
Faisal Malaika**

Member
Alawwal Capital



**Mr.
Badr Al-Enezi**

Member
Saudi Kuwaiti Finance House



**Mr.
Mohammed Al-Rumaizan**

Member
Aljazira Capital

The Committee's tasks and responsibilities:



Discuss topics of interest to the Authorized Persons, study their relevant challenges which if resolved would contribute to promoting market growth and stability, and offer initiatives and informed opinions on all matters that would contribute to the market development.



Discuss the topics raised by CMA and express observations thereon.



Suggest topics that are of interest to the Authorized Persons to be addressed at CMA's workshops and conferences.



Contribute to holding awareness and advertising exhibitions for the Authorized Persons.

The Committee held four meetings in 2019, and discussed several topics, most notably:

1. CMA strategic objectives and special initiatives for the Authorized Persons.
2. Organizing the forum of the Authorized Persons.
3. CMA's initiatives to raise the level of cybersecurity of the Authorized Persons.
4. Development of CMA Qualification Examinations.
5. Approving the Committee's working guide.



(10) Standing Committee for Archives & Records

The Standing Committee for Archives and Records was formed on 8/5/1437H (17/2/2016) by Administrative Decision No. (Q/1/23/16) to be a main reference for document related issues in CMA, and to ensure optimal application of the Archives and Records Regulations and the relevant laws, regulations, policy and procedures. The Committee consists of the following:



CMA Deputy of Corporate Resources

Chairman



Director of Risk Management Division

Member



Director of Information Technology Division

Member



Manager of the Legal Advice Department

Member



Manager of the Center of Archives and Records

Member



Mr. Mohammed Al-Banyan

Rapporteur

The tasks of the Committee include:



Supervise organizational and procedural studies related to CMA's documents, propose standards of format and content to produce documents and convert them into digital copies, with the aim of reducing the production of documents and dispensing with what is unnecessary, and improve the quality of documents, in order to achieve CMA's documents policy.



Supervise organizational and procedural studies related to data governance, including ensuring soundness, suitability and efficiency of the procedures and processes related to data security and accessibility.



Ensure coordination and complementarity among committees and teams in carrying out their duties.



Naming the members of the sub-committees (Assessment Committee and Shredding Committee) relating to documents in CMA, and naming the necessary work team members for each committee.



Oversee the work of Assessment and Shredding Committees, directing them and authorizing the results of their work.



Oversee the accuracy and completeness of the data and information provided to the National Center for Archives and Records about CMA's documents.



Study draft regulations and plans related to CMA's documents.

The Committee held five meetings in 2019, during which it addressed several topics, including:

1. Achievements of the Center of Archives and Records during 2018.
2. Strategic initiatives for 2019.
3. Implementation of ministerial decisions and circulars.
4. Projects of the Center of Archives and Records in 2019.
5. Technical projects associated with document archiving, custody and digitizing.
6. Review new recommendations from the Center of Archives and Records.
7. Review CMA's history documentation project and its developments.
8. Review the latest updates in developing the administrative telecommunication systems.
9. Review the list of aspirations for the year 2020.
10. Review the strategic initiatives of the Center of Archives and Records for the year 2020.
11. Review the challenges facing the Center in carrying out the work and tasks assigned to it.
12. Review the achievements of the Center in 2019.

(11) Cybersecurity Resilience Committee in the Capital Market

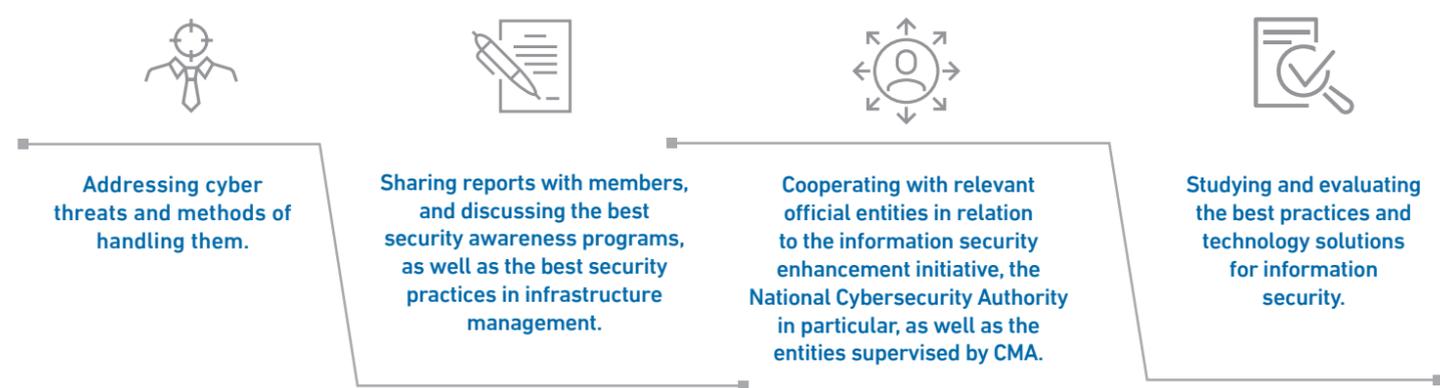
Driven by CMA's keenness to enhance the electronic security stability in the capital market and reduce the risks involved, CMA formed a Committee for information security on the 16th of October, 2017. The Committee aims to raise the level of security and safety of the exchange of information and financial data, and ensure the continuity of the work of the capital market participants.

In addition to CMA's membership, it includes 

 **The Saudi Stock Exchange (Tadawul)**

 **and 20 members representing the Authorized Persons**

 Among the most important tasks entrusted to the Committee are the following:



The Committee held seven meetings in 2019, from which several recommendations emerged. The most prominent are:

- Cooperate with and provide the necessary support for the target authorities within the strategic projects to evaluate cyber risks and the vulnerability test project of the capital market institutions.
- Urge the capital market institutions to register on the electronic security reporting services provided by the National Cybersecurity Authority.
- Research and discuss the Cybersecurity Guidance Note for the capital market institutions which was recently developed by CMA, taking opinions and observations of Committee members thereon.
- Discuss the two-factor authentication initiative concerned with examining and testing the two-factor authentication systems, finding out the most secure of which and submitting a recommendation to use it to the Committee.
- Discuss and examine the General Data Protection Regulation (GDPR) of the European Union and its security controls to be probably utilized in promoting the goals and work of the Committee.



(12) Cybersecurity Supervisory Committee at CMA



Pursuant to CMA Board Resolution No. (Q/1/10/19) dated 6/8/1440H corresponding to 11/4/2019, the Committee was constituted according to the Essential Cybersecurity Controls issued by the National Cybersecurity Authority. The committee consists of:



Among the most important tasks entrusted to the Committee:

- 

Review reports and studies prepared by the Department of Information Security and express opinion thereon.
- 

Recommend improvements to the level of cybersecurity at CMA and the capital market institutions, reducing the level of cyber risk, and submit the same to the competent employee.
- 

Review the cyber risks at CMA and the capital market institutions identified by the Department of Information Security, and recommend adoption of appropriate security plans.
- 

Oversee the level of compliance with any regulatory or legislative framework pertinent to cybersecurity within the Kingdom of Saudi Arabia, without prejudice to the statutory jurisdiction of the National Cybersecurity Authority.
- 

Examine the violations of CMA's employees regarding data protection and intentional cybersecurity policy violations, and recommend to CMA's Chairman or whom he delegates the requirement to make the violator take the appropriate corrective action.

The Committee held three meetings in 2019, in which several cybersecurity topics were addressed such as the situation of compliance with the Essential Cybersecurity Controls issued by the National Cybersecurity Authority, follow up on cyber risks with the departments concerned, discuss cybersecurity awareness programs and mechanisms, and measure awareness of CMA's employees periodically. Several recommendations emerged from these meetings, including:

1. Instruct the Department of Information Security to coordinate with the different departments involved in the commitment to follow up on the workflow of applying cybersecurity controls as planned.
2. Instruct the Department of Information Security to follow up with the Information Technology Division on the workflow of addressing risks described in the cybersecurity risk register as planned.



(13) Supervisory Committee for Savings Plan

The committee was formed by Administrative Decision No. 37/RMC dated 27/12/1428H corresponding to 6/1/2008, to supervise the investment of savings of participants in the Savings Plan. Administrative Decision No. (Q/1/1/19) dated 30/5/1440H corresponding to 5/2/2019 was issued to reconstitute the Committee to be composed of:



Mr.
Majeed bin Fahad Al-Abd
Al-Jabbar

Chairman



Ms.
Hessa bint Abdulaziz
Al-Muhanna

Member



Manager of the
Human Resources
Department

Member



Ms.
Mona bint Saud Al-Nemer

Member



Manager of the
Finance Department

Member



Mr.
Ahmad bin Nasser
Al-Kharji

Rapporteur

The Committee was entrusted with the following tasks:



Evaluate the offers received from investment entities, select the appropriate ones and submit them to the Chairman of the CMA Board for approval.



Continuous evaluation and periodic review of the activity of the selected entity (investment channel).



Recommend withdrawal of the project and termination of the deal with the entity (investment channel) and propose another investment channel.



Submit periodic reports on the progress of the program to the Chairman of the CMA Board.

The Committee held four meetings in 2019, during which it addressed several topics on its agenda and made the appropriate recommendations in their regard.





(14) Professional Conduct and Employee Complaints Committee

The Committee was established pursuant to His Excellency CMA Board Chairman's Administrative Decision No. (Q/1/58/15) dated 27/1/1437H, corresponding to 9/11/2015 under the name (The Committee of Employee Complaints, Violating Practices and Conduct at CMA). An administrative decision was issued on 4/11/1439H corresponding to 17/7/2018 to re-form the Committee and modify its name to become the (Professional Conduct and Employee Complaints Committee). The reasons for forming the Committee involve looking into complaints and grievances of CMA's employees, and violations of professional conduct rules with the aim of providing an appropriate work environment, based on the requirements of Article Five of the Anti-Harassment Law issued by Royal Decree No. A/96 dated 16/09/1439H. His Excellency the Chairman of CMA Board issued Decision No. (1/25/19), dated 14/7/2019, extending the current membership of the Committee for another year.

The Committee consists of the following:



Mr. Khalid bin Abdullah Alsuwaiket

Legal Advisor to CMA Board, Chairman



Mr. Ahmad bin Abdulrahman Al-Jalal

Manager of the Unit of Legal Opinions and Studies, Member



Ms. Farah bint Hassan Al-Ruwaili

Manager of Professional Ethics and Internal Compliance Department, Member



Mr. Amer bin Rahil Al-Enezi

Human Resources Operations, Member



Mr. Turki bin Omar Al-Sreiheed

Chairman's Office, Rapporteur

The Committee's tasks include studying, examining, and investigating employee complaints and violations that are referred to the Committee by CMA Board's Chairman or his representative according to the provisions of the Capital Market Law, the Law of Labor, the Anti-Harassment Law, Work Regulations at CMA, Human Resources Policy Guide, Professional Conduct Rules, and the relevant regulations, instructions and laws. The Committee discussed a number of grievances on the results of the performance evaluation for the year 2019, and discussed two violations related to the rules of professional conduct of CMA employees. The Committee made a number of recommendations on the topics discussed and submitted them to the competent employee.



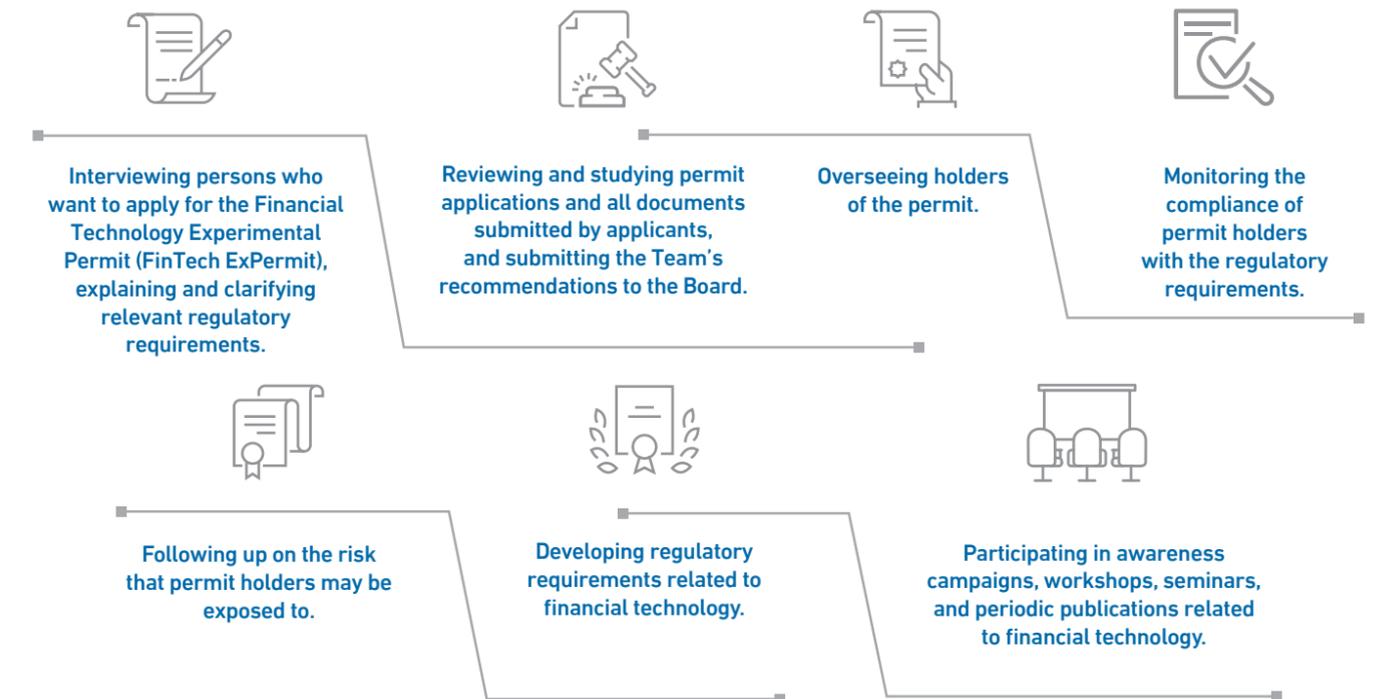


(15) Financial Technology Lab Team

His Excellency the Chairman of CMA Board issued Resolution No. (2-121-2019) dated 30/3/1441H, corresponding to 27/11/2019, to reconstitute the "Financial Technology Lab Team," aiming to support financial technology projects in the Kingdom's capital market. The Team receives fintech applications, studies them, and helps applicants to understand the regulatory requirements. The Decision appointed members of the Team as follows:



The Committee's duties are summarized as follows:



The Committee held a number of internal meetings as well as meetings with applicants, and addressed several topics, including:

- Preparing to receive applications for the third batch of FinTech ExPermits effective from 1/12/2019 until 30/1/2020.
- Interviewing applicants of the third batch who wish to receive the permit, and discussing their applications.
- Specifying information security requirements for FinTech ExPermit holders.
- Periodic follow up and supervision of permit holders.



Chapter Two

Current Status of CMA

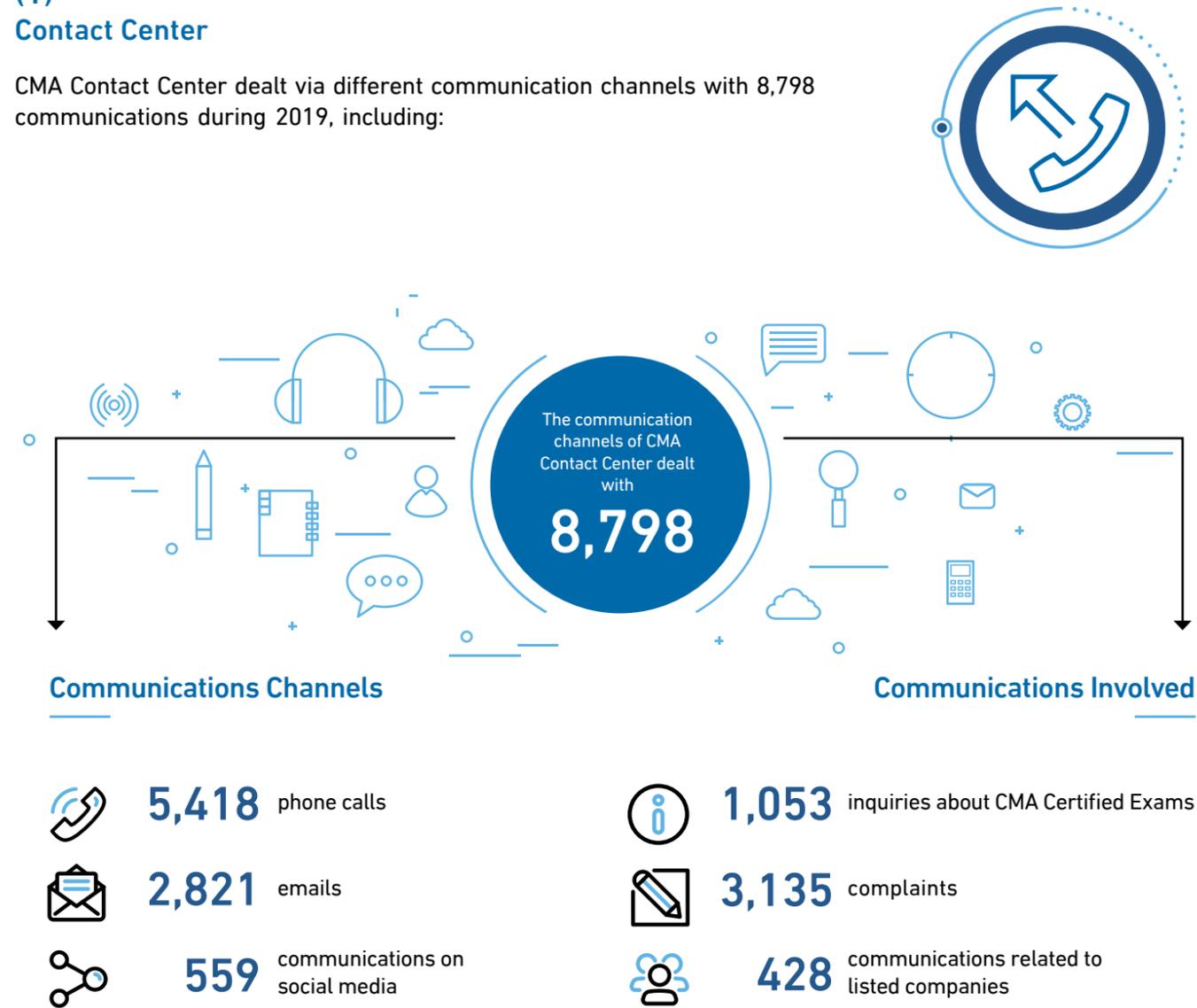


Section Three: Communication and International Affairs

1. Contact Center
2. International Affairs

**(1)
Contact Center**

CMA Contact Center dealt via different communication channels with 8,798 communications during 2019, including:



**(2)
International Affairs**

CMA has continued to develop and strengthen its regional and international relations with organizations, authorities, and institutions involved in regulating and monitoring capital markets while making use of the best international experiences and practices in related areas. In order to gain and exchange expertise and information, consolidate bilateral and multilateral relations, and to explore areas of joint cooperation, CMA collaborated with several regulators in a number of relevant areas, and participated among international teams for implementing capital market projects. In 2019, CMA participated in a number of international conferences and forums for capital markets, their development and oversight.

During 2019, CMA attended and participated in several IOSCO meetings, including the 44th IOSCO¹² Annual Conference and IOSCO Board meetings. In addition, CMA was part of the Africa/Middle East Regional Committee meeting and conference and the Emerging Markets Committee meeting and conference.

¹² 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 oversight of securities transactions. CMA became a member of IOSCO in its 35th Annual Conference in Montreal in 2010. CMA is a member of the Committees of Retail Investors; Investment Management; Issuer Accounting, Audit and Disclosure; Regulation of Secondary Markets; Regulation of Market Intermediaries; Commodities and Derivatives Markets; Emerging Risks, and Steering and Market Infrastructures, in addition to other IOSCO teams. CMA is a member of IOSCO Board since 2013, and was re-elected as a member of the IOSCO Board for the term (2018-2020).





The most significant issues addressed in these meetings were as follows:

- ▶ Recommendations of the Financial Stability Board and the G20 concerning capital markets.
- ▶ The issues and challenges facing capital markets with respect to market behavior, financial technology, and cryptoassets.
- ▶ The organization's efforts in addressing issues of financial stability.



In 2019, CMA also participated in several events organized by other international organizations and agencies, such as:

- The 13th Annual Meeting of the Union of Arab Securities Authorities (UASA), and the Second Arab Capital Markets Conference.
- The 8th meeting of the Ministerial Committee of the chairmen of the boards of the capital markets regulators in the GCC countries.
- The 18th and 19th meetings of the Committee of Chairmen (or their equivalent) of the capital markets authorities in the GCC countries.
- The second joint meeting between the Committee of Chairmen of the capital markets authorities and heads of the capital markets (stock exchanges) in the GCC countries.
- The plenary meeting of the Financial Stability Board, and the 15th and 16th meetings of the Regional Consultative Group for the Middle East and North Africa - part of the Financial Stability Board.
- AAOIFI¹³ – World Bank, 14th Annual Conference.
- AAOIFI – 17th Annual Shari'ah Conference.
- The meeting of the special team in the field of financial services and markets of the Saudi-Emirati Coordination Council (Khalwat al-Azm).
- The 11th annual conference of the Institute of International Finance for the G20 under the Japanese presidency organized by the Institute of International Finance.
- The meeting of OECD Corporate Governance Working Group of the Middle East and North Africa.
- The 7th annual meeting of the Asia-Pacific capital market regulators organized by the Korean Financial Supervision Department.
- The annual meeting of the OECD Corporate Governance Committee.
- The International Forum meeting for independent auditing regulators and events associated with the meeting.

¹³ The Accounting and Auditing Organization for Islamic Finance Institutions AAOIFI is one of the most prominent international not-for-profit bodies that support Islamic financial institutions. It has several achievements, amongst which is the 100th Standard for accounting, auditing, business ethics, and governance, in addition to Shari'ah standards adopted by central banks and financial authorities in a number of countries as rules or guidelines.

CMA has several other contributions in its efforts to build capabilities, promote joint cooperation and exchange of expertise with a view to developing the capital market sector, including:

- Participation in a number of IOSCO projects, such as:
 - Recommendations of the Financial Stability Board and the G20 concerning capital markets.
 - Modern financial technologies for emerging markets.
 - Listing companies in the capital markets in the region of Africa and the Middle East.
 - Preparing the Risk Outlook report for the year 2020, which is important to determine the priorities and plan of action of the organization for the coming period.
 - The World Investor Week organized by IOSCO, with the participation of many regulatory entities and related parties worldwide, which aims to enhance the investors' culture and protect them.
- Implementing a number of joint initiatives by the Saudi-Emirati Coordination Council in the field of financial services and markets in cooperation with relevant authorities in the United Arab Emirates.
- Working within the committees of the Islamic Financial Services Board (IFSB) on developing principles related to investor protection, and a standard on the guiding principles of Sharia control systems.
- CMA's contribution to a number of strategic initiatives of the Union of Arab Securities Authorities (UASA), as it participated in working on developing guidelines for the minimum requirements that must be met in companies and entities operating in Arab financial markets, in addition to guidelines for issuance and listing in Arab financial markets. This is part of CMA's efforts to enhance the supervisory and regulatory coordination among securities regulators.
- CMA's initiative to develop and improve the guidelines of professional conduct for the personnel of UASA.
- CMA, in cooperation with UASA, hosted two training programs on "Oversight of Financial Reports Issued in Accordance with the International Standards" and "Clearing, Settlement and Depository", attended by a number of the Union members' employees, stock exchanges, and entities related to the financial markets sector.

- Hosting an event for the Accounting and Auditing Organization for Islamic Financial Institutions: CMA hosted a public hearing that discussed two drafts of two new standards on "Sukuk Governance" and "Internal Sharia Audit".
- Participation of His Excellency the Chairman of CMA Board in the 14th Annual AAOIFI - World Bank Conference where His Excellency delivered a speech as the Conference's guest of honor, in which he talked about issues related to the Islamic financial industry.
- CMA participated in the Conference of the IOSCO Regional Committee for Africa and the Middle East, in which it reviewed its efforts and future initiatives regarding regional responses as reactions to the risks arising from modern financial technology.





CMA's international achievements during 2019 include:



- Cooperating with the International Monetary Fund (IMF) to evaluate the work of risk management in relation to identifying overall risks and building macro-precautionary policies, both in its preventive and containment aspects, and the role of regulators in contributing to identifying and addressing overall risks to support the stability of the capital market.
- Contributing to improving the Kingdom's competitiveness rankings in the international indicators relevant to the Saudi capital market, according to Doing Business Report, the Global Competitiveness Report, and the World Competitiveness Yearbook.
- The 2019 Article IV Consultation report of the International Monetary Fund praised the progress the Kingdom has made in implementing its reform program aimed at supporting diversification of the

economy, comprehensive growth, and providing job opportunities. Among the prominent reforms concerning the capital market: achieving rapid progress in the capital market reforms, efforts to increase access to financial services within the framework of the "Financial Sector Development Program", improving governance, and the ongoing efforts in the Kingdom to strengthen the framework for combating money laundering and terrorist financing.

- CMA, in cooperation with the regulators of the capital markets in the GCC countries, contributed to launching the e-portal for studies and research. This portal aims to develop the capabilities of employees of the supervisory authorities of the capital markets in the GCC countries, as well as promote cooperation in the field of research among these authorities.

In line with CMA's keenness to increase the Kingdom's participation internationally and reinforce its global presence, the number of seats for CMA employees participating in committees and working groups of international authorities and institutions as members totaled 39 at the end of 2019, compared to 35 seats in 2018. CMA participates effectively in these committees and working groups.



CMA is a member of the following regional and international organizations and projects:



The Union of Arab Securities Authorities	 اتحاد هيئات الأوراق المالية العربية UNION OF ARAB SECURITIES AUTHORITIES	Joining Date of CMA	2007	Abu Dhabi
The International Organization of Securities Commissions (IOSCO)	 IOSCO	Joining Date of CMA	2010	Madrid
GCC Financial Markets Integration Project		Joining Date of CMA	2010	Riyadh
Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)	 AAOIFI	Joining Date of CMA	2016	Manama
Islamic Financial Services Board	 IFSB	Joining Date of CMA	2017	Kuala Lumpur
International Forum of Independent Audit Regulators	 IFIAR	Joining Date of CMA	2019	Tokyo
The Saudi-Emirati Coordination Council (Khalwat al-Azm) ¹	 المجلس التكاملي السعودي الإماراتي The Saudi-Emirati Coordination Council	Joining Date of CMA	2016	Riyadh-Abu Dhabi

¹ The Council was established within an agreement between the Kingdom of Saudi Arabia and the United Arab Emirates in May 2016, under the directives of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud and His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates. The Council provides an ideal model for bilateral cooperation between states and the activation of their mutual ties, and at the same time supports work within the Gulf common action system. The Council works to coordinate the implementation of joint initiatives, which will be positively reflected on job creation, growth in GDP, and an increase in investment between the two countries. CMA participates in the team of financial services and capital markets through the implementation of a number of joint initiatives related to the financial markets sector and the infrastructure associated with this sector.



Chapter Three

Regulating the Capital Market



1. New Implementing Regulations
2. Amended Implementing Regulations
3. Implementing Regulations under Development
4. CMA's Methodology in Issuing and Developing its Implementing Rules and Regulations



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 Companies Law.

