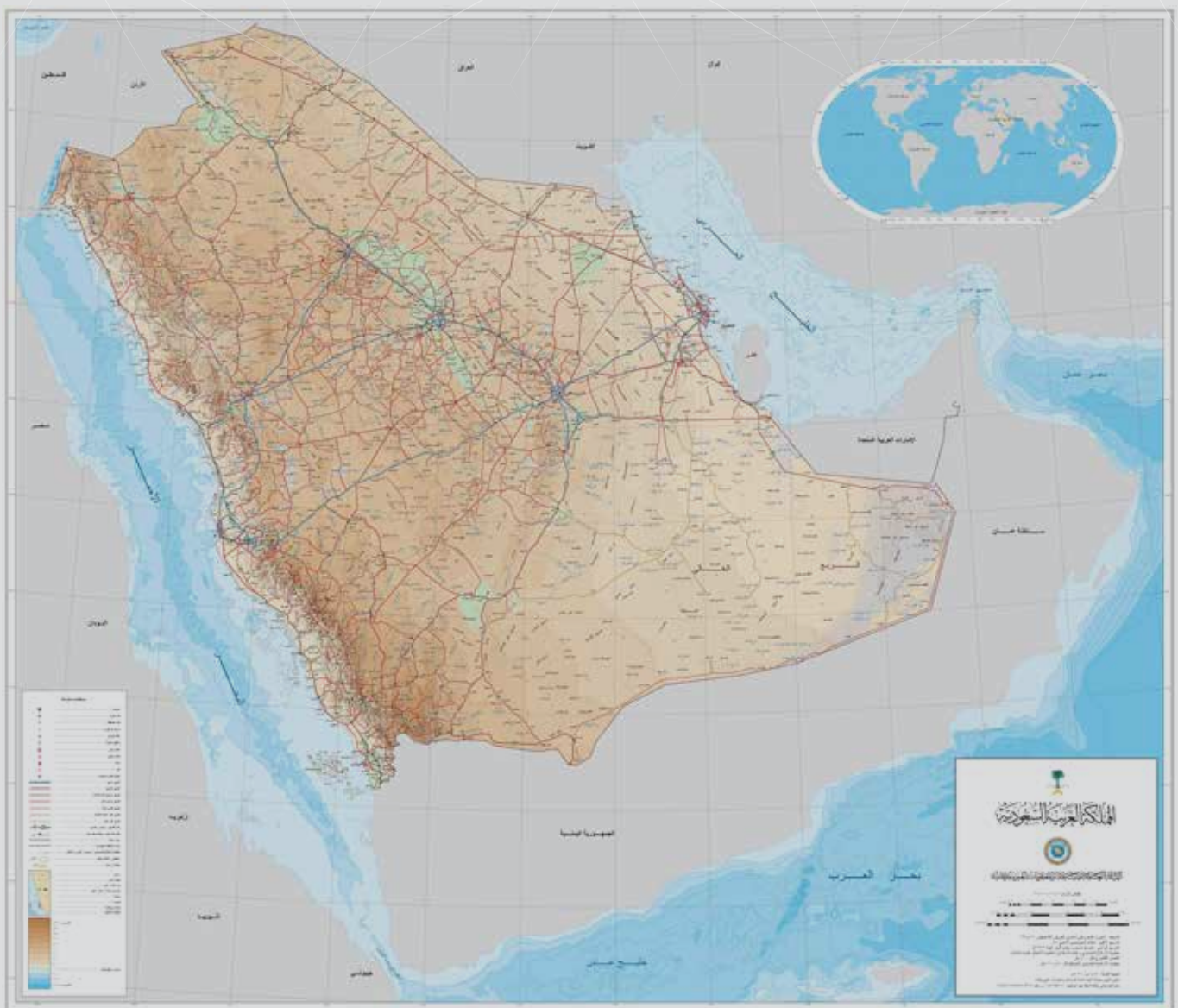




Annual Report

1441 - 1442H (2020)



المملكة العربية السعودية
الجمهورية العربية السورية



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

Capital Market Authority Board of Directors

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-Kuwaiz*
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

* 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" ..

Capital Market Authority Board of Directors



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

Memberships:

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



Capital Market Authority Board of Directors



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 Director	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

Memberships:

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

Capital Market Authority Board of Directors



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

Memberships:

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)

Capital Market Authority Board of Directors



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

Memberships:

Member, International Organization of Securities Commissions (IOSCO) Board of Directors
Vice-Chairman, African / Middle East Regional Committee, International Organization of Securities Commissions (IOSCO)
Member, General Authority for Zakat and Tax Board of Directors
Chairman, Remuneration and Nomination Committee, General Authority for Zakat and Tax
Member, Financial Sector Development Committee
Member, Financial Sector Development Program, Supervisory Committee
Former 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

Capital Market Authority Board of Directors



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

Memberships:

Chairman, Audit Committee, Sakan Foundation
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 and former Chairman of the Audit Committee – Awqaf Sulaiman bin Abdulaziz Al-Rajhi Holding Co.
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 President of the Council of Ministers an annual report on the Authority's activities and its financial position during the preceding year, within ninety days from the end of the year".

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

Continues Development

CMA constantly develops and improves its business policies, 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.

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.

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.

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.

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.



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Introduction

- Chairman's Message
- CMA Establishment
- CMA Main Functions
- Organizational Structure
- Parties Supervised by CMA



Chairman's Message

Mohammed Bin Abdullah El-Kuwaiz
Chairman, CMA Board

In 2020, the world had to face the outbreak of the novel Coronavirus (COVID-19) pandemic and adapt to global precautionary measures imposed to curb its spread and mitigate its consequences in terms of human and economic losses. The Kingdom of Saudi Arabia was thankfully one of the first countries to initiate precautionary measures, as it sensed the danger that might stem from the pandemic.

In the context of the Saudi capital market, the Capital Market Authority (CMA) worked with its partners to counter the effects of the pandemic and manage its risks. CMA contributed to meeting financing needs during that period through making use of different capital market channels. CMA's contributions are evident by the fact that the market value of offered and registered shares reached 46.2 billion Saudi Riyals by the end of 2020, marking an increase of 115.8% compared to 2019 (excluding ARAMCO initial public offering), and the value of offering Sukuk and debt instruments reached 194 billion Saudi Riyals by the end of 2020, marking an increase of 65.8% compared to 2019. In light of the exceptional circumstances, and to support parties supervised by CMA and enable them to overcome the impact of the COVID-19 pandemic, CMA extended the deadlines for several statutory and regulatory requirements for listed companies, capital market institutions, credit rating agencies, and investment funds. In addition, CMA exempted listed companies from paying the fees required by CMA for a period of one year starting from the end of June 2020.

Despite the exceptional circumstances faced by the Kingdom throughout 2020, CMA did not stop making progress in achieving its strategic objectives set out in the "Financial Leadership Program 2020" developed by CMA in line with KSA Vision 2030. CMA accomplishments were reflected in the capital market on several levels. Regarding the regulatory and legislative framework, CMA issued "Instructions on Issuing Depositary Receipts abroad" with a view to contribute to diversifying the investor base in the market and increasing the openness of the capital market to global financial markets. Moreover, CMA introduced a number of amendments to "Securities Business Regulations" and "Capital Market Institutions Regulations" previously named as "Authorised Persons Regulations". Amendments to these two regulations aim to keep pace with the developments of the capital market, capital market institutions, and securities business activities in accordance with relevant global best practices and international standards. It is also worth mentioning that the shares of "Saudi White Cement Co." were the first to be registered for direct listing in the parallel market (Nomu) in 2020. The Saudi capital market is the first among GCC markets to allow direct listing, and it has taken this step in order to support the growth of Saudi small and medium-sized enterprises (SME) and accelerate their development.

CMA has also been working on the development and growth of the Sukuk and debt instruments market, which is considered one of the main financing channels in the Kingdom for both private and public sectors. Such effort has taken place within the framework of the National Committee for Sukuk and Debt Instruments Market Development, which brings together our development partners, namely the Saudi Central Bank (SAMA), the National Debt Management Center, and the Saudi Stock Exchange (Tadawul). The most important achievements of this Committee in 2020 include issuing CMA approval for reducing the review period of applications for public offerings of debt instruments from 45 to 20 days and allowing foreign investors to invest in debt instruments directly. Thereby, strengthening market efficiency and both regional and international competitiveness through an attractive environment to foreign investment, promoting the role of the capital market in the formation of capital, and diversifying investment products for foreign investors. As a result of these efforts, the value of government debt instrument issuances increased by more than 50% reaching 163 billion Saudi Riyals in 2020 compared to 108 billion Saudi Riyals in 2019. Likewise, the value of non-government debt instrument issuances increased by more than 250%, reaching 31 billion Saudi Riyals in 2020 compared to 9 billion Saudi Riyals in 2019. In addition, trading value increased by more than 635% in

2020 compared to 2019, and the value of traded Sukuk and debt instruments reached 37.5 billion Saudi Riyals in 2020 as opposed to 5 billion Saudi Riyals in 2019.

With respect to improving risk management in the capital market, new mechanisms have been introduced to ensure the completion of settlements and that all parties fulfill their obligations upon settlement of transactions in the market, as well as to enhance the current market infrastructure and increase its operational efficiency. In this regard, the "Securities Central Counterparties Regulations" has been adopted with an aim to regulate securities clearing operations in the Kingdom and determine the requirements for obtaining the necessary license for their practice. Furthermore, in early 2020, CMA licensed the Securities Clearing Center Company (Muqassa) to become the first clearing company authorised to provide securities clearing services in the Kingdom. These efforts resulted in the launch of a derivatives market in 2020 and initiate trade of MT30 Index Futures Contracts.

On the other hand, given CMA's role in supervision and surveillance and its concern to protect the capital market amid the fluctuations and increases in share prices of certain listed companies in 2020, CMA intensified its efforts and surveillance procedures to protect participants in the capital market from any unfair or unsound practices involving fraud, deception, cheating, or manipulation. This led CMA to refer a number of suspected cases to the Public Prosecution. CMA monitored and analysed recommendations and rumours by linking them to market transactions in order to trace holders of identification numbers, which led to a 69.6% increase in surveillance system alerts in 2020 compared to 2019, as the number of alerts reached 49.2 thousand in 2020. Intensive scans for trades suspected of being in violation of the laws and regulations enforced by CMA similarly increased by 119.5% and surveillance inquiries increased by 223.3%. Suspected violations also increased by 280% and suspected market manipulations and insider trading identified by CMA increased by 962.6% by the end of 2020 compared to 2019.

As 2020 marked the end of the timeframe allocated for the previous CMA strategic plan, known as the "Financial Leadership Program 2020", it is appropriate to shed light on the most prominent results and outcomes achieved from 2017 to 2020: the volume of money incoming from the public offering of securities reached SR 263 billion in 2020 compared SR 105 billion in 2017, marking a 150% increase, and the market value of shares and debt instruments increased by 335% to reach SR 9.8 trillion by the end of 2020 compared to SR 2.2 trillion by the end of 2017. Furthermore, the total number of companies and

funds listed in the capital market increased by 7.6% to become 213 by the end of 2020 compared to 198 by the end of 2017. As a result, foreign investors ownership in the Saudi capital market increased by 195.9% to reach SR 208.3 billion by the end of 2020, with an ownership of 12.8% of total free float shares in the main market compared to a foreign investments value of SR 70.4 billion by the end of 2017. The volume of assets under management amounted to SR 612 billion by the end of 2020 as opposed to SR 391 billion by the end of 2017, marking an increase of 57%. The momentum of the capital market led to a 53% increase in revenues of capital market institutions amounting to SR 7.8 billion in 2020 compared SR 5.1 billion in 2017. In addition, as CMA continuously strives to enhance the efficiency and effectiveness of the judicial system for securities dispute resolution, the average time period for litigation procedures decreased from 17.3 months by the end of 2017 to 8.6 months by the end of 2020, marking a 50% decrease. CMA furthermore continued its support for financial technology projects launched in the Saudi capital market since 2018, and the number of Financial Technology Experiment Permits (Fintech ExPermit) reached 15 permits by the end of 2020. With a view to enhance investor trust and increase transparency, CMA has worked, since the end of 2018, on registering accounting offices and certified public accountants to carry out auditing processes for entities subject to CMA supervision. The number of registered accounting offices reached 13 by the end of 2020.

As 2020 came to end, and the timeframe allocated for CMA's strategic plan expired, CMA embarked on developing a new strategic plan for the coming three years 2021-2023. In its updated strategic plan, CMA aspires, as it has always aspired, to make the Saudi capital market the main market in the Middle East, the focus of attention, and the starting point for all entities and persons looking for financing and investment opportunities in the region.

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 President of the Council of Ministers, and HRH Prince Mohammed bin Salman bin Abdulaziz Al-Saud, Crown Prince, Vice-President of the Council of Ministers, Minister of Defense, and Chairman of the Council for Economic and Development Affairs, for supporting CMA and providing everything needed to enable the development and growth 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 the members of CMA's Board, the executive body, the relevant entities, capital market institutions, and all participants in the capital market.



▶ CMA Establishment

The Capital Market Authority was established pursuant to the "Capital Market Law" (CML) issued by Royal Decree No. (M/30) dated 02/06/1424H corresponding to 31/07/2003. 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 regulations, rules, and instructions required to implement the provisions of the Capital Market Law.

هيئة السوق المالية
Capital Market Authority





Organizational Structure

In 2020, CMA Board applied a number of amendments to its organizational structure, as follows:

1

Pursuant to Cabinet Resolution No. (538) dated 21/08/1441 H enacting the establishment of the Financial Academy, the Board has issued Resolution No. (1-79-2020) on 05/01/1442 H corresponding to 24/08/2020, to amend the current CMA organizational structure by cancelling the Financial Academy as an organizational department in the organizational structure, along with its roles and responsibilities.

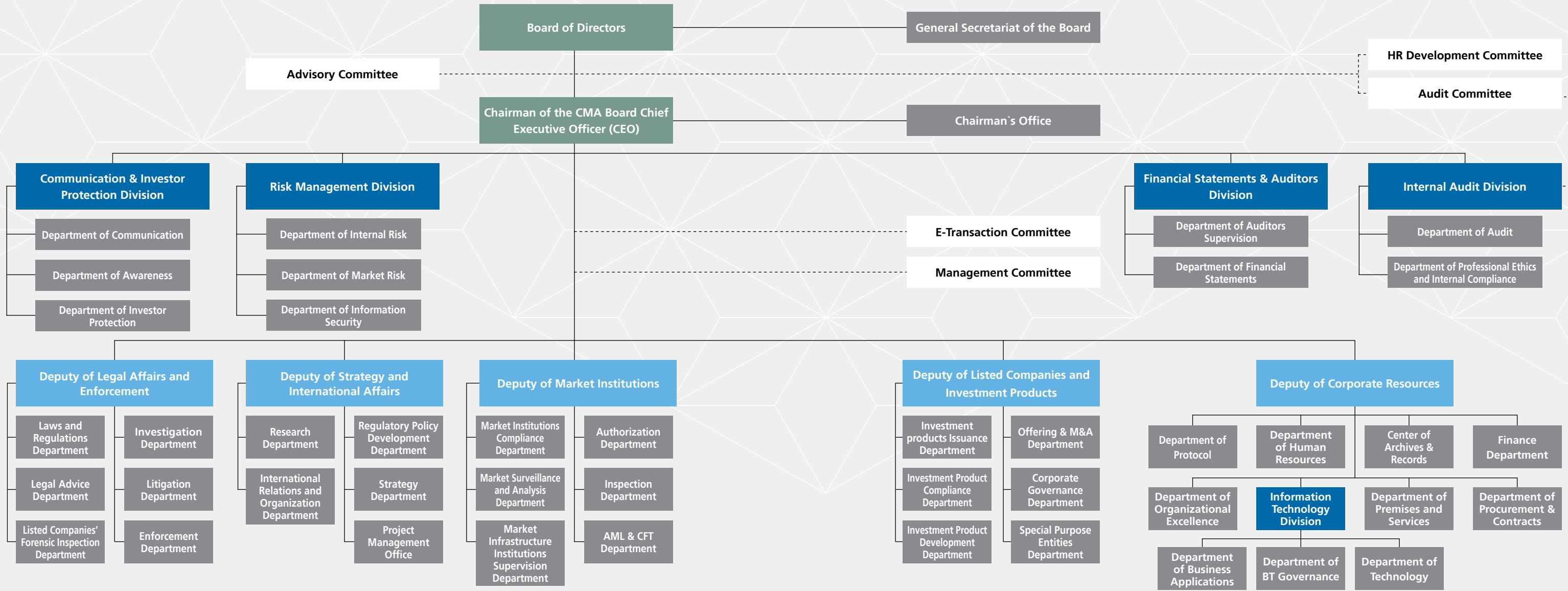
2

Resolution No. (4-107-2020) dated 09/03/1442 H corresponding to 26/10/2020, to establish an organizational unit at the departmental level, and that is linked organizationally to CMA's Legal Affairs and Enforcement Deputy under the name "Listed Companies' Forensic Inspection".