CMA exercises its regulatory and development roles in a balanced way with no overlap. It regulates and develops the capital market, as well as developing the procedures applied by the parties and public entities working in securities trading. CMA also promotes measures that limit the risks associated with securities transactions, and enforces fairness, efficiency, and transparency, as well as promoting the disclosure principle as stipulated in Article Five of the CML. To enhance its regulatory and development roles in a balanced manner, CMA has established, in its new organizational structure, an autonomous department under the Strategy and International Affairs Deputy to be tasked with developing regulatory policies.



(1) New Implementing Regulations

During 2019, CMA issued the following new regulations and instructions:

1. Securities Central Counterparties Regulations:

Issued by CMA Board's Resolution No. (3-127-2019) dated 21/3/1441H corresponding to 18/11/2019, the approved Regulations aim at regulating the securities clearing activities in the Kingdom, and specifying the requirements for obtaining an authorization to carry out such activities; which will contribute to introducing new securities classes such as derivatives, in addition to guaranteeing the settlement and fulfillment of obligations of all transactions parties, which will in turn strengthen the capital market current infrastructure and enhance its efficiency. CMA took into account while preparing the Regulations the best international practices to achieve a stable, developed and highly efficient capital market. CMA also took into consideration the Principles for Financial Market Infrastructures (PFMI) issued by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO).

2. Instructions for the Foreign Strategic Investors' Ownership in Listed Companies:

Issued by CMA Board's Resolution No. (3-65-2019) dated 14/10/1440H corresponding to 17/6/2019, the Instructions aim to regulate provisions, requirements and conditions of foreign strategic investors' ownership of a strategic shareholding in listed companies, and define their obligations and restrictions, in order to attract foreign strategic partners to invest in listed companies who have the necessary experience and expertise to enhance exchange of knowledge and operational experience, open new markets for the products of listed companies, increase their capabilities to utilize available success opportunities, and contribute to improving financial and operational performance of listed companies.



(2) Amended Implementing Regulations

CMA amended certain implementing regulations as follows:

1. Rules for Qualified Foreign Financial Institutions Investment in Listed Securities

The Rules were issued by CMA Board Resolution No. (1-42-2015) dated 15/7/1436H corresponding to 4/5/2015 and amended by Resolution No. (3-65-2019) dated 14/10/1440H corresponding to 17/6/2019, as subparagraph (2) of paragraph (A) of Article Fourteen of the Rules was amended in light of the approval of the Instructions for the Foreign Strategic Investors' Ownership in Listed Companies under CMA Board Resolution No. (3-65-2019) dated 14/10/1440H corresponding to 17/6/2019.

2. Rules on the Offer of Securities and Continuing Obligations, Glossary of Defined Terms Used in CMA Regulations and Rules, and Instructions related to the Announcements of Companies

The Rules on the Offer of Securities and Continuing Obligations were issued by CMA Board Resolution No. (3-127-2017) dated 9/4/1439H corresponding to 27/12/2017 and amended by CMA Board Resolution No. (1-104-2019) dated 1/2/1441H corresponding to 30/9/2019. Glossary of Defined Terms Used in CMA Regulations and Rules were issued by CMA Board Resolution No. (4-11-2004) dated 20/8/1425H corresponding to 4/10/2004, and amended by Resolution No. (3-127-2019) dated 21/3/1441H corresponding to 18/11/2019. The Instructions related to the Announcements of Companies were issued by CMA Board Resolution No. (1-199-2006) dated 18/7/1427H

corresponding to 12/8/2006, and amended by Resolution No. (1-104-2019) dated 1/2/1441H corresponding to 30/9/2019. The most prominent amendments aim at developing the Parallel Market (Nomu) and promoting trading and listing therein, through allowing direct listing in the Parallel Market and regulating the provisions related to it in the Rules on the Offer of Securities and Continuing Obligations, in addition to changing the disclosure requirement of the interim financial statements from a quarterly to semi-annual basis for companies listed on the Parallel Market. The amendments include allowing foreign issuers to list their shares on the Main Market, by stating the provisions with which the foreign issuer who submits an application for listing in the Main Market in accordance with the listing rules shall comply.

Further, the amendments include extending the scope of exempt offer pursuant to subparagraph (8) of paragraph (A) of Article (6) of the Rules on the Offer of Securities and Continuing Obligations and not limiting it to sophisticated investors. The amendment to the Instructions related to the Announcements of Companies and the Glossary of Defined Terms Used in CMA Regulations and Rules came to be consistent with the amendments to the Rules on the Offer of Securities and Continuing Obligations.





3. Corporate Governance Regulations

The Regulations were issued by CMA Board Resolution No. (8-16-2017) dated 16/5/1438H corresponding to 13/2/2017, and amended by CMA Board Resolution No. (3-57-2019) dated 15/9/1440H corresponding to 20/5/2019. The amendments aim to regulate the authorization framework for permitting a board member to have direct or indirect interest in the business and contracts that are executed for the company's account. In addition, the amendments aim to regulate the authorization framework for permitting a board member to take part in any activities that may lead to competition with the company in any of its activities, in line with the amendments to the Companies Law based on Royal Decree No. (M / 79) dated 25/7/1439H. These amendments allowed the competent agency to set controls for authorizing business and contracts that are executed for the company's account in which a board member has an interest, as well as controls of permitting a board member to take part in any activities that may lead to competition with the company in any of its activities.

4. Regulatory Rules and Procedures Issued Pursuant to the Companies Law and its Guidance Note

The Regulatory Rules and Procedures were issued by CMA Board Resolution No. (8-127-2016) dated 16/1/1438H corresponding to 17/10/2016, and amended by CMA Board Resolution No. (3-57-2019) dated 15/9/1440H corresponding to 20/5/2019. The amendments aim to regulate the controls of the authorization framework for permitting a board member to have direct or indirect interest in the business and contracts that are executed for the company's account, in line with the amendments to the Companies Law based on Royal Decree No. (M / 79) dated 25/7/1439H. These amendments enabled the competent agency to set authorizing rules for businesses and contracts in which a Board Member has interest and which are executed for the company, as well as controls of permitting a board member to take part in any activities that

may lead to competition with the company, or competition in any of its activities, in addition to amending Chapter Four of the controls to facilitate the company's purchase of its shares given the market's quarterly disclosure of the companies' purchases of their listed shares.

5. Instructions of Book Building Process and Allocation Method in Initial Public Offerings (IPOs)

The Instructions were issued by CMA Board Resolution No. (2-94-2016) dated 15/10/1437H corresponding to 20/7/2016 and amended by CMA Board Resolution No. (3-102-2019) dated 18/1/1441H corresponding to 17/9/2019, whereby the requirement to submit the application form and the appended application form was removed, leaving the mechanism of determining it to the financial advisor to the issuer. The requirement to submit an application form has also been removed, so that the financial advisor of the issuer could decide on the means of submitting requests for participation in the book building process. Further, the requirement of the declaration form from the entities involved in the book building process was removed. Participation in the book building process became allowed to all legal persons who may open an investment account in the Kingdom and an account with the depository center, including foreign legal persons, and the category of foreign legal persons was defined in the context of the amendment to be limited to those who are allowed to invest in the market in which the shares of the issuer would be listed, in order to prevent the foreign legal persons who are permitted to invest in the Parallel Market from participating in the book building process of an issuer that intends to offer and list its shares in the Main Market. In addition, the amendment aims to harmonize the requirements of investment funds participation in the book building process and the provisions stipulated in the Regulations of Investment Funds.

(3) Implementing Regulations under Development

In line with CMA's keenness to capitalize on investors' trust and develop the capital market, certain Implementing Regulations are under development, as follows:

1. Draft Instructions on Issuing Depository Receipts outside the Kingdom

The Instructions aim to set out the requirements and conditions for issuing depository receipts outside the Kingdom for shares issued in the Kingdom and listed in the market, or for shares issued in the Kingdom and its issuer has undertaken the necessary arrangements to list them in the market, including the requirements for CMA's approval on issuing depository receipts outside the Kingdom, the issuer's obligations, and the depository bank's obligations, as well as the obligations of local and international intermediaries in this regard.

2. Draft Updated Investment Funds Regulations

The Regulations were issued by CMA Board Resolution No. (1-129-2006) dated 3/12/1427H corresponding to 24/12/2006, and amended by CMA Board Resolution No. (1-61-2016) dated 16/8/1437H corresponding to 23/5/2016. The Regulations aim to regulate the establishment and registration of investment funds in the Kingdom, as well as the offering of their units, their management and transactions, and supervise all their associated activities. The draft aims to regulate and develop the capital market, and regulate the aspects that are capable of promoting investment in investment funds. The

team is working on the first draft of the amended Regulations to be published on CMA website to seek the opinions and suggestions of experts and relevant interested parties, after which it will finalize drafting and publishing of the Regulations.

3. Draft Updated Real Estate Investment Funds Regulations

The Regulations were issued by CMA Board Resolution No. (1-139-2006) dated 19/6/1427H corresponding to 15/7/2006. The Regulations aim to regulate the establishment and registration of real estate investment funds in the Kingdom, as well as the offering of their units and their management, protecting the rights of their owners and applying disclosure and transparency rules thereon. The draft aims to regulate and develop the capital market, and regulate the aspects that are capable of promoting investment in real estate investment funds. The team is working on the first draft of the amended Regulations to be published on CMA website to seek the opinions and suggestions of experts and relevant interested parties, after which it will finalize drafting and publishing of the Regulations.

4. Draft Updated Rules for Special Purpose Entities

The Rules were issued by CMA Board Resolution No. (4-123-2017) dated 9/4/1439H corresponding to 27/12/2017, that aim to regulate Special Purpose Entities and their establishment, authorization, registration, offering, management,





and all their relevant activities in the Kingdom. The draft aims to regulate and develop the capital market, develop the establishment of Special Purpose Entity and its issuance of securities. The team is working on the first draft of the amendment of Rules for Special Purpose Entities to be published on CMA website to seek the opinions and recommendations of experts and relevant interested parties, after which it will finalize drafting and publishing the Rules.

5. Draft Updated Securities Business Regulations and Authorized Persons Regulations

Pursuant to CMA Board Resolution No. (2-83-2005) dated 21/5/1426H corresponding to 28/6/2005, the Securities Business Regulations were issued, which aim to regulate the provisions and required conditions for the conduct of a securities business. The Authorized Persons Regulations were issued by CMA Board Resolution No. (1-83-2005) dated 21/5/1426H corresponding to 28/6/2005 and amended by CMA Board Resolution No. (3-85-2017) dated 27/12/1438H corresponding to 18/9/2017. They aim to regulate the Authorized Persons and Registered Persons, define the procedures and conditions for obtaining authorization, the conditions for continuance of the authorization or registration, and clarify the code of conduct that the Authorized Persons must abide by while carrying out their work, as well as the rules and provisions of doing business, control systems and

procedures, and provisions related to clients' funds and assets. The draft aims to develop the securities business activities, support the development of securities business by the Authorized Persons, and promote investor protection in line with the best international practices and standards in this regard. CMA also called on experts and relevant interested parties to express their opinions and recommendations concerning the two draft updated regulations.

6. Draft Updated Rules on the Offer of Securities and Continuing Obligations

The Rules were issued by CMA Board Resolution No. (3-123-2017) dated 9/4/1439H corresponding to 27/12/2017 and amended by CMA Board Resolution No. (1-104-2019) dated 1/2/1441H corresponding to 30/9/2019. The draft aims to amend the Rules on the Offer of Securities and Continuing Obligations by application of organizational concepts related to customer classification and suitability, in line with the proposed amendments to the Authorized Persons Regulations and the Rules for Special Purpose Entities. The team is working on the first draft of the amendment to be published on CMA website to seek the opinions and suggestions of experts and relevant interested parties, after which it will finalize drafting and publishing the Rules.

7. Draft Updated Corporate Governance Regulations and Glossary of Defined Terms Used in CMA Regulations and Rules

The Corporate Governance Regulations were issued by CMA Board Resolution No. (8-16-2017) dated 16/5/1438H corresponding to 13/2/2017 and amended by CMA Board Resolution No. (3-57-2019) dated 15/9/1440H corresponding to 20/5/2019. The Glossary of Defined Terms Used in CMA Regulations and Rules was issued by CMA Board Resolution No. (4-11-2004) dated 20/8/1425H corresponding to 4/10/2004 and amended by CMA Board Resolution No. (3-127-2019) dated 21/3/1441H corresponding to 18/11/2019. The draft aims to harmonize the definition of "related party" as used in the Glossary of Defined Terms Used in CMA Regulations and Rules for the purposes of the Rules on the Offer of Securities and Continuing Obligations with the definition of "related parties" as used in the Corporate Governance Regulations. The team is working on the first draft to be published on CMA website to seek the opinions and recommendations of experts and relevant interested parties, after which it will finalize drafting and publishing the Regulations and Glossary.





(4) CMA's Methodology in Issuing and Developing its Implementing Rules and Regulations



As part of its responsibility to regulate and develop the capital market, CMA conducts public consultation through its website regarding any draft that involves new implementing regulations before their issuance, as well as the development and modification of previously issued implementing regulations, taking into account the suggestions and feedback of experts and relevant interested parties. During 2019, CMA conducted two public consultations and received 76 responses. CMA carefully considers all opinions before issuing the final draft.

Stages of Public Consultation



The public consultation process conducted by CMA consists of the following stages:

(1) Publishing



In this stage, CMA:

- Publishes a draft of its implementing regulations on its website.
- Publishes a questionnaire for the public, covering the practical and technical aspects of the draft.
- Publishes the draft's summary that lists relevant questions.
- Any other channel deemed suitable by CMA.

The period dedicated to soliciting public opinion is usually 30 days, unless CMA specifies a different duration that better suits the draft.

(2) Receiving Public Opinions



CMA receives public opinions on its implementing regulations through one of the following channels:

- The link specified in the public consultation invite announcement.
- Communication channels specified in the public consultation invite.
- Any other channel considered suitable by CMA.

(3) Publishing Public Feedback

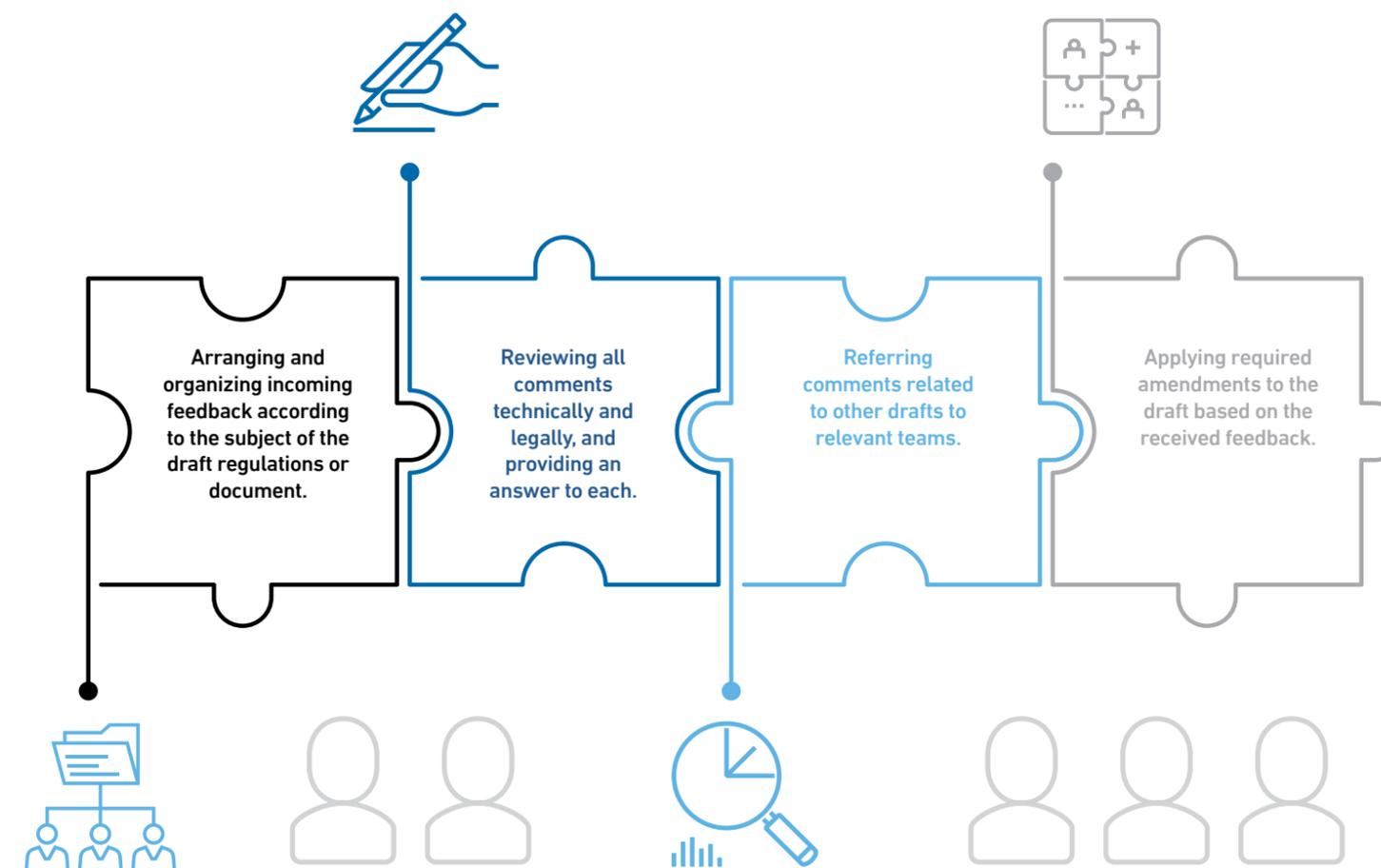


CMA publishes a summary on its website with the main contents of the public feedback provided on the final draft of its implementing regulations, after the CMA Board approves the implementation regulations and the publishing of the feedback.



CMA Methodology in Handling Public Consultation:

The public feedback process conducted by CMA passes through the following:





Chapter Four

Offerings, Corporate Actions, and Investment Products



Section One: Securities Offering and Corporate Actions

1. Offering of Shares
2. Offering of Sukuk and Debt Instruments
3. Corporate Actions

(1)
Offering of Shares

The total number of public offering applications in the Main and Parallel Markets approved by CMA and private placement notifications received in 2019 reached 153 applications/notifications, increasing by 9.3% from the previous year (Table No. (12)).



The IPO of Saudi Arabian Oil Company (Saudi Aramco) contributed to a significant increase in the total value of offerings, which amounted to SR 6,421 billion in 2019, compared to SR 13.5 billion in the preceding year (Table No. (13)).

Table No. (12):
Offering of shares' applications and notifications

Type	Number	
	2018	2019
Public Offering in the Main and Parallel Markets	6	9 ¹⁴
Private Placement of Shares ¹⁵	129	141
Rights Issues	5 ¹⁶	3 ¹⁷
Total	140	153

14) Including Saudi Aramco IPO.
15) Including received closure notifications of privately placed shares.
16) Including companies which received CMA approval in 2018 and did not complete their rights issue in 2018.
17) Including companies which received CMA approval in 2019 and did not complete their rights issue in 2019.

Table No. (13):
Shares Offering Categorized by Type

Type of Offering	2018		2019	
	Total value of offerings (million SR)	Number	Total value of offerings (million SR) ¹⁹	Number
Public Offering in the Main and Parallel Markets ¹⁸	3,703.0	3	6,416,818 ²⁰	5
Private Placement of Shares ²¹	6,181.3	84	4,508	65
Rights Issues	3,654.0	4 ²²	100	1 ²³
Total	13,538.3	91	6,421,426	71

18) Including the market value of all companies with IPOs including Saudi Aramco.
19) The value of the offers is 16,818 (million SR) when the value of Saudi Aramco offering is excluded.
20) Excluding Saudi Aramco, the value of offerings increased by 354%.
21) Including received closure notifications of privately placed shares and combined proceeds.
22) Including companies which completed their rights issue in 2018.
23) Including companies which completed their rights issue in 2019.

Initial Public Offering of Shares

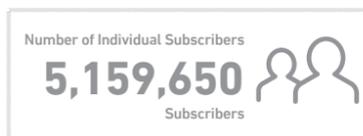
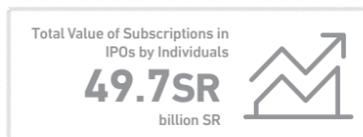
In 2019, five companies offered part of their shares for subscription in the Main Market. The total value of offered shares amounted to SR 114.2 billion, including SR 110.4 billion in proceeds from the IPO of Saudi Aramco (Table No. (14)).



Table No. (14): Companies that offered part of their shares for public subscription during 2019 (Main Market)

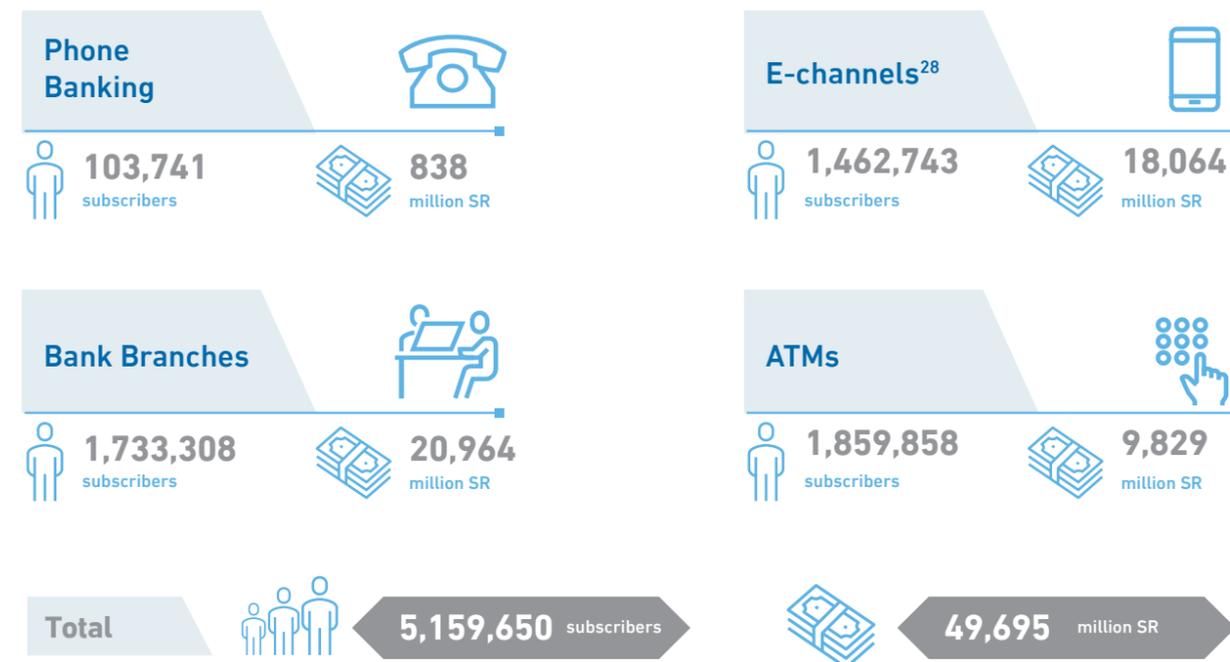
Company Name	Offering Value (million SR)	Ratio of Offered Shares to Issued Shares	Over-Subscriptions (Times)		No. of Individual Subscribers (Thousand Subscribers)
			Individuals ²⁴	Institutions ²⁵	
Al Moammar Information Systems Co.	216.0	30.0%	1.5	1.1	8
Maharah Human Resources Co.	776.3	30.0%	2.3	9.0	31
Arabian Centres Co. ²⁶	2,475.7	20.1%	0.6	1.3	26
Ataa Educational Co.	348.0	30.0%	4.3	2.0	39
Saudi Arabian Oil Co. (Saudi Aramco) ²⁷	110,400.0	1.725%	1.5	6.2	5,056
Total	114,216.0				5,160

During 2019, the total value of share subscriptions by individuals (before returning over-subscribed amounts) in IPOs (Main Market) through different subscription channels reached SR 49.7 billion, and the total number of individual subscribers stood at 5,159,650 (table No.(15)).



24| Over-subscription times were calculated by dividing the number of subscribed shares (by individuals) by the number of allocated shares.
25| Over-subscription times were calculated by dividing the number of subscribed shares (by institutions) by the number of offered shares.
26| The total value of the Arabian Centers' offering was 2,475.7 million after the end of the price stabilization period and the exercise of the partial purchase option.
27| The total value of the Saudi Arabian Oil Company (Saudi Aramco) offering amounted to 110,400.0 million after the end of the price stabilization period and the exercise of the full purchase option.

Table No. (15): Individual subscriptions categorized by subscription channels for 2019



28| The title has been modified from (Internet) to (E-channels) adding any subscription through (mobile/app) thereto.



Public Offering of Saudi Aramco

In Saudi Arabia's Vision 2030, the objective "Investing for the Future" which comes under the pillar "Thriving Economy" states: "We are developing a mature capital market to further drive investment and spur economic growth. This includes offering a wider range of financial instruments including derivatives, facilitating the process of listing private Saudi companies and state-owned enterprises, including Aramco, deepening liquidity in our capital markets and fortifying the role of the debt market." The Kingdom's government offered a portion of Aramco's shares for public subscription. The IPO is considered an investment stimulus for both domestic and foreign institutional investors.

In this respect, work has been underway to develop and update certain regulatory legislations and the capital market infrastructure including, for example, updating the Rules on the Offer of Securities and Continuing Obligations, and Instructions of Book Building Process and Allocation of Initial Public Offerings, as well as issuing Instructions on the Price Stabilization Mechanism for Initial Public Offerings, and amending the duration of securities settlement cycle (T+2), in an effort to harmonize with established international practices for the purpose of providing infrastructure for the capital market capable of absorbing quality IPOs by the size of Saudi Aramco whose stock offering is the largest in the world.

Offering Shares of Saudi Aramco for Public Subscription

On 3 November 2019, CMA announced the decision of its Board to approve the application of the Saudi Arabian Oil Company (Saudi Aramco) to register and offer part of its shares for public subscription. On 17/11/2019, Saudi Aramco

announced the supplementary prospectus for the offering of its shares for public subscription on 9 November 2019.

On Sunday 17 November 2019, the subscription period for institutional subscribers and individuals in the shares of Saudi Aramco began. The period specified for subscription of individuals ended on 28 November 2019, and continued for institutions until the end of 4 December 2019.

The Proceeds of Saudi Aramco IPO

The public offering of Saudi Aramco's shares achieved remarkable success, which resonated across global markets. The final offering size reached SR 110.4 billion (\$ 29.4 billion), after exercising the full purchase option. Thus, the shares allocated to subscribers in all categories totaled 3.450 billion, which is equivalent to 1.725% of the total shares of the company. According to the company's statement, the final number of individual subscribers stood at 5.056 million who subscribed with 1.537 billion shares by a total value of SR 49.187 billion (\$ 13 billion), with a coverage rate of 153.7% of the total volume of shares offered to individuals.

The number of subscribers divided by nationality shows 4.94 million Saudis, 2467 GCC citizens, and 106.25 thousand residents in Saudi Arabia.

The percentage of participation in the public offering by individuals via electronic means accounted for 65.9% of the total executed operations, divided into 36.1% by ATMs, 28.4% via the Internet, and 1.4% through phone banking. Meanwhile, visitors to bank branches for the purpose of subscribing represented 34.1%. The offering was covered 1.5 times by individual investors, and 6.2 times by institutions.

The value of total subscription applications by institutions amounted to SR 397 billion (\$ 106 billion), and after adding the subscription applications by individuals, the total value of the subscription applications amounted to SR 446 billion (\$ 119 billion).

The Impact of Saudi Aramco IPO

Saudi Aramco listing on the Saudi Stock Exchange, through the largest offering in history, enhanced the volume and depth of the market, which ranked ninth globally in terms of the market value. This in turn constitutes an attraction factor to increase the volume of foreign investments in the Saudi market. The market value of the Saudi Stock Exchange after the inclusion of Saudi Aramco exceeded SR 9.0 trillion, equivalent to \$ 2.4 trillion, by an increase of 385.5% at the end of 2019 compared with the end of 2018.





(2) Offering of Sukuk and Debt Instruments

CMA did not receive any public offering requests for sukuk and debt instruments during 2019. However, it received 57 notifications for private placement of sukuk and debt instruments, declining by 8.1% compared with the previous year (Table No. (16)).

Table No. (16):
Public offering requests and private placement notifications for sukuk and debt instruments

Type	Number	
	2018	2019
Public offering of sukuk and debt instruments	0	0
Private placement of sukuk and debt instrument ²⁹	62	57
Total	62	57

As for offering of sukuk and debt instruments, the total value of private placements decreased during 2019 by 36.5% compared with the preceding year, to SR 9.1 billion (Table No. (17)).

²⁹ Including notifications of sukuk and debt instruments that were privately placed, and does not include debt instruments and sukuk issued by the government of the Kingdom of Saudi Arabia.



Table No. (17):
Sukuk and debt instruments offering categorized according to the type of offering³⁰

Type	2018		2019		Percentage change in value of offerings
	Total value of offerings (million SR)	Number	Total value of offerings (million SR)	Number	
Public offering of sukuk and debt instruments	0	0	0	0	-
Private placement of sukuk and debt instruments ³¹	14,374.9	29	9,127	38	-36.5%
Total	14,374.9	29	9,127	38	-36.5%

³⁰ Not include debt instruments issued by the government of Saudi Arabia.

³¹ Including closure notifications of debt instruments and sukuk that were privately placed and combined proceeds, and does not include debt instruments and sukuk issued by the government of Saudi Arabia, since the Rules for Offering Securities and Continuing Obligations, which became effective as of 1 April 2018 exempted government securities. This is why the total value of placements in 2017 was amended, so the total values of placements in 2017 and 2018 can be compared.

(3) Corporate Actions

CMA approved 28 corporate action applications to alter the capitals of listed companies during 2019. This included approvals of capital reductions for 6 listed companies, and accordingly their issued shares decreased from 245 million to 99.1 million. In contrast, 18 companies increased their capital by issuing bonus shares and rights issues. Three acquisitions took place in 2019, leading to an increase in issued shares by the acquiring company from 2,017 million to 2,948 million, and one debt conversion whereby the issued shares by the company rose from 1,169 million to 1,231 million (Table No. (18)).



Table No. (18):
Listed companies that altered their capital during 2019

Capital Alteration Method	No. of Companies	Total No. of Shares (million)		change (%)
		Prior to Capital Alteration	Post-Capital Alteration	
Rights Issue	1	14.0	24.0	71.4%
Bonus Shares	17	4,128.1	5,894.8	42.8%
Capital Reduction	6	245.0	99.1	-59.6%
Acquisition	3	2,017.0	2,948.0	46.2%
Debt Conversion	1	1,169.0	1,231.0	5.3%
Total	28	7,573	10,197	34.6%





Chapter Four

Offerings, Corporate Actions, and Investment Products



Section Two: Assets under Management

1. Issuing Investment Products
2. Investment Funds
3. Discretionary Portfolios



(1) Issuing Investment Products

During 2019, CMA approved the public offering of the units of 18 investment funds; 4 of which were equity funds, 2 were money market funds, 2 were REITs and one of which received an approval to increase the total value of the fund assets, and 3 were debt instruments funds. The year 2019 also witnessed the approval of the public offering of 5 endowment funds, 1 capital protection fund, and 1 exchange-traded fund. CMA received 91 complete notifications relating to the private placement of investment funds, and processed 355 requests for the amendment of terms and conditions documents in 2019 (Table No. (19)).



18

public offerings of
investment funds

91

complete notifications
of private placement of
investment funds

Table No. (19):
Received requests for the amendment of terms and conditions documents
of investment products during 2019



³² Including 7 requests received during 2018.

(2) Investment Funds

In 2019, total assets of the investment funds sector increased by 20.4% compared with the previous year (Table No. (20)).



20.4%

increase in total assets
of the investment funds
sector

Table No. (20):
Indicators of Investment Funds Sector³³

Element	2018			2019			Change (%)
	Public	Private	Total	Public	Private	Total	
Number of Funds	249	293	542	253	354	607	12.0%
Number of Subscribers	332,567	3,939	336,506	329,739	4,487	334,226	-0.7%
Asset Value (million SR)	111,861.6	178,279.5	290,141.1	159,958.0	189,460.0	349,418.0	20.4%



³³ Including Exchange Traded Funds (ETFs) and Real Estate Investment Traded Funds (REITs).



2-1 Public Funds

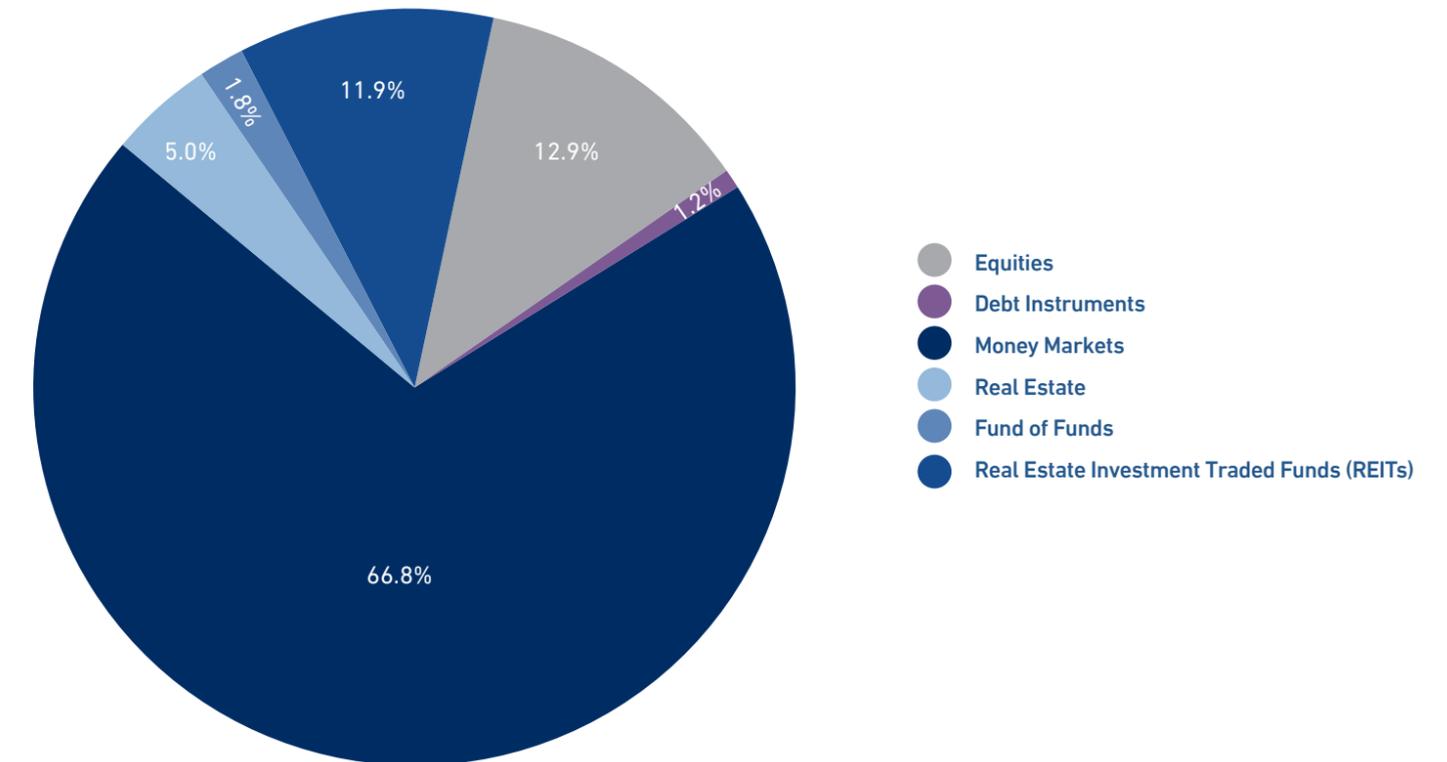
The asset value of public investment funds (whose units are publicly offered) represented 45.8% of the total value of fund assets by the end of 2019. Their value increased by 43.0% to SR 159.9 billion by the end of 2019 compared with the previous year, due to the increase in the asset value of money markets and debt instruments by 71.0% and 278.1%, respectively. Meanwhile, the number of subscribers went down by 0.9% to 329.7 thousand. The most prominent decline was in the number of subscribers to real estate investment funds, which went down by 4.8% (Table No. (21)) and (Chart No. (4)).



Table No. (21):
Indicators of Public Investment Funds by Type of Investment

Investment Type	Number of Funds			Number of Subscribers			Asset Value (million SR)		
	2018	2019	Change (%)	2018	2019	Change (%)	2018	2019	Change (%)
Equities	141	137	-2.8%	155,278	148,367	-4.5%	20,675.3	20,667.5	0.0%
Debt Instruments	5	7	40.0%	114	752	559.6%	509.7	1,927.3	278.1%
Money Markets	43	46	7.0%	38,867	39,051	0.5%	62,444.0	106,796.6	71.0%
Real Estate	10	9	-10.0%	7,499	7,141	-4.8%	8,347.9	7,951.6	-4.7%
Fund of Funds	25	25	0.0%	4,984	5,478	9.9%	2,899.6	2,837.3	-2.2%
Balanced	2	2	0.0%	305	293	-3.9%	71.8	62.5	-13.0%
Other	4	7	75.0%	372	603	62.1%	425.8	605.0	42.1%
Exchange Traded Funds (ETFs)	3	3	0.0%	368	461	25.3%	37.7	42.0	11.5%
Real Estate Investment Traded Funds (REITs)	16	17	6.3%	124,780	127,593	2.3%	16,449.8	19,068.2	15.9%
Total	249	253	1.6%	332,567	329,739	-0.9%	111,861.7	159,958.0	43.0%

Chart No.(4):
Percentages of Public Investment Funds Assets by Type
of Investment for 2019





Public Funds Investing in Equities

The asset value of public funds investing in equities remained unchanged by the end of 2019 at SR 20.7 billion. The assets of local public investment funds decreased by 0.7% to SR 15.5 billion (Table No. (22)).



Table No. (22):
Indicators of Public Investment Funds in Equities Classified Geographically

Geographic Location	Number of Funds			Number of Subscribers			Asset Value (million SR)		
	2018	2019	Change (%)	2018	2019	Change (%)	2018	2019	Change (%)
Local Equities	85	80	-5.9%	143,107	137,139	-4.2%	15,575.4	15,464.2	-0.7%
GCC Equities	24	24	0.0%	9,293	8,541	-8.1%	1,616.3	1,620.7	0.3%
Arab Equities	3	4	33.3%	217	192	-11.5%	123.6	167.6	35.6%
Asian Equities	7	7	0.0%	880	804	-8.6%	646.0	683.6	5.8%
American Equities	3	3	0.0%	241	235	-2.5%	920.3	867.8	-5.7%
European Equities	4	4	0.0%	244	234	-4.1%	592.8	531.7	-10.3%
Other International Equities	15	15	0.0%	1,296	1,222	-5.7%	1,200.9	1,331.9	10.9%
Total	141	137	-2.8%	155,278	148,367	-4.5%	20,675.3	20,667.5	0.0%

2-2 Private Funds

By the end of 2019, the asset value of private funds (whose units were privately offered) increased by 6.3% compared with the preceding year to SR 189.5 billion (Table No. (23)).



Table No. (23):
Indicators of Private Funds Classified by Investment Type

Investment Type	Number of Funds			Number of Subscribers			Asset Value (million SR)		
	2018	2019	Change (%)	2018	2019	Change (%)	2018	2019	Change (%)
Equities	46	66	43.5%	109	673	517.4%	91,967.1	102,966.4	12.0%
Private Equity / Venture Capital	69	87	26.1%	1,214	1,234	1.6%	12,636.0	11,675.6	-7.6%
Debt Instruments	6	9	50.0%	106	80	-24.5%	4,847.0	5,175.2	6.8%
Money Markets	6	7	16.7%	15	103	586.7%	1,164.7	2,262.3	94.2%
Real Estate	110	116	5.5%	2,315	2,168	-6.3%	58,321.4	58,458.1	0.2%
Commodities	1	1	0.0%	4	4	0.0%	456.5	382.7	-16.2%
Multi Asset	46	59	28.3%	66	132	100.0%	7,027.8	7,836.2	11.5%
Hedging and Derivatives	1	1	0.0%	8	5	-37.5%	578.5	325.2	-43.8%
Feeder	1	2	100.0%	0	24	-	0.0	59.7	-
Finance	7	6	-14.3%	102	64	-37.3%	1,280.5	318.6	-75.1%
Total	293	354	20.8%	3,939	4,487	13.9%	178,279.5	189,460	6.3%



2-3 Exchange Traded Funds (ETFs)

By the end of 2019, the asset value of Exchange Traded Funds increased to SR 42 million, 11.5% higher than the previous year. At the same time, the number of subscribers increased by 25.3% (Table No. (24)).



Table No. (24):
Exchange Traded Funds

Fund Name	Asset Value (million SR)			Number of Subscribers		
	2018	2019	Change (%)	2018	2019	Change (%)
Falcom Saudi Equity	19.7	24	21.8%	224	266	18.8%
Falcom Petrochemical	9.2	9	-2.2%	75	102	36.0%
HSBC Saudi 20	8.8	9	2.3%	69	93	34.8%
Total	37.7	42	11.5%	368	461	25.3%



2-4 Real Estate Investment Traded Funds (REITs)

The asset value of the REITs amounted to SR 19.1 billion by the end of 2019 compared to SR 16.5 billion by the end of 2018, while the number of REITs rose to 17 listed funds compared to 16 in 2018. The number of subscribers increased by 2.3% to more than 127 thousand (Table No. (25)).



Table No. (25):
Real Estate Investment Traded Funds

Fund Name	Asset Value (million SR)			Number of Subscribers		
	2018	2019	Change (%)	2018	2019	Change (%)
Riyad REIT	1,347.8	1,495.5	11.0%	8,735	8,872	1.6%
Al Jazira Mawten REIT	120.0	103.4	-13.8%	1,652	1,900	15.0%
Jadwa REIT Al Haramain	653.4	636.9	-2.5%	3,534	4,386	24.1%
Taleem REIT	510.0	524.4	2.8%	1,408	1,280	-9.1%
Al Maather REIT	599.3	595.3	-0.7%	2,484	2,843	14.5%
Musharaka REIT	891.7	1,078.7	21.0%	3,468	3,599	3.8%
Mulkia REIT	761.2	894.5	17.5%	4,276	4,365	2.1%
Mashaer REIT	582.2	579.3	-0.5%	2,656	3,380	27.3%
Al-Ahli REIT 1	1,446.7	1,792.6	23.9%	6,636	6,908	4.1%
Derayah REIT	1,570.3	1,549.7	-1.03%	4,343	4,995	15.0%
Al-Rajhi REIT	1,744.0	1,724.1	-1.1%	24,986	23,993	-4.0%
Jadwa REIT Saudi	1,592.6	1,555.1	-2.4%	12,985	11,547	-11.1%
Sedco Capital REIT	595.7	1,193.4	100.3%	21,515	19,067	-11.4%
Swicorp Wabel REIT	1,180.0	1,116.3	-5.4%	6,402	5,532	-13.6%
MEFIC REIT	1,226.0	1,245.9	1.6%	11,620	11,532	-0.8%
Bonyan REIT	1,628.8	1,941.6	19.2%	8,080	6,698	-17.1%
AlKhabeer REIT	-	1,041.6	-	-	6,696	-
Total	16,449.8	19,068.2	15.9%	124,780	127,593	2.3%



(3) Discretionary Portfolios

The asset value of discretionary portfolios went down by 8.4% to SR 150.3 billion by the end of 2019 (Table No. (26)).



Table No. (26):
Asset Value of Discretionary Portfolios (million SR)

Type	Number		Change (%)
	2018	2019	
Local Equities	63,921.9	54,620.7	-14.6%
International Equities	2,191.8	2,188.3	-0.2%
Debt Instruments	3,870.4	4,111.5	6.2%
Investment Funds	46,323.0	48,246.9	4.2%
Other	47,855.9	41,179.3	-14.0%
Total	164,163.0	150,346.7	-8.4%





Chapter Five

Capital Market Disclosure and Governance

5



Section One: Disclosure

1. Financial Statements of Listed Companies
2. Announcements of Listed Companies
3. Disclosure Development



(1) Financial Statements of Listed Companies³⁴

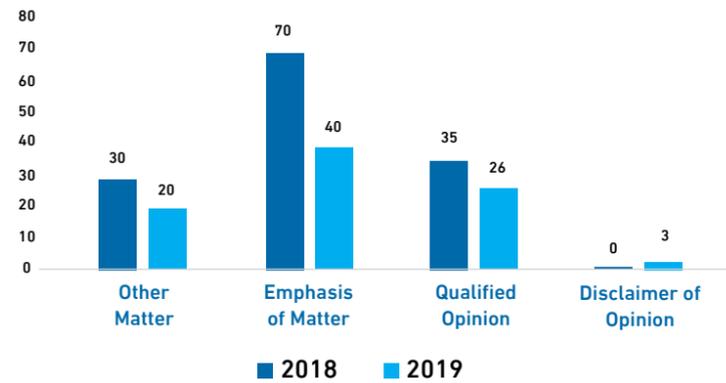
The reviews conducted by CMA during 2019 revealed that there were qualified audit opinions on the annual financial statements. The number of qualified audit opinions on the annual financial statements of 2018,

which were reviewed during 2019, totaled 60. The number of qualified audit opinions on the issued quarterly financial statements stood at 89³⁵ during 2019 (Chart No. (5)).

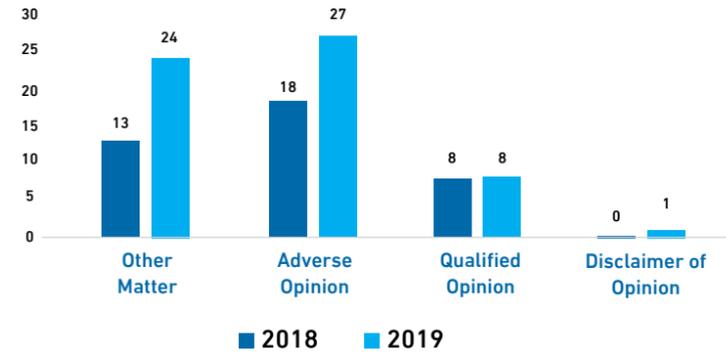
Chart No. (5):

Number of qualified audit opinions on the annual/quarterly financial statements of listed companies that were reviewed by CMA in 2019

Auditor's Opinions on Quarterly Financial Statements



Auditor's Opinions on Annual Financial Statements



³⁴ Financial statements were prepared in accordance with the International Financial Reporting Standards adopted in Saudi Arabia and with other standards and releases approved by the Saudi Organization for Certified Public Accountants.

³⁵ The CMA Board decided to exempt listed companies from disclosing their initial quarterly financial statements for the fourth quarter (Q4) starting from the fourth quarter of 2017. Accordingly, the number of auditor's opinions on the quarterly financial statements does not include the fourth quarter of 2019.

(2) Announcements of Listed Companies

The total number of listed companies' announcements on the Saudi Stock Exchange (Tadawul) website reached 4,069, compared with 3,735 in the previous year. Announcements concerning "Other Material

Developments" increased by 70.2% in 2019 compared with the preceding year, representing the largest percentage at 38.4% of total announcements (Table No. (27)).

Table No. (27):

Announcements on the Saudi Stock Exchange (Tadawul) Website Classified by Type of Material Developments

Type of Announcement	2018		2019		Change (%)
	Number	Out of Total (%)	Number	Out of Total (%)	
Financial Results	771	20.6%	775	0.5%	0.5%
Board of Directors' Recommendation to Increase Capital through Rights Issue	6	0.2%	9	0.2%	50.0%
Board of Directors' Recommendation to Increase Capital through Bonus Shares Issue	20	0.5%	16	0.4%	-20.0%
Board of Directors' Recommendation to Decrease Capital	8	0.2%	11	0.3%	37.5%
Invitation to General Assemblies and Announcements of their Results	784	21.0%	641	15.8%	-18.2%
Dividends	222	5.9%	133	3.3%	-40.1%
Explanatory Announcement	701	18.8%	721	17.7%	17.7%
Change in the Composition of Corporate Board of Directors and Top Management	304	8.1%	195	4.8%	2.9%
Approval of New Product	0	0.0%	4	0.1%	-35.9%
Other Material Developments	919	24.6%	1,564	38.4%	-
Total	3,735	100%	4,069	100%	8.9%



(3)

Disclosure Development

CMA Board's Resolution No. (1-146-2019) dated 30/12/2019 allowed listed companies to use the fair value model or the revaluation model to measure property, and investment property in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2022, while still obligating listed companies to continue to use the cost model to measure plant, equipment and intangible assets for five years ending by the end of 2024.

This Resolution comes after studying best international practices and the readiness of the valuation market in the Kingdom, as well as taking into consideration the views of a number of investors and persons entrusted with governance, relevant government and private entities. This Resolution aims to give corporate boards and audit committees the option to adopt the most appropriate accounting policies, in line with the international accounting standards approved by the Saudi Organization for Certified Public Accountants, and enable investors to make their investment decisions objectively. Further, it helps companies and the market to comprehend changes in the financial statements of listed companies, gives valuers an opportunity to know the requirements and responsibilities and prepare for the restrictions imposed by CMA, and provides an opportunity to increase members of the Saudi

Authority for Accredited Valuers who receive a "fellow membership".

The international accounting standards approved by the Saudi Organization for Certified Public Accountants offered the option to value some assets using the cost model, the fair value model or the revaluation model. Accordingly, CMA instructed the listed companies to implement international accounting standards on 1 January 2017, and this included a directive to implement the cost model option to value real estate, plant, equipment, investment properties and intangible assets.

CMA provided in its current Resolution certain requirements on listed companies when using the fair value model or the revaluation model of property and investment property in order to apply governance over corporate activities associated with the valuation activity, obtaining the maximum possible satisfactory results by the valuation process, as well as giving more independence to the work of valuers and increasing disclosure and transparency of any material events, in addition to increasing the responsibility of the board of directors to enact what is in the interest of the shareholders, and to protect investors from exploitation of the fair value policy.

The enforced requirements stipulate the approval of the fair value model or revaluation model by

the company's board of directors, based on the recommendation of the audit committee in this regard. In addition, the valuation of each property or investment property shall be made by a minimum of two valuers, taking the lower valuation when preparing annual financial statements, and when using the fair value model or revaluation model for the first time.

According to the enforced requirements, valuers must be appointed by a decision of the board of directors based on the recommendation of the audit committee with the precondition that the valuer must have a fellow membership from the Saudi Authority for Accredited Valuers. In addition, the audit committee shall monitor and oversee the valuation process and its results, and shall report to the board of directors any findings or issues. CMA instructed the listed companies to disclose any substantial gains or losses arising from a change in the fair value of investment properties within the announcement of the interim and the annual financial results. Further, they shall provide a note disclosure in the interim and the annual financial statements that reconciles the differences between using the fair value model or revaluation model and using the cost model in regards to total assets, net assets, net income, and comprehensive income.





Chapter Five

Capital Market Disclosure and Governance

5



Section Two: Governance

1. Forming the Boards of Directors of Listed companies
2. Main Committees of Listed Companies
3. Ordinary and Extraordinary General Assembly Meetings
4. Supervisory Visits
5. Enhancing Corporate Governance Compliance



To enhance governance principles and raise the level of transparency and disclosure of listed companies in the Saudi capital market, CMA monitors the compliance of listed companies with the provisions of the Corporate Governance Regulations through the following:



Review the prospectuses of joint stock companies before listing



Raising the awareness of listed and newly listed companies on corporate governance



Review disclosure in the reports of boards of directors of listed companies



Responding to corporate inquiries about corporate governance



Ensure compliance of listed companies with the mandatory provisions of corporate governance



Attending general assemblies of listed companies to check corporate governance practices





The articles of the Saudi Corporate Governance Regulations were developed (from guidance to obligatory) along with their substantial changes over several years, during which the Corporate Governance Regulations passed through many stages up to their current status. Below is an overview of the most important stages starting from 2006 to 2019:



The issuance of the first regulations, which were considered a guidance (not binding in the disclosure), that included five chapters and 19 articles

2006



2008

The Audit Committee became mandatory starting from 2009 alongside additional mandatory details about the board of directors.

In the Saudi Companies Law, it was mandatory since 1994



Additional details about remuneration and reimbursement

2009



2010

The Nomination and Remuneration Committee became mandatory starting from 1/1/2011, besides additional details about the independent member.



2011

Some rules of internal control laws became mandatory.



Certain rules of shareholder rights, board of directors and board formation became mandatory.

2012



2017

A comprehensive update and development of the articles of the Regulations, and more details became mandatory, with the exception of 16 articles and 4 paragraphs. The Regulations comprised 12 chapters and 98 articles.



2019

Additional details about competition with the company and approving business and contracts associated with related parties.



A period of nine consecutive or separate years in the membership of a board of directors became necessarily incompatible with an independent member of the board.

2018



* The developments of the articles of the Corporate Governance Regulations in 2019 are consultative.



(1) Forming the Boards of Directors of Listed Companies

Article 16 of the Corporate Governance Regulations stipulates the conditions for the formation of boards of directors, including the following:

1. The number of its members shall be suitable for the size and nature of the company's activities without prejudice to paragraph (a) of Article 17 of these Regulations.
2. The majority of the Board shall be non-executive members.
3. The number of Independent Members shall not be less than two members or one third of the Board, whichever is greater.



Non-executive members and independent members combined constitute

90.5%

of the total seats in the boards of directors of listed companies in 2019 (Table No. (28) and Chart (6)).