The Listed Companies' Forensic Inspection Department assumes several responsibilities, of which most importantly:

- ▶ Carrying out forensic inspection on listed companies based on a suspected case of a serious breach that has either occurred or is going to occur in forensic matters that CMA is concerned with identifying and investigating.
- ▶ Managing the relationship with the advisory authorities.
- ▶ Managing the process of communicating with external parties regarding the implementation of forensic investigations on listed companies.
- ▶ Preparing reports on the work, activities, and achievements of the Department, and the measures taken to implement the decisions issued by the Board.
- ▶ Providing advice to the Agency on implementing decisions according to the Department's specialties.
- ▶ Participating in identifying and managing the risks to which CMA may be exposed (resulting from both internal and external factors), in relation to the Department's work and in coordination with the concerned department.

Organizational Structure



■ Board of Directors/ Chairman/ CEO ■ Deputy
■ Division ■ Department ■ Committee

Parties Supervised by CMA

CMA supervises the following entities:



* The name "Authorized Persons" has been amended to "Capital Market Institutions", in accordance with the issuance of the amended capital market institutions list according to the Board Resolution No. (2 -75-2020) dated 22/12/1441 H, corresponding to 12/08/2020.



Chapter One: Strategic Plan of the Capital Market

1. Interconnection between the Capital Market Strategic Plan and the Financial Sector Development Program
2. Achievements of the Strategic Plan of the Capital Market in 2020
3. Capital Market Authority's strategic plan 2021-2023

1. Interconnection between the Capital Market Strategic Plan and the Financial Sector Development Program

CMA has begun developing and implementing its strategic plans since 2009. After KSA adopted Vision 2030 in 2016, CMA started reviewing its strategic plan which resulted in developing the “Financial Leadership Program 2020”, with the aim of aligning its strategic priorities and objectives with KSA Vision 2030.

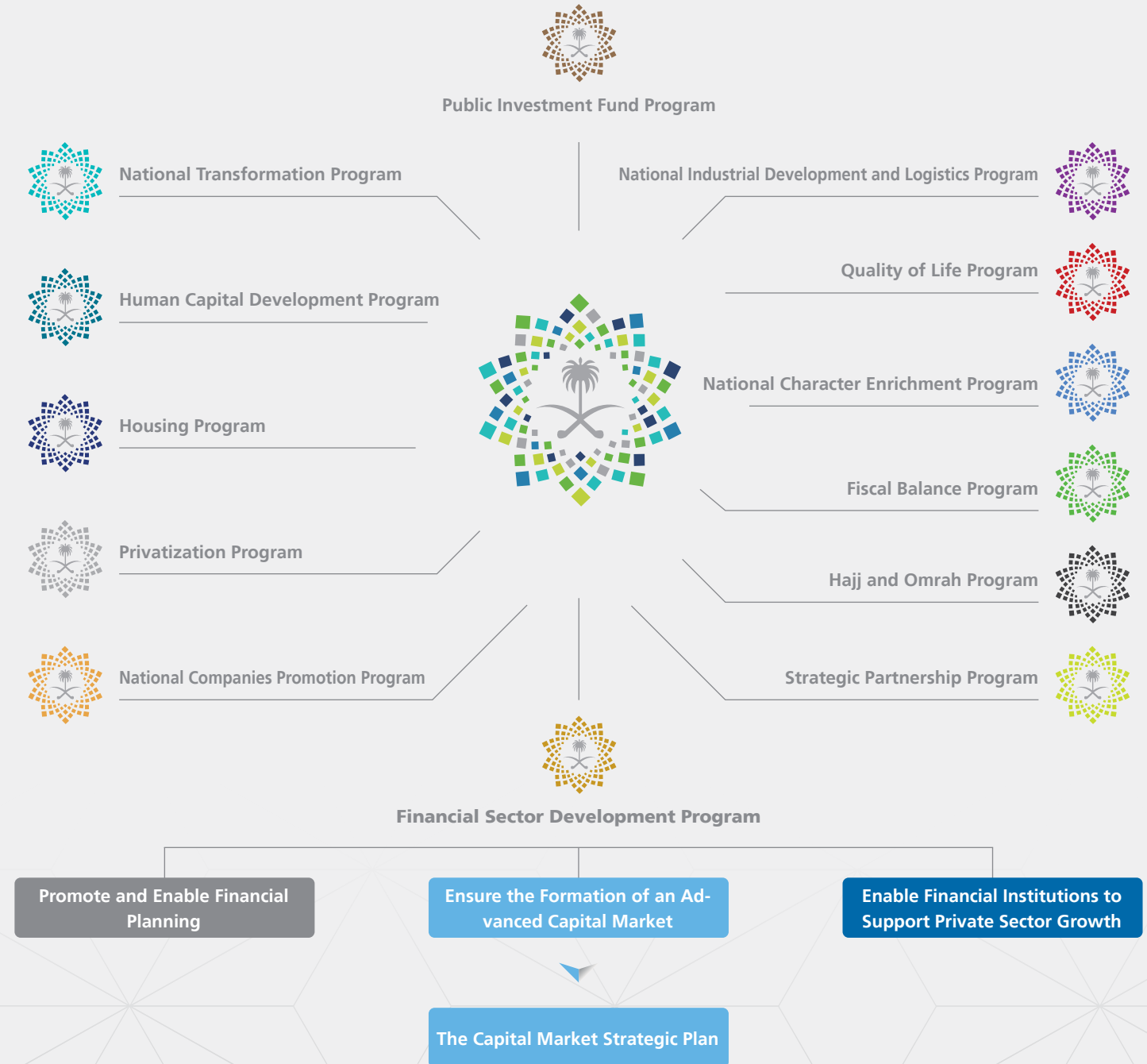
During the past years, and through the “Financial Leadership Program 2020”, CMA sought to develop an advanced capital market that is open to the world and capable to attract domestic and foreign investments, with a pivotal role in meeting the economy’s financing needs, enhancing the role of the Capital Market as a main channel of financing, which will contribute to forming and sustaining economic private and public entities, in addition to development programs. CMA continued to work on creating an environment for investments, in addition to facilitating investment means, which enhances the capital market attractiveness and efficiency, as well as promoting its regional and international competitiveness. CMA strived to reinforce the capital market regulatory structure, promote capital market stability, enhance governance in the capital market, and raise the level of transparency and disclosure in the capital market. In addition to that, CMA sought to ensure that the securities sector is a source of competences and capabilities, while raising awareness and enhancing financial investment culture in the market.

Based on the two primary themes: “A Thriving Economy” and “An Ambitious Nation”, which form an integral part of KSA Vision 2030, the Financial Sector Development Program (FSPD) emerged as one of the thirteen executive programs of KSA Vision 2030 (Figure No. (1)), which aims at developing the financial sector into a diversified and effective financial services sector to support the development of the national economy by stimulating savings, financing, and investment.

CMA participated as a member of the Program in developing the FSPD executive plan, in addition to setting the strategic objectives and initiatives for the second strategic pillar, “Developing an Advanced Capital Market”, through reviewing its “Financial Leadership Program 2020” and identifying indicators and initiatives that have an impact on the financial sector’s development and 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.

Through its participation in the FSPD, CMA aims to contribute to the national economic development efforts through the enhancement of the financial sector and the improvement 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





2. Achievements of the Strategic Plan in 2020

The CMA Board approved a detailed action plan outlining the strategic plan initiatives and activities to be implemented during 2020, as well as the 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 122 initiatives as part of its Strategic Plan.

The following illustrates some of the achievements and their expected outcome:

No.	Achievement	Outcome
1	Execution of the first direct listing on the parallel market for shares of "Saudi White Cement Company". The Saudi capital market is the first in the Gulf Markets to allow direct listing.	<ul style="list-style-type: none"> Attracting more companies wishing to be listed in the Saudi Stock Exchange (Tadawul). Increasing liquidity ratio and number of companies listed in the parallel market (Nomu). Supporting the growth of the small and medium-sized enterprises and accelerating their development.
2	Adopting the instructions for certificates of deposit issuance outside KSA.	<ul style="list-style-type: none"> Diversifying the investors base in the Saudi Stock Exchange Market (Tadawul). Exposure of the Saudi Capital Market to the global capital markets. Reducing the financing costs of domestic enterprises.
3	The listing of the first two Exchange Traded Funds (ETFs), investing in government bonds.	<ul style="list-style-type: none"> Diversify the asset classes available to investors on the market.
4	The listing of "Albilad Gold ETF" as the first exchange traded fund in the commodities field.	<ul style="list-style-type: none"> Diversifying the asset classes available to investors in the market. Enabling investors in general and individuals in particular to invest in the commodities markets through the Saudi Stock Exchange (Tadawul).
5	Permitting foreigners to directly invest in debt instruments	<ul style="list-style-type: none"> Strengthening the investment environment, making it more attractive to foreign investors, that will lead to market efficiency and competitiveness regionally and internationally. Enhancing the role of the capital market in capital accumulation and diversifying investment products for foreign investors.
6	Launching financial derivatives market in KSA	<ul style="list-style-type: none"> Providing various investment opportunities in the Saudi capital market.

As a result of these achievements, the Kingdom improved its ranking in the global competitiveness index related to the Saudi capital market for the year 2020, as follows:

	The Kingdom Global Ranking (1)	
	2019	2020
World Competitiveness Index		
IMD World Competitiveness Yearbook	26	24 (out of 63 countries)
Capital Market Index (Percentage change in the index)	12	12
Stock Markets Capitalization Index (Percentage of GDP)	26	2
Stock Markets Index (Providing sufficient financing to Companies)	25	18
Capital Markets Index (ease of access to capital markets)	33	20
Shareholders' Rights Index	24	20
Initial Public Offering Index	36	4
Venture Capital Index	25	12

It is noteworthy that the Kingdom's ranking has improved in the World Competitiveness Yearbook issued by the Institute for Management Development (IMD) World Competitiveness Center. The Kingdom ranked 24th for the year 2020 (compared to 26th in 2019), among 63 countries, which are the most competitive in the world, despite the economic situation resulting from COVID-19 pandemic. The Kingdom is the only country in the Arab Gulf region and the Middle East that has witnessed improvement in its ranking in spite of the economic challenges and the drop in fuel prices. This reflects the depth of reforms that the Kingdom has been undertaking, and the cooperation and integration of government agencies' efforts related to the development of various sectors, through the implementation of the initiatives and programs of the KSA Vision 2030 that aim at enhancing the Kingdom's competitiveness at the global level.

(1) Till the date of this report preparation, both the "Doing Business Report issued by the World Bank Group " and "the Global Competitiveness report" for the year 2020 were not yet published.

Results of performance measurement indicators in the Financial Leadership Program for 2020

Table no. (1) below illustrates the main measurement indicators at the level of the Financial Leadership Program that is part of the Financial Sector Development Program. CMA has reached an achievement rate of 83% in the main measurement indicators included in the Financial Sector Development Program.

Table No. (1): Performance Measurement Indicators in the Financial Leadership Program within CMA's Scope of Work

#	Performance Indicator ⁽¹⁾	2020 Target ⁽²⁾	Realized value ⁽³⁾	Achievement Rate
1	Market capitalization (shares and debt instruments) as a percentage of GDP (%) ⁽⁴⁾	88 %	94 %	100 %
2	Assets under management as percentage of GDP (%)	22 %	20.57 %	94 %
3	Market capitalization concentration ratio in the market for the 10 largest companies (%)	55 %	56.5 %	97 %
4	Trading volume of institutional investment as a percentage of total trading volume (%)	20 %	10 %	50 %
5	Foreign Investors' Ownership of the equity market capitalization of shares (%)	15 %	9 %	60 %
6	Number of listed micro and small entities as a percentage of the total number of listed companies (%)	40 %	19 %	48 %
7	Volatility of Stock Price Index for Saudi Arabia	%25=>	15.31 %	100 %
8	Minimum value of free float shares as a percentage of the total market capitalization (%)	45 %=<	55.8 %	100 %
9	Percentage of investment accounts opened through electronic KYC procedures	10 %	95 %	100 %

(1) Indicators (1,3,5 and 8) exclude the impact of "Aramco IPO"

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

(3) As of the end of the year 2020.

(4) GDP used above is for the year 2019 and is issued by the General Authority for Statistics.

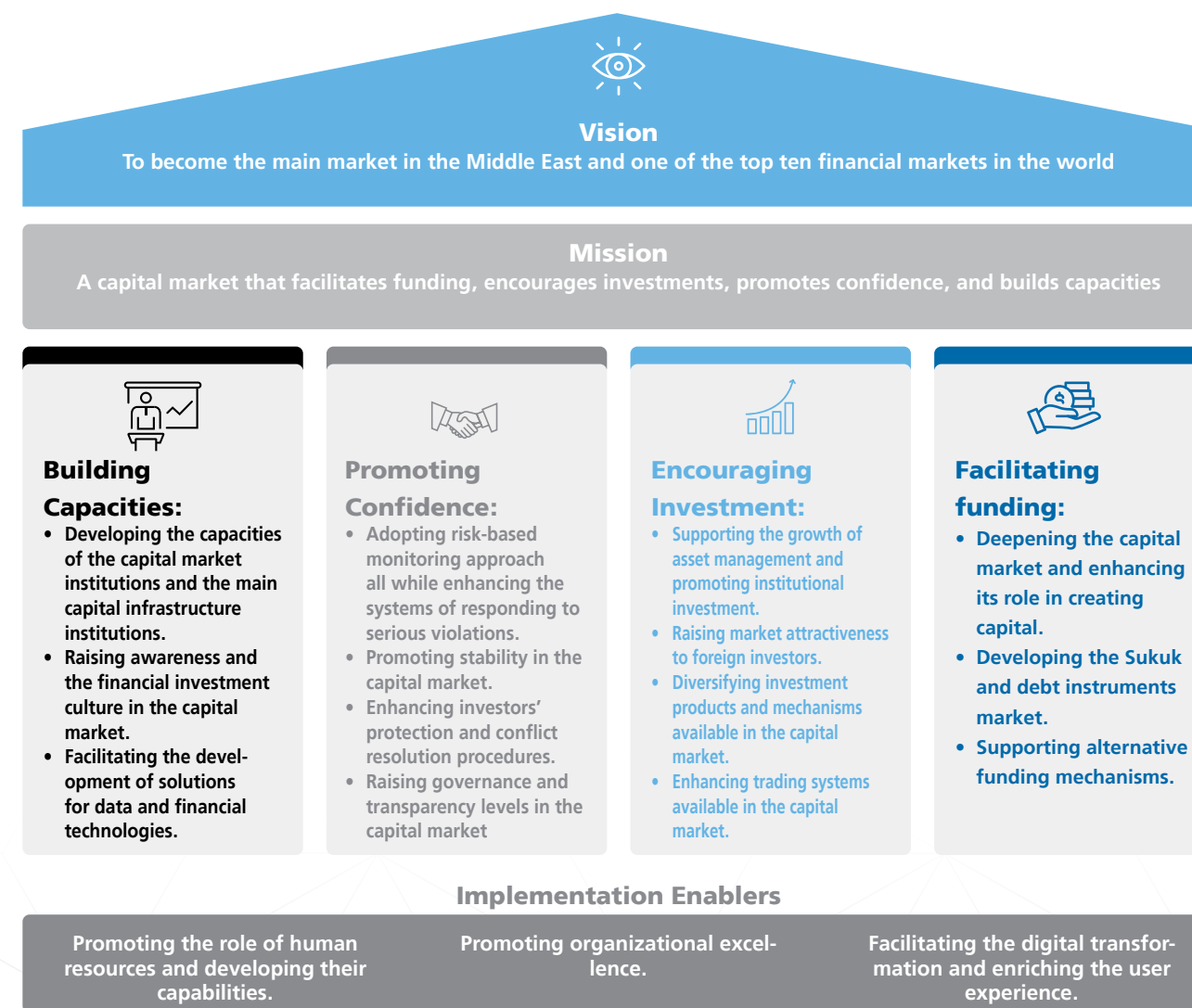
3. Capital Market Authority's strategic plan 2021-2023

Through its updated strategic plan, the CMA plans to make the Saudi capital market the main market in the Middle East and among the ten most important capital markets in the world.

CMA aims to double the funds invested via managed channels, to attain a volume of SR 800 billion of assets under management.

Building on the accomplishments of the strategic plan achieved by CMA in previous years, and upon the expiration of the timeframe specified in the plan at the end of 2020, CMA has developed its strategic plan for the next three years 2021-2023, through which it aspires to make the Saudi capital market the main capital market in the Middle East by the end of 2023, and the focus of attention and the starting point for those looking for funding and investing in the region. For this purpose, CMA seeks to attract foreign investors, both in issuances and direct trading, and aims to increase foreign investment rate of the market capitalization, deepening the market and attracting more developing companies through a parallel market with a high volume of companies, and a main market characterized by smooth listing. CMA looks to increase the number of listed companies in both main and parallel markets to more than 270 companies, as well as increasing the liquidity rates, to meet market participants' objectives and take advantage of the capital inflow from listing the Saudi Capital market among the emerging capital indices, all which contribute to the realization of the objectives of KSA Vision 2030, that is to reach a highly efficient and attractive market. Thus, strategic initiatives have been undertaken to promote confidence among capital market investors by reducing volatility and enhancing stability in the market, protecting and compensating those affected by unfair and unsound practices, and applying preventive sanctions against Capital Market Law violators. Moreover, CMA aims to double the invested capital via managed channels to SR 800 billion of assets under management, whether in funds, portfolios, or other innovative financial instruments including private equity funds, venture capital, and financial technology (Fintech). CMA hopes that this will lead to an efficient and effective financial sector capable of generating more job opportunities in the sector. Graph no. (2) illustrates CMA strategic themes for 2021-2023 and the objectives within each theme.

Graph No. (2): CMA Strategic Themes and Objectives for 2021 - 2023



CMA Strategic Plan Indicators for 2021 - 2023

CMA has developed certain target values for its key performance indicators (KPIs) at the level of its strategic plan for 2021-2023, which are illustrated in (Table no. 2).

Table No. (2): Target KPIs at the Level of CMA Strategic Plan for 2021 - 2023

#	Performance Indicators ⁽¹⁾		Targets			
			Baseline Year (2019)	2021	2022	2023
1	Number of listed micro and small companies as a percentage of the total number of listed companies ⁽²⁾	FSDP	40.9%	42%	43%	44%
2	Number of listed companies in the capital market	FSDP	6	20	24	24
3	Equity Market capitalization as a percentage of GDP ⁽³⁾	FSDP	66.5%	75%	77%	78.1%
4	Debt instruments volume as a percentage of GDP ⁽⁴⁾	FSDP	14%	17.2%	18.7%	20.1%
5	Assets under Management as a percentage of GDP	FSDP	16.9%	23.8%	25.6 %	27.4%
6	Foreign Investor Ownership of the equity market capitalization	FSDP	13.3%	15%	16%	16.5%
7	Corporate investors' share of traded volume	FSDP	36%	38%	40%	41%
8	Percentage of investment accounts opened through electronic KYC procedures	FSDP	82%	=> 70	=> 70	=> 70

(1) Performance Indicators of the Financial Sector Development Program (FSDP), within CMA's scope of work.

(2) Definition of the World Economic Forum: micro-enterprises with a market value of less than \$65 million, small companies with a market value of \$65 to \$200 million (FSDP).

(3) Market capitalization excludes that of Aramco. The debt instruments markets were determined based on the Depository Center data.

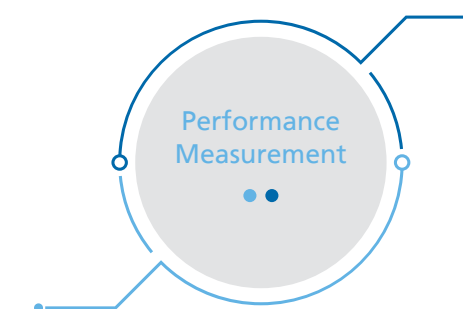
(4) The market capitalization includes the value of the stocks, Sukuk, and debt instruments registered on Tadawul for 2018, and the face value of the non-listed debt issuances. The debt instruments market was determined based on the debts registered on the Saudi Stock Exchange (Tadawul) - Depository Center, including the issuances of the Public debt management Office and the refinancing offered by the Saudi Real Estate Refinance Company (SRC).

Strategic Plan Governance

CMA started to develop an integrated governance framework that ensures the institutionalization of the business, raising its efficiency and facilitating the coordination of efforts between the concerned bodies, with the aim to enable CMA to effectively monitor the implementation of its strategic plan. In order to raise the quality standards and to implement and take corrective actions in a timely manner, CMA has adopted a methodology to follow-up on the implementation of the strategic initiatives periodically through the development of detailed plans for each initiative comprising the implementation tasks and deadlines, in addition to the identification of implementation responsibilities and external partners and their anticipated roles. The governance framework includes the formation of joint committees such as the Committee for Stimulating and Encouraging the Private Sector Companies to list their shares in the Capital Market and the Sukuk and Debt Instruments Market Development Committee, as well as the formation of bilateral committees with external parties to ensure coordination with relevant bodies in order to execute the strategic initiatives and associated common activities

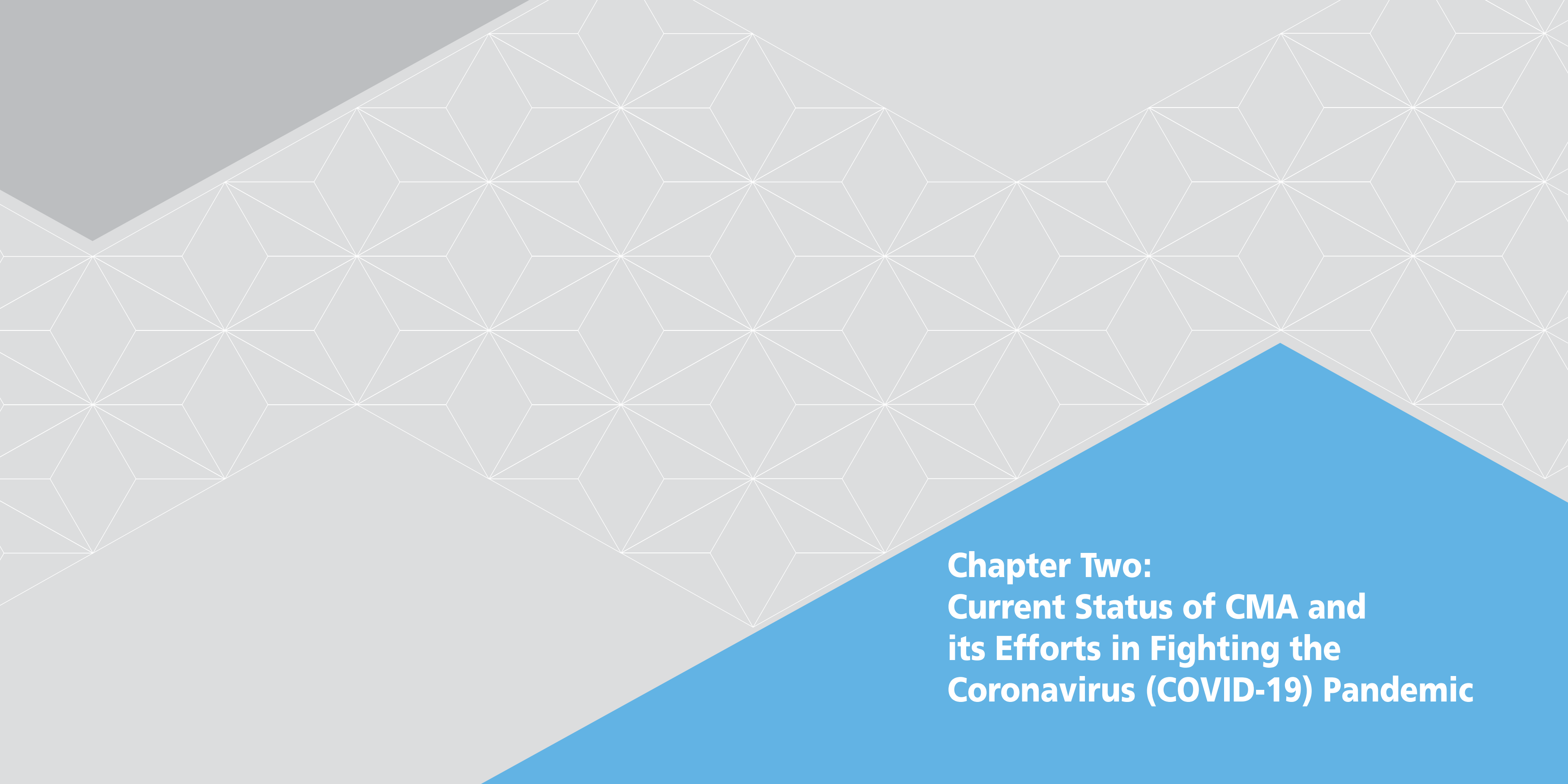
Performance

CMA works with the National Center for Performance Measurement (Adaa) on measuring some performance indicators of the FSDP, included within the scope of work of CMA, through the application of unified models, methodologies and tools to support its adequacy and effectiveness, and through the issuance of performance reports that measure the extent of achieving the strategic objectives of the FSDP.



Governance Framework

The governance framework includes a clear performance measurement methodology to identify progress in achieving strategic objectives. The strategic plan (2021-2023) includes a set of performance indicators at each level of the five strategic themes, as well as specific measurement indicators for each strategic objective.



**Chapter Two:
Current Status of CMA and
its Efforts in Fighting the
Coronavirus (COVID-19) Pandemic**



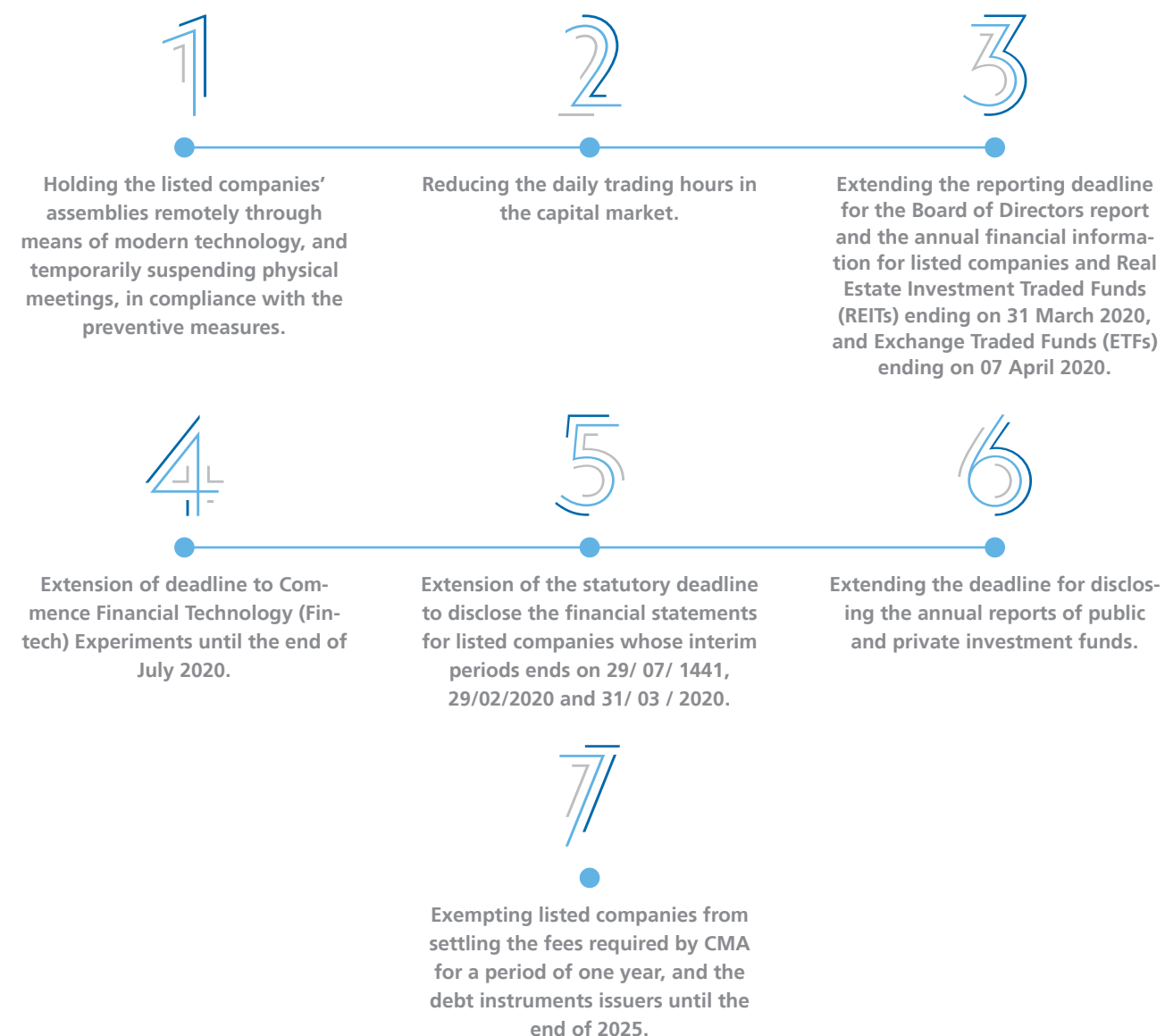
**Section One: CMA Efforts in Fighting the
Coronavirus (COVID-19) Pandemic**