Table No. (28):
Composition of Boards of Directors of Listed Companies Classified by Membership Type

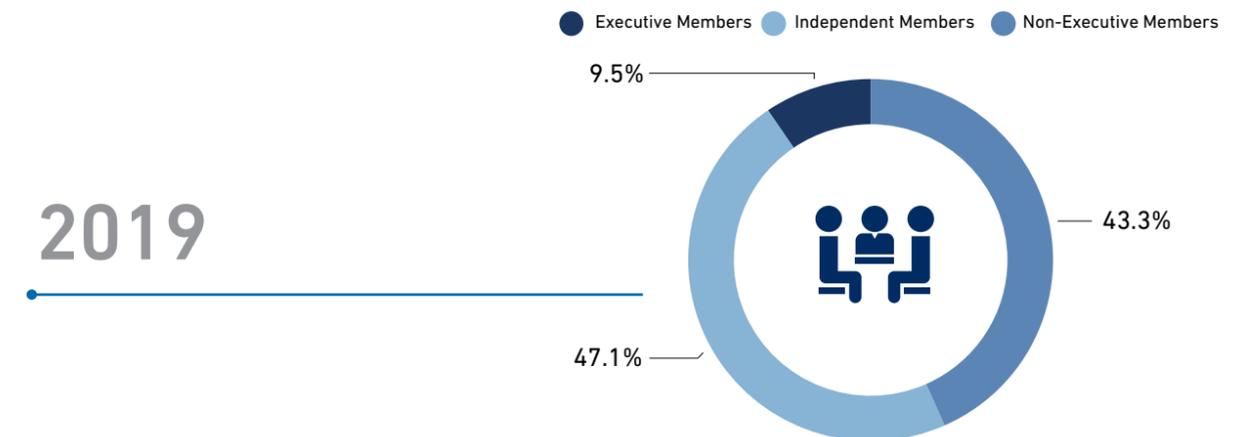
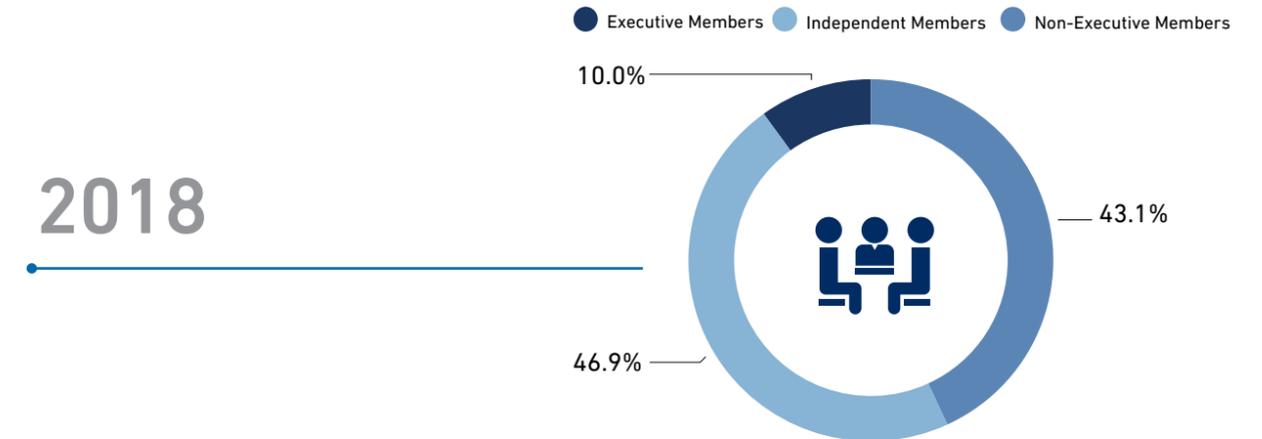
Membership Type	Number		Change (%)
	2018	2019	
Non-Executive Members ³⁶	648	651	0.5%
Independent Members ³⁷	705	708	0.4%
Executive Members	151	143	-5.3%
Total	1,504	1,502	-0.1%

³⁶ Non-Executive Member: A board member who does not manage the company on a full-time basis, and does not engage in its day-to-day activities.

³⁷ Independent Board Member: A non-executive board member who has total independence in his position and decision, and who is not subject to any independence issues stipulated in Article 20 of the Corporate Governance Regulations.



Chart No. (6):
Composition Percentage of Boards of Directors of
Listed Companies Classified by Membership Type





(2) Main Committees of Listed Companies

A- Audit Committee

The Audit Committee is responsible for monitoring the company's business and verifying the integrity of its financial reports and statements as well as internal control systems. In accordance with Article 54 of the Corporate Governance Regulations relating to the formation of the Audit Committee, the Committee shall be formed as follows:

1. The Audit Committee shall be formed by a resolution of the Company's Ordinary General Assembly, and the members of the Audit Committee shall be from the shareholders or others, provided that at least one of its members is Independent, and that it does not include any of the Board Executive Members. The number of members of the Audit Committee shall not be less than three or more than five, provided that one of its members is specialized in finance and accounting.
2. The Chairman of the Audit Committee shall be an Independent Member (Guiding paragraph).
3. The Company's General Assembly shall, upon recommendation of the Board, issue Audit Committee Regulations, provided that they include the rules and procedures for the activities of the Audit Committee, its functions, the rules for selecting Members, the means of their nomination, the term of their membership, their remunerations, and the mechanism of appointing temporary members should a seat in the Committee become vacant.
4. Any person who works or has worked in the Company's Executive Management, Finance Department, or for the Company's external auditors over the preceding two years may not be a member of the Audit Committee.



The number of seats of Audit Committees in listed companies increased in 2019 by

3.7%

to 645, while the Member seats outside the Board of Directors represented

47.0%

of the total number of Audit Committee seats. (Table No. (29)).

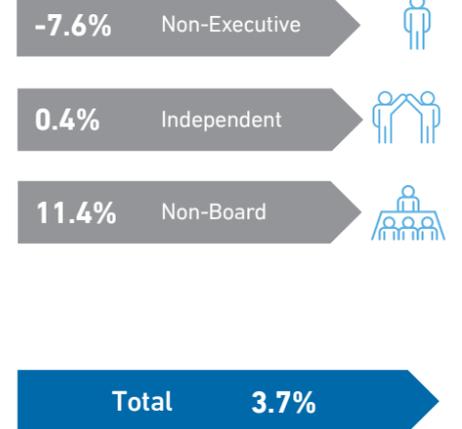
Table No. (29):

Number of Seats of Audit Committees in Listed Companies Classified by Membership Type

	Membership Type	Number	Out of Total (%)
2018	Non-Executive	118	19.0%
	Independent	232	37.3%
	Non-Board	272	43.7%
	Total	622	100%
2019	Non-Executive	109	16.9%
	Independent	233	36.1%
	Non-Board	303	47.0%
	Total	645	100%



Change (%)





B- Remuneration Committee

Article 60 of the Corporate Governance Regulations relating to the composition of the Remuneration Committee states the following:

1. The Company's Board of Directors shall, by resolution thereof, constitute a committee to be named the "Remuneration Committee", Members of which are not Executive Board Members, provided that it shall include at least one Independent Member.
2. The Company's General Assembly, as per the Board of Directors' recommendation, shall issue regulations for the Remuneration Committee including procedures, duties, and rules for selecting its Members, the term of their membership, and their remunerations.



C- Nomination Committee

Article 64 of the Corporate Governance Regulations relating to the composition of the Nomination Committee states the following:

1. The Company's Board of Directors shall, by resolution thereof, constitute a committee to be named the "Nomination Committee", Members of which are not Executive Board Members, provided that it shall include at least one Independent Member.
2. The Company's General Assembly, as per the Board of Directors' recommendation, shall issue regulations for the Nomination Committee including procedures, duties, and rules for selecting its Members, the term of their membership, and their remunerations.



The Company may merge the Remuneration and Nomination Committees into one committee to be named the "Remuneration and Nomination Committee" in accordance with Paragraph 7, Article 50 of the Corporate Governance Regulations.



Table No. (30):

Number of Seats of Remuneration and Nomination Committees in Listed Companies Classified by Membership Type

	Membership Type	Number	Out of Total (%)
2018	Non-Executive	221	35.5%
	Independent	336	54.0%
	Executive	13	2.1%
	Non-Board	52	8.4%
	Total	622	100 %

	Membership Type	Number	Out of Total (%)
2019	Non-Executive	213	34.8%
	Independent	317	51.8%
	Executive	6	0.8%
	Non-Board	76	12.4%
	Total	612	100 %

The number of seats of Remuneration and Nomination Committees in listed companies decreased by the end of 2019 to

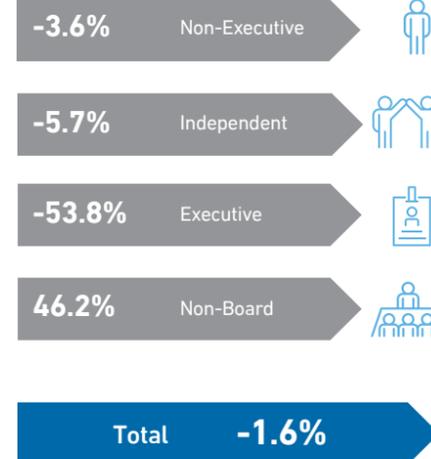
612

seats. Independent Members accounted for the largest number of seats at

51.8 %

of the total in 2019 (Table No. (30)).

Change (%)





(3) Ordinary and Extraordinary General Assembly Meetings

Article 10 of the new Corporate Governance Regulations states the following:

“General Shareholders Assemblies of the Company are competent in all of its affairs. A duly-constituted General Assembly represents all shareholders in exercising their powers in respect to the Company. The General Assembly shall exercise its role in accordance with the provisions of the Companies Law and its Implementing Regulations and the Company’s bylaws.”



Total number of
meetings of Ordinary
and Extraordinary
General Assemblies

271

in 2019 (Table No. (31)).

Table No. (31):
Number of Ordinary and Extraordinary General Assemblies held in 2019

Assembly Type	Number
Ordinary General Assembly convening from the first meeting	16
Ordinary General Assembly convening from the second meeting	5
Extraordinary General Assembly convening from the first meeting	5
Extraordinary General Assembly convening from the second meeting	0
Extraordinary General Assembly convening from the third meeting	8
Ordinary General Assembly convening from the first and second meetings after one hour	145
Extraordinary General Assembly convening from the first and second meetings after one hour	92
Total Number of Meetings	271



(4) Supervisory Visits

During 2019, CMA carried out one supervisory visit in which it followed the procedures and steps necessary to verify compliance with regulatory requirements. CMA performs such visits when needed to raise the level of awareness and support communication with the boards of directors of companies. The aim is to achieve the highest level of compliance with the CML, its Implementing Regulations and relevant laws. CMA oversees the Company’s current status and encourages best practices. It also ensures that the Company’s Board of Directions adopts policies and procedures that can provide the highest level of compliance as well as the mechanism for continued implementation.

(5) Enhancing Corporate Governance Compliance

In order to achieve the objectives of enhancing compliance with Corporate Governance Regulations, raise awareness of the Regulations, and improve the practices of listed companies and parties related to the capital market, CMA was keen on participating in several international and local forums, and held several seminars and awareness workshops for several universities in different cities within the Kingdom during 2019, including:



Lecture / Conference / Workshop / Seminar	Subject	Number	City / Province
Workshop	General Assemblies of Listed Companies	3	Riyadh
Workshop	Corporate Governance in “Nomu” and Transformation to the Main Market	1	Riyadh
Workshop	Providing Support after Listing	3	Riyadh
Workshop	Preparing the Report of the Board of Directors	3	Riyadh, Jeddah, Al-Khobar
Workshop	The Academy of CMA	2	Riyadh
Workshop	Discussion of the Most Important Reforms and Achievements in the Business Sector	2	Jeddah, Al-Khobar
Conference	The Second Arab Capital Markets Conference	1	Amman, Jordan
Dialogue Session	OECD Corporate Governance Working Group’s Meeting of the MENA Region	1	Paris, France



Chapter Six

Investor Protection



Section One: Surveillance

1. Surveillance of Trades
2. Listed Companies with Accumulated Losses of 20% or more of their Capital

(1) Surveillance of Trades

CMA is entrusted by its laws and regulations with the responsibility of developing the required procedures to reduce the risks associated with securities transactions, and keep such transactions under surveillance to protect investors from unfair or unsound practices that may involve cheating, deception, or manipulation. Accordingly, CMA keeps securities trades, social media websites, and electronic channels under constant surveillance. Trades surveillance is conducted as follows:



Surveillance system alerts on trades declined by the end of 2019 to 29,043 alerts, and 447 intensive scans for trades suspected of being in violation of the laws and regulations enforced by CMA were carried out. Surveillance inquiries decreased in 2019 to 60 alerts, and 5 suspected violations were detected during 2019 compared with 13 in the previous year (Table No. (32)).

 **29,043**
alerts of the trades
surveillance system

Table No. (32):
Prominent developments of surveillance of trades and transactions

Element	Number		
	2018	2019	Change (%)
Surveillance System Alerts ³⁸	36,111	29,043	-19.6%
Intensive Scans for Trades Suspected of Violating the Laws and Regulations Enforced by CMA	616	447	-27.4%
Surveillance Inquiries	77	60	-22.1%
Suspected Violations	13	5	-61.5%

The intensive scans for trades suspected of violating laws and regulations enforced by CMA in 2019, classified by source, show that CMA conducted 93 intensive scans through market surveillance, and 354 scans through surveillance system alerts (Table No. (33)).

Table No. (33):
Intensive scans for trades and deals suspected of violating laws and regulations enforced by CMA classified by source

	2018			
	Source of Intensive Scans	Number	Out of Total %	
	Market Surveillance ³⁹	156	25.3 %	
	Alert ⁴⁰	460	74.7 %	
	Total	616	100 %	
	2019			
	Source of Intensive Scans	Number	Out of Total %	
	Market Surveillance ³⁹	93	20.8 %	
	Alert ⁴⁰	354	79.2 %	
	Total	447	100 %	

Change (%)

-40.4% Market Surveillance 

-23.0% Alert 

Total -27.4%

³⁸ "Surveillance System Alerts" means referrals produced by the surveillance e-system on any suspected violation found in a security transaction.

³⁹ "Market Surveillance" is the detection, by a market monitoring unit officer, of suspicious activities within Capital Market trades, through direct monitoring and analysis.

⁴⁰ "Alert" means suspicious activities detected through signals generated by the SMARTS system when unusual trades occur.



(2) Listed Companies with Accumulated Losses of 20% or more of their Capital

In order to enhance investor protection and develop procedures related to reducing the capital market risks, CMA has implemented the procedures and instructions concerning listed companies whose accumulative losses amount to 20% or more of their capital in light of the Companies Law issued by Royal Decree No. (M/3) dated 28/1/1437H corresponding to 22/4/2017. In 2019, 22 listed companies incurred losses amounting to 20% or more of their capital⁴¹ (Table No. (34)).

Table No. (34):
Listed Companies with Accumulated Losses of 20% or more of their Capital in 2019⁴²



⁴¹ Based on the amendment of Article 64 of the Rules on the Offer of Securities and Continuing Obligations issued by CMA Board Resolution No. (3-45-2018) dated 7/8/1439H corresponding to 23/4/2018, paragraph (a) states the following:

"The annual financial statements and the first, second, and third interim financial statements of an issuer must be disclosed to the Authority (CMA) and the public upon their approval and prior to their publication to shareholders or third parties." Accordingly, paragraph (d) provides that "The issuer must prepare its annual financial statements in accordance with the accounting and auditing standards adopted by SOCPA, and must disclose them to the public within a period not exceeding three months after the end of the annual financial period included in such financial statements. The issuer must disclose these annual financial statements not less than 21 calendar days before the date of convening the issuer's annual general assembly."

⁴² According to the financial statements of listed companies published on the website of (Tadawul), on 30 September 2019.



22

listed companies
incurred losses
amounting to 20%
or more of their
capital



Chapter Six

Investor Protection



Section Two: Investor Complaints and Reports, and Violations of Laws and Regulations Enforced by CMA

1. Investor Complaints and Reports
2. Handling Investor Complaints
3. Taking Action against Violations of Laws and Regulations Enforced by CMA
4. Classification of Violations of Laws and Regulations Enforced by CMA

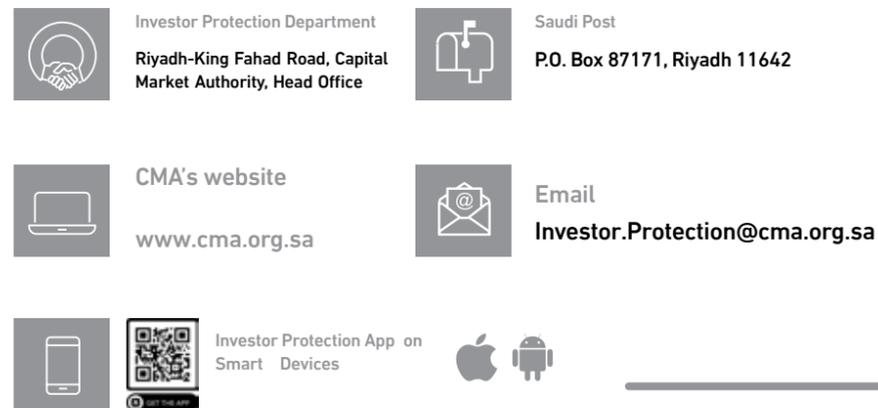


(1) Investor Complaints and Reports

Since its inception, CMA has sought to remove the obstacles that might face submitters of complaints and reports. It has assumed the task of receiving investors' reports and complaints of suspected violations of the laws and regulations enforced by CMA. It has provided several official channels to receive reports and complaints. Figure No. (3) illustrates the official channels through which reports and complaints are received.

Figure No. (3):

Official channels for receiving reports and complaints



1.1 Reports

Table No. (35) indicates a rise in the number of reports received by CMA in 2019 to 934 compared to 477 in 2018. The number of reports related to conducting securities activities without a license increased to 695, representing the largest percentage of the total number of reports in 2019. The number of reports against activities of market institutions, investment products, and corporate governance rose to 27, 18, and 134 respectively in 2019, while the number of reports related to financial statements and market conduct declined to 20 and 40 respectively in 2019 (Chart No. (7)).



Table No. (35):
Reports classified by subject

Subject of Report	2018 Number	2019 Number	Change (%)
Conducting Securities Activities without a License	266	695	161.3% ▲
Market Institutions Activities	13	27	107.7% ▲
Corporate Governance	120	134	11.7% ▲
Financial Statements	24	20	-16.7% ▼
Market Conduct	45	40	-11.1% ▼
Investment Products and Offerings	9	18	100% ▲
Total	477	934	95.8% ▲



Chart No. (7):
Percentage of Reports Classified by Subject

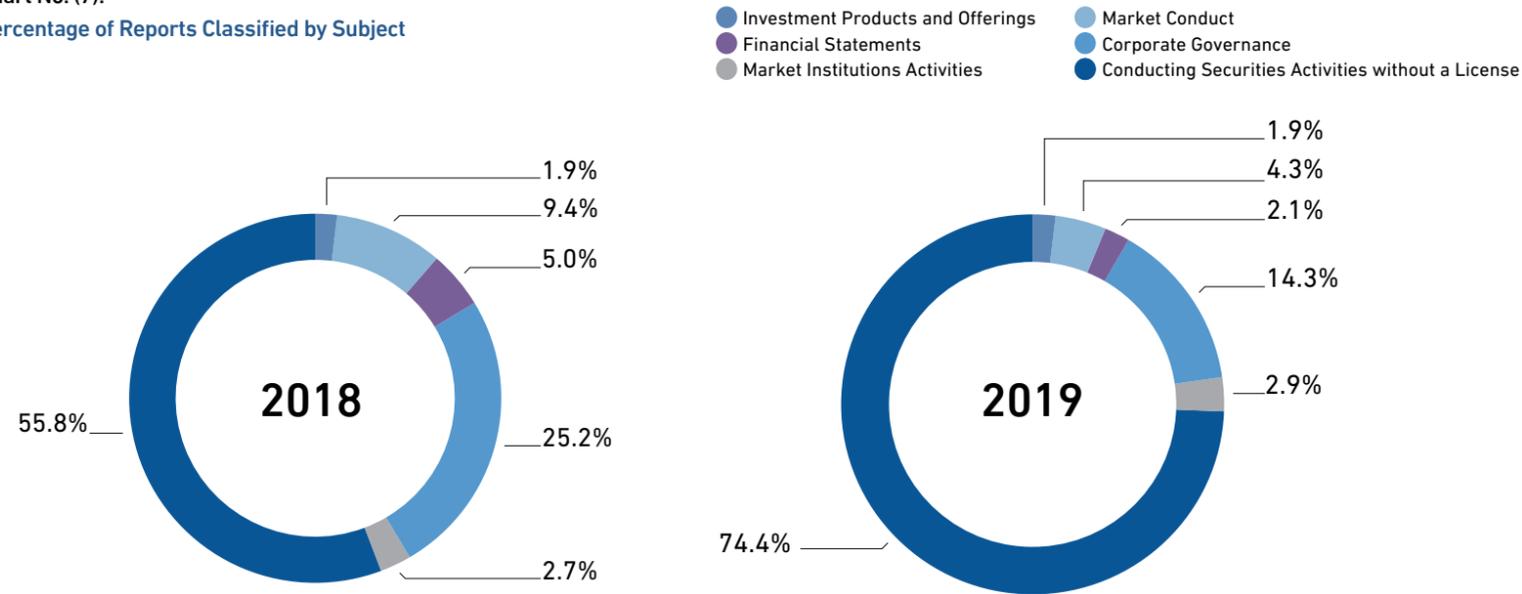


Table No. (36):
Reports Classified by Reported Person

Subject of Report	2018 Number	2019 Number	Change (%)
APs	32	45	40.6% ▲
Listed Companies	113	131	15.9% ▲
Individuals	59	177	200.0% ▲
Saudi Stock Exchange (Tadawul)	2	8	300.0% ▲
Unlicensed Entities Dealing in Securities	271	573	111.4% ▲
Total	477	934	95.8% ▲



In view of the classification of complaints by the reported persons, Table No. (36) indicates that the number of reports against the Saudi Stock Exchange (Tadawul) went up by 300.0%, individuals by 200.0%, and APs by 40.6% in 2019 compared with 2018.





2-1 Complaints

CMA is entrusted with the task of receiving complaints based on its functions and responsibilities stipulated in the CML, rules and regulations enforced by CMA, particularly its responsibility to protect investors in securities from unfair or unsound practices that may involve fraud, cheating, deception, or manipulation. For this purpose, CMA has taken several steps, among them: opening multiple channels to receive complaints from investors, following up on violations of the CML and its Implementing Regulations, and investigating cases of violations of the same. CMA then acts as a public prosecutor against these violations before the Committee for the Resolution of Securities Disputes.

A total of 5,806 complaints were received in 2019, increasing by 127.2% compared with the previous year. The number of complaints related to "Indemnification Requests Related to Violations of the CML and its Implementing Regulations" represent the largest category of received complaints, followed by "Conducting Securities Activities without a License" in 2019 (Table No. (37)).



Table No. (37):

Complaints Classified by Subject

Element	Number				
	2018	Out of Total (%)	2019	Out of Total (%)	Change (%)
Agreements and Contracts between Investors and APs (Brokerage firms)	35	1.4%	55	0.9%	57.1%
IPO Subscriptions and Rights Issue	144	5.6%	279	4.8%	93.8%
Services Provided by APs	70	2.7%	475	8.2%	578.6%
Investment Funds	202	7.9%	227	3.9%	12.4%
Investment Portfolios	346	13.5%	312	5.4%	-9.8%
Execution of Securities Transactions	87	3.4%	107	1.8%	23.0%
Corporate Governance	441	17.3%	692	11.9%	56.9%
Listed Companies Earnings	277	10.8%	344	5.9%	24.2%
Conducting Securities Activities without a License	566	22.2%	1,097	18.9%	93.8%
Indemnification Requests Related to Violations of the CML and its Implementing Regulations	318	12.4%	2,048	35.3%	544.0%
Complaints not within CMA's Jurisdiction	69	2.7%	122	2.1%	76.8%
Other ⁴³	0	0.0%	48	0.8%	-
Total	2,555	100%	5,806	100%	127.2%

⁴³ Complaints closed during the registration phase and prior to classification, and are often repeated or not within CMA's jurisdiction.



Classifying the complaints by respondent reveals that complaints against Listed Companies represent the largest category at 50.9% of complaints received during 2019 (Table No. (38)) and (Chart No. (8)).

Complaints against listed companies rose by

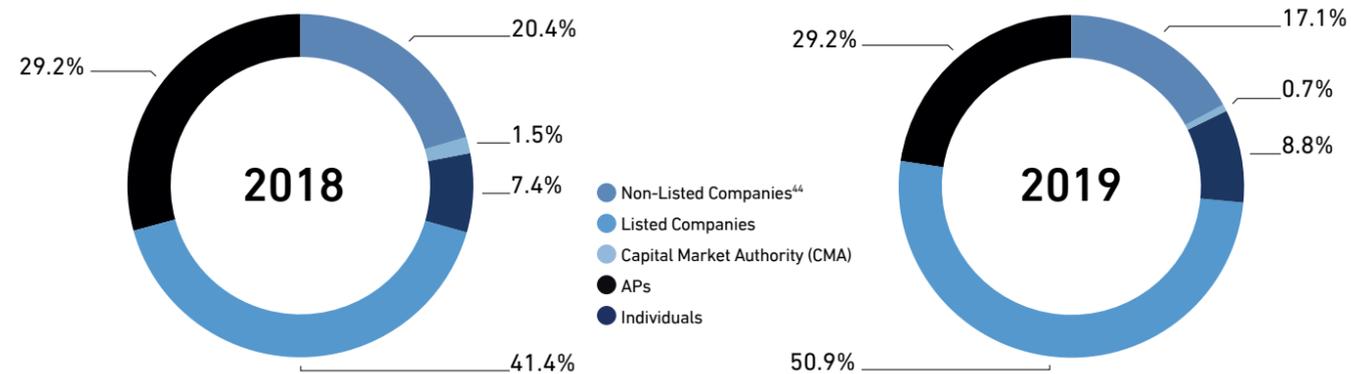
179.4%



Table No. (38):
Complaints Classified by Respondent

Respondent	2018 Number	2019 Number	Change (%)
APs	747	1,314	75.9%
Listed Companies	1,057	2,953	179.4%
Individuals	190	509	167.9%
Capital Market Authority (CMA)	39	38	-2.6%
Non-Listed Companies ⁴⁴	522	992	90.0%
Total	2,555	5,806	127.2%

Chart No. (8):
Percentage of Complaints Classified by Respondent



⁴⁴ Including complaints against (Tadawul), and complaints by APs against investors, as well as reports, inquiries and transactions.

(2) Handling Investor Complaints

The number of complaints that were settled in 2019 totaled 2,358. The percentage of complaints under consideration increased significantly to 2,656 complaints in 2019, compared with 271 in 2018 (Table No. (39)) and (Chart No. (9)).



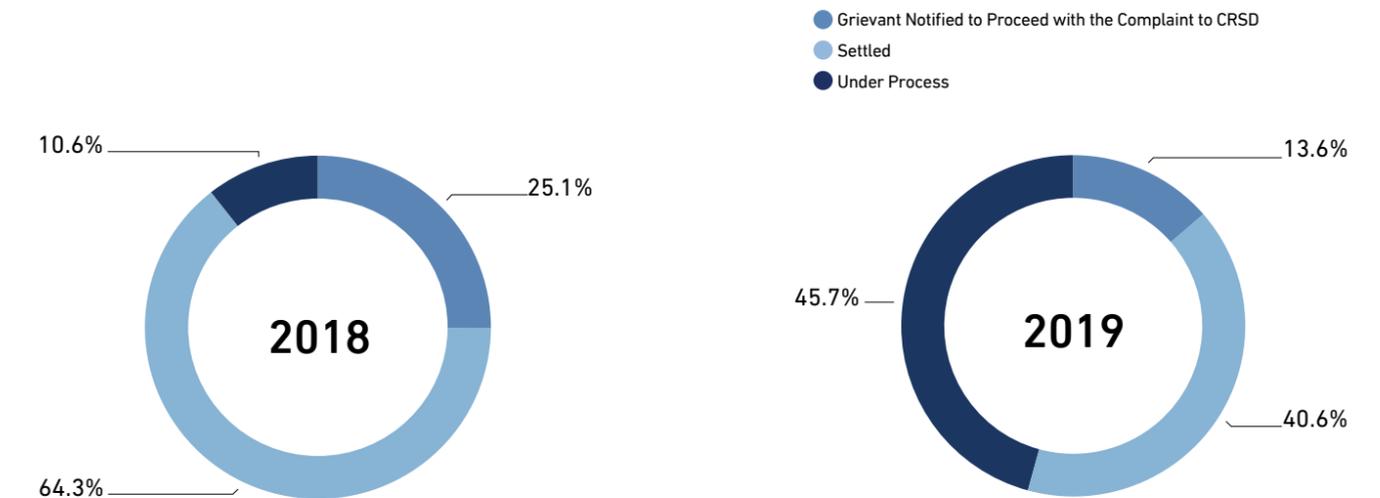
complaints
were settled

2,358

Table No. (39):
Complaints Processed by CMA

Complaint Status	2018 Number	2019 Number	Change (%)
Under Process	271	2,656	880.1%
Settled	1,643	2,358	43.5%
Grievant Notified to Proceed with the Complaint to CRSD	641	792	23.6%
Total	2,555	5,806	127.2%

Chart No. (9):
Percentage of Complaints Processed by CMA





(3) Taking Actions against Violations of Laws and Regulations Enforced by CMA

Paragraph (c) of Article 5 of the CML stipulates 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 (CMA) and its employees designated by the Board are empowered to subpoena witnesses, take evidence, and require the production of any books, 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". CMA finalized 208 out of 281⁴⁵ cases filed during 2019. This represents 74% of the total number of cases in which violations of the laws and regulations enforced by CMA were suspected. In general, the number of violations of the laws and regulations enforced by CMA increased by 12.0% in 2019 (Table (40)) and (Chart (10)).



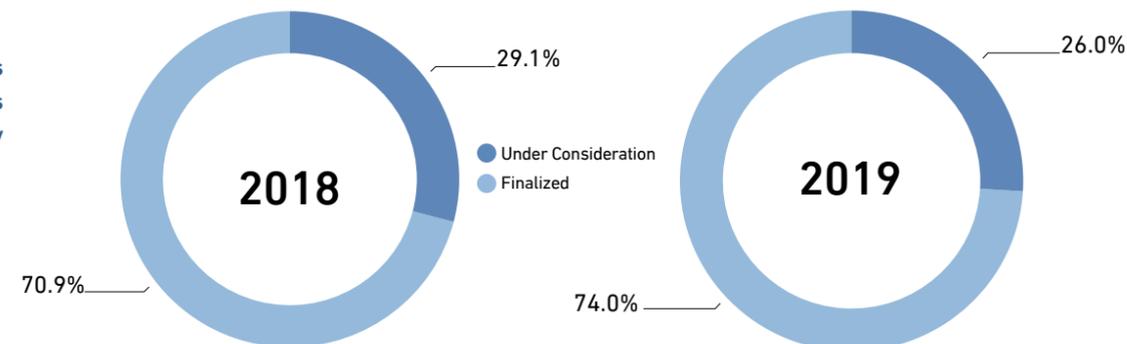
Table No. (40):

Taking Actions against Violations of CML, Companies Law, Anti-Money Laundering Law, and Implementing Regulations Enforced by CMA

Status	2018	2019	Change (%)
Under Consideration	73	73	0.0%
Finalized	178	208	16.9%
Total	251	281	12.0%

Chart No. (10):

Percentage of Taking Actions against Violations of Laws and Regulations Enforced by CMA



⁴⁵ Belonging to previous years.

(4) Classification of Violations of Laws and Regulations Enforced by CMA

A- Filed Violation Cases

The total number of violations of laws and regulations enforced by CMA went down by 6% in 2019 compared with 2018. Most types of filed violation cases decreased in varying proportions (Table No. (41)).



B- Finalized Violation Cases

The total number of violation cases of laws and regulations enforced by CMA that have been finalized went up by 17% at the end of 2019 compared with 2018. Most finalized violation cases increased in varying proportions (Table No. (41)).





Table No. (41):

Filed and Finalized Violation Cases of CML, Companies Law, their Implementing Regulations, and Anti-Money Laundering Law, Classified by Type

Violation Type	Filed			Finalized ⁴⁶		
	2018	2019	Change (%)	2018	2019	Change (%)
Manipulation and Misleading Act/Market Conduct	6	2	-66.7%	18	7	-61.1%
Disclosure	48	55	14.6%	21	90	328.6%
Insider Trading	7	2	-71.4%	0	8	-
Authorized Persons Regulations ⁴⁷	25	25	0.0%	22	19	-13.6%
Change in the Ownership/Disposal Percentages without Notifying CMA	0	0	-	0	0	-
Conducting Securities Transactions without CMA License	13	37	184.6%	11	17	54.5%
CMA Board Resolutions	15	6	-60.0%	14	5	-64.3%
Offers of Securities Regulations	8	0	-100.0%	6	0	-100.0%
Listing Rules	32	0	-100.0%	25	1	-96.0%
Trading during Prohibited Periods	17	36	111.8%	16	23	43.8%
Corporate Governance Regulations	10	2	-80.0%	10	3	-70.0%
Real Estate/Investment Funds Regulations	7	6	-14.3%	6	6	0.0%
Prudential Rules	4	5	25.0%	2	6	200.0%
Merger and Acquisition Regulations	0	0	-	0	0	-
AP Conduct/CMA Circulars	16	6	-62.5%	16	6	-62.5%
Companies Law	9	26	188.9%	6	11	83.3%
Anti-Money Laundering Law	6	2	-66.7%	5	6	20.0%
Total	223	210	-5.8%	178	208	16.9%

⁴⁶ Including cases from previous years.

⁴⁷ Meaning violations found during inspections imposed upon APs to ensure their compliance by the Authorized Persons Regulations and the Anti-Money Laundering and Counter-Terrorist Financing Rules, etc.





Chapter Six

Investor Protection



Section Three: Prosecution, Sanctions and Penal Verdicts on Violations

1. Cases Pending before CRSD and ACRSD Filed against/by CMA
2. Cases Pending before other Judicial Authorities Filed against/by CMA
3. Statements of Claim and Defense in Cases Filed against/by CMA
4. Number of Cases Filed against/by CMA with Final Judgements
5. Follow-up of the Enforcement of Sanction Decisions
6. Classification of Sanction Decisions Filed by CMA against Violators of Laws and Regulations Enforced by CMA
7. Financial Penalties against Violators of Laws and Regulations Enforced by CMA



(1) Cases Pending before CRSD and ACRSD Filed against/by CMA



CMA undertakes litigation for violation cases of laws and regulations enforced by CMA before the CRSD, whether such violation cases are filed by or against CMA. It may appeal CRSD's decisions before the ACRSD. Decisions issued by the ACRSD are deemed final and enforceable.

Resolution of Securities Disputes (ACRSD) at the end of 2019. Cases related to "Manipulation and Misleading Acts", "Violation of Authorized Persons Regulations" and "Appeals against CMA Board Resolutions" decreased by 100%, 100% and 67% respectively, compared with 2018 (Table No. (42)).

The number of cases pending with the CRSD filed against/by CMA increased by 40% at the end of 2019 (Table No. 42)).

In contrast, 3 cases filed against/by CMA were pending with the Appeal Committee for the

Table No. (42):

Number of Cases Pending before the Committees for the Resolution of Securities Disputes Filed against/by CMA, Classified by Type

Case Type	Number			Number		
	CRSD			ACRSD		
	2018	2019	Change (%)	2018	2019	Change (%)
Manipulation and Misleading Acts	0	1	-	1	0	-100.0%
Insider Trading	0	0	-	0	0	-
Conducting Securities Business without License	1	1	0%	0	0	-
Violation of Listing Rules	2	1	-50.0%	0	1	-
Violation of Authorized Persons Regulations	1	0	-100.0%	1	0	-100.0%
Violation of Corporate Governance Regulations	0	0	-	1	1	0%
Disclosure Violation	0	0	-	0	0	-
Other Violations of Market Conduct Regulations	0	1	-	0	0	-
Violation of Unlicensed Offering of Securities	0	0	-	0	0	-
Appeals against CMA Board Resolutions	1	3	200.0%	3	1	-66.7%
Total	5	7	40.0%	6	3	-50.0%





(2) Cases Pending before other Judicial Authorities Filed against/by CMA

The number of cases pending before other judicial authorities filed against/by CMA remained unchanged at 3 cases in 2019. The number of administrative cases at the Administrative Court increased, while the number of labor cases at the Preliminary Commission for Settlement of Labor Disputes decreased. The number of enforcement cases at the Enforcement Courts of the Ministry of Justice stood at one case in 2019 (Table No. (43)).



Table No. (43):
Number of cases pending before the judicial authorities filed against/by CMA

Judicial Body	2018		2019	
	Type of Cases	Number of Cases	Type of Cases	Number of Cases
The Preliminary Commission for Settlement of Labor Disputes	Labor	1	Labor	0
The Administrative Court of the Board of Grievances	Administrative	1	Administrative	2
Enforcement Courts of the Ministry of Justice	Enforcement	1	Enforcement	1
Total		3		3

(3) Statements of Claim and Defense in Cases Filed against/by CMA

CMA assumes preparation of statements of claim, defense, and appeal in cases filed against/by CMA. The number of statements of claim, defense and grievances in cases filed against/by CMA increased to 65 during 2019, while the number of statements of claim and defense in cases filed by CMA decreased to 21. The number of grievances against the Board's resolutions before CMA rose to 20, and briefs of appeal against CRSD decisions went up to 11 (Table No. (44)).



Table No. (44):
Total number of statements of claim, defense and grievances in cases filed against/by CMA

Statements of Claim/Defense/Grievances	Number		
	2018	2019	Change (%)
Statements of Claim and Defense in Cases Filed by CMA	24	21	-12.5%
Statements of Defense in Cases Filed against CMA	18	13	-27.8%
Briefs of Appeal against CRSD Decisions	7	11	57.1%
Grievances against CMA Board Resolutions	11	20	81.8%
Total	60	65	8.3%





(4) Number of Cases Filed against/by CMA with Final Judgements

During 2019, 10 final judgments were issued in favor of CMA in cases brought by or against it. In contrast, one final judgment was issued against CMA in cases brought by or against it during 2019 (Table No. (45)).

10
final judgments were issued in favor of CMA in cases brought by or against it

Table No. (45):
Number of Final Judgments for/against CMA

Case Status	Number						
	2018			2019			
	Filed by CMA	Filed against CMA	Total	Filed by CMA	Filed against CMA	Total	Total Change (%)
Final Judgment in Favor of CMA	5	15	20	3	7	10	-50.0%
Final Judgment against CMA	0	4	4	0	1	1	-75.0%
Dismissal/Final Judgment of Lack of Jurisdiction ⁴⁸	0	1	1	-	-	0	-100.0%

The number of cases referred by CMA to the Public Prosecution, since the issuance of High Order No. (4690) dated 6/2/1435H which transferred the powers of agencies and committees involved in the investigation and prosecution of criminal offences to the Public Prosecution, reached 134 cases up to the end of 2019 (Table No.(46)). The Public Prosecution finalized 85 cases and referred 34 to the Committees for the Resolution of

Securities Disputes since the issuance of High Order No. (4690) until the end of 2019 (Table No. (47)). The number of sessions attended by CMA's representatives before the Committee for the Resolution of Securities Disputes and relevant judicial bodies increased to 31 sessions during 2019, compared with 25 during 2018.

Table No. (46):
Number of cases referred by CMA to the Public Prosecution classified by violated article

Violated Article	Year				
	2015	2016	2017	2018	2019
Article (31): Conducting Securities Transactions without CMA License	12	7	1	9	13
Article (49): Manipulation and Misleading Act	20	20	9	17	5
Article (50): Insider Trading	7	5	7	-	1
Total	39	32	17	26	19 ⁴⁹

Table No. (47):
Status of cases referred by CMA to the Public Prosecution

Case Status	Year				
	2015	2016	2017	2018	2019
Under Consideration with CRSD and ACRSD	-	6	1	18	9
Finalized	38	24	16	5	2
Total	38	30	17	23	11

⁴⁸ Cases that ended by (lack of jurisdiction) are considered legally in favor of the party submitting this defense, to whom this ruling has been issued, so the numbers of 2019 are included in the first classification.

⁴⁹ There is another case referred by CMA to the Public Prosecution related to violating Paragraph (C) of Article (211) of the Companies Law, bringing the total to 20 cases in 2019.

(5) Follow-up of the Enforcement of Sanction Decisions

CMA follows up the enforcement of resolutions issued by its Board, the interim decisions of imposing/ lifting provisional attachment issued by the CRSD and the final decisions issued by the CRSD and ACRSD against the violators of the laws and regulations enforced by CMA. This is carried out through the following two steps:

Notifying the violator and the bodies in charge of enforcing sanction decisions issued against the violator

Following up the enforcement of the sanction decision

The CMA Board issued 113 sanction decisions, increasing by 15.3% during 2019 compared with 2018. The CRSD/ACRSD issued 27 sanction decisions, decreasing by 12.9% compared with 2018. In 2019, CMA enforced 87.6% and 37.04% of sanction decisions issued by the CMA Board and the CRSD/ACRSD respectively (Chart No. (11), and Table No. (48)).

Chart No. (11):
Sanction Decisions against Violators of Laws and Regulations Enforced by CMA Classified by Decision Issuer

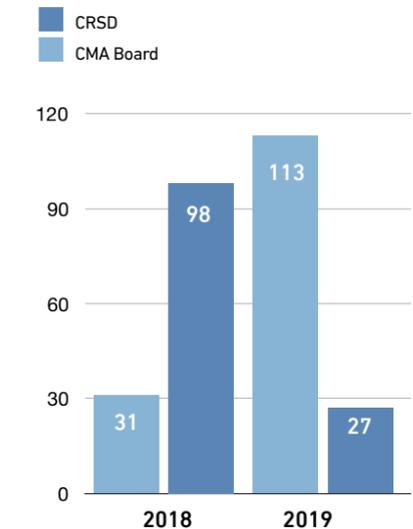
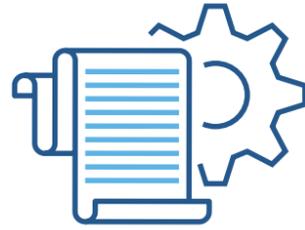




Table No. (48):
Enforcement of Sanction Decisions against Violators of Laws and Regulations Enforced by CMA Classified by Issuer

Decision Issuer	2018			2019		
	Number	Enforced	Enforced (%)	Number	Enforced	Enforced (%)
CMA Board	98	89	90.8%	113	99	87.6%
CRSD and ACRSD	31	24	77.4%	27	10	37.0%
Total	129	113	87.6%	140	109	77.9%



(6) Classification of Sanction Decisions Filed by CMA against Violators of Laws and Regulations Enforced by CMA

CMA Board and the CRSD and ACRSD issued 140 sanction decisions against 199 violators in 2019 compared with 249 violators in 2018, including 67 investors and 50 senior executives during 2019. CMA enforced 158 sanction decisions against various violators, and the remaining decisions are under follow-up (Table No. (49)).

140
sanction decisions

158
enforced sanction
decisions against
various violators

Table No. (49):
Enforcement of Sanction Decisions against Violators of Laws and Regulations Enforced by CMA, Classified by Type of Violator in 2019

Type of Violator	Number	Enforced	Enforced (%)	Under Follow-up	Under Follow-up (%)
Investor	67	43	64.2%	24	36%
Authorized Person/Registered Person	31	29	93.5%	2	6%
Listed Companies	51	42	82.4%	9	18%
Senior Executives	50	44	88.0%	6	12%
Total	199	158	79.4%	41	21%

Table No. (50) shows the number of violations that resulted in sanctions against violators of the laws and regulations enforced by CMA classified by violation type in 2019. It also shows that 79% of all sanctions issued in 2019 have been enforced. "Manipulation and Misleading Acts" represent the highest number of violations at 53, of which 55% were enforced and the rest are pending. Violations of "Disclosure" reached 32, of which 78% were enforced, and the remaining sanctions are pending enforcement.

79 %
of violation sanctions
were enforced during
2019

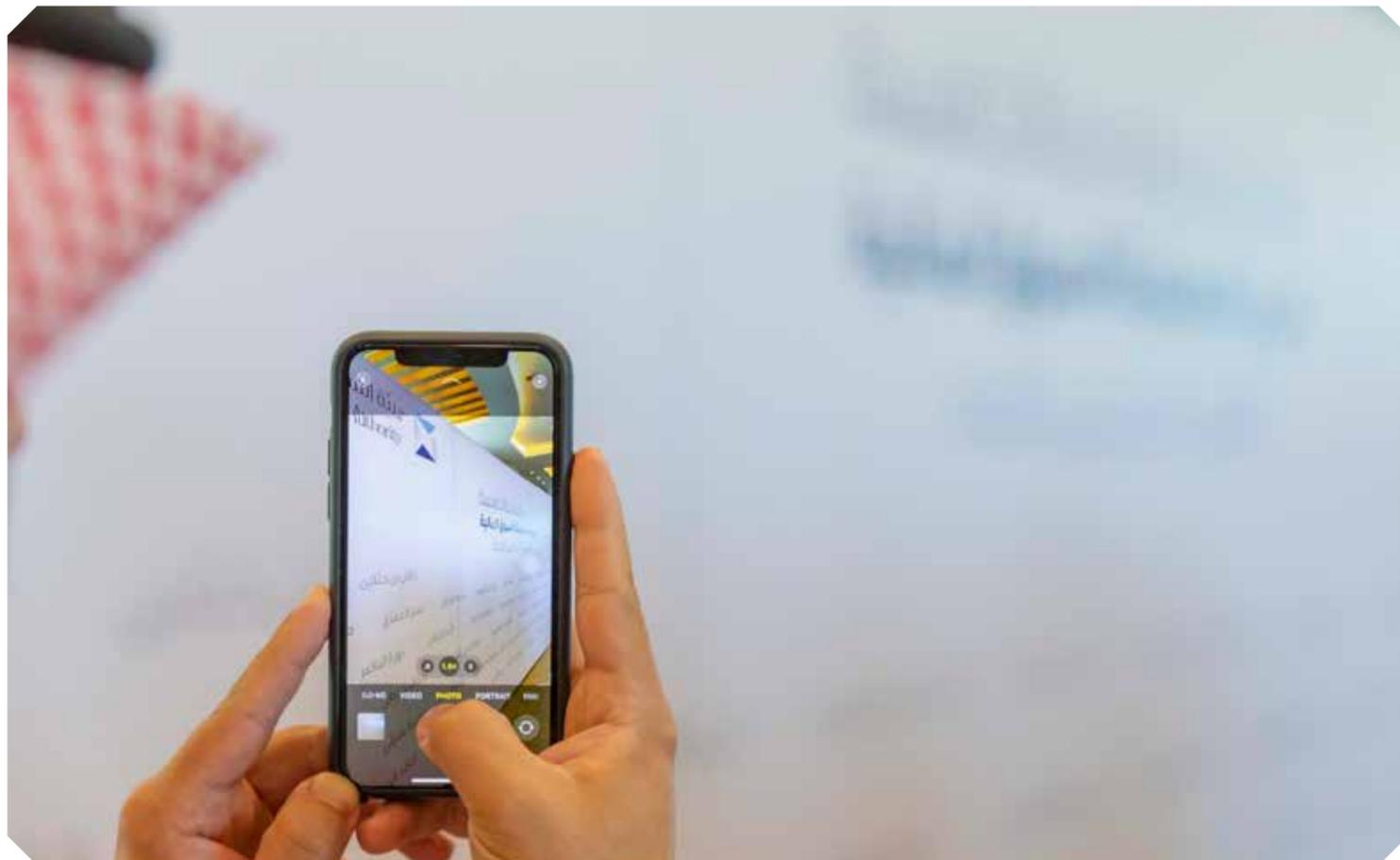




Table No. (50):
Enforcement of Violations that Resulted in Sanctions against Violators of Laws and Regulations Enforced by CMA, Classified by Type of Violation in 2019

Type of Violation	Number	Enforced	Enforced (%)	Under Follow-up	Under Follow-up (%)
Manipulation and Misleading Acts	53	29	54.7%	24	45.3%
Disclosure	32	25	78.1%	7	21.9%
Insider Trading	3	3	100.0%	0	0%
Authorized Persons Regulations	15	14	93.3%	1	6.7%
Change in Ownership/Disposal Percentages without Notifying CMA	0	0	0.0%	0	0%
Conducting Securities Business without a CMA License	14	11	78.6%	3	21.4%
CMA Resolutions/Circulars	15	13	86.7%	2	13.3%
Offers of Securities Regulations	1	1	100.0%	0	0%
Listing Rules	2	2	100.0%	0	0%
Trading during Prohibited Period	19	18	94.7%	1	5.3%
Corporate Governance Regulations	12	12	100.0%	0	0%
Real Estate/Investment Funds Regulations	5	5	100.0%	0	0%
Prudential Rules	1	0	0.0%	1	100.0%
Merger and Acquisition Regulations	0	0	0.0%	0	0%
Companies Law	21	19	90.5%	2	9.5%
Anti-Money Laundering and Counter-Terrorist Financing Rules	0	0	0.0%	0	0%
Anti-Money Laundering and Counter-Terrorist Financing Law	6	6	100.0%	0	0%
Offering Securities Rules	0	0	0.0%	0	0%
Total	199	158	79.4%	41	20.6%

The CMA Board and CRSD/ACRSD issued 178 sanctions in 2019, compared with 256 in 2018, decreasing by 30.5% from the previous year. Financial penalties ranked first among sanctions issued by the CMA Board and CRSD/ACRSD at 143 penalties in 2019 (Table No. (51)).

178
sanctions issued by the CMA Board, CRSD and ACRSD, declining by 30.5% from the previous year

Table No. (51):
Sanctions Issued by the CMA Board and CRSD/ACRSD Classified by Type of Sanction

Sanction	Number				
	2018	Out of Total (%)	2019	Out of Total (%)	Change (%)
Financial Penalty	155	60.5%	143	80.3%	-7.7%
Banning from Brokerage Activity, Portfolio Management, Investment Advisory, or any Registrable Function	23	9.0%	5	2.8%	-78.3%
Banning from Working in Listed Companies	25	9.8%	8	4.5%	-68.0%
Banning from Buying Shares of Listed Companies	49	19.1%	17	9.6%	-65.3%
Imprisonment	0	0.0%	0	0.0%	-
Other ⁵⁰	4	1.6%	5	2.8%	25.0%
Total	256	100%	178	100%	-30.5%



⁵⁰ Including administrative and cautionary sanctions.



(7) Financial Penalties against Violators of Laws and Regulations Enforced by CMA

The total sum of financial penalties and fines issued by the CMA Board and the CRSD and ACRSD against violators of the laws and regulations enforced by CMA amounted to SR 132.8 million in 2019, of which SR 78 million (58.8%) were collected. Financial penalties issued against violations by Manipulation and Misleading Acts ranked first, amounting to SR 127.6 million representing 96.1% of all financial penalties, of which SR 73.4 million were collected (Table No. (52)).

132.8

Million SR Total
amount of financial
penalties and fines



59%

Of which were
collected



Table No. (52):

Total Amounts of Financial Penalties and Fines Issued by CMA, CRSD, and ACRSD against Violators of Laws and Regulations Enforced by CMA, Classified by Type of Violation for 2019



Type of Violation	Total Amounts of Financial Penalties & Fines Imposed (SR) 1/1/2019 – 31/12/2019	Total Amounts of Financial Penalties & Fines Collected in 2019 (SR) 1/1/2019 – 31/12/2019	Percentage of Collected Amounts out of Total Penalty or Fine
Manipulation and Misleading Acts	127,644,577	73,420,889	57.5%
Disclosure	530,000	360,000	67.9%
Insider Trading	1,440,380	1,440,380	100%
Authorized Persons Regulations	460,000	450,000	97.8%
Change in Ownership/Disposal Percentages without Notifying CMA	0	0	-
Conducting Securities Business without a CMA License	1,192,915	962,923	80.7%
CMA Resolutions/Circulars	110,000	90,000	81.8%
Offers of Securities Regulations	20,000	20,000	100%
Listing Rules	0	0	-
Trading during Prohibited Period	1,010,000	960,000	95.0%
Corporate Governance Regulations	0	0	-
Real Estate/Investment Funds Regulations	100,000	100,000	100%
Prudential Rules	20,000	0	0%
Merger and Acquisition Regulations	0	0	-
Companies Law	200,000	170,000	85.0%
Anti-Money Laundering and Counter-Terrorist Financing Rules	0	0	-
Anti-Money Laundering and Counter-Terrorist Financing Law	40,000	40,000	100%
Offering Securities Rules	0	0	-
Total	132,767,872	78,014,192	58.8%



Table No. (53) points out the total amount of financial penalties and fines issued by CMA and the CRSD and ACRSD against violators of the laws and regulations enforced by CMA classified by type of violator in 2019. Financial penalties and fines issued against investors ranked first with a total of SR 130 million, of which SR 75 million (58.2%) were collected.

130
Million SR Total
amounts of financial
penalties imposed on
investors



58%
of financial
penalties were
collected



Table No. (53):

Total Amounts of Financial Penalties Issued by CMA and the CRSD/ACRSD against Violators of Laws and Regulations Enforced by CMA, Classified by Type of Violator in 2019

Type of Violator	Total Amounts of Financial Penalties & Fines Imposed (SR) 1/1/2019 – 31/12/2019	Total Amounts of Financial Penalties & Fines Collected in 2019 (SR) 1/1/2019 – 31/12/2019	Percentage of Collected Amounts out of Total Penalty
Investor	130,297,872	75,844,192	58.2%
Senior Executives	1,030,000	950,000	92.2%
Registered Person	0	0	-
Listed Company	750,000	560,000	74.7%
Authorized Person	690,000	660,000	95.7%
Total	132,767,872	78,014,192	58.8%





Chapter Seven

Securities Business Activities



Section One: Licenses

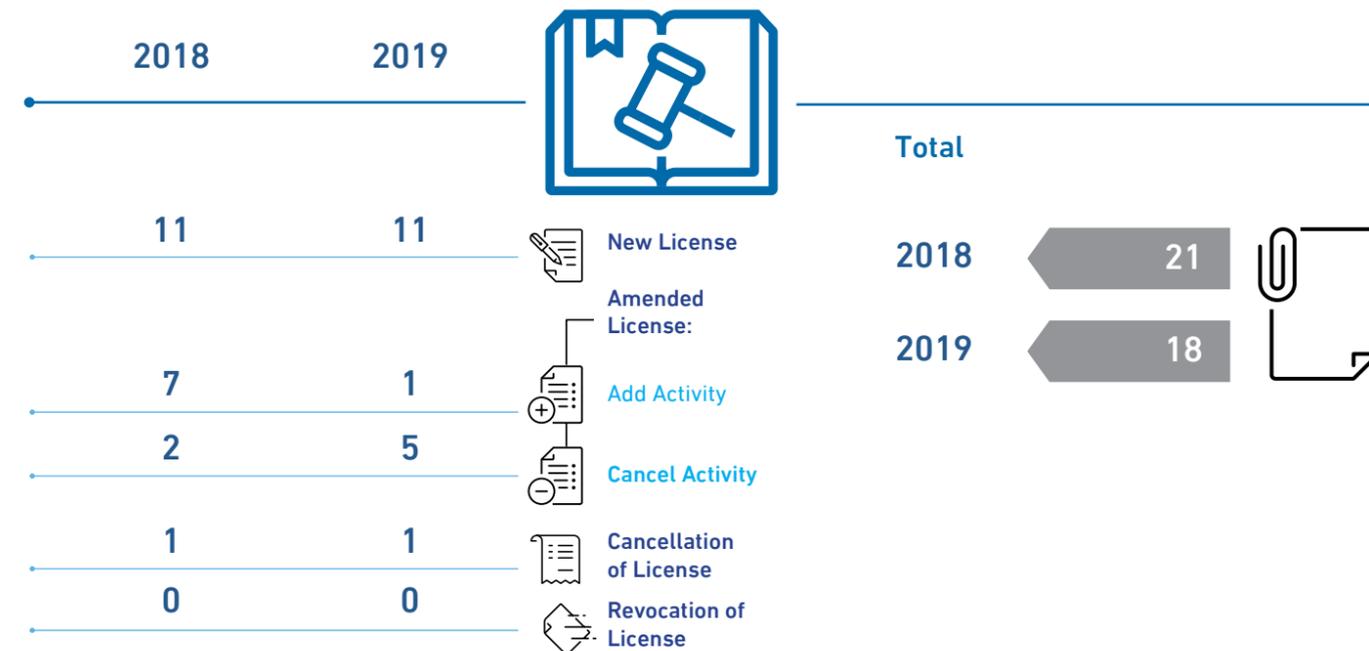
1. Authorization Decisions of Securities Business Activities
2. Licenses Classified by Securities Business Activities
3. CMA Efforts in the Development of Financial Sector Employees
4. Credit Rating Licenses
5. Special Purpose Entities (SPEs)
6. Financial Technology Products in the Saudi Capital Market

(1) Authorization Decisions of Securities Business Activities

CMA issues authorization decisions for conducting securities business, including licensing, amendment, cancellation, and revocation. CMA issued 18 decisions in 2019, of which 11 decisions for new licenses and 6 for license amendments. The total number of Authorized Persons reached 106 by the end of 2019 (Table No. (54)).