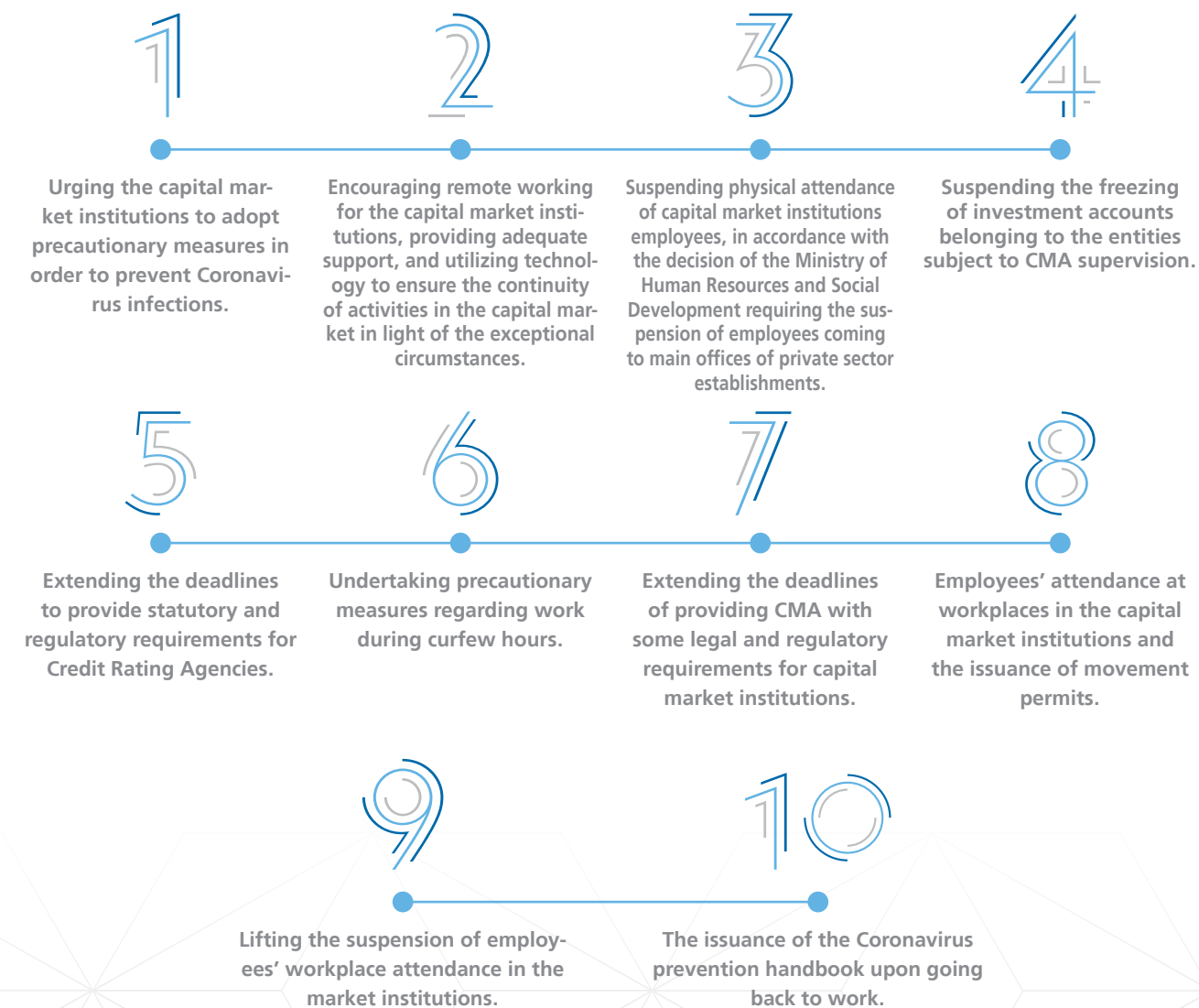
The Kingdom's prudent government has paid utmost attention to all that contributes to the health and safety of the citizens and residents in the Kingdom, including dealing with the Coronavirus (Covid-19) outbreak, by taking many of the precautions and preventive measures issued by the competent parties to confront this pandemic. CMA has been keen to implement and abide by these preventive measures and to ensure that they are adhered to by the bodies it supervises. CMA took all the preventive measures that ensure the health and safety of its employees, of which most importantly:



Given CMA's regulatory and supervisory role, and in support of the bodies supervised by CMA in the current circumstances, and with the aim of supporting them in facing its effects, CMA has adopted many measures at such exceptional times, and has continuously assessed its impact on the capital market in the Kingdom. Several procedures related to the Capital market and the investment funds have been implemented, such as:



Also, similar measures have been taken in relation to the capital market institutions, of which most importantly:



Section Two: 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 & Records**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
 وَاللَّهُ أَكْبَرُ



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

In implementation of High Orders and Council of Ministers' Resolutions received during 2020, CMA took several measures, which can be summarized as follows:

High Order No. (54351)

High Order No. (54351) dated 28/09/1441 H, which includes instructions on the importance of publishing all rules and regulations related to the business sector on the websites of government agencies, in both Arabic and English, and which states that government agencies should do the following:

- A. Translate the regulations and requirements for the business sector that are not included in the lists mentioned in paragraph (1) above into English within a specified timeline to be determined in coordination between the National Competitiveness Center (NCA) and the concerned parties.
- B. Publish the rules, regulations, and regulatory requirements related to the business sector translated on their websites and provide the National Center for Archives & Records with copies to be published on their website.

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

Taking into consideration that the executive regulations issued by CMA are translated into English and published on CMA website; and after providing the National Center for Archives & Records with copies; in implementation of this High Order, CMA has translated the other documents into English according to a specific timeframe that has been approved in coordination between the National Competitiveness Center (NCC) and CMA. This step has been implemented in preparation for publishing the translated copies on CMA website and providing the National Center for Archives & Records with copies for its website.

Royal Court Order No. (6701)

Royal Court Order No. (6701) dated 06/02/1442 H based on the directive of the Council of Ministers dated 27/01/1442 H, stipulating the following:

1. Stressing, for all government agencies, the need to comply with the applicable laws, regulations and instructions when providing their services, and adherence to the final verdicts and judiciary decisions issued by the courts and judicial authorities, and to align relevant administrative practices with such provisions and principles.
2. Government agencies shall disclose in their annual reports the number of cases filed against them, classified by subject and according to applicable regulations, the number of final judicial verdicts issued against them, and the number of those issued in their favour, and the measures they have taken to align their administrative practices with the provisions and judiciary decisions.
3. The concerned departments of the government agencies shall take the necessary measures to implement the directives of paragraphs (1) and (2) above, according to the details illustrated in the aforementioned Royal Court Order.

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

1. Regarding the 1st clause, CMA has acted according to the directives included in the above order.
2. Regarding the 2nd clause, CMA has been disclosing the required information since several years. As for 2020, 10 cases were filed against CMA and were all ruled for its favour. Their subject matter included the following:
 - Grievance against CMA Board decisions in relation to disclosure violations.
 - Grievance against CMA Board decisions in relation to violations of the obligations of both the Capital Market Law and the Companies Law.
 - Grievance against CMA Board decisions in relation to violating the rules and regulations of the Capital Market Law (Corporate Governance Regulations / Capital Market Institutions Regulations / Rules on the Offer of Securities and Continuing Obligations / Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock / Instructions for Companies' Announcements).
 - Claims for damages resulting from regulatory procedures and decisions issued by CMA.
 - Grievance cases before the Administrative Court, in which it was ruled that the Court Board does not have jurisdiction to look into such cases, given that the committees for the resolution of securities disputes are the competent authority to rule in such disputes under the capital market law.

High Order No. (67881)

High Order No. (67811) dated 21/12/1441 H, which includes instructions on the submission of a detailed report on the media committees formed under orders. It also includes its roles, major achievements, and reporting on its status, with a contact officer assigned to each committee.

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

CMA has submitted to the High Commissioner its letter No. (p /1/4690/20) dated 21/01/1442 H, including CMA's statement of what was directed by the High Order.

High Order No. (39460)

High Order No. (39460) dated 26/06/1441 H regarding the transaction involving the telegram of His Excellency the Minister of Economy and Planning, Member and Chairman of the Board of Directors of the National Center for Performance Measurement of Public Entities, No. 4100058 on 2/5/1441 H, stipulating the following:

First: Linking its electronic services provided through its platforms to "Watani" (affiliated with the National Center for Performance Measurement, "Aadaa"), a platform that allows citizens to evaluate their experience with public services, in a safe way. This can be done through Government Secure Network (GSN) and Government Service Bus (GSB) by unifying the beneficiaries' satisfaction assessment platforms under one platform "Watani", according to a timeline agreed upon between each public entity and "Aadaa". The necessary technical requirements for the safe connection between the services and platforms should also be completed, in full adherence to the National Cybersecurity controls.

Second: Coordinating with the National Center for Performance Measurement, when assessing the beneficiary's experience with the aim align the measurement mechanism with the Center's methodologies.

Third: Refraining from publishing any results for measuring the beneficiary's experience, except after coordination with the National Center for Performance Measurement of public entities.

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

Communicating with the National Center for Performance Measurement "Aadaa". The Center stated that the Authority will be among the public agencies targeted in the second phase, in accordance with its plan, knowing that the Center provided CMA with the measurement methodology.

High Order No. (44583)

High Order No. (44583) dated 20/07/1441 H stating the following: (1) Suspending attendance at work premises for all government agencies for a period of 16 days, with the exception of health, security and military sectors, as well as the remote learning system in the education sector. (2) Each government agency shall assess whether there is a need for all its employees to resume work - in the event that such circumstances persist for a longer period - from the workplace, and the feasibility of having a limited number of employees on premises in order to run the operations to the minimum extent possible, and to compensate by implementing electronic transactions or remote work.

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

Implementing the remote work approach, through activating the required technical means, and restricting workplace attendance only to urgent and necessary cases, during the period of attendance suspension at the workplace.

High Order No. (52623)

High Order No. (52623) dated 17/09/1441 H, stipulating the need to take all precautionary measures to prevent the spread of COVID-19 in the Kingdom, and to grant permission to excluded employees whose attendance to the workplace is vital by the relevant minister or the head of the independent agency, provided that they carry out their work in the narrow sense, while adhering to all necessary precautionary measures.

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

CMA has applied all the precautionary measures related to its employees and premises to respond to corona virus, including:

- Performing temperature checks at the entrances of all CMA facilities.
- Sanitizing all facilities.
- Increasing hygiene and sterilization and raising the cleaning frequency of common-use devices.
- Providing protective masks and approved sanitizers for all CMA's employees, and monitoring employees' compliance to their use.
- Installing floor signs to control distancing during entry, exit, waiting, and inside elevators.
- Suspending services at CMA's headquarters related to hospitality and support services.
- Establishing an emergency plan to respond to the Coronavirus pandemic at the headquarters and assigning isolation rooms for suspected cases.
- Installing separators between business units to achieve social distancing.
- Using the standard forms of movement permits approved by the Ministry of Interior for the employees whose work requires attendance at the workplace during curfew periods.

Moreover, and in line with the High Order provisions, CMA has restricted attendance at workplaces to the narrowest scope possible, limited to the approval of His Excellency the Chairman, and adopted a remote work approach during the period of suspending attendance at workplace, and then reducing attendance rates at workplaces after returning to the rates established in this regard by the Ministry of Human Resources and Social Development.

Royal Court Order No. (65028)

Royal Court Order No. (65028) dated 04/12/1441 H based on the Council of Ministers' Resolution No. 660 dated on 24/10/1441 H stipulating the adoption of the Saudi Standard Classification of Occupations, as per the form attached to the decision, and a number of arrangements according to the resolution.

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

Revising all job descriptions for all the positions in CMA and referring to the Saudi Standard Classification of Occupations when needed.

High Order No. (66559)

High Order No. (66559) dated 12/12/1441 H, stipulating the need to provide the Saudi Energy Efficiency Center with the data related to government agencies' buildings and energy consumption, as well as semi-annual reports on the adopted measures to improve energy efficiency, and their plans in this field.

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

Creating a team to represent CMA at the Saudi Energy Efficiency Center and provide the latter with the consumption data on a semi-annual basis, by uploading the data to the Center's site, since mid-2019.

High Order No. (15016)

High Order No. (15016) dated 16/03/1442 H, suspending some provisions of the articles of the Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437 H, and in reference to the joint coordination between CMA and the Ministry of Commerce, the former has clarified, on its website, the content of the Order in relation to the listed joint stock companies, and which includes the following:

1. Exception to the provision of Article (150) of the Companies Law:

(a) Extension of the period during which the board of directors should invite the Extraordinary General Assembly, once it becomes aware that the losses of the joint-stock company have reached half of its paid-up capital, to (sixty days), from the date the board of directors has become aware of the losses, for a period of (two years) starting on 01/08/1441 H.

(B) Extension of the period during which the Extraordinary General Assembly meeting must be held to become (one hundred and eighty) days from the date the board of directors has become aware of the losses, for a period of (two years) starting on 01/08/1441 H.

2. Paragraph (2) of Article (150) of the Companies Law shall be suspended for a period of (two years) as of 01/08/1441 H, and the joint-stock companies shall, upon reaching the amount specified in Paragraph (1) of Article (150) of the Companies Law, continuously disclose the developments of the losses, in accordance with the regulatory rules set by the Ministry of Commerce and CMA each within its mandates, during the period of suspension of Paragraph (2) of the aforementioned Article.

3. As an exemption to the provision of paragraph (1) of Article (133), joint-stock companies are permitted to re-appoint an auditor whose term of appointment has reached (five) continuous years, for a period not exceeding (two) additional years, as long as the total period of his appointment does not exceed (seven) continuous years for the audit office, and (five) continuous years for the partner who supervises the audit process, provided that this exception ends with the passage of (two years) from 01/08/1441 H.

It is also worth noting that CMA has put forth regulatory rules that require listed joint stock companies with accumulated losses amounting to 50% or more of its capital, to disclose the latest developments of accumulated losses in implementation of the Royal Decree.

2. CMA Board Meetings and Resolutions

Paragraph (a) of Article 10 of the Capital Market Law states the following: "The Board shall hold its meetings at the request of its Chairman. Meetings should be attended by at least three of its members, including the Chairman or Vice-Chairman. Its decisions shall be made upon a vote of a majority of the members attending the meeting. In case of equal votes, the Chairman of the meeting will have a casting vote."

CMA's Board held 143 meetings in 2020, compared to 148 meetings in 2019, of which 74.1% were fully attended by all members (Table No. (3) and Table No. (4)).

Table No. (3): Board Meetings Classified as per the Number of Attending Members

Attendance	Number of Attendees	
	2019	2020
All Members	74	106
4 Members	62	31
3 Members	12	6
Total	148	143

Table No. (4): Board Meetings Classified by Attendance Versus Non-Attendance in 2020

CMA Board Members	CMA Board Meetings	
	Attendance	Non-Attendance
His Excellency, the Chairman	128	15
Vice-Chairman Mr. Youssef Al-Blihidi	135	8
Board Member Mr. Ahmad Al-Rajeh	130	13
Board Member Mr. Khaled Al-Homoud	136	7
Board Member Mr. Khalid Al-Solai	142	1

During 2020, CMA's Board has discussed 509 topics, compared to 566 in 2019. Topics related to "implementations and violations in the Capital Market" were ranked first with 26.5% of total topics, while those related to "Governance and CMA internal environment" were ranked second with 19.8% in 2020.

Table No. (5): Number of Topics Discussed by CMA Board classified by Themes

Themes	2019	2020
Market Rules and Regulations	39	32
Capital Market and Products Development	29	43
Offering of Financial Instruments and Companies' Procedures	36	33
Implementation and Violations in the Capital Market	168	136
Governance and CMA Internal Environment	125	101
Activities of the Capital Market Institutions	44	62
Monitoring and Regulating the Capital Market	92	86
Activities of Infrastructure Companies	33	16
TOTAL	566	509

3. Human Resources, Training and Development Programs, and Social Responsibility

Human Resources

CMA aims to create a stimulating, positive and highly productive environment that achieves the goals based on which it was established, and hence sought to attract people with skills and competencies. During 2020, 44 employees of both genders have joined CMA, while 31 employees resigned, reaching 752 employees, marking a decrease of 2.1% from 2019. The percentage of Saudization was 99.2% with female Saudi employees representing 20.5% of the total workforce of CMA (Table No. (6), and (Table No. (7)).

Table No. 6: Distribution of Human Resources

Year	Nationality				Total
	Saudi		Non-Saudi		
	Male	Female	Male	Female	
2019	616	146	6	-	⁽¹⁾ 768
2020	592	154	6	-	752

(1) Including 32 employees of the Financial Academy.

Table No. (7): New Recruits and Resignations

Year		Description
2020	2019 ⁽²⁾	
44	109	New Recruits
31	40	Resignations

CMA's employees are well-known for their high academic qualifications, as the percentage of employees with a bachelor's degree and higher education (higher diplomas, Masters and PhDs) has reached about 82.7% of the total CMA employees (Table No. (8)).