Table No. (54):
Number of Authorization Decisions Classified by Type



(2) Licenses Classified by Securities Business Activities

The number of Securities Business Activities Licenses amounted to 541 by the end of 2019. The "Arranging" and "Advising" activities licensing represented the highest number by 91 for each (Table No. (55)). The number of Authorized Persons (APs) licensed to conduct all activities reached 31 by the end of 2019 (Chart No. (12)).



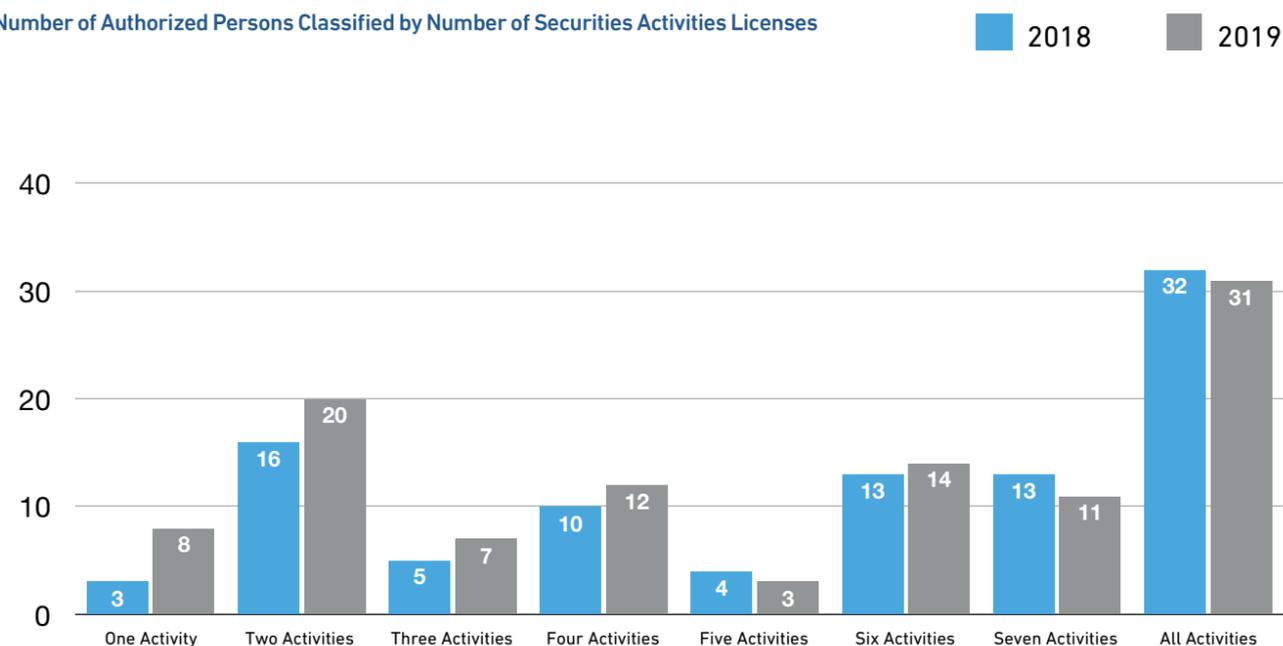
Table No. (55):
Number of Licenses Classified by Securities Business Activity

Securities Business Activity	2018			2019			Change out of Total (%)	
	Commenced	Not Commenced	Total	Commenced	Not Commenced	Total		
Dealing	Dealing as Principal	63	0	63	62	0	62	-1.6%
	Dealing as Agent	37	1	38	39	1	40	5.3%
	As underwriter	50	1	51	48	1	49	-3.9%
Management	Investment Fund Management	66	0	66	62	1	63	-4.5%
	Discretionary Portfolio Management	60	1	61	57	1	58	-4.9%
	Private Non-Real-Estate Investment Funds	3	5	8	6	6	12	50.0%
	Sophisticated Investors Portfolio Management	3	5	8	7	4	11	37.5%
Arranging	80	8	88	83	8	91	3.4%	
Advising	78	8	86	79	12	91	5.8%	
Custody	66	0	66	63	1	64	-3.0%	
Total	506	29	535	506	35	541	1.1%	



Chart No. (12):

Number of Authorized Persons Classified by Number of Securities Activities Licenses



(3) CMA Efforts in the Development of Financial Sector Employees

The number of employees working for Authorized Persons reached 4,329, while Saudization percentage remained unchanged at 73.0% at the end of 2019 (Table No. (56)).

4,329

total number of employees
working for Authorized
Persons

73.0%

Saudization at the end
of the year

Table No. (56):

Number of Employees Working for Authorized Persons and the Saudization Percentage

Number of Employees		Saudization Percentage	
Registered Person ⁵¹	3,056		75.0%
Unregistered Person	1,269		68.0%
Total	4,325	Total	73.0%

2018

Number of Employees		Saudization Percentage	
Registered Person ⁵¹	3,059		75.0%
Unregistered Person	1,270		69.0%
Total	4,329	Total	73.0%

2019

51| A registered person with CMA for a job that requires registration.



CMA invested substantial efforts in the development of financial sector employees during 2019, including:



Restructuring CMA's tests in cooperation with the Financial Academy and the Chartered Institute for Securities and Investment (CISI)



Launching the International Certificate for Wealth and Investment Management provided by the Chartered Institute for Securities and Investment (CISI). The Certificate is required from the persons to be registered in the management activity (for example, but not limited to: investment portfolios manager, funds manager, and associated investment analysts).



Offering a course on the introduction to CMA's law and regulations at the Financial Institute taught by professional employees of CMA to increase knowledge concerning the capital market and its implementing regulations among recent university graduates hired in the sector.



Holding a number of advanced certification programs in the fields of compliance, anti-money laundering and counter-terrorist financing in cooperation with the Financial Academy and the UK-CCL Academy to develop talents among Authorized Persons working in the fields of compliance, and anti-money laundering and counter-terrorist financing.



Holding and organizing the Compliance Officers Forum at Authorized Persons (APs), and Market Institutions Forum for raising awareness on the latest updates in CMA's laws and regulations and developments in the capital market.

(4) Credit Rating Licenses

By the end of 2019, the total number of licensed Credit Rating Agencies authorized to work in the Kingdom remained unchanged at 4 agencies (Table No. (57)).

04

licensed Credit Rating
Agencies authorized to work
in the Kingdom



Table No. (57):
Credit Rating Licenses Classified by Practice Status

2018	2019
 Practicing 04	 Practicing 04
 Non-Practicing 00	 Non-Practicing 00
 Total 04	 Total 04





(5) Special Purpose Entities (SPEs)

In continuation of CMA's efforts to develop the capital market in the Kingdom and enhance the sukuk and debt instruments market to meet the financing needs of the national economy, which was included in the Capital Market Strategy under the theme of facilitating funding and regulating the issuance, monitoring and dealing in securities, CMA issued in mid-2019 a decision authorizing the establishment of two new SPEs for issuance of debt instruments backed by assets in accordance with the rules governing special-purpose entities.



CMA issued a decision authorizing the establishment of two new special purpose entities



(6) Financial Technology Products in the Saudi Capital Market



Financial Technology is a new financial industry that uses technical applications to improve financial products and services by facilitating access to all investor segments in an easy, fast, and cost-competitive manner. This is achieved through the automation of procedures and operations, and by linking with databases and ISP providers, and reducing dependence on human resources. "Financial Technology" describes a varied range of innovative business models and emerging technologies capable of elevating the financial services industry to new horizons.

As one of the initiatives of the Financial Leadership Program which aims to support financial technology at the capital market in the Kingdom, CMA Board approved the Financial Technology Experimental Permit Instructions by Resolution No. (1-4-2018) dated 23/4/1439H corresponding to 10/1/2018. These Financial Technology Experimental Permit Instructions are the regulatory framework for issuing permits to enable financial application developers to make innovative financial technology products and services, and offer them to beneficiaries in the capital market within specified controls and limitations under the supervision of CMA and within a period not exceeding two years.

CMA received the first batch of Financial Technology Experiment Permit applications in February 2018. On 10/7/2018, CMA Board approved two of the permits to provide crowdfunding of co-ownership services. On 7/10/2018, CMA announced that it is receiving the second batch of Financial Technology Experiment Permit applications starting from 15/10/2018 until 25/12/2018. CMA received applications from 40 parties. After studying these applications, CMA issued 6 permits during 2019 to test financial technologies, which brought the total number of permit-holding parties to 8 (Table No. (58)).





Table No. (58):
Financial Technology Experimental Permits up to the End of 2019

Financial Technology Permitted Model		06
Equity Crowdfunding		06
Robo Advisory		02
Total		08



Establishing Fintech Saudi

His Excellency the Chairman of the CMA and His Excellency the Governor of SAMA signed a memorandum of cooperation to set a framework for operating the Fintech Saudi Business Center on 25 April 2019, during the Financial Sector Conference held in Riyadh. The establishment of the Center came through the Financial Sector Development Program with the aim of opening the financial services to new types of actors in the field of financial technology, and developing funds, accelerators and incubators that focus on financial technology to provide venture capital, equity financing and stimulate the entrepreneurial environment.

Most important activities expected from the Center are:



Supporting entrepreneurs and small and medium enterprises in providing specialized workspaces in the financial technology sector and related services.



Providing financial technology laboratories and solutions in the experimental environment to develop Fintech products in partnership with companies and actors in the sector before obtaining official licenses from supervisory authorities.



Launching approved accelerator programs in financial technology.



Establishing partnerships and signing agreements with partners and supporters to host relevant events and occasions inside and outside the Kingdom.



Communicating with and informing the public of financial technology.



Promote dissemination of financial technologies.



Chapter Seven

Securities Business Activities



Section Two: Inspection and Financial Prudence

1. Inspection
2. Financial Prudence
3. Margin Lending
4. Requests Received by CMA for Imposing/Removing Attachment and Enforcement
5. Anti-money Laundering (AML) and Counter-terrorist Financing (CTF)

(1)
Inspection



Table No. (59):
Number of Inspected Licenses

Type of License	2018			2019			Change out of Total (%)
	Cycle Inspection	Cause Inspection ⁵²	Total	Cycle Inspection	Cause Inspection	Total	
Dealing	10	3	13	10	14	24	84.6%
Managing	10	14	24	10	6	16	-33.3%
Arranging	10	0	10	10	1	11	10.0%
Advising	10	0	10	10	0	10	0.0%
Custody	10	1	11	10	2	12	9.1%
Total	50	18	68	50	23	73	7.4%

The number of cause inspections due to referrals from related parties inside or outside CMA accounted for 95.7% of total referrals (Table No. (60)).

95.7%



⁵² The total number does not include 52 cause inspection visits related to other aspects of APs business such as compliance with corporate governance, prudential requirements, and the like.

Table No. (60):
Number of Cause Inspections
Classified by Reason

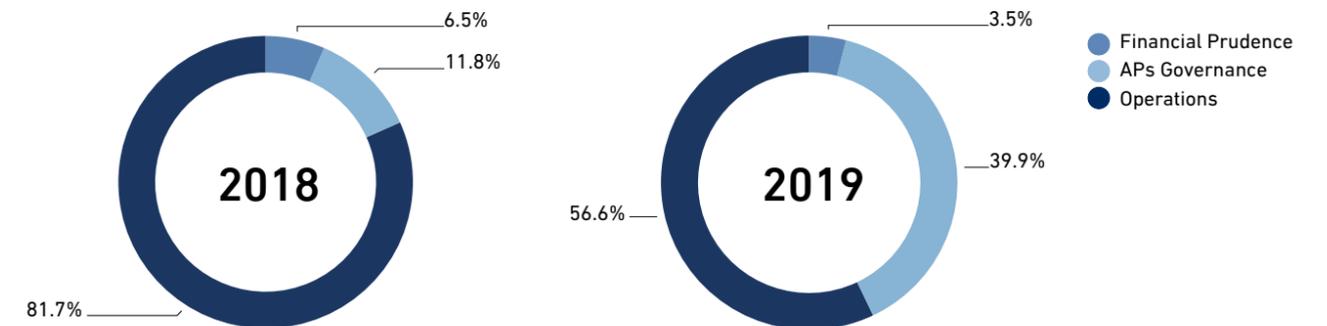
Reason	2018 ⁵³	2019 ⁵⁴
Referrals from related Parties inside or outside CMA	62	67
Notices and Inquiries of Authorized Persons	08	03
Total	70	70



In 2019, cycle inspections of APs unveiled a number of observations regarding their compliance with requirements of the laws and regulations enforced by CMA. Chart (13) illustrates the observations of cycle inspections classified by subjects.



Chart No. (13):
Observations of Cycle Inspections Classified by Subject



⁵³ The total number includes 52 cause inspection visits related to other aspects of APs business such as compliance with corporate governance, prudential requirements, and the like.
⁵⁴ The final report of one of the companies has not been finalized, and therefore it has not been added to the statistic.

(2) Financial Prudence

To ensure the compliance of Authorized Persons with the financial adequacy principle set out in paragraph (b/4) of Article Five in the Authorized Persons Regulations, CMA reviewed the following:



Financial Prudence Reports for APs.



Subordinate Loans Agreements.



Financial Prudence of Authorized Persons as Underwriters of Securities Offering.

The total number of reviews of Authorized Persons stood at

1,199 increasing in 2019 by

5.4%

compared with the previous year. The number of periodic reviews of financial prudence increased by

7.1%

Table No. (61):
Financial Reviews of Authorized Persons Classified by Type

Type of Review	Number	
	2018	2019
Periodic Reviews of Financial Prudence	1,025	1,098
Financial Prudence of APs as Underwriters	26	16
Requests for Subordinated Loan Agreements	0	1
Plans to Raise Financial Prudence	4	2
Large Exposures	1	0
Audited Financial Statements	82	82
Total	1,138	1,199



Capital Adequacy Positions of Authorized Persons

Based on securities business activities, Authorized Persons were classified into two categories to monitor their capital adequacy:



22,519

Million SR Total capital base

1. APs Licensed to Engage in Dealing, Managing, and/or Custody Activities

The capital adequacy ratio for all APs licensed to engage in dealing, managing, and/or custody activities reached 2.38 at the end of 2019. The total capital base amounted to SR 22,519 million, while the minimum for capital requirements was SR 9,466 million (Table No. (62)).

Table No. (62):
Capital Adequacy Requirements of APs Licensed to Conduct Dealing, Managing, and/or Custody Activities

Element	APs								Average/Total	
	Bank Affiliate		Local		Regional		International		2018	2019
Average Capital Adequacy Coverage	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Capital Adequacy Ratio ⁵⁵	2.46	2.57	1.52	1.59	1.93	2.51	7.41	6.92	2.17	2.38
Capital Base (SR million)	30.9%	31.2%	19.8%	20.4%	25.0%	32.1%	80.6%	77.4%	27.6%	29.5%
Minimum Due (SR million) ⁵⁶	11,098	12,680	5,378	4,932	2,177	2,837	1,776	2,070	20,429	22,519
Credit Risk (SR million) ⁵⁷	4,511	4,934	3,549	3,103	1,129	1,130	240	299	9,429	9,466
Market Risk (SR million) ⁵⁸	3,824	3,921	3,218	2,736	1,006	989	148	199	8,197	7,845
Operational Risk (SR million) ⁵⁹	130	453	79	112	22	52	9	8	239	626
	557	559	252	255	101	89	82	92	992	996

⁵⁵ Capital Adequacy ratio is presented based on Basel Accords.

⁵⁶ Represents the value that covers aggregate credit, market, and operational risks.

⁵⁷ The risk arising from fluctuations in the credit standing of securities issuers, counterparties and any debtors, to which APs are exposed.

⁵⁸ The risk arising from changes in the volatility of market prices of assets, liabilities and financial instruments to which APs are exposed.

⁵⁹ The risk arising from deficiency or failure in internal procedures and processes to which APs are exposed.

2. APs Licensed to Engage in Arranging and/or Advising

Prudential Rules require Authorized Persons practicing arranging or advising to maintain, at all times, shareholder equity of a minimum of SR 200 thousand and working capital that is sufficient for 3 months.

Working capital for Authorized Persons practicing arranging or advising totaled SR 320 million, while the total working capital surplus stood at SR 284 million, and the average capital surplus SR 25 million at the end of 2019 (Table No. (63)).



320

Million SR Working capital of Authorized Persons

Table No. (63):
Capital Adequacy Requirements of APs Licensed to Engage in Arranging and/or Advising (SR million)

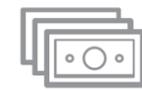
Element	2018	2019 ⁶⁰
Working Capital	223	320
Total Excess in Working Capital	203	284
Average Excess in Capital	14	25

⁶⁰ The data includes two companies authorized to manage sophisticated investors' portfolios and private non-real estate investment funds.



(3) Margin Lending

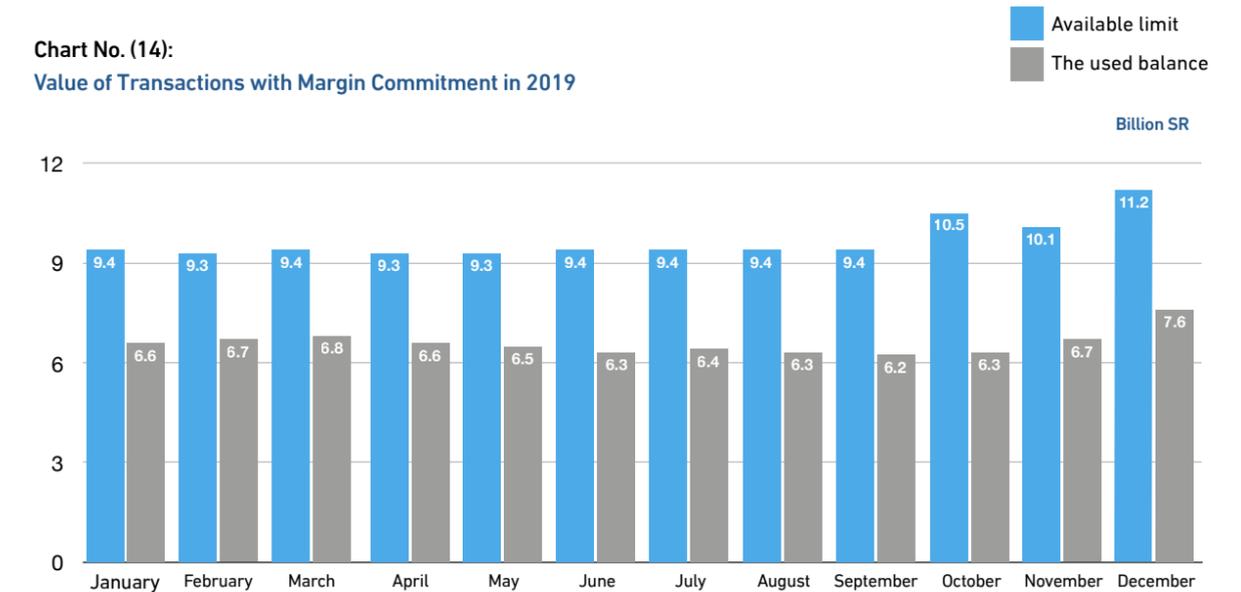
The total margin commitment increased to SR 11.2 billion by the end of 2019 compared with SR 9.6 billion at the end of 2018. The total outstanding balance rose to SR 7.6 billion by the end of 2019, compared with SR 6.7 billion at the end of 2018 (Chart No. (14)).



11.2

Billion SR Total margin commitment

Chart No. (14):
Value of Transactions with Margin Commitment in 2019



(4) Requests Received by CMA for Imposing/Removing Attachment and Enforcement

The total number of requests received by CMA reached 271,122 during 2019. The largest number was from the Ministry of Justice by 269,365 requests, increasing by 31.2% compared with the previous year (Table No. (64)).

271,122
requests received
by CMA

Table No. (64):
Requests Received by CMA for Disclosure, Imposing/Removing Attachment and Enforcement, Classified by Requesting Party

Requesting Party	2018	Number	Out of Total (%)	2019	Number	Out of Total (%)	Change (%)
Ministry of Justice		205,317	99.6%		269,365	99.4%	31.2%
Other Government Agencies		116	0.1%		211	0.1%	81.9%
Investors / Heirs		610	0.3%		1,546	0.6%	153.4%
Total		206,043	100%		271,122	100%	31.6%

The number of disclosure and attachment orders received by CMA from the Ministry of Justice electronically via "Nafith" e-system amounted to 169,697 in 2019, increasing by 38.1% compared with the preceding year (Table No. (65)).

Table No. (65):
Number of judicial orders received via "Nafith" e-system

Type of Order	2018	2019
Disclosure and Attachment	122,868	169,697
Removal of Attachment	79,124	95,860
Enforcement	57	93
Total	202,049	265,650



169,697
disclosure and attachment
orders received by CMA
from the Ministry of Justice
electronically

The largest percentage of incoming requests was for Attachment, representing 62.6% of the total incoming requests in 2019 (Table No. (66)).

62.6%
of incoming
requests was for
Attachment

Table No. (66):
Incoming Requests to CMA Classified by Request Type

Type of Request	2018	Number	Out of Total (%)	2019	Number	Out of Total (%)	Change (%)
Disclosure		2,998	1.5%		4,608	1.7%	53.7%
Attachment		122,962	59.7%		169,782	62.6%	38.1%
Removal of Attachment		79,702	38.7%		96,194	35.5%	20.7%
Distribution of Estate		54	0.0%		73	0.0%	35.2%
Sale		264	0.1%		397	0.1%	50.4%
Other		63	0.0%		68	0.0%	7.9%
Total		206,043	100%		271,122	100%	31.6%



(5) Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF)

CMA received a total of 928 compliance and AML requests during 2019, increasing by 30.7% compared with the previous year (Table No. (67)).


928
requests received
by CMA

Table No. (67):
AML/CTF Compliance Activities Classified by Requesting Party

Requesting Party	Number		Change (%)
	2018	2019	
 Requests from Government Agencies	333	826	148.0%
 Requests and Inquiries of Authorized Persons	377	102	-72.9%
Total	710	928	30.7%

AML Law and its Implementing Regulations and CTF Law and its Implementing Regulations require gathering of data and conducting field work and office visits to ensure the compliance of Authorized Persons (APs) with implementation of both. In 2019, CMA conducted 9 inspection visits in accordance with CMA's risk assessment of AML and CTF (Table No. (68)).

Table No. (68):
Periodic Inspection Visits Related to AML and CTF

	2018	2019	Change (%)
	12	09	-25.0%

9 inspection visits
carried out by CMA






Chapter Seven

Securities Business Activities



Section Three: Performance of APs

1. Performance Indicators of Authorized Persons (APs)
2. Revenue Sources of Authorized Persons (APs)



(1) Performance Indicators of Authorized Persons (APs)

By the end of 2019, the total paid-up capital of APs amounted to SR 16.4 billion, an increase of 5.9% over the previous year; total revenues of APs reached SR 6.3 billion, a rise of 11.2% compared with the preceding year; and net profits of APs totaled SR 2.2 billion, increasing by 15.1% over the previous year. The profits of Saudi banks affiliate APs reached SR 1.9 billion which accounted for 89.3% of the total AP profits in 2019 compared with 90.2% in the previous year.

▲ 16.4
Billion SR Total paid-up capital of APs

To help compare APs' financial statements, APs were classified according to ownership structure, regional presence, and business types into five categories, namely: Saudi-bank affiliate, local, regional, international, and arranging/advising APs. Table No. (69) shows a number of financial indicators for APs.

▲ 6.3
Billion SR Total revenues of APs

Table No. (69):
APs Indicators (SR million)

Item	APs										Total	
	Saudi-bank Affiliate		Local		Regional		International		Arranging and/or Advising ⁶¹		2018	2019
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019		
Paid-up Capital	5,800	5,800	5,157	5,074	2,305	2,949	1,998	2,208	237	374	15,498	16,405
Total Assets	17,424	19,791	7,475	6,786	2,640	3,339	3,751	3,097	264	460	31,554	33,474
Total Liabilities	4,947	5,784	1,729	1,503	393	394	1,833	867	35	124	8,937	8,673
Total Shareholder Equities	12,477	14,007	5,746	5,282	2,247	2,945	1,918	2,230	229	336	22,617	24,801
Revenues	3,682	4,137	1,170	1,025	345	402	388	641	70	82	5,655	6,287
Net Profits / Losses	1,706	1,943	173	127	-11	38	23	98	-1	-30	1,890	2,176

611 Including data for two companies licensed to practice the activities of sophisticated investor portfolio management and non-real estate private investment fund management, in addition to the arranging and/or advising activities.

(2) Revenue Sources of Authorized Persons (APs)

APs revenues from asset management amounted to SR 2,685.4 million, representing 42.7% of total revenues of APs. Revenues from dealing amounted to SR 1,171.4 million by the end of 2019 (Table No. (70)).

2,685.4
Million SR APs revenues from asset management

Table No. (70):
Revenue Sources of APs (SR million)

Sources of Revenue	APs										Total	
	Bank Affiliate		Local		Regional		International		Arranging and/or Advising ⁶²		2018	2019
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019		
Dealing	1,035.3	875.1	76.3	85.2	26	45.4	55	165.7	0	0.0	1,192.9	1,171.4
Asset Management	1,695.5	1,881.1	605.5	619.2	170	145.5	33	37.3	0	2.4	2,502.8	2,685.4
Investment Banking Services	339.6	479.0	201.6	125.3	47	85.4	59	69.6	47	47.2	693.7	806.5
Investments	469.5	640.1	204.7	168.6	40	73.3	20	106.2	3	4.4	736.9	992.6
Other	141.4	262.1	83.0	26.9	63	52.1	221	262.5	20	28.0	528.3	631.5
Total	3,681.3	4,137.4	1,170.6	1,025.1	344.8	401.6	388.7	641.4	69.2	82.0	5,654.6	6,287.5



621 Including data for two companies licensed to practice the activities of sophisticated investor portfolio management and non-real estate private investment fund management, in addition to the arranging and/or advising activities.