Table No. (8): Educational Qualifications of CMA Employees

Qualifications	2019 ⁽³⁾		2020	
	Number	Percentage of Total	Number	Percentage of Total
High School or below	61	7.9%	61	8.1%
Diploma	77	10.0%	69	9.2%
Bachelor's Degree	344	44.8%	338	44.9%
Higher Diploma/ Master's Degree	282	36.7%	283	37.6%
PhD	4	0.5%	1	0.1%
TOTAL	768	100%	752	100%

(2) Including employees of the Financial Academy.

(3) Including 32 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. Being keen to raise the level of its employees' qualification in all fields related to its functions and activities, CMA offered 41 internal training programs with a total of 323 participants. 380 external programs were provided, with a total of 395 participants by the end of 2020. 19 employees were granted international scholarships for attaining Bachelor's, Master's or PhD degrees. (Table No. (9)).

Table No. (9): Number of CMA Employees Participating in Human Resources Development Programs

Programs	Number of Participants	
	2019 ⁽⁴⁾	2020
Internal Training Programs	741	323
External Training Programs	553	395
Rotation Program	7	7
Local English Language Programs	28	21
International English Language Programs	6	1
On-the-job Training Programs at Peer International Organizations and Authorities	8	1
International Scholarships	20	19

Social Responsibility

CMA provides several social contributions, most importantly on-the-job training (within CMA) offered for outstanding Saudi graduates from various universities. In 2020, CMA launched "the CMA Graduate Development Program", in its 7th and 8th editions. The number of male/female trainees enrolled in the program totaled 42, divided into seven specialized tracks: Finance and investment, laws and legislations, management, inspection, compliance, international relations and research, and technology and operations.

Moreover, 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 enrolled in this program amounted to 83 during 2020.

(4) Including 32 employees of the Financial Academy.

4. Savings Plan and Housing Finance Program for Employees

CMA offers its staff the following two incentive programs:

▶ **554** Male & Female Employees
Benefit from the Savings Plan

Savings Plan

CMA is a pioneer in spreading and promoting a culture of saving among its employees, as it has put in place a program aiming to motivate employees to save. It is a flexible long-term savings plan, through which CMA provides a financial contribution to be added to the amount contributed by the employee within the plan, in order to spread and promote a culture of savings. Both entry into and withdrawal from the plan are optional and may take place at any time. It is worth noting that the number of participants in the plan until the end of 2020 has reached 554 employees, which accounts for 73.7% of CMA employees.

Housing Finance Program

In line with the government plans to raise the standard of living for citizens and provide them with adequate housing, and in order to strengthen CMA relationship with its employees and enhance their sense of belonging, the Authority has sponsored the "Housing Finance for Employees" program, in cooperation with a number of local banks, where CMA bears the entire percentage of the Murabaha on the financing. Among the benefits of this program is the provision of long-term financing, of which all CMA Saudi employees may benefit, in accordance with the terms and conditions of the program, and for one time only during their period of service with CMA. The number of the program's beneficiaries has reached 147 employees by the end of 2020, with accounts for 19.5% of CMA employees.

▶ **147** Male & Female Employees
Benefit from the Housing Finance Program



5. CMA Owned and Rented Buildings

Table No. (10) below lists CMA owned and rented buildings in 2020.













Table No. (10): Owned and Rented Lands and Buildings

Lands/Buildings	2020
Owned	CMA Headquarters Building, Riyadh.
Rented	CMA Building No. 2, Eastern Tower, King Abdulaziz Center for National Dialogue (KACND).
	Car parking outside the main Headquarters building, Riyadh - for staff

6. Physical Working Environment of CMA

The guidebook for the physical work environment establishes the benchmark principles and standard specifications for ensuring an effective working environment for both the employees of the government agencies and those receiving their services. The various components and corresponding indicators established based on the results of field studies and surveys, aim to ensure the quality of the physical environment and its related effects on the employees in those environments, and thus on the productivity of the government agency.

The main components of the offices physical working environment, as provided in the guidebook for the physical working environment in government agencies, issued by the Ministry of Human Resources and Social Development, consist of the following:

- 
 Office design
- 
 Office furnishing
- 
 Air conditioning
- 
 Lighting and acoustics
- 
 Safety and security
- 
 Hygiene
- 
 Calmness and noise reduction
- 
 Workplace organization and arrangement
- 
 Creating reception paces for beneficiaries
- 
 Using colors in the offices
- 
 Decorating offices
- 
 Support services

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

316 Elements



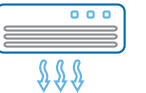




Are currently applied at CMA

342 Elements

Are covered by the guidebook

13 Elements

Can be improved according to the nature of CMA's business:

- 
 Cold lighting.
- 
 Alternative energy sources for operation of HVAC systems.
- 
 Humidity generation and measurement devices.
- 
 Central and separate heating units.
- 
 Translation equipment in the main meeting room.
- 
 Offering appreciation awards for clean offices.
- 
 Dedicating one day per year for office cleaning.
- 
 Using vacuum cleaners made of microfibers.
- 
 Using solar energy to provide energy for the workplace.
- 
 Emergency exits for the prayer room.
- 
 Paintings depicting the social heritage.
- 
 Providing reading rooms with the latest books and knowledge sources.
- 
 Providing places for exercising to reduce stress.

13 Elements







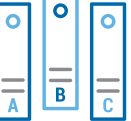
Do not apply, given the nature of CMA's business:

 The agency is located in the vicinity of factories and industrial workshops	 The agency sets guidelines for noise reduction	 Analysis of drinking water	 Utilization of office waste by recycling	 Using audio devices for different purposes
 Doors are considered a source of noise	 Office machinery and equipment are considered a source of noise	 The agency is located in the vicinity of government complexes	 The agency is located next to different transport stations	 The agency is located in the vicinity of educational complexes
 Providing a water cooler in the prayer room	 The agency's workers are considered a source of noise	 The agency's beneficiaries are considered a source of noise		





7. Center of Archives and Records

The Center of Archives and Records is responsible for preserving and archiving the Authority's documents, in accordance with the rules and regulations issued by the National Center for Archives and Records. The Center performs its role of organizing administrative transactions through a technical system, through which the flow of transactions is fully tracked. The most important changes that occurred during 2020 included restructuring the Standing Committee for Archives and Records to add a financial representative from the Finance Department as a member; and the use of technology during the remote working period to ensure business continuity.

The main functions and responsibilities of the Center:

 Carrying out a periodic evaluation of the archiving and documentation locations and their containers to ensure their safety from damage.	 Managing the process of viewing, borrowing, printing and photocopying documents.	 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.	 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.
 Optimization of knowledge management.	 Processing incoming and outgoing mails through collaboration with the concerned departments.	 Restoring documents that were damaged, and disposal of documents that are no longer needed.	

The Main Achievements of the Center in 2020

 Preparing a guidebook for handling the transactions at the Authority level, to ensure the execution of the activities in the proper and accurate sequence, and keeping them in the corresponding systems.	 Connecting with other government agencies via a correspondence system that includes more than 60 government agencies.	 Archiving around 11,064 documents, scanning around 10,128 documents, and including them in the documents system.	 Holding an awareness workshop on the importance of document preservation, under the title "Spreading Documents Knowledge", in the presence of a representative of the National Center for Archives and Records. During the workshop, the 5 best document clerks were honored.
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Section Three: Committees

1. The Management Committee
2. E-Transactions Committee
3. Supreme Joint Committee to Separate the Functions and Jurisdictions of CMA and the Saudi Stock Exchange (Tadawul)
4. Committee of Special Inspection on Listed Companies
5. Human Resources Development Committee
6. Audit Committee
7. CMA Advisory Committee
8. Licensed Capital Market Institutions Committee
9. Standing Committee for Archives & Records
10. Cybersecurity Resilience Committee in the Capital Market
11. Cybersecurity Supervisory Committee at CMA
12. Supervisory Committee for Savings Plan
13. Professional Conduct and Employee Complaints Committee
14. Financial Technology Lab Team

1. The Management Committee

The Committee's regulations were issued by CMA Board's Resolution No. (2-69-2016) dated 03/09/1437 H corresponding to 08/06/2016, based on the Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424 H. The Committee's regulations were amended by the Board's Resolution No. (1-44-2018) dated 02/08/1439H corresponding to 18/04/2018, then 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:

-  **Chairman of the Board**
Chairman of the Committee
-  **Vice-Chairman of the Board**
Vice-Chairman of the Committee
-  **CMA Deputy of Listed Companies and Investment Products**
Member
-  **CMA Deputy of Legal Affairs and Enforcement**
Member
-  **CMA Deputy of Market Institution**
Member
-  **Director of Risk Management Division**
Member
-  **Director of Information Technology Division**
Member
-  **Secretary General of the Board**
Member and Secretary of the Committee
-  **CMA Deputy of Strategy and International Affairs**
Member
-  **CMA Deputy of Corporate Resources**
Member
-  **Director of Communication and Investor Protection Division**
Member
-  **Director of Internal Audit Division**
Member
-  **Director of Financial Statements and Auditors Division**
Member

47 Topics










Discussed and listed on its agenda

46 Meetings

Held by the Committee in 2020

2. E-Transactions Committee

In accordance with CMA Board's Resolution No. (7-120-2021) dated 1/4/1442 H corresponding to 16/11/2020, the E-Transactions Committee was reconstituted as follows:

-  **Chairman of CMA Board**
Chairman of the Committee
-  **CMA Board Member Mr. Ahmad bin Rajeh Al-Rajeh**
Vice-Chairman of the Committee
-  **CMA Deputy of Legal Affairs and Enforcement**
Member
-  **Director of Information Technology Division**
Member
-  **Leader of Digital Transformation**
Member
-  **CMA Deputy of Market Institutions**
Member
-  **CMA Deputy of Listed Companies and Investment Products**
Member
-  **Director of Communication and Investor Protection Division**
Member
-  **Mr. Mohammed bin Abdulrahman Al-Shaalan**
Independent Member

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



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



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

13 Meetings

Held by the Committee in 2020

54 Topics

Discussed and listed on its agenda

43 Decisions

Issued by the Committee

1 Recommendation

Raised by the Committee

Among the Topics Discussed by the Committee:



Directing the preparation of a new guidebook for the external services of CMA



Supervising CMA's compliance with the cybersecurity controls issued by the National Cybersecurity Authority



Transferring the tasks of "Operating and monitoring the activities of the operations center of the Information Security" from the Technology department to the Information Security Department



Recommending the execution of training programs to increase awareness of digital transformation



Requesting the Information Technology Division to implement certain automation projects.



Requesting the organizational units in the Authority to develop a preliminary and conceptual digital transformation strategy for the next three years



Requiring the initiation of the development of an integrated plan for digital transformation by the beginning of 2021

The Committee also supervises the implementation of the following initiatives:



Developing a mobile application strategy for CMA's systems and services



Providing a standard platform for exchanging and processing data and reports with external parties, in accordance with the best practices



Activating a visual communication for CMA's external services as well as internal communication for its employees



Enabling a digital workplace



Improving the Authority's ranking in government digital transformation







The committee has successfully held all its meetings in accordance with the planned schedule, without any interruption throughout the remote working period during the pandemic, taking advantage of its previous support for digital transformation initiatives and the establishment of remote working platforms, even before the pandemic.

It is worth noting that the E-Government Program "Yesser" released its eighth measurement report of government digital transformation that classified the level of maturity of the Authority in the government digital transformation process within the phase of "Excellence and Improvement", which represents the average performance of government agencies in the financial sector. The committee supervised the implementation of an initiative aimed at raising the Authority's readiness for the ninth measurement and improving the current maturity level.





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 12/02/1439 H corresponding to 01/11/2017 to keep the number of the Committee members unchanged. The Chairmanship of the Committee was assigned to CMA Board Vice-Chairman Mr. Youssef bin Hamad Al-Blihid. The Committee includes the following members:

CMA Representatives:

- | | |
|--|--|
|  CMA Board Vice-Chairman
Mr. Youssef bin Hamad Al-Blihid
Chairman |  CMA Board Member
Mr. Khaled bin Abdulaziz Al-Homoud
Member |
|  CMA Deputy of Market Institutions
Member |  CMA Deputy of Listed Companies and Investment Products
Member |
|  CMA Deputy of Legal Affairs and Enforcement
Member |  Mr. Mohammed bin Abdullah Al-Banyan
Rapporteur |

Tadawul Representatives:

- | | |
|--|--|
|  Dr. Abdullah bin Hassan Al-Abd Al-Qader
Member |  Dr. Abdulrahman bin Abdulmohsen Al-Khalaf
Member |
|  Mr. Khalid bin Abdullah Al-Hussan
Member |  Mr. Khalid bin Abdulaziz Al-Ghariri
Member |

The Committee held one meeting during 2020, during which it issued the following 3 decisions:







- | | | |
|--|---|--|
|  |  |  |
| Submitting the Committee's decision and report to the Board of Directors for approval. | Preparing a comprehensive report on the project and the accomplishments of the Committee throughout its years of work that started in 2013. | Recommending the termination of the Committee's work related to the separation of the functions and jurisdictions between CMA and Tadawul. |

CMA's Board has approved, by Decision No. (1-48-2020) issued on 19/9/1441 H and corresponding to 12/05/2020, the termination of the Supreme Joint Committee work on the separation of functions and jurisdictions between CMA and Tadawul. The Board has made the decision after reviewing the recommendation contained in the minutes of the Committee's twenty-fifth meeting held in February 2020.



4. Committee of Special Inspection on Listed Companies

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

- | | |
|--|--|
|  <p>Vice-Chairman of CMA Board
Mr. Youssef bin Hamad Al-Blihid
Chairman</p> |  <p>CMA Board Member
Mr. Khalid bin Mohammed Al-Solai
Vice-Chairman</p> |
|  <p>CMA Deputy of Legal Affairs and Enforcement
Member</p> |  <p>CMA Deputy of Listed Companies and Investment Products
Member</p> |
|  <p>Director of Financial Statements and Auditors
Member</p> |  <p>The Board's Legal Advisor
Member</p> |

17 Meetings

Held during 2020, 12 of which in full attendance of the members

39 Topics





Listed on its agenda, were discussed

34 Decisions


Issued by the Committee

5. Human Resources Development Committee

Pursuant to CMA Board Resolution No. (4-121-2019) dated 08/03/1441 H 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 Listed Companies and Investment Products
 Member
- 
CMA Deputy of Corporate Resources
 Member
- 
CMA Deputy of Legal Affairs and Enforcement
 Member
- 
Manager of the Department of Human Resources
 Member

According to the Fifth Article in the Committee's work regulations, amended by CMA Board's Resolution No. (2-124-2020) dated 08/04/1442 H corresponding to 23/11/2020, the Committee's functions include the following:

- 
 Outline the overall policy of human resources development, including building cooperative relationships with educational and training institutions.
- 
 Validate the programs designed for fresh graduates, and recommend their accreditation by the competent employee.
- 
 Validate the human resources development budget, and submit it to the competent employee for approval.
- 
 Study nominations related to education programs in terms of the need, the candidate's fulfillment of the conditions, and suitability of the intended academic degree and its accreditation
- 
 Review the reports of educational and training programs and take the necessary measures as needed.
- 
 Approve the human resources development plan.
- 
 Study nominations related to attachment programs at international organizations and their accreditation.
- 
 Develop the rules governing human resources development programs at CMA including the rules related to educational 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.
- 
 Study special cases of employees enrolled in educational and training programs that are reported by the Department of Human Resources, including requests to extend or complete studies or training, or enroll in a hands-on training program after graduation and other schemes, and decide thereupon.

12 Meetings

Held by the Committee in 2020

37 Topics

Listed on its agenda, were discussed

24 Decisions

Issued by the Committee

10 Recommendations

Raised by the Committee

6. Audit Committee

In accordance with the Third Article of the Committee regulations, amended by CMA Board Resolution No. (2-69-2016), dated 03/09/1437 H corresponding to (08/06/2016), 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:



Examine the Internal Audit System in CMA and prepare a report with its relevant proposals and recommendations.



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.



Follow up on the tasks of the Internal Audit Division of CMA, to verify its efficiency in carrying out its tasks and functions.



Review reports submitted by Finance Department regarding budget performance and analyze deviations between the actual expenses and the adopted estimated budget.



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.



Examine the external auditor plan for external auditing.



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.



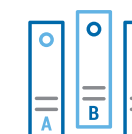
Advise the CMA Board regarding the efficiency of the Director of the Internal Audit Division and provide recommendations regarding the performance appraisal thereof.



Examine internal auditing reports and follow up on the implementation of corrective procedures indicated in such reports.



Examine the Annual Internal Auditing Plan and ensure its adequacy.



Issue the Audit Committee report and enclose it with the financial statement of CMA.



Review CMA financial statements and final accounts and submit recommendations to the Board regarding the approval of the same.




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.



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.

The Audit Committee was reconstituted in accordance with CMA Board Resolution (1-71-2018) dated 18/10/1439 H corresponding to 02/07/2018, approving the reconstitution of the Audit Committee as follows:

 **CMA Board Member**
Mr. Khalid bin Mohammed Al-Solai
Chairman

 **Independent Member**
Mr. Khalid bin Mohammed Al-Tawil
Vice-Chairman

 **Independent Member**
Dr. AbdulMalik bin Abdullah Al-Hogail
Member

CMA Board Resolution No. (1-50-2020) issued on 25/09/1441 H, corresponding to 18/05/2020, has approved the resignation of the member of the Audit Committee, Dr. AbdulMalik bin Abdullah Al-Hogail, as member of the Committee, and the appointment of Mr. Khalid bin Mohammed Al-Khowaiter (independent member) as a substitute, to complete the remaining term of the resigned member in the Committee.

6 Meetings

Held by the Committee in 2020

38 Topics

Listed on its agenda, were discussed

30 Decisions

Issued by the Committee

3 Recommendations

Raised by the Committee

Discussions covered the following:



Reports submitted by Finance Department regarding performance and deviations between the actual expenses and the adopted estimated budget



Reviewing CMA financial statements and final accounts and submitting recommendations to the Board regarding the approval of the same.



Internal audit reports, listed on the agenda, in order to ensure the existence and the adequacy of the internal control system and its effective implementation, and to raise any recommendations that would enhance and develop the internal control system, in order to achieve CMA goals and safeguard its interests with high efficiency and convenient costs.



Reports of monitoring the implementation of the corrective measures, as included in these reports.

The Committee's main achievements include the following:





Implementing an automated system for internal audit management.



Recommending the approval of the business plan of the "Professional Ethics and Internal Compliance" Department, for following up on CMA's compliance with the The Kingdom's laws and regulations.

7. CMA Advisory Committee

The Committee acts as an advisory body to CMA Board. CMA Board Resolution No. (2-19-2022) dated 25/06/1441 H corresponding to 19/02/2020 was issued for the re-formation of the Committee to include part-time members ranging from market participants and experts to qualified specialists and academics, as follows:

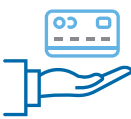

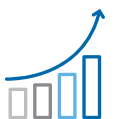






- | | |
|--|---|
|  CFO of Saudi Telecom Company (STC)
Mr. Ameen bin Fahad Al-Shiddi |  Partner in Ernst and Young
Mr. Rashid bin Saud Alrashoud |
|  CECO of Samba Financial Group
Ms. Rania bint Mahmoud Nashar ⁽¹⁾ |  Advisor of CEO, Tadawul
Dr. Roland G. Bellegarde |
|  CEO of National Center For Privatization
Eng. Rayan bin Mohammed Al-Nagadi |  Advisor of Internal Audit of STC
Dr. Saleh bin Mohammed Al-Shonaifi |
|  CEO and Managing Director of Jadwa Investment Company
Mr. Tariq bin Ziad. Al-Sudairy |  CEO of Seera Holding
Mr. Abdullah Bin Nasser Al-Dawood |
|  Head of Compliance Department of AIAhli Capital
Mr. Ali bin Fahed Almarzouqi |  Governor, General Authority for Awqaf
Mr. Emad bin Saleh Al-Kharashi |
|  Managing Partner of Al-Dhabaan and Partners in association with Eversheds Sutherland
Mr. Fahad Al-Duahis Al-Malki |  Lawyer & Legal Consultant, Founder of Al-Mulhim Lawyers & Consultants
Dr. Mulhim bin Hamad. Al-Mulhim |

⁽¹⁾ Appointed as advisor to the Governor of Public Investment Fund on 22 December 2020

The Committee tasks include:











-  Express opinions and issue recommendations on all matters contributing to the development of the market and the protection of investors in securities.
-  Discussing topics and proposals brought up by capital market participants, and gauging their reactions towards any changes and new policies that CMA wishes to adopt, pursuant to the approval of CMA Board.
-  Providing recommendations and suggestions for the examination of any topic requested by CMA board or Chairman.

The Committee held five meetings during its seventh business cycle in 2020. Several proposals and recommendations were presented. The main topics that were discussed include the following:





-  Derivatives market.
-  Convertible debt instruments.
-  CMA Strategic Plan and the most important achievements.
-  The proposed regulatory framework for extracting collective ownership financing platforms from the Fintech Lab.
-  Dual Listing of ETFs
-  The strategy for positioning the Kingdom among the largest financial centers in the world by 2030.
-  The potential implications of the Coronavirus pandemic (COVID-19) on the local economy and the Saudi financial market.
-  Endowment Funds.
-  Announcements of CMA Board decisions, related to imposing administrative sanctions by the Board, or to the referral of criminal cases to the Public Prosecution.

8. Licensed Capital Market Institutions Committee










The committee was formed to address common topics and challenges that either concern the capital market institutions or that are raised by the Authority. It is considered as the main focal point between the capital market institutions and CMA. The committee consists of the following:

- | | |
|---|--|
|  <p>Goldman Sachs Saudi Arabia
Mr. Khalid Albdah
Chairman of the Committee</p> |  <p>Jadwa Investment Company
Mr. Haitham Al-Ghannam
Vice-Chairman of the Committee</p> |
|  <p>Aldukheil Financial Group
Ms. Khlood Aldukheil
Member</p> |  <p>Alpha Capital
Mr. Fahad Alsaud
Member</p> |
|  <p>BMG Financial Group
Mr. Bassel Al-Ghalayini
Member</p> |  <p>NCB Capital
Mr. Ali Al-Marzouki
Member</p> |
|  <p>Arab National Investment Company
Mr. Bassam Al-Mubarak
Member</p> |  <p>Alawwal Capital
Mr. Faisal Malaika
Member</p> |
|  <p>Saudi Kuwaiti Finance House
Mr. Bader Al Anzi
Member</p> |  <p>Aljazira Capital
Mr. Mohammed Al-Rmaizan
Member</p> |

The Committee's tasks and responsibilities include:

- | | | | |
|---|--|---|---|
|  <p>Contributing to holding awareness and advertising exhibitions for the capital market institutions.</p> |  <p>Suggesting topics that are of interest to the capital market institutions to be addressed at CMA's workshops and conferences.</p> |  <p>Discussing the topics raised by CMA and expressing observations thereon.</p> |  <p>Discussing topics of interest to the capital market institutions and studying their relevant challenges, which would contribute to promoting market growth and stability, and offering initiatives and informed opinions on all matters that would contribute to the market development.</p> |
|---|--|---|---|

The Committee held 10 meetings in 2020, during which it discussed several topics, most notably:

- | | | | | |
|--|--|---|--|--|
|  <p>Topics raised at the Capital Market Institutions Forum.</p> |  <p>Zakat treatment in investment funds.</p> |  <p>Recognition awards for outstanding asset managers.</p> |  <p>Challenges facing the capital market institutions during COVID-19.</p> | |
|  <p>Suitability criteria for compliance of the applicants for registration.</p> |  <p>Requesting certificates from regulatory authorities concerning Value-added tax and Zakat.</p> |  <p>Requesting to consider the removal of paragraph (e) from Article 48 of the Investment Funds Regulations.</p> |  <p>Nominating the Committee's members for the new term.</p> |  <p>Appointing the Committee's independent secretary.</p> |

The committee contributed by organizing awards for outstanding fund managers, in cooperation with one of the companies.

9. Standing Committee for Archives & Records

The Standing Committee for Archives and Records was formed on 08/05/1437 H (17/02/2016) 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, policies, and procedures. The Committee consists of the following:

-  **CMA Deputy of Corporate Resources**
Chairman
-  **Director of Risk Management Division**
Member
-  **Manager of the Legal Advice Department**
Member
-  **Finance Management Representative**
Member
-  **Director of Information Technology Division**
Member
-  **Manager of the Center of Archives and Records**
Member
-  **Mr. Mohammed bin Abdallah Al-Mikrin**
Rapporteur

The tasks of the Committee include:



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



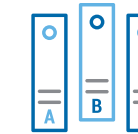
Ensuring coordination and integration among the committees and teams in carrying out their duties.



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



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



Supervising 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.



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.



Supervising organizational and procedural studies related to CMA's documents, proposing 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 improving the quality of documents, in order to achieve CMA's documents policy.

The Committee held five meetings in 2020, during which it addressed several topics, including:



Honoring the five best documents clerks for 2019.



Reviewing the new recommendations of the Center of Archives and Records.



Monitoring the reduction in paper consumption rates at CMA level.



Achievements of the Center of Archives and Records for the first quarter of 2020.



Approving the replacement of the administrative telecommunication system.



Projects of the Center of Archives and Records in 2020.



Implementation of ministerial decisions and circulars related to the Center's scope of work.



The strategic initiatives of the Center of Archives and Records.



Harmonizing the requirements of the National Center for Archives and Records with activities of the Center at CMA.



Holding a workshop on "Enhancing Documentation Awareness" in coordination with the National Center for Archives and Records.



Technical projects associated with document archiving, custody and digitizing.

The Committee has provided several recommendations as follows:



The Center shall update the guidebook for dealing with the CMA's incoming, outgoing, and internal transactions in light of what the Committee members have added.



Guiding the Center to prepare a guidebook for dealing with transactions at CMA level.



Guiding the Center to present to the Committee on what has been achieved regarding the "paperless government" initiative; in order to achieve its desired goals.



The Center shall coordinate with the Information Technology division, to discuss the appropriate means of addressing the personal printers' situation on order to reduce consumption of paper and inks.



The Center shall provide the Committee members with information on memoranda of understanding and cooperation that were kept at the Center along with their contents.



The Center shall update the recommendations issued by the National Center for Archives and Records.



The Center shall develop the process of transferring expertise and work methods from outstanding document clerks to the rest of their colleagues, in order to circulate and increase the experience.



The Center shall put forth the controls and criteria for evaluating purchase requests and expenditures of personal printers, in coordination with the Information Technology and Risk Management divisions.

10. 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 October 16th, 2017. The Committee aims to raise the level of security and safety of the exchange of information and financial data, and seeks to ensure the continuity of the capital market participants work.

The most important tasks entrusted to the Committee include:




Studying and evaluating the best practices and technology solutions for information security.



Addressing cyber threats and methods of handling them.



Sharing reports with members, and discussing the best security awareness programs, as well as the best security practices in infrastructure management.



Cooperating with relevant official entities in relation to the information security enhancement initiative, the National Cybersecurity Authority in particular, as well as the entities supervised by CMA.

The Committee held four meetings in 2020, during which it discussed the following topics:



The process of implementing cybersecurity clearance project for the capital market institutions domains.



Cybersecurity guidelines for capital market institutions.



Process of implementing cyber risk assessment projects in the capital market and testing cyber security gaps at the market institutions.



Cyber threats and how to respond to them.

Several recommendations emerged from these meetings, including:



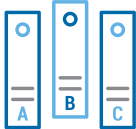
Discussing CMA's initiative with respect to cybersecurity clearance for the domains of the capital market institutions.



Discussing the implementation of the cybersecurity guide for capital market institutions.



Urging the capital market institutions to raise cybersecurity readiness during the remote working period.



Cooperating and providing the necessary support by the targeted parties, within the strategic projects targeted for implementation in 2020.



Monitoring the process of implementing cyber risk assessment projects in the capital market and testing cyber security gaps at the market institutions.

11. Cybersecurity Supervisory Committee at CMA








Pursuant to CMA Board Resolution No. (Q/1/10/19) dated 06/08/1440 H corresponding to 11/04/2019, the Committee was constituted according to the Essential Cybersecurity Controls issued by the National Cybersecurity Authority. The committee consists of:

-  **Director of Risk Management Division**
Chairman of the Committee
-  **Deputy Assistant of Market Institutions**
Member
-  **Director of Information Technology Division**
Member
-  **Manager of Information Security Department**
Member
-  **Manager of Professional Ethics and Internal Compliance Department**
Member

The most important tasks entrusted to the Committee include:

-  Advising CMA's Board on decisions related to cybersecurity.
-  Recommending improvements to the level of cybersecurity at CMA and the capital market institutions, reducing the level of cyber risk, and submitting the same to the authorized personnel.
-  Reviewing reports and studies prepared by the Department of Information Security and expressing opinion thereon.
-  Reviewing the cyber risks related to CMA and the capital market institutions, that are identified by the Information Security Department and recommending the adoption of the appropriate corrective measures.
-  Examining the violations of CMA's employees regarding data protection and intentional cybersecurity policy violations and recommending to CMA's Chairman, or whom he delegates, the need to make the violator take the appropriate corrective action.
-  Overseeing 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.


The Committee held four meetings in 2020, in which several cybersecurity topics were addressed, most importantly:

-  Cybersecurity procedures for remote working.
-  Cybersecurity reports issued by the Information Security Department.
-  Following up on cyber risks with the concerned departments.
-  The extent of compliance with the standard regulations issued by the National Cybersecurity Authority.
-  Discussing cybersecurity violations and related security incidents.
-  Transferring the tasks of the Security Operations Center from the Information Technology Division to the Information Security Department.
-  Following up on the progress of cybersecurity projects supervised by the Information Security Department.
-  Discussing the security awareness program and measuring awareness of CMA's employees on periodic basis, through applying several methods of measuring cybersecurity awareness.

Several recommendations emerged from the above meetings and the appropriate measures were taken in their regard.

12. Supervisory Committee for Savings Plan


The committee was formed by Administrative Decision No. 37/RMC dated 27/12/1428 H corresponding to 06/01/2008, to supervise the investments of participants saving in the Savings Plan. Administrative Decision No. (Q/1/29/20) dated 1/12/1441 H corresponding to 22/07/2020 was issued to reconstitute the Committee to be composed of:

 **Ms. Hanan bint Mohammad Al Shehri**
Chairman of the Committee

 **Manager of the Human Resources Department**
Member


 **Manager of the Finance Department**
Member

 **Ms. Hossa Bint AbdulAziz Al-Mahnaa**
Member

 **Mr. Khalil Bin Yazed Shalil**
Member

 **Mr. Anas Al-Harbi**
Rapporteur

The Committee was entrusted with the following tasks:

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

 Recommending withdrawal of the project and termination of the deal with the entity (investment channel) and proposing another investment channels.

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

 Evaluating the offers received from investment entities and selecting the appropriate ones and submitting them to the Chairman of the CMA Board for approval.

The Committee held four meetings in 2020, during which it addressed several topics listed on its agenda and made the appropriate recommendations in their regard.

13. Professional Conduct and Employee Complaints Committee

The Committee looks into complaints and grievances of CMA employees and violations of professional conduct rules with the aim of providing an appropriate work environment, based on the requirements of the Fifth Article of the Anti-Harassment Law issued by Royal Decree No. A/96 dated 16/09/1439 H. The current membership of the Committee has been extended for another year by CMA's Board Decision No. (1/30/20) dated 10/08/2020.