Chapter Eight

Building Capacities



Section One: Investor Awareness

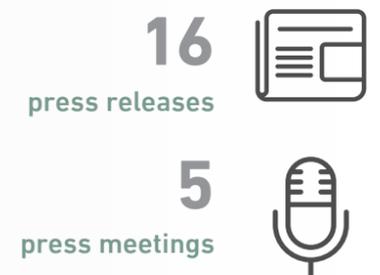
1. Informational Programs
2. Investment Culture Programs



Since its establishment, CMA has given awareness and investment culture in securities its most attention and care in regards to the regulations, instructions and resolutions issued by CMA Board, as well as the risks that investors may be exposed to in the capital market and manipulative or misleading acts therein. Therefore, CMA has established several channels to raise investor awareness in the capital market, through which it has implemented the following main programs:

(1) Informational Programs

During 2019, CMA published 16 press releases through different media outlets, arranged a media interview for His Excellency the Chairman of CMA Board, prepared 5 press meetings for employees with local and foreign newspapers, and participated in a number of informational and awareness conferences and seminars.





(2) Investment Culture Programs

During 2019, CMA carried out the following awareness programs:

A- Awareness Exhibitions

CMA participated in a number of exhibitions to reach out to different segments of society. The aim is to raise investment awareness among investors and all community members concerning the best methods for secure investments in capital markets, in addition to introducing CML information, guidelines, and Implementing Regulations. This service is to help investors find fair and secure investment opportunities, and increase their awareness of suspicious investments.

Prominent exhibitions in which CMA participated include (the Book Fair in Riyadh, Biban of Eastern Province, the Financial Sector Conference, the Social Development Bank, Zakat and Tax Exhibition, Smart Investor Event, and the Book Fair in Jeddah).



In order to introduce students to the basics of investment, CMA conducted 149 school visits in 9 cities around the Kingdom in 2019, during which it distributed more than 7,548 bundles of the Smart Investor Magazine (Table No. (71)).

Table No. (71):
Awareness School Visits by CMA in Different Saudi Cities in 2019

City	Number		
	Schools	Benefiting Students (male and female)	Number of Distributed Bundles of the Smart Investor Magazine
1 Riyadh	80	4,396	4,396
2 Ha'il	20	920	920
3 Dammam	19	817	817
4 Abha	15	690	690
5 Jeddah	7	320	320
6 Madinah	3	180	180
7 Al-Qassim	3	135	135
8 Makkah	1	60	60
9 Al-Dwadmi	1	30	30
Total	149	7,548	7,548



B- Publishing and Distributing Investment Awareness Booklets

CMA issued 32 awareness booklets and pamphlets over the past few years up to the end of 2019, and distributed them throughout its various events.

32
booklets and
pamphlets
issued



C- Educational Campaigns through Social Media Platforms

Due to the importance and wide usage of social media channels among different market segments, CMA organized several promotional and educational campaigns via these platforms, including:

- Forex Campaign
- Funding collective ownership
- Institutional investment
- Awareness meetings with specialists
- Fundamentals of investment
- Offering of shares on the capital market
- Unauthorized entities
- Investment Planning
- Retirees
- Investment terminology

- Governance
- Complaint and report
- Investing in the stock market
- Joining the indicators
- Diversification of assets
- Financing for investment
- Report of the Board of Directors
- Managing the funds of others
- Forex 2
- Corporate disclosure
- Corporate profits and how they are approved

- The financial sector
- Types of licenses
- Savings and Investment
- Financial responsibility
- Age categories
- Investment
- Spending
- Savings
- Sound financial conduct
- ABCs of earning money
- Sound shopping behavior
- Budget

D- Seminars and Workshops:

During 2019, CMA has been preparing for the “Financial Stability Seminar” in partnership with the Saudi Arabian Monetary Authority (SAMA), which will be held in January 2020. The seminar will discuss the importance of financial stability in achieving the Kingdom’s Vision 2030, and the role of regulators and financial institutions in ensuring smooth transformation towards achieving the Vision, as well as the success stories and challenges faced to date, and stimulants of real economic growth in light of the Financial Balance Program. Participants in the seminar include a number of experts from the IMF, government and semi-government entities, managing directors of banks, and representatives of financial and investment companies.

CMA held 28 forums and workshops in 2019, as follows:

- Workshop on conditions and procedures for the registration of accounting offices
- Introductory workshop on Special Purpose Entities
- Workshop on general assemblies of listed companies
- Compliance Officers Forum
- CMA workshop with BDI Co.
- Workshop on criminal offenses in the capital market
- Economic Writers Forum
- Workshop on the mechanism of calculating Zakat and the REITs’ Zakat
- Workshop on corporate governance in Nomu and transition to the main market
- Workshop on general policy for the draft companies law

- 6 workshops on the mechanism of obtaining data and information from Authorized Persons
- Meeting with a delegation from UAE’s Securities and Commodities Authority
- Market Institutions Forum
- Workshop on standards of litigation in securities issues
- VAT on investment funds, and Zakat calculation mechanism for Private Equity Funds
- 3 workshops on knowledge management
- 3 workshops on preparing the report of the Board of Directors
- Workshop on discussing ways and methods of obtaining data and information related to lawsuits
- Workshop on “Enabling Growth and Dissemination of Investment Funds Engaged in Financing”



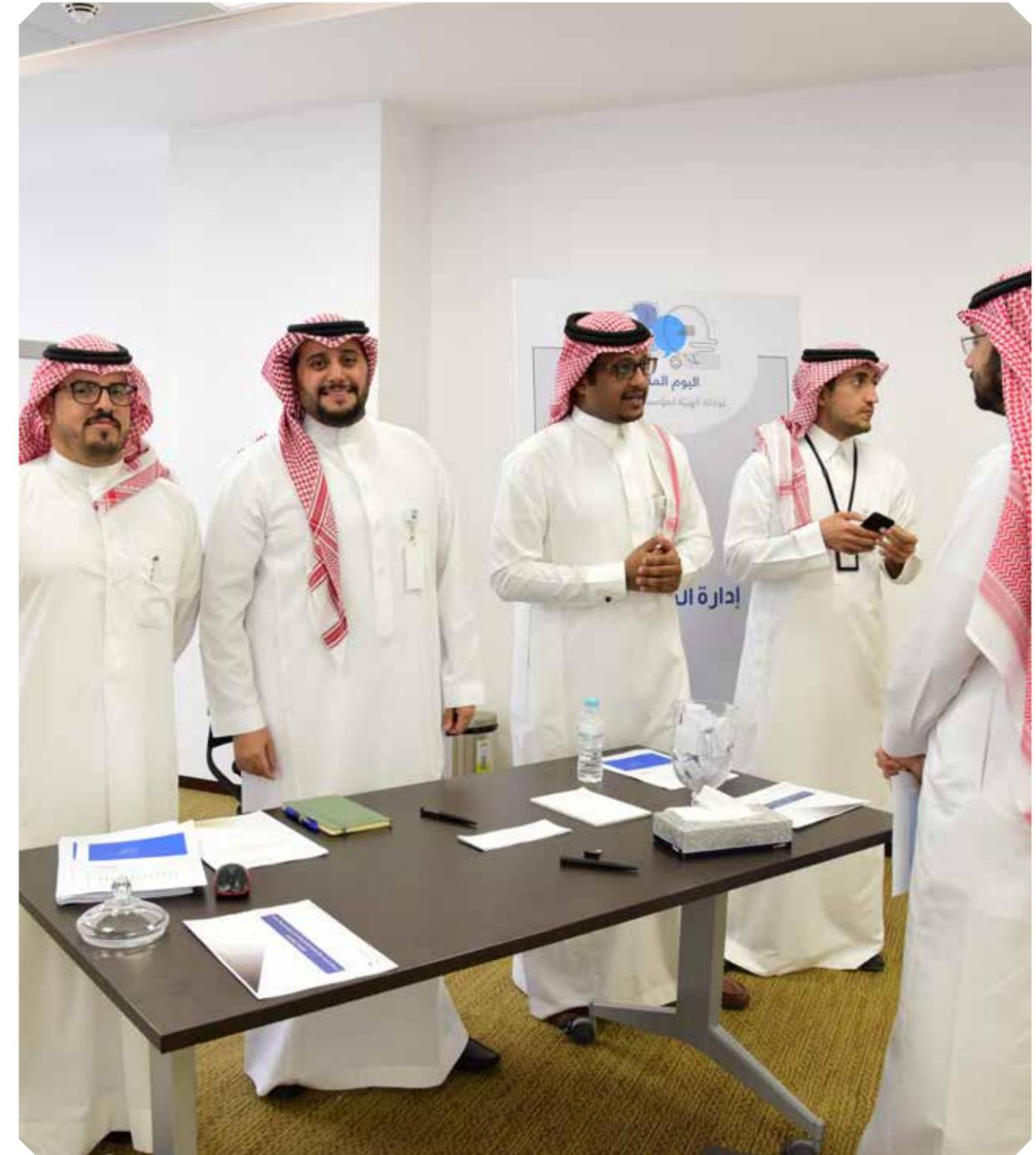
During 2019, CMA staff delivered 30 awareness and educational talks to students (male and female) at some Saudi educational institutions (Table No. (72)).


30
 talks
 delivered
 to students
 (male and
 female)

Table No. (72):

Talks delivered by CMA to students and staff of some educational institutions in 2019

Educational Institution	Number of Visits
King Saud University	7
Princess Nourah bint Abdulrahman University	3
King Abdulaziz University	2
Al Imam Muhammad Ibn Saud Islamic University	2
Dar Al Uloom University	2
King Saud bin Abdulaziz University for Health Sciences	2
Saudi Electronic University	2
Prince Sultan University	2
Shaqra University	1
Riyadh College of Technology	1
Arab East Colleges	2
King Faisal University	1
Higher Judicial Institute	1
King Fahd University of Petroleum and Minerals	1
Qassim University	1
Total	30





Chapter Eight

Building Capacities



Section Two: The Financial Academy

1. Establishment
2. Objectives
3. Financial Academy Tests
4. Training and Development
5. Participations and Events



الأكاديمية المالية
THE FINANCIAL ACADEMY

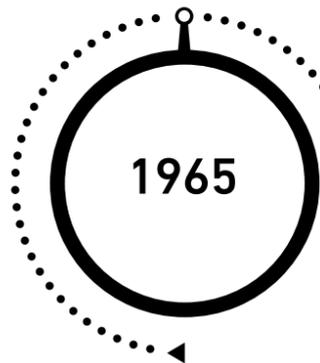
(1) Establishment

The establishment of the Financial Academy went through several stages. It was founded when the SAMA launched the Institute of Banking Training in 1965. In 1989, the name was modified to the Institute of Banking to cover both the banking and finance sectors. In 2014, the name was changed into the Financial Institute to reflect the expansion in its scope of work and the addition of the insurance sector. In 2019, the Financial Academy was established in line with the Kingdom's Vision 2030 and the aspirations and objectives of the Financial Sector Development Program and its initiatives which stipulate the **"establishment of an academy for the financial sector that covers all its sub-sectors⁶²"**, to develop skills, capabilities and expertise of the workforce of the financial sector. This task is assumed jointly by the CMA and the SAMA.

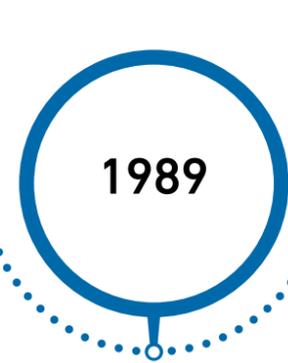
⁶² So that it covers all sub-sectors of the financial sector, namely banking, finance, insurance and the capital market, as well as relevant government agencies and new graduates wishing to join the financial sector.



SAMA established
Banking Training

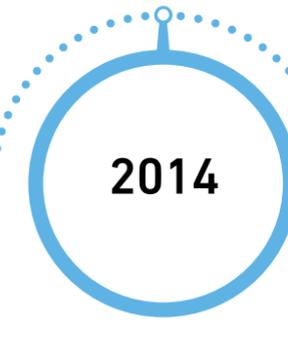


1965



1989

It was changed to the
Institute of Banking



2014

The institute's services
were expanded to include
all financial sectors it was
changed to the
Institute of Finance



2019

In line with Vision 2030
and the Financial Sector
Development Program
aspirations and objectives,
the financial Academy
was established

The Academy endeavors to improve the quality of the programs it offers to the relevant sectors through partnerships with local and international expertise, leading to the best educational outputs.



(2) Objectives

The Academy aims to raise the level of education in the financial sector by providing specialized programs and international certificates.

Prominent objectives of the Academy:



Support the advancement of the financial sector in the Kingdom of Saudi Arabia by delivering effective and innovative talent development solutions and technology for sector practitioners.



Instill trust in the sector through internationally recognized, locally adapted learning and development solutions that promote professional excellence and ethical practice.



Enable lifelong learning and strengthen relationships with the sector leaders and professionals to support collective efforts for continuous human capital development through research and events.



Develop professional standards, certifications, and customized content to serve various learning and training needs of sector professionals and facilitate their career development.



Build and maintain an agile Academy operating model, responsive to sector needs and emerging trends, while fulfilling its various roles through an efficient and financially sustainable delivery model, and leveraging international alliances with top financial learning and development partners.



Raise the capabilities of financial sector practitioners in priority areas by developing and delivering specialized programs to address knowledge and competency gaps.





(3)

The Financial Academy Tests

The Academy offers a number of specialized tests in the banking and insurance sectors, as well as the following specialized tests for the capital market sector:

First:

CMA Qualification Tests for Registrable Functions (CME1, CME2, CME3, CME4)

Based on Article (21) of the Authorized Persons Regulations, CMA determines the test requirements for registrable functions at Authorized Persons. Accordingly, CMA provided the qualification tests for registrable functions to qualify the workforce in the capital market sector, and raise the level of professional competence and technical capabilities of the sector practitioners in line with the best regional and international practices. The number of test takers (male and female) who passed CMA qualification tests for registrable functions reached 2,062 in 2019 (Table No. (73)).



2,062

passed CMA
qualification tests for
registrable functions



Table No. (73):

Number of CMA qualification tests for registrable functions and test takers who passed

Test	Test Overview	Number of Tests		Number of test takers who passed	
		From 2008 to the end of 2018	2019	From 2008 to the end of 2018	2019
Securities Rules and Regulations: CME1A	The CME-1 is required for all registered persons or those intending to register with CMA to perform registrable functions for Authorized Persons.	11205	1664	8448	1092
Securities Operations: CME1B		12249	1516	7390	794
Compliance & AML/CTF: CME2	The CME-2 exam is required for all registered persons or those intending to register with CMA to perform compliance & AML/CTF functions for Authorized Persons.	1142	181	724	112
Broker-Dealer Qualification Certificate: CME3	The CME-3 exam is required for all registered persons or those intending to register with CMA to perform local and international brokerage/dealership functions for Authorized Persons.	1461	69	881	41
International Certificate in Wealth and Investment Management: CME4B	The CME-4B exam is one of the requirements for registering persons working under the management license to practice management of investment funds, client portfolios, non-real estate private investment funds, and experienced investor portfolios.	-	64	-	24



Second: Professional Tests for the Capital Market Sector

To update and develop professional tests for the capital market sector, the Academy carried out the following in 2019:



Signing an agreement with the CISI to host their professional examinations related to the capital market sector at the Financial Academy test centers in the Kingdom of Saudi Arabia.



Launching the International Certificate in Wealth and Investment Management (CME4) in cooperation with the CISI.



Launching the Professional Disclosure Test - Tadawul.



The Academy also updated and developed a number of professional examinations for the banking and insurance sectors in 2019.

Further, the Financial Academy reviewed and updated the financial sector competencies in 2019 as part of its project "The Unified Framework for Competencies in the Financial Services Sector"⁶⁴.

⁶⁴ The unified framework for the competencies of the financial services sector: is a unified framework that covers the main range of professions in the capital market sector, including a detailed explanation of job roles and their career paths in a horizontal and vertical manner. It also specifies the skills, knowledge and capabilities required at various levels of proficiency and the minimum technical and behavioral competencies for such posts.



242

courses offered by the
Academy in 2019



4,088

trainees (male and
female) in 2019



(4) Training and Development

During 2019, the Academy offered 242 training programs, in which 4,088 trainees participated. The total number of participants comprised 2,796 male and 1292 female trainees.

The training programs focused on various financial sectors. Specialized programs were offered in the banking and financing sectors, including courses that serve different departments in banks and financing companies in the fields of credit, treasury, internal audit, governance, compliance, risk management and data analysis. Additionally, specialized programs were offered in the capital market sector, including courses on financial derivatives, financial analysis, governance and regulations of derivatives, investor relations, disclosure, investment funds and wealth management.

As for the insurance sector, the Academy provided specialized programs in insurance risk management and analysis, anti-money laundering for the insurance sector, the concept of insurance industry for media professionals, insurance fraud, and underwriting and claims. In addition, a number of general programs were offered that serve all sectors in a variety of specialized courses such as financial reporting, financial analysis and forecasting, leadership programs, business continuity programs, financial modeling and data analysis programs.



(5) Participations and Events

In 2019, the Academy organized and participated in a number of events, as follows:

- Compliance and Anti-Money Laundering Forum.
- ATD Saudi Arabia Conference.
- Middle East Investment Conference.
- Introductory workshops for students of King Saud University and Imam Abdulrahman bin Faisal University.
- Euromoney Saudi Arabia Annual Conference.
- An educational lecture for the hearing-impaired on financial dealings.
- Visit of the President of the Swiss Confederation to the Academy.
- Budget 2019 Forum.
- 20 introductory evening workshops in various relevant fields.
- Responsible financing workshop for specialists.





Chapter Nine

CMA Financial Disclosure



1. Independent Auditor's Report
2. Balance Sheet at Year End 31 December 2019
3. Statement of Financial Performance for the Year Ended 31 December 2019
4. Statement of Changes in Net Assets for the Year Ended 31 December 2019
5. Statement of Cash Flows for the Year Ended 31 December 2019
6. Notes on the Financial Statements on 31 December 2019


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Independent Auditor's Report

To Your Excellencies, The Chairman and Members of the Board of Directors (Capital Market Authority)

Opinion

We have audited the financial statements of Capital Market Authority ("the Authority"), which comprise the statement of financial position as at 31 December 2019, the statements of financial performance, changes in net assets and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, 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.

In preparing the financial statements, managements is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a nonpartner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.

To Your Excellencies, The Chairman and Members of the Board of Directors (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. "Reasonable assurance" is a high level of assurance but is not a guarantee that an audit material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as the override of internal control.
- Obtain an understanding of internal controls relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of capital Market Authority ("the Authority").

For KPMG Al Fozan & Partners
Certified Public Accountants

Fahad Mubarak Aldossari
License No. 469



Riyadh on: 7 Shaaban 1441H
Corresponding to: 31 March 2020



CAPITAL MARKET AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019 (Saudi Riyals)

ASSETS

	Note	31 December 2019	31 December 2018
Current assets			
Cash and cash equivalents	5	2,207,662,257	2,221,547,977
Receivables from exchange transactions	6.a	11,946,520	840,643
Receivables from non-exchange transactions	6.b	22,414,195	56,643,163
Advances to employees		10,615,633	9,011,249
Advances and other current assets	7	53,939,054	50,953,229
Total current assets		2,306,577,659	2,338,996,261
Non-current assets			
Non-current portion of advances to employees		19,496,468	15,743,549
Property and equipment	8	266,435,062	570,810,454
Projects in progress	9	1,690,995,691	1,705,086,985
Intangible assets	10	19,730,005	20,236,130
Total non-current assets		1,996,657,226	2,311,877,118
Total assets		4,303,234,885	4,650,873,379

LIABILITIES

Current liabilities			
Accounts payable	11	5,552,197	1,541,775
Accruals and other current liabilities	12	96,404,484	73,051,489
		101,956,681	74,593,264
Non-current liabilities			
Provision for end-of-service benefits	13	322,491,449	249,071,034
Total non-current liabilities		322,491,449	249,071,034
Total liabilities		424,448,130	323,664,298

Net assets

Net assets			
Expenditure reserve	14	798,277,922	1,074,089,695
General reserve	14	1,311,007,417	1,147,458,282
Accumulated surplus	14	1,671,124,498	2,105,661,104
Cash surplus after creating reserves	14	98,376,918	-
Total net assets		3,878,786,755	4,327,209,081
Total net assets and liabilities		4,303,234,885	4,650,873,379

The accompanying notes (1) through (22) form an integral part of these financial statements.

CAPITAL MARKET AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 December 2019 (Saudi Riyals)

Revenues

	Note	31 December 2019	31 December 2018
Stock trading commission	15	558,207,443	559,909,905
CMA Services and activities	15	126,718,276	152,007,886
The violations of CM law and its implementing regulations	15	93,939,664	387,674,160
Deposits returns	15	71,181,908	52,247,514
Total revenue		850,047,291	1,151,839,465

Expenses

Employees' salaries and benefits	16	(458,133,085)	(419,325,248)
Employees' training and scholarship		(52,829,144)	(44,604,279)
Professional & consultancy services		(22,944,839)	(16,035,847)
General and administrative expenses	17	(121,674,216)	(111,599,923)
Depreciation and amortization		(32,426,955)	(29,624,042)
Total expenses		(688,008,239)	(621,189,339)
Capital (losses) / gains	8.a	(297,212,134)	294,814
Other income / (expenses)		1,330,321	(1,351,650)
Net revenue (deficit)/surplus over expenses for the year		(133,842,761)	529,593,290

The accompanying notes (1) through (22) form an integral part of these financial statements.

CAPITAL MARKET AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS
For the year ended 31 December 2019 (Saudi Riyals)

	Note	Expenditure reserve	General reserve	Cash surplus	Net revenue surplus over accumulated expenses	Total
Balance at 1 January 2018		643,494,511	1,071,472,304	-	2,054,564,283	3,769,531,098
Effect of actuarial valuation differences	13	-	-	-	28,084,693	28,084,693
Net surplus of revenue over expenses		-	-	-	529,593,290	529,593,290
Reserves at the beginning of the year transferred to surplus revenue over accumulated expenses		(643,494,511)	(1,071,472,304)	-	1,714,966,815	-
Cash surplus before forming reserves	5	-	-	2,221,547,977	(2,221,547,977)	-
Transferred to expenditure reserve	14	1,074,089,695	-	(1,074,089,695)	-	-
Transferred to general reserve	14	-	1,147,458,282	(1,147,458,282)	-	-
Balance at 31 December 2018		1,074,089,695	1,147,458,282	-	2,105,661,104	4,327,209,081
Balance at 1 January 2019		1,074,089,695	1,147,458,282	-	2,105,661,104	4,327,209,081
Transferred to Ministry of Finance during the year		-	-	-	(275,357,931)	(275,357,931)
Effect of actuarial valuation differences	13	-	-	-	(39,221,634)	(39,221,634)
Net deficit of expense over revenue		-	-	-	(133,842,761)	(133,842,761)
Reserves at the beginning of the year transferred to surplus revenue over accumulated expenses		(1,074,089,695)	(1,147,458,282)	-	2,221,547,977	-
Cash surplus before forming reserves	5	-	-	2,207,662,257	(2,207,662,257)	-
Transferred to expenditure reserve	14	798,277,922	-	(798,277,922)	-	-
Transferred to general reserve	14	-	1,311,007,417	(1,311,007,417)	-	-
Balance at 31 December 2019		798,277,922	1,311,007,417	98,376,918	1,671,124,498	3,878,786,755

The accompanying notes (1) through (22) form an integral part of these financial statements.



CAPITAL MARKET AUTHORITY
STATEMENT OF CASH FLOW
For the year ended 31 December 2019 (Saudi Riyals)

	Note	31 December 2019	31 December 2018
Cash flows from operating activities			
(Deficit) / surplus for the year		(133,842,761)	529,593,290
Adjustments to reconcile net surplus for the year to net cash generated from operating activities:			
Depreciation and amortization	8 & 10	32,426,955	29,624,042
Losses / (gains) from disposal of property and equipment and intangible assets		297,212,134	(294,814)
Provision for end-of-service benefits	13	45,246,422	39,896,610
Uncollected deposits returns revenue	15	(71,181,908)	(52,247,514)
		169,860,842	546,571,614
Changes in operating assets and liabilities:			
Receivables from exchange transactions		(11,105,877)	387,591
Receivables from non-exchange transactions		34,228,968	(44,761,682)
Prepayments and other receivables		(5,627,536)	(7,598,330)
Advances to employees		(5,357,303)	4,932,402
Accounts payable		4,010,422	(10,873,414)
Accruals and other current liabilities		23,352,995	8,402,602
Employees' end-of-service benefits paid	13	(11,047,641)	(13,923,268)
Collected deposits returns revenue		73,823,620	44,500,421
Net cash from operating activities		272,138,490	527,637,936
Cash flows from investing activities			
Additions to property and equipment and projects in progress	8 & 9	(10,083,279)	(20,905,578)
Addition to intangible assets	10	(718,649)	(582,498)
Proceed from disposal of property and equipment		135,649	431,302
Net cash used in investing activities		(10,666,279)	(21,056,774)
Cash flows from financing activities			
Transferred to Ministry of Finance		(275,357,931)	-
Net cash used in financing activities		(275,357,931)	-
Net increase in cash		(13,885,720)	506,581,162
Cash and cash equivalents at beginning of the year		2,221,547,977	1,714,966,815
Cash and cash equivalents at end of the year	5	2,207,662,257	2,221,547,977
Non-cash transactions			
Transferred from projects in progress to property and equipment and intangible assets	9	18,600,873	22,995,170
(Loss) gains from actuarial valuation differences	13	(39,221,634)	28,084,693

The accompanying notes (1) through (22) form an integral part of these financial statements.



1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Capital Market Authority "CMA" was incorporated under "Capital Market Law" issued by Royal Decree (M/30) dated 2 Jumada' II 1424H, corresponding to 1 August 2003 which stipulates that an authority shall be incorporated in the Kingdom of Saudi Arabia under the name of "Capital Market Authority". CMA was incorporated and started to carry out duties assigned thereto under Royal Decree A/114 dated 13 Jumada' I 1425H, corresponding to 1 July 2004 by appointing the board of CMA.

Capital Market Authority is a governmental body with financial and administrative autonomy and is directly linked to the Prime Minister. CMA is responsible for the issuance of the regulations, rules and instructions and the application of the provisions of the Capital Market Law in achieving the following:

- Regulate and develop financial market.
- Regulate the issuance of financial securities and its control and dealing thereof.
- Regulate and monitor work and activities of entities that are subject for the supervision and control of CMA.
- Protect public and investors of securities from unfair and unsound practices.
- Maintain fairness, efficiency, and transparency in transactions of securities.
- Regulate and control full disclosure of information related to securities and their issuers.
- Regulate the applications of attorney, purchase and public offering of stocks.
- Authorizing the establishment of a special purpose entity, organizing and monitoring its activities, and issuing the rules regulating this.
- Regulating mortgage of securities and implementing them.

Based on the CMA Board decision No. 2/5/2004 dated 23 Jumada' II 1425H, corresponding to 9 August 2004, the fiscal year of CMA begins on the eleventh day of Capricorn month each year (corresponding to January 1) and ends on the tenth day of Capricorn month of the following fiscal year (corresponding to 31 December).

2. BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with international public sector accounting standards (IPSAS) and in accordance with the resolution of the CMA's Board of Directors.

Basis of measurement

The financial statements are presented under the historical cost convention using the accrual accounting principle and the going concern concept, unless otherwise indicated.

Presentation currency

The financial statements are presented in Saudi Riyals (SR) which is the functional and presentation currency of CMA. Amounts have been rounded to the nearest SAR, unless otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents set out in statement of financial position comprise cash at bank that are available in treasury and deposits, which are readily convertible to known amounts of cash, can be called any time, are subject to insignificant risk of changes in value and available without any restrictions.

Classification of assets and liabilities

The Authority presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified under current assets in case of:

- An asset is expected to be sold or there is an intention to sell or depreciate it in the ordinary course of business of Authority, or
- An asset is mainly maintained for trading purposes, or
- An asset is expected to be sold within 12 month after reporting date, or
- An asset is being cash or cash equivalent unless if it is forbidden to exchange the asset or use it to settle a liability within at least 12 month from reporting date.

CMA classifies all other assets as non-current assets.

A liability is considered under current liabilities in case of:

- When it is expected to be settled in the ordinary course of business,
- If it is acquired mainly for trading purposes
- A liability is expected to be settled within 12 months after reporting date, or
- There is no right associated with a condition to defer the settlement of the liability over at least 12 months after the reporting date. When selecting the counterparty, the settlement of the obligation by transferring it into equity does not affect its classification.

All other liabilities are classified as non-current liabilities.

Recognition of revenue

Revenue from non-exchange transactions

Fees, fines and penalties

CMA recognizes revenues from fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a future liability, deferred income is recognized instead of revenue.

CMA recognizes revenues from fines and penalties on companies when the event occurs, while revenues from fines and penalties on individuals are recognized when revenues and time of their collection can be measured reliably, where revenues and time of their collection cannot be measured reliably, revenues are recognized when collected.

Trading commissions

The CMA's share of trading commissions are recorded based on the notifications which are received from the Saudi Stock Exchange Company ("Tadawul"). The CMA's share from trading commission is 3.2 basis points from total value of the Trading transaction (0.2 is related to stock trading in the main market with regard to awareness program at Tadawul).

Revenue from exchange transactions

Rendering of services

CMA recognizes revenue from rendering of services when the outcome of the transaction can be estimated reliably. Where the outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Revenue from deposits returns

Revenue from deposits is accrued using the effective yield method. The effective yield deductions estimate the future cash gains during the expected life of the financial asset to net carrying amount of that asset. This method applied the yield on the balance of the principal amount to identify revenue of deposit at each period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**PROPERTY AND EQUIPMENT**

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When significant parts of property and equipment are required to be replaced at intervals, CMA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when

a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as expenses when incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is measured at its fair value. Useful lives of assets to be depreciated are as follows:

	Years
Buildings	33,33
Decorations and improvements	5
Furniture and office equipment	5-10
Motor vehicles	4
Computers	3

The asset's residual value and its useful life is reviewed, and adjusted prospectively, if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

CMA derecognizes items of property and equipment and/or any significant part of assets upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on disposal of assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the net surplus or deficit when the asset is derecognized.

	Years
Software	5

Intangible assets with a finite useful life are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method, for intangible assets with a finite useful lives, are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as future changes in accounting estimates. The

Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to CMA. Operating lease payments are recognized as an operating expense on a straight-line basis over the lease term.

CMA has no arrangements for finance leases.

Intangible assets

Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful life of the intangible assets is assessed as either finite or indefinite.

Intangible assets with a finite life are amortized over their useful life:

amortization expense on intangible assets with a finite lives is recognized in net surplus or deficit of the year as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the net surplus or deficit for the year when the asset is derecognized.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Impairment of non-financial assets – non-cash-generating assets**

CMA assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, CMA estimates the asset's recoverable amount which is equal to the asset's fair value less costs of disposal or value in use, whichever is greater. To calculate the value in use, CMA follows the depreciation replacement cost approach.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

For each asset, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, CMA estimates the asset's recoverable service amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable service amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable service amount, nor exceed the carrying amount, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit.

Financial instruments**Financial assets****Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Recognition and Measurement: Financial assets at the initial recognition by CMA are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

CMA's financial assets include: cash and term deposits; receivables from exchange and non-exchange transactions; and advances to employees.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification. All financial assets of CMA are included under category of "loans and receivables".

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Derecognition

CMA derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when:

- The rights to receive cash flows from the asset have expired, or
- CMA has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) CMA has transferred substantially all the risks and rewards of the asset; or (b) CMA has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

CMA assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty,
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

CMA first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If CMA determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is a realistic prospect of future recovery and all collateral has been realized or transferred to CMA. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate.

CMA determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs. CMA's financial liabilities include payables from exchange and non-exchange transactions.

Subsequent measurement

The measurement of financial liabilities depends on their classification. All financial assets of CMA are classified as loans and borrowings, and are measured at amortized cost. Financial assets of CMA are subsequently measured at cost using the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in surplus or deficit.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Employees' benefits**Post-employment benefits**

CMA has post-employment benefit plans which are defined benefit for its employees and are unfunded.

The defined benefit obligations are redefined on a regular basis by the management of CMA using the projected unit credit method. The present value of defined benefit obligations are identified through discounting the estimates future cash flows using interest rates of high quality companies bonds denominated in the currency in which accruals shall be paid and contained terms approximate the related obligation terms. CMA has used approximate rates for governmental bonds. The net interest cost is calculated through applying a discount rate on net balance of defined benefit obligations and is included in employees' benefits account in statement of financial performance.

Re-measurement gains or losses resulted from settlement of experience and changes in actuarial assumptions are recognized in the statement of changes in net assets in the period that they occur. Changes in present value of the defined benefit obligations resulting from amendments or lines of plans are immediately taken to statement of financial performance for previous service cost.

Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the management of CMA expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to a provision is presented in the statement of financial performance for specified purposes net of any reimbursement.

Reserves

Pursuant to Article fourteenth of the Financial Market Law, CMA transfers, at each financial year the surplus from sources it charged to the Ministry of Finance after deducting all current and capital expenditure it needed (expenditure reserve) from cash surplus, and after making (general reserve) from the remaining cash surplus equal to double total of its expenditure set out in its previous annual budget.

Contingent liabilities

CMA does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying future economic benefits is remote.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Contingent assets

CMA does not recognize a contingent asset, but discloses details of a contingent asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of CMA in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

Related parties

CMA regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over CMA, or vice versa. Members of key management and Tadawul are regarded as related parties and comprise the board members of CMA.

Foreign currencies

Transactions in foreign currencies are translated to Saudi Riyals at the ruling rate of exchange on the date of the transaction. Financial assets and liabilities denominated in foreign currencies, if any are translated to Saudi Riyals at the rate of exchange ruling at the statement of financial position date. Profits and losses resulted from foreign currency exchange are included in the statement of financial performance.

4. SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of the financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying CMA's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the financial statements, as follows:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. CMA based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of CMA. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset.

Impairment of non-financial assets – non-cash-generating assets

CMA reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, CMA undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the use estimates and assumptions. Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

4. SIGNIFICANT JUDGMENTS AND ESTIMATES (CONTINUED)

Provisions

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Long-term assumptions on defined employee benefits obligations

Cost of defined employees' benefits obligations and post-employment benefits are identified using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include identification of the discount rate, salary future increase, employees' turnover and mortality rates. Due to complexity of valuation, key assumptions and its long-term nature make the defined benefits obligations highly sensitive to the changes in those assumptions. Assumptions are reviewed at each reporting date.

Accounts receivable and staff receivables

CMA assesses loans and receivables from exchange and non-exchange transactions at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, CMA evaluates the indicators present in the market to determine if those indicators are indicative of impairment in its loans and receivables.

Where specific impairments have not been identified the impairment for trade receivables from exchange and non-exchange transactions is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

5. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Term deposits (5-a)	2,147,000,000	2,193,000,000
Cash at bank (current accounts)	60,662,257	28,547,977
	2,207,662,257	2,221,547,977

(5-a) Time deposits represent value of CMA deposits with local banks at the date of financial statements for a period ranges between two month to nine months which can be recovered with no restrictions or cost and at deferent interest rates. Statement of financial performance has been charged with deposit revenue of SR 71.2 million during the year ended 31 December 2019 (2018: SR 52,2 million). An amount of SR 73.8 million has been collected during the year ended 31 December 2019 (2018: SR 44,5 million).

6. ACCOUNTS RECEIVABLE

6-a) Receivables from exchange transactions	31 December 2019	31 December 2018
Accounts receivable	11,946,520	840,643
	11,946,520	840,643
Aging of accounts receivable from exchange transactions		
Less than 30 days	3,203,851	606,268
3190- days	2,681,359	234,375
Over 90 days	6,061,310	-
	11,946,520	840,643



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6. ACCOUNTS RECEIVABLE (CONTINUED)

6-b) Accounts receivable from non-exchange transactions	31 December 2019	31 December 2018
Saudi Stock Exchange Company (Tadawul) (Note 20-1)	22,330,201	56,643,163
CMA's clients	83,994	-
	22,414,195	56,643,163
Aging of receivables from non-exchange transactions		
Less than 30 days	20,622,749	53,466,890
31-90 days	40,000	-
Over 90 days	1,751,446	3,176,273
	22,414,195	56,643,163

7. ADVANCES AND OTHER CURRENT ASSETS

	31 December 2019	31 December 2018
Prepaid expenses	38,509,821	32,805,686
Accrued income from returns on deposits	13,122,401	15,764,113
Advances to suppliers	55,050	647,028
Others	2,251,782	1,736,402
	53,939,054	50,953,229

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8. PROPERTY AND EQUIPMENT

	Lands (8-a)	Buildings	Decorations and improvements	Furniture and office equipment	Motor vehicles	Computers	Total 2019	Total 2018
Cost								
As at 1 January 2019	412,046,635	132,300,020	76,765,759	68,712,579	1,318,498	59,070,128	750,213,619	792,942,923
Additions	--	--	1,107,725	2,861,911	--	1,604,064	5,573,700	3,513,218
Transfer from projects in progress	--	--	7,441,640	5,455,057	--	603,475	13,500,172	11,197,430
Disposals *	(297,346,635)	--	--	(521,852)	(248,498)	(403,136)	(298,520,121)	(57,439,952)
As at 31 December 2019	114,700,000	132,300,020	85,315,124	76,507,695	1,070,000	60,874,531	470,767,370	750,213,619
Depreciation								
As at 1 January 2019	-	27,452,254	50,397,082	49,020,752	706,831	51,826,246	179,403,165	211,925,153
Depreciation for the year	--	3,969,001	8,826,120	6,830,478	204,999	6,270,882	26,101,480	24,781,478
Disposals	--	--	--	(521,846)	(248,500)	(401,991)	(1,172,337)	(57,303,466)
As at 31 December 2019	--	31,421,255	59,223,202	55,329,384	663,330	57,695,137	204,332,308	179,403,165
Net book value								
As at 31 December 2019	114,700,000	100,878,765	26,091,922	21,178,311	406,670	3,179,394	266,435,062	
As at 31 December 2018	412,046,635	104,847,766	26,368,677	19,691,827	611,667	7,243,882		570,810,454

8-a) On 12 Safar 1441H (corresponding to 9 November 2019), the Board of CMA issued a resolution to emancipate the land of Jeddah to the Ministry of Finance (the State properties General Authority) of SR 297 million (2018: SR 297 million) without charge. The effect of disposal was recorded as a net loss in the statements of financial performance of CMA.

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9. PROJECTS IN PROGRESS

	Balance at 31 December 2018	Additions during the year	Transferred to property and equipment and intangible assets	Balance at 31 December 2019
CMA's headquarter at King Abdullah Financial District (9-a)	1,690,626,849	-	-	1,690,626,849
Furniture and fixtures	9,200,854	2,980,423	(11,812,435)	368,842
Computer hardware and software and other fixtures	5,259,282	1,529,126	(6,788,438)	-
	1,705,086,985	4,509,579	(18,600,873)	1,690,995,691

(9-a) Due to the transfer of ownership of the King Abdullah Financial Center Project in full, including the new headquarters of CMA to the Public Investment Fund (the "Fund"), CMA will coordinate with the Fund directly in their capacity as the new owner regarding the appropriate alternative building. Accordingly, a draft memorandum of understanding has been prepared between CMA and the King Abdullah Financial District Management and Development Company in order to transfer ownership of CMA's headquarters.

10. INTANGIBLE ASSETS

	31 December 2019	31 December 2018
Cost		
31 December	50,391,263	42,139,875
Additions during the year	718,649	582,498
Transferred from projects in progress	5,100,701	11,749,740
Disposals	(10,500)	(4,080,850)
31 December	56,200,113	50,391,263
Amortization		
31 December	30,155,133	29,393,416
charge for the year	6,325,475	4,842,565
Disposals	(10,500)	(4,080,848)
31 December	36,470,108	30,155,133
Net book value		
At December 31	19,730,005	20,236,130

11. ACCOUNTS PAYABLE

	31 December 2019	31 December 2018
Services providers	5,070,584	1,263,952
Others	481,613	277,823
	5,552,197	1,541,775

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12. ACCRUALS AND OTHER CURRENT LIABILITIES

	31 December 2019	31 December 2018
Employees' accruals	61,184,387	54,664,606
Financial academy operations	20,549,416	-
Accrued expenses	13,608,757	11,932,944
Others	1,061,924	6,453,939
	96,404,484	73,051,489

13. PROVISION FOR END-OF-SERVICE BENEFITS

The actuarial assumptions used in the account of provision for end-of-service benefits (an unfunded defined benefits plan) are as follows:

	31 December 2019	31 December 2018
Discount rate	3.4%	4.6%
Salary increase rate	5%	5%
Employee's turnover rates	7%	7%

The value expected for end-of-service based on the program for each staff is as follows:

- Future salary is expected on deemed rate for salary increase.
- Current actuarial value is identified using rules of the plan, deemed discount rate, mortality rates and employees' turnover rate.
- After such, defined obligation is allocated over years of service expected for the employee with identifying the expected obligation equally over each year of past service for calculating defined benefits obligation.

The movement in the employees' defined benefit obligation is as follows:

	31 December 2019	31 December 2018
At the beginning of year	249,071,034	251,182,385
Charged to for the statement of financial performance during the year (current service cost)	45,246,422	39,896,610
Payment during the year	(11,047,641)	(13,923,268)
Losses (gains) from actuarial valuation differences	39,221,634	(28,084,693)
At the end of the year	322,491,449	249,071,034



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13. PROVISION FOR END-OF-SERVICE BENEFITS (CONTINUED)

Sensitivity analysis for actuarial assumptions is as follows:

	Provision as at 31 December 2019	Movement %
Key assumptions	322,491,449	-
Discount rate basis +0.5%	304,010,694	(5.7%)
Discount rate basis -0.5%	342,647,915	6.3%
Salary growth rate basis +0.5%	341,328,289	5.8%
Salary growth rate basis- 0.5%	305,005,918	(5.4%)
Employee's turnover rate 110%	319,085,914	(1.1%)
Employee's turnover rate 90%	326,031,565	1.1%
Mortality rate basis 110%	322,329,143	(0.1%)
Mortality rate basis 90%	322,654,287	0.1%

The following table shows expectations of undiscounted obligations for employees' end-of-service benefits for a period of five years based on assumptions and employees data used in calculation of obligations at 31 December 2019:

Proceeds expected to be paid during the year	Amount
Year ended at 31 December 2020	18,280,190
Year ended at 31 December 2021	23,729,934
Year ended at 31 December 2022	25,181,820
Year ended at 31 December 2023	25,378,304
Year ended at 31 December 2024	38,268,668

14. RESERVES

As at 31 December 2019, total of accumulated surplus (before creating reserves) amounted to SR 3,879 million (31 December 2018: SR 4,327 million), while cash surplus therefrom amounted to SR 2,208 million represented in balance of cash and cash equivalents (Note 5).

In applying Article 14 of the Capital Market Law, CMA has created expenditure and general reserves at the end of the financial year ended 31 December 2019 as:

CMA, at the end of the financial year and before transferring surplus from resources to Ministry of Finance, creates an expenditure reserve equals value of the estimated expenses in which CMA expected to incur in the following year to the financial statements, as the estimated budget for 2020 amounted to SR 798 million. Accordingly, expenditure reserve has been created during the financial year ended 31 December 2019 in the amount of SR 798 million (2018: SR 1,074 million).

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A general reserve is formed, which is twice the total of its cash expenditures during the current year, according to the following table:

	31 December 2019	31 December 2018
Cash surplus as at 31 December (Note 5)	2,207,662,257	2,221,547,977
Less		
Provided expenditure reserve	(798,277,922)	(1,074,089,695)
Provided general reserve	1,311,007,417	1,147,458,282
General reserve according to the Law	(1,311,007,417)	(1,183,542,476)
Cash surplus/(deficit) after creating reserves	98,376,918	(36,084,194)

CMA has transferred a sum of SR 275 million to the Ministry of Finance during the year, after excluding the additional reserve formed during the previous year.

15. EXCHANGE REVENUES AND NON-EXCHANGE REVENUES

All CMA's revenues are non-exchange revenues except for financial academy revenue, test and deposits returns. Distribution of exchange and non-exchange revenues is as follows:

	31 December 2019			31 December 2018		
	Exchange	Non-exchange	Total	Exchange	Non-exchange	Total
Stock trading commissions	-	558,207,443	558,207,443	-	559,909,905	559,909,905
CMA services and activities	23,416,754	103,301,522	126,718,276	2,328,800	149,679,086	152,007,886
System violations and its implementing regulations	-	93,939,664	93,939,664	-	387,674,160	387,674,160
Deposits returns	71,181,908	-	71,181,908	52,247,514	-	52,247,514
	94,598,662	755,448,629	850,047,291	54,576,314	1,097,263,151	1,151,839,465

(15-1) CMA's services and activities include income from the Financial Academy of SR 21.2 million. On 15 January 2019, a cooperation agreement was signed between SAMA and CMA to develop a regulatory framework for cooperation on the operation of the Financial Academy. It was agreed that CMA will be responsible for supervising the (Financial Academy). Accordingly, revenue and expenses of the Academy are shown as an integral part of CMA's financial statements. CMA issues a report on the financial performance of the Academy explaining its financial position. Both parties have agreed to cover any deficit in the estimated budget equally after the surplus is amortized, if any. Contribution of SAMA up to 31 December 2019 amounted to SR 27.2 million.



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16. EMPLOYEES' SALARIES AND BENEFITS

	31 December 2019	31 December 2018
Salaries	176,417,665	160,008,614
Employees' allowance	104,818,780	97,385,474
End-of-service benefits	45,246,422	39,896,610
Employees' bonuses	41,498,768	38,274,957
Medical insurance	30,624,945	27,352,301
Social insurance	24,591,694	22,683,480
CMA's share in saving program	20,893,455	19,013,362
Business trips and seminars	6,106,017	6,323,780
Others	7,935,339	8,386,670
	458,133,085	419,325,248

17. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2019	31 December 2018
Subscriptions	25,510,363	12,835,872
Maintenance	18,278,592	23,473,552
Utilities	17,970,057	16,319,537
Media and public relations	16,334,245	3,047,510
Rentals	12,389,938	13,425,789
Co-operative training program	10,458,115	7,815,071
Operational contracts expenses	7,155,883	2,346,059
Expenses of awareness program in CMA	6,138,419	24,039,479
Committees members fees	5,832,735	6,189,842
Others	1,605,869	2,107,212
	121,674,216	111,599,923

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18. AWARENESS PROGRAM IN CMA

The CMA Board has approved to designate 0.2 basis points of CMA's share to financing the CMA activities related to the Awareness program for Exchange Market to raise the financial, savings and investment culture of investors, develop the control systems of trading by authorized persons and to contribute to the establishment and operation of the financial academy to be established as per resolution No. (2-20-2017) dated 25 Jumada al-Ula 1438H, corresponding to 22 February 2017.

Also, the CMA Board has approved the working rules of the financing committee of the awareness program for the Exchange Market as per resolution No. (2-46-2017) dated 22 Rajab 1438H, corresponding to 19 April 2017.

Summary of revenue and expenses of the program at 31 December 2019 is as follows:

	31 December 2019	31 December 2018
Surplus balance of the program at the beginning of the year	32,293,334	22,261,669
Program revenue during the year	34,356,527	34,549,745
Cash expenses of the program during the year	(31,817,081)	(24,518,080)
Commitments during the year	(8,486,271)	(3,619,869)
Surplus balance of the program at 31 December	26,346,509	28,673,465

19. COMMITMENTS

Capital commitments

At 31 December 2019, capital commitments amounted to SR 25.1 million, as total value for the service contracts amounted to SR 64.6 million, while paid portion thereof amounted to SR 39.4 million (31 December 2018: SR 14.4 million).

Operating lease commitments

CMA as a lessee

Future minimum lease payments under non-cancellable operating leases as at the end of reporting period:

	31 December 2019	31 December 2018
Within 1 year	13,129,998	1,336,386
Due within two to five years	915,075	792,786
Later than five years	-	-
	14,045,073	2,129,172



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20. RELATED PARTY DISCLOSURES

20.1 Due from a related party

Name of the related party	Nature of relation	Balance	
		31 December 2019	31 December 2018
Saudi Stock Exchange Company (Tadawul) (Note 6-b)	Supervisory and regulatory relationship	22,330,201	56,643,163

20.2 Transactions with a related party:

Name of a related party	Nature of relation	Transaction values	
		31 December 2019	31 December 2018
Saudi Stock Exchange Company (Tadawul)	CMA's revenues through Tadawul	671,520,405	645,148,223
	Payments on behalf of CMA	5,643,403	1,011,796

The balance owed to the Saudi Stock Exchange Company (Tadawul) (a related party) represents mainly the uncollected amount that CMA charges for services related to the Saudi Stock Exchange up to the date of the statement of financial position. As fees requests, commissions for trading shares and other securities are issued, and they are collected by Tadawul on behalf of CMA, in addition to the annual fee for services provided by CMA related to the financial market.

In accordance with CMA's Law and in order to apply Article XXII, Tadawul subjects to supervision of CMA in addition to the regulation relationship that represents the following:

- The regulations and rules of Tadawul, Edaa and Muqassa - each as relates to it specifically are identified, in addition to the membership conditions and requirements of each.
- Tadawul, Edaa and Muqassa - each as relates to it specifically - shall present the names of the candidates for the membership of their boards of directors to CMA's Board to obtain its approval of their nomination before the shareholders' General Assembly elects them.
- The regulations and instructions approved by CMA's board determine the procedures related to holding meetings of boards of directors of Tadawul, Edaa and Muqassa, the way of taking decisions therein, the conduct of their business plans, the powers and tasks entrusted to each of the board of directors and the executive director, and other related administrative and financial matters.

20.3 Key management personnel remunerations at CMA

	31 December 2019	31 December 2018
Short-term key management personnel benefits	9,159,904	9,296,516
End of service benefits	592,253	495,921
Total remunerations paid to Key management personnel	9,752,157	9,792,437

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21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments comprise cash and cash equivalents, accounts receivable, other current assets, accounts payable and other current liabilities. To assess their fair value, it has assumed that they are equal their carrying amount due to their nature and short-term maturity.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to CMA.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

CMA uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, CMA determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, CMA has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair Value:

Fair value hierarchy

The following table summarizes the financial instruments of CMA charged or disclosed in the fair value hierarchy which reflect that significant portion in data used in measurement:



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21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments	Carrying amount	Fair value
As at 31 December 2019		
Financial Assets		
Cash and cash equivalents	2,207,662,257	2,207,662,257
Receivables from exchange transactions	11,946,520	11,946,520
Receivables from non-exchange transactions	22,414,195	22,414,195
Advances to employees	30,112,101	30,112,101
Total financial assets	2,272,135,073	2,272,135,073
Financial Liabilities		
Accounts payable	5,552,197	5,552,197
Total financial liabilities	5,552,197	5,552,197

	Carrying amount	Fair value
As at 31 December 2018		
Financial Assets		
Cash and cash equivalents	2,221,547,977	2,221,547,977
Receivables from exchange transactions	840,643	840,643
Receivables from non-exchange transactions	56,643,163	56,643,163
Advances to employees	24,754,798	24,754,798
Total financial assets	2,303,786,581	2,303,786,581
Financial liabilities		
Accounts payable	1,541,775	1,541,775
Total financial liabilities	1,541,775	1,541,775

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21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Risk resulting from financial instruments and risk management.

CMA exposed to financial risks in its ordinary course of business could significantly affect result of operation of one or all its sectors.

Market risk

Market risks arise as a result of fluctuation in fair value of future cash flows for a financial instrument due to fluctuations of prices in the market. Prices risks of the market consist of three types: interest rates risks, currency rates risks and other prices risks such as stock rates. Financial instruments affected by market risks include cash such as deposits. Interest rate on deposits during the year ranges from 2% to 3%.

Interest rate sensitivity

Sensitivity analyses relate to the following sections in the financial position as at 31 December 2019 and 31 December 2018.

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) financial performance by the amounts shown below. The analysis assumes that all other variables especially the foreign exchange rate remain constant.

Interest rate sensitivity:

	Increase /(decrease) in basis points	Effect of increase/ (decrease) on statement of financial performance
31 December 2019		
Financial assets		
Cash and cash equivalents	+100	23,786,556
	-100	(23,786,556)
Advances to employees	+100	627,407
	-100	(627,407)
31 December 2018		
Financial assets		
Cash and cash equivalents	+100	21,106,166
	-100	(21,106,166)
Advances to employees	+100	(509,543)
	-100	509,543

Sensitivity analyses exclude effect of movement in the market variables on carrying amount for pension and other post-pension obligations, provisions and non-financial assets and liabilities for foreign transactions.

Sensitivity of the related net deficit or surplus is the effect of assumed changes in the concern market risks. This depends on the financial assets and liabilities held as at 31 December 2019 and 31 December 2018.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that CMA will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk management process followed by CMA includes to ensure as possible from the availability of sufficient funds to meet its commitments as they fall due. Trade and other payables are normally settled within 30 days. All such payables shown in the statement of financial position of SR 5.5 million are repayable within less than 30 days.

Credit Risk

Credit risk is the risk that one party to a financial instrument or client contract will fail to discharge an obligation and cause the other party to incur a financial loss. CMA is not exposed to credit risks from its operating activities.

Credit risk:

Credit quality for financial assets

Tadawul, the largest client for CMA in the Kingdom of Saudi Arabia as at 31 December 2019 represents an amount of SR 22.3 million (1 January 2019: SR 56.6 million) of the trade receivables.

At 31 December 2019, the ageing analysis of trade receivables from exchange transactions are as follows:

	31 December 2019	31 December 2018
Neither past due nor impaired loans less than 30 days	3,203,851	606.268
Past due from 31 - 90 days	2,681,359	234.375
Past due above 90 days	6,061,310	--
	11,946,520	840.643

At 31 December 2019, the ageing analysis of trade receivables from non-exchange transactions are as follows:

	31 December 2019	31 December 2018
Neither past due nor impaired loans less than 30 days	20,622,749	53.466.890
Past due from 31 - 90 days	40,000	--
Past due above 90 days	1,751,446	3.176.273
	22,414,195	56.643.163

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

CMA holds cash and cash equivalents of SR 2.2 billion at 31 December 2019 (1 January 2019: SR 2.2 billion) with banks having sound credit rating.

22. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by CMA's Board of Directors on 2 shaaban 1441H (corresponding to 26th March 2020).