The Committee consists of:



Legal Advisor to CMA Board
Mr. Khalid bin Abdullah Alsuwaiket
Chairman of the Committee



Manager of the Unit of Legal Opinions and Studies
Mr. Ahmad bin Abdulrahman Al-Jalal
Member



Human Resources Operations
Mr. Amer bin Rahil Al-Enezi
Member



Manager of Professional Ethics and Internal Compliance Department
Ms. Farah bint Hassan Al-Ruwaili
Member



Chairman's Office
Mr. Turki bin Omar Al-Sreiheed
Rapporteur

The Committee's tasks include:



Studying and investigating employee complaints and violations 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.



Receiving employee complaints and violations that are referred to the Committee by CMA Board's Chairman or his representative.

The Committee held 9 meetings in 2020, during which it discussed the following:



Other violations related to the rules of professional conduct of CMA employees.



Several grievances against administrative procedures.






The Committee has agreed on several recommendations on the topics discussed, and has submitted them to the relevant concerned party.

14. Financial Technology Lab Team




His Excellency the Chairman of CMA Board issued a resolution dated 30/03/1441H, corresponding to 27/11/2019, to create a team under the name of "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 understand the regulatory requirements. The team consists of:

- 
CMA Deputy Assistant for Strategy and International Affairs
 Team Leader
- 
Manager of the Authorization Department
 Deputy Team Leader
- 
Manager of the Investment Products Development Department
 Member
- 
Representative of the Department of Authorization
Ms. Haifa bint Satti Almutairi
 Member
- 
Manager of Policy Development Department
 Member
- 
Manager of Financial Technology (Fintech) Unit
 Member (Representative of Department of Policy Development)
- 
Representative of the Department of Investment Products Development
Mr. Abdullah bin Abdulrahman Al-Mohawes
 Member

The Committee's duties are summarized as follows:

- 
 Reviewing and studying permit applications.
- 
 Reviewing suspicion reports of the permit applicants and their activities and submitting the related recommendations.
- 
 Contributing to the development and enhancement of the organizational concepts of the financial technology experience in the capital market.
- 
 Reviewing and studying permit applications and all documents submitted by applicants and submitting the Team's recommendations to the Board.
- 
 Interviewing candidates who wish to apply for the Financial Technology Experimental Permit (Fintech ExPermit), explaining and clarifying relevant regulatory requirements.

The Committee held several meetings in 2020, during which it discussed several topics, mainly including:

- 
 Coordinating with CMA's Board regarding the issues and developments related to the Financial Technology.
- 
 Periodic follow up and supervision of permit holders.
- 
 Interviewing applicants of the third and fourth batch who wish to receive the permit and discussing their applications.
- 
 Preparing to receive applications for the fourth batch of Fintech ExPermits effective from 01/10/2020 until 30/11/2020.



Section Four: 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 explore areas of joint cooperation, CMA collaborated with several regulators in a number of relevant areas, and took part in international teams for implementing capital market projects. In 2020, CMA participated in a number of international conferences and forums related to capital markets, their development, and oversight.

During 2020, CMA effectively participated in several meetings held by the International Organization of Securities Commissions (IOSCO)(1), including the 45th IOSCO Annual Conference, IOSCO Board meetings, the meeting of the Steering Committee of the Growth and Emerging Markets Committee (GEMC), the Africa/Middle East Regional Committee (AMERC) meeting and conference, as well as IOSCO policy committee and working group meetings.

(1) 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; and Commodities and Derivatives Markets.

The most significant topics addressed in these meetings and projects in which CMA took part are as follows:



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.



Projects related to the recommendations of the Financial Stability Board and the G20 concerning capital markets, and IOSCO's efforts in addressing issues of financial stability.



Risk Outlook report for the year 2021, which is important to determine the priorities and plan of action of the organization for the coming period.



Market behavior issues and challenges resulting from Financial Technology (Fintech).



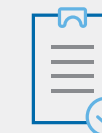
Guidelines for capital market regulators regarding overcoming challenges posed by the COVID-19 pandemic.

Furthermore, during the Africa/Middle East Regional Committee meeting and conference, CMA reviewed its experience in establishing the Fintech laboratory and contributing to the development of the Parallel Market (Nomu).

CMA also participated in the 14th Annual Meeting of the Union of Arab Securities Authorities (UASA). Throughout the meeting, participants discussed several topics related to Arab capital markets, the most prominent developments witnessed by these markets, and the outputs achieved by working groups, most important of which are as follows:



Discussing the new UASA Strategic Plan 2021 - 2025.





Reviewing the most important achievements of the UASA Strategic Plan





Issuing Guidelines on the General Rules Adopted by UASA


Moreover, CMA actively contributed to the GCC Financial Markets Integration Project through participating in convened meetings, workshops, and awareness campaigns, as listed below:

- 

The 9th meeting of the Ministerial Committee of the Ministerial Committee of the chairmen of Boards of the capital market regulators in the GCC countries.
- 


The 20th and 21st meetings of the the Committee of Chairmen (or their equivalent) of the capital market authorities, in which participants discussed several topics related to GCC capital markets and their developments, as well as the most prominent actions and projects implemented by the Committee, such as initiatives and priorities contributing to deepening coordination among GCC capital market authorities and promoting joint GCC action for the post-COVID phase.
- 


The extraordinary meeting of the the Committee of Chairmen (or their equivalent) of the capital market authorities discussing the efforts of GCC capital market regulators in supporting GCC capital markets during the COVID-19 pandemic.
- 


Workshop on Shari'ah-compliant commodities and derivatives and the Islamic laws regulating them.
- 


Launching the Joint Gulf Awareness Campaign for the Awareness of Investors in Gulf Markets (Gulf Investment Awareness Program "Mulem"), as part of the efforts of a team of investor outreach and awareness specialists within GCC capital market regulators.

In 2020, CMA also participated in several events organized by other international organizations and agencies, such as:

- 


The 38th and 39th annual meeting of the OECD Corporate Governance Committee and the meeting of OECD Corporate Governance Working Group of the Middle East and North Africa.
- 


AAOIFI⁽¹⁾ – World Bank, 14th Annual Conference.
- 

AAOIFI (1)– 18th Annual Shari'ah Conference.
- 

The 36th and 37th Annual Meetings, and the 18th General Assembly of the Islamic Financial Services Board (IFSB) Council.

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


- 


Signing a Memorandum of Cooperation with the Ministry of Interior represented by the Standing Committee for Legal Assistance Requests. This Memorandum aims to enhance cooperation and coordination efforts between both parties in order to attain the highest levels of regulation that would allow the preservation of the efficiency and integrity of international capital market transactions and the exchange of information and expertise in this regard in such a way to promote CMA's role in oversight. Such a Memorandum will allow CMA to process requests for legal assistance received from international counterparts, or requests issued by CMA to these authorities.
- 

Signing a multilateral Memorandum of Understanding for consultation, cooperation, and information exchange among capital market regulators in Arab state members of UASA. This Memorandum of Understanding aims at enhancing cooperation to improve the efficiency and integrity of capital markets. It also seeks to establish collaboration in the fields of training and development of human capacities working in supervision, oversight, and regulation of capital markets.

(1) 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's international achievements during 2020 include the following:

- 








The International Organization of Securities Commissions (IOSCO) has re-elected Khalid bin Abdulaziz Al-Homoud, as member of its Board of Directors, and Vice-Chairman of Africa and Middle East Regional Committee of the IOSCO for a new term that commences in June 2020. The election of the member of the Board of the Saudi Capital Market Authority comes in appreciation of the developments in the Saudi capital market achieved through the implementation of the objectives of the "Developing the Financial Sector" program, which is one of the Saudi Vision 2030 programs that contributed to developing the capital market to become one of the top ten worldwide
- 

CMA, in cooperation with UASA, hosted two virtual training programs on "Financial Technology (Fintech) Challenges from an Oversight Perspective" and "Introduction to Securities and Investments" with the participation of a number of employees from UASA member authorities and attendees from stock exchanges and entities involved in the capital market sector.
- 

CMA participated in the preparation of the Standard on Guiding Principles for Investor Protection in Islamic Capital Markets recently issued by the Islamic Financial Services Board (IFSB). The standard sets out minimum requirements to be applied in the ICM for the protection of investors and the promotion of financial stability.

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 2020. CMA participates effectively in these committees and working groups.

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

Organization	Headquarter	CMA Joining Date
 The Union of Arab Securities Authorities	Abu Dhabi	2007
 The International Organization of Securities Commissions (IOSCO)	Madrid	2010
 GCC Financial Markets Integration Project	Riyadh	2010
 Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)	Manama	2016
 The Saudi-Emirati Coordination Council (Khalwat al-Azm) ⁽¹⁾	Riyadh-Abu Dhabi	2016
 Islamic Financial Services Board	Kuala Lumpur	2017
 International Forum of Independent Audit Regulators	Tokyo	2019

(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 Capital Market Law (CML) and Companies Law.

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

1. New Implementing Regulations

In 2020, CMA issued the following new regulation:

Instructions on Issuing Depository Receipts Out of the Kingdom: Issued under CMA Board Resolution No. (2-86-2020) dated 19/01/1442H corresponding to 07/09/2020, these instructions aim to set out the conditions and requirements for the issuance of depository receipts out of the Kingdom of Saudi Arabia for shares issued in the Kingdom and listed in the Saudi Stock Exchange or shares issued in the Kingdom where the issuer took the necessary arrangements for listing them in the Exchange. Moreover, the instructions specify the requirements needed to obtain CMA approval on issuing depository receipts out of the Kingdom and identify the obligations of both the issuer and the bank of deposit.

2. Amended Implementing Regulations

During 2020, CMA amended certain implementing regulations as follows:

1. Authorized Persons Regulations (Capital Market Institutions Regulations):

The Authorized Persons Regulations were issued pursuant to CMA Board Resolution No. (1-83-2005) dated 21/05/1426H corresponding to 28/06/2005 and were amended under CMA Board Resolution No. (2-75-2020) dated 22/12/1441H corresponding to 12/08/2020.

2. Securities Business Regulations:

The Securities Business Regulations were issued pursuant to CMA Board Resolution No. (2-83-2005) dated 21/05/1426H corresponding to 28/06/2005 and were amended under CMA Board Resolution No. (2-75-2020) dated 22/12/1441H corresponding to 12/08/2020.

The amendments of the abovementioned two regulations aim to improve capital market regulation, support the growth of the financial sector in the Kingdom, upgrade the services provided to investors, enhance investor protection, develop securities business activities, increase the attractiveness of authorization to carry out securities business, all in line with the international best practices and standards. The main elements of the amendments are: amending the term "Authorized Persons" to become "Capital Market Institutions", developing the scope of Arranging and Advising activities in addition to the types of authorization for Dealing and Managing activities, developing and facilitating the requirements for authorization to carry out securities business, commencement of business, and capital requirements, developing the requirements for registrable functions, business conduction, control systems and processes, client money and assets, and developing the requirements for client's understanding of risk, and the requirements for client suitability, including the provisions related to client classifications and Know Your Client.

3. Amended Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority:

The Glossary of Defined Terms Used in the Regulations and Rules of CMA was issued under CMA Board Resolution No. (4-11-2004) dated 20/08/1425H corresponding to 04/10/2004 and was amended under CMA Board Resolution No. (2-75-2020) dated 22/12/1441H corresponding to 12/08/2020, in line with the amendments of the Capital Market Institutions Regulations and the Securities Business Regulations, as well as the approval of the Instructions on Issuing Depository Receipts Out of the Kingdom.

4. Regulatory Rules and Procedures Issued pursuant to the Companies Law relating to Listed Joint Stock Companies:

The Regulatory Rules and Procedures were issued under CMA Board Resolution No. (8-127-2016) dated 16/1/1438H corresponding to 17/10/2016 and were amended under CMA Board Resolution No. (4-122-2020) dated 03/04/1442H corresponding to 18/11/2020. appendix (1) was amended by removing the official seal requirement, if the shareholder is a legal person. By approving this amendment, CMA aims to reduce the requirements for the shareholder when they authorize, pursuant to a written proxy, another person to attend the general and special assembly meetings and to vote on the agenda on their behalf.

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. Investment Funds Regulations

The Regulations were issued under CMA Board Resolution No. (1-129-2006) dated 03/12/1427H corresponding to 24/12/2006 and amended by virtue of CMA Board Resolution No. (1-61-2016) dated 16/08/1437H corresponding to 23/05/2016. The Investment Funds Regulations aim to regulate the establishment and registration of investment funds in the Kingdom, the offering of investment fund units, their management, and transactions, as well as 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. CMA sought the opinion and suggestions of experts, specialists, and relevant interested parties regarding the draft of these regulations.

2. Real Estate Investment Funds Regulations

The Regulations were issued under CMA Board Resolution No. (1-139-2006) dated 19/6/1427H corresponding to 15/07/2006. The Real Estate Investment Funds Regulations aim to regulate the establishment and registration of real estate investment funds in the Kingdom, the offering of real estate investment fund units, and their management, in addition to protecting the rights of their owners and applying disclosure and transparency rules thereon. The draft aims to regulate and develop the capital market as well as regulate the aspects that are capable of promoting investment in real estate investment funds. CMA sought the opinion and suggestions of experts, specialists, and relevant interested parties regarding the draft of these regulations.

3. Rules for Special Purpose Entities

The Rules for Special Purpose Entities were issued under CMA Board Resolution No. (4-123-2017) dated 09/04/1439H corresponding to 27/12/2017. They 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 and develop the establishment of a Special Purpose Entity and its issuance of securities. CMA sought the opinion and suggestions of experts, specialists, and relevant interested parties regarding the draft of these rules.

4. Market Conduct Regulations

The Regulations were issued under CMA Board Resolution No. (1-11-2004) dated 20/08/1425H corresponding to 04/10/2004 and amended under CMA Board Resolution No. (1-7-2018) dated 01/05/1439H corresponding to 18/01/2018. The draft aims to enhance the protection of investors in securities from unfair or unsound practices that involve fraud, deceit, or manipulation. It also seeks to further develop the capital market's statutory environment and promote its stability, develop the procedures that would minimize risks associated with securities transactions, achieve protection for investors, and enhance confidence in the capital market. This comes in line with the international best practices and standards to support the market's growth and prosperity. CMA sought the opinion and suggestions of experts, specialists, and relevant interested parties regarding the draft of these regulations.

5. Rules on the Offer of Securities and Continuing Obligations


The Rules were issued under CMA Board Resolution No. (3-123-2017) dated 09/04/1439H corresponding to 27/12/2017 and amended under CMA Board Resolution No. (1-104-2019) dated 01/02/1441H corresponding to 30/9/2019. The draft aims to amend the Rules on the Offer of Securities and Continuing Obligations in line with the issuance of The Capital Market Institutions Regulations and proposed amendments within the Draft Updated Rules for Special Purpose Entities. The draft additionally aims to amend review period of an application for the registration and offering of debt instruments, or the registration and offering of convertible debt instruments, and requesting the approval for a financing transaction in relation to the public offering of debt instruments. CMA sought the opinion and suggestions of experts, specialists, and relevant interested parties regarding the draft of these rules.

6. Corporate Governance Regulations and Glossary of Defined Terms Used in CMA Regulations and Rules

The Corporate Governance Regulations were issued under CMA Board Resolution No. (8-6-2017) dated 16/05/1438H corresponding to 13/02/2017 and amended under CMA Board Resolution No. (3-57-2019) dated 15/09/1440H corresponding to 20/05/2019. The Glossary of Defined Terms Used in CMA Regulations and Rules was issued under CMA Board Resolution No. (4-11-2004) dated 20/08/1425H corresponding to 4/10/2004 and amended under CMA Board Resolution No. (2-86-2020) dated 19/01/1442H corresponding to 07/09/2022. The draft aims to harmonize the definition of "related parties" as used for the purposes of Corporate Governance Regulations with "related party" as used for the purposes of the Rules on the Offer of Securities and Continuing Obligations. CMA sought the opinion and suggestions of experts, specialists, and relevant interested parties regarding the above.

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 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 2020, CMA conducted 6 public consultations and received 2,008 responses. CMA carefully considers, examines, and studies all opinions before issuing the final version of the draft.



**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**
- 4. Development of the Sukuk and Debt Instruments Market in the Kingdom**
- 5. Launching of the Derivatives Market in the Kingdom**

1. Offering of Shares

The total number of public offering applications in the Main and Parallel Markets, and private placement notifications received by CMA in 2020 reached 188 applications/notifications, increasing by 22.9% from the previous year (Table No. (11)).

Table No. (11): Offering of Shares' Applications and Notifications

Type	Number	
	2019	2020
Public Offering in the Main and Parallel Markets	9	12
Private Placement of Shares ⁽¹⁾	141	168
Rights Issues ⁽²⁾	3	8
Total	153	188

The total market value of public offerings in 2020 increased by 81.5% compared to the previous year (excluding the Saudi Aramco initial public offering). The market value of shares offered in public offerings accounted for the largest portion (66.0%) of the total value of offerings and listing (Table No. (12)).

Table No. (12): Offering and Registration of Shares Categorized by Type of Offering or Listing

Type	2019		2020	
	Total value (million SR)	Number	Total value (million SR)	Number
Public Offering in the Main and Parallel Markets ⁽³⁾	6,416,818 ⁽⁴⁾	5	30,522	4
Private Placement of Shares ⁽⁵⁾	4,508	65	7,294	88
Rights Issues ⁽⁶⁾	100	1	6,017	10
Direct Listing in the Parallel Market	-	-	2,400	1
Total	6,421,426	71	46,233	103

(1) Including received closure notifications of privately placed shares.

(2) Including companies which received CMA approval in 2019 and 2020 and did not complete their rights issue in the same year.

(3) Including the market value of all companies with IPOs.

(4) Including the market value of Saudi Aramco. The value of the offers is 16,818 million SR when Saudi Aramco is excluded.

(5) Including received closure notifications of privately placed shares and combined proceeds.

(6) Including companies which completed their rights issue in 2019 and 2020.

Initial Public Offering of Shares

In 2020, three companies offered part of their shares for subscription in the Main Market, and one company offered shares in the Parallel Market. Subscription proceeds of offered shares amounted to SR 5284.4 million (Table No. (13)). Three companies were also upgraded from the Parallel Market "Nomu" to the Main Market "Tadawul".

Table No. (13): Companies that Offered Part of their Shares for Public Subscription during 2020

Market	Company Name	Offering Value (million SR)	Ratio of Offered Shares to Issued Shares	Over-Subscription (Times)		No. of Individual Subscribers (Thousand Subscribers)
				Individuals ⁽⁷⁾	Institutions ⁽⁸⁾	
Main Market	Dr. Sulaiman Al Habib Medical Services Group Company	2,625.0	15.0 %	7.1	144.4	224
	Amlak International for Real Estate Finance Company	434.9	30.0 %	26.7	5.0	267
	BinDawood Holding Company	2,194.6	20.0 %	13.9	48.7	324
Parallel Market	Sumou Real Estate Company	30.0	5.0 %	2.4 ⁽⁹⁾		33 ⁽¹⁰⁾
Total		5284.4				848

During 2020, the total value of share subscriptions by individuals (before returning over-subscribed amounts) in IPOs (Main Market) through different subscription channels reached SR 6.1 billion, and the total number of individual subscribers stood at 815,391 (Table No. (14)).

Table No. (14): Individual Subscriptions Categorized by Subscription Channels for 2020 in the Main Market

Subscription Channel	2020	
	Number (Subscribers)	Amount (million SR)
Phone Banking	126,949	903
E-channels	323,043	2,852
Bank Branches	176,250	1,484
ATMs	189,149	850
Total	815,391	6,089

(7) Over-subscription times were calculated by dividing the number of subscribed shares (by individuals) by the number of allocated shares.

(8) Over-subscription times were calculated by dividing the number of subscribed shares (by institutions) by the number of offered shares.

(9) Over-subscription times by qualified investors, whether the qualified investor was an individual or an institution.

(10) 33 individual subscribers meet the definition of qualified investors.

2. Offering of Sukuk and Debt Instruments

CMA did not receive any public offering requests for sukuk and debt instruments during 2020. However, it received 58 notifications for private placement of Sukuk and debt instruments, increasing by 1.8 % compared with the previous year (Table No. (15)).

Table No. (15): Public Offering Requests and Private Placement Notifications for Sukuk and Debt Instruments⁽¹⁾

Type	Number	
	2019	2020
Public offering of Sukuk and Debt Instruments	0	0
Private Placement of Sukuk and Debt Instruments ⁽²⁾	57	58
Total	57	58

As for offering of Sukuk and debt instruments, the total value of private placements increased during 2020 by 239.2%, compared with the preceding year, to SR 30.9 billion (Table No. (16)).

Table No. (16): Sukuk and Debt Instruments Offering Categorized According to the Type of Offering⁽³⁾

Type	2019		2020		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	0 %
Private Placement of Sukuk and Debt instruments ⁽⁴⁾	9,127	38	30,961	47	239.2 %
Total	9,127	38	30,961	47	239.2 %

(1) Does not include debt instruments issued by the government of Saudi Arabia.

(2) Including notifications of sukuk and debt instruments that were privately placed.

(3) Does not include debt instruments issued by the government of Saudi Arabia.

(4) Including notifications of sukuk and debt instruments that were privately placed and combined proceeds.

3. Corporate Actions







CMA approved 29 corporate action applications to alter the capitals of listed companies during 2020. This included approvals of capital reductions for 10 listed companies, and accordingly their issued shares decreased from 1,019 million to 734 million. In contrast, 17 companies increased their capital by issuing bonus shares and rights issues. Two acquisitions took place in 2020, leading to an increase in issued shares by the acquiring company from 431,666 Million shares to 498,982 Million shares, (Table No. (17)).

Table No. (17): Listed Companies that Altered their Capital during 2020

Capital Alteration Method	No. of Companies	Total No. Of Shares (million)		Change (%)
		Prior to Capital Alteration	Post-Capital Alteration	
Rights Issue	10	539.2	1,140.8	111.6 %
Bonus Shares	7	1,733.2	2,285.6	31.9 %
Capital Reduction	10	1,019	734	- 28.0 %
Acquisition	2	431,666	498,982	15.6 %
Debt Conversion	0	-	-	-
Total	29	434,957.4	503,142	15.7 %






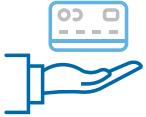
4. Development of the Sukuk and Debt Instruments Market in the Kingdom

Given the importance of the sukuk and debt instruments market, CMA has worked hard to ensure the development and growth of this market and to enhance its role as one of the Kingdom’s main funding channels for the public and private sectors. This interest in the sukuk and debt instruments market aims to achieve alignment with global best practices to develop the market and find possible ways to increase the momentum, because it is considered as a crucial contributor to financing and economic growth, and a key pillar in the aspirations of the Financial Sector Development Program. As a result, the Sukuk and Debt Instruments Market Development Committee was formed on 02/09/1429 A.H, corresponding to 17/05/2018 A.D., in accordance with the bilateral committee meetings between the CMA and the other stakeholders, as well as the need to form a committee concerned with developing the sukuk and debt instruments market, in addition following up on initiatives. The Steering Committee’s members are as follows:

- | | |
|--|---|
|  <p>His Excellency the Chairman of the CMA Board
Chair of the Committee</p> |  <p>President of the National Debt Management Center at the Ministry of Finance
Member</p> |
|  <p>Chief Executive Officer of the Saudi Stock Exchange Company (Tadawul)
Member</p> |  <p>CMA - Deputy of Listed Companies and Investment Products
Member</p> |
|  <p>General Director of Insurance Supervision at the Saudi Central Bank
Member</p> |  <p>General Director of the Financial Sector Development Program at the Ministry of Finance
Member</p> |

The Committee’s main tasks consist of ensuring integration between different sectors of the public and private sectors in order to establish an efficient sukuk and debt instruments market, which enables it to become one of the largest sukuk and debt instruments market in the region, and an important contributor to financing with the aim to provide investment products that attract local and foreign investors. The Committee also follows up on the development of the technical, regulatory, and legislative infrastructure in relevant bodies that assist in the development of the sukuk and debt instruments market. Since the establishment of the Committee, and until the end of 2020, 12 meetings of the Steering Committee and 2 meetings of the technical committee were held. The Committee has also completed 15 initiatives out of a total of 34 initiatives.

This led to several changes in the primary market, secondary market, and the market infrastructure, including:

- | | | |
|--|---|--|
|  <p>Reducing the par value of government issued Sukuk to one thousand SR.</p> |  <p>Launching the FTSE Russell Index to measure the performance of government bonds in the local currency.</p> |  <p>Developing the infrastructure of electronic trading through intermediaries.</p> |
|  <p>Activating REPO agreement.</p> |  <p>Removing the qualification requirement for foreign investors.</p> |  <p>Enhancing yield calculation and forming the yield curve.</p> |

CMA has taken a number of actions that contribute to promoting the market:

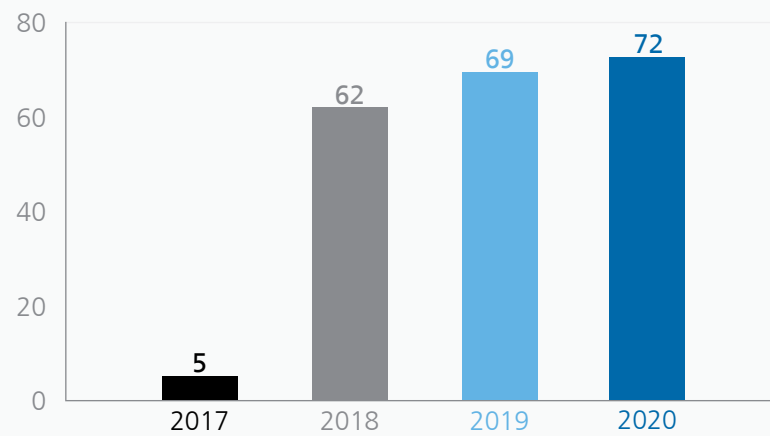
- CMA Board’s decision to reduce the specified period for reviewing public offering applications for debt instruments from 45 days to 20 days was issued.
- CMA has exempted issuers interested in public offering of debt instruments from paying the fees on applying for debt instrument registration, studying the debt instrument registration application, and registering debt instruments, until the end of 2025.
- CMA approved the reduction of the sukuk and bond trading commission from two basis points to one basis point from the trading value. This contributed to increasing the momentum and attractiveness of the market for issuers and investors.
- Work is under way to develop a mechanism to disclose privately placed debt instruments, whereby related information and trading are posted on the Saudi Stock Exchange “Tadawul” website.
- CMA works with the General Authority of Zakat & Tax to find the appropriate Zakat process to stimulate the sukuk and debt instruments market.

All these achievements reflected positively on the sukuk and debt instruments market, with an increase in the number of investors in the primary market of governmental sukuk and bonds. The reduction of the par value of government issues to a thousand riyals instead of a million riyals also attracted new categories of investors and increased the number of transactions in the market. Investors were provided with the ability to price debt instruments after restructuring listing fees, enhancing yield calculation and establishing the yield curve, as well as with the ability to make investment decisions after restructuring the published information available on the Saudi Stock Exchange Company "Tadawul" website, in accordance with the international practices in disseminating data and information related to the sukuk and debt instruments market, in addition to raising market attractiveness.

Exchange traded funds of governmental sukuk were listed in 2020, which contributed to the increase in the diversity and number of investors in the market, and enhanced trading and demand thereof. This is likely to contribute to the increase in the awareness and interest of a larger portion of investors and issuers, with the size of funds invested into governmental sukuk and debt instruments exceeding SR 1.4 billion.

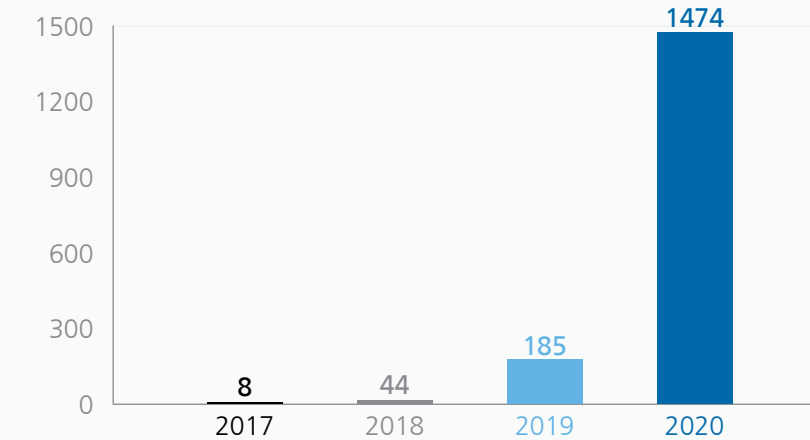
At the secondary market level, these efforts led to an increase in the value of total listed issues to SR 387.8 billion at the end of 2020, increasing by 12% compared to 2019, and by 38.4% compared to 2018.

Chart No. (1): Number of listed Sukuk and debt instruments in the Saudi Stock Exchange Market "Tadawul"



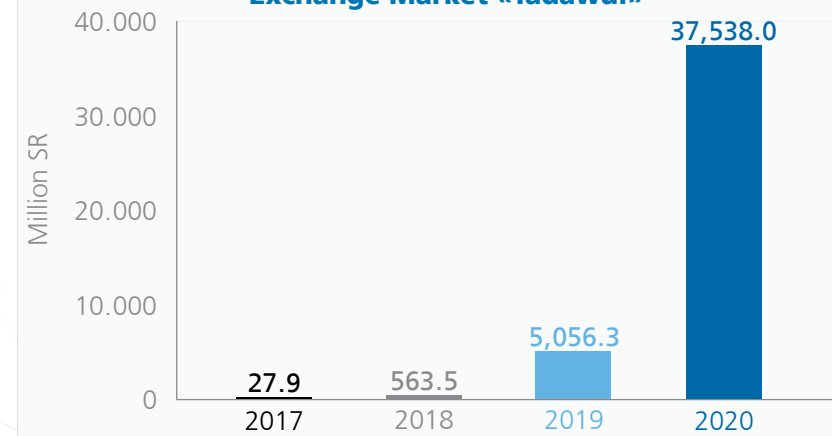
The listing of governmental sukuk and debt instruments led to an increase in the number of sukuk and debt instruments listed in the Saudi Stock Exchange "Tadawul", with the total number of listed Sukuk and debt instruments reaching 72 sukuk/bonds at the end of 2020, compared to 5 Sukuk/bonds at the end of 2017, (Chart No. (1)).

Chart No. (2): Number of transactions concluded on Sukuk and debt instruments listed in the Saudi Stock Exchange Market «Tadawul»



The number of transactions increased to 1474 by the end of 2020, compared to 185 transactions by the end of 2019. Chart No. (2) shows the increase in the number of transactions concluded on sukuk and debt instruments since 2017 until 2020.

Chart No. (3): Value of trading Sukuk and debt instruments publicly offered in the Saudi Stock Exchange Market «Tadawul»



The Committee's work and recommendations reflected on SR 27.9 million at the end of 2017, with an increase of 642% when comparing the trading value of 2020 with the trading value at the end of 2019 (Chart No. (3)).

5. Launching of the Derivatives Market in the Kingdom

In accordance with CMA's strategic objectives to develop the capital market, pursuant to the Financial Sector Development Program's objectives, in line with the Kingdom's Vision 2030, and in an effort to create an attractive environment for investment that is characterized by justice, efficiency, and transparency, CMA sought to pave the way for the derivatives market in the Kingdom, and its efforts culminated in the market's launch in 2020.

This comes as an effort to ensure the provision of several investment channels for all categories of investors, as the diversification of investment products and mechanisms available in the capital market is considered to attract and preserve local and foreign capital. CMA constantly seeks to provide a regulatory environment that encourages offering new investment products and implementing market mechanisms according to global best practices, in line with the maturity level of the capital market and the different needs of dealers in the market.

The launch of the derivatives market during the third quarter of 2020 consisted of the trading of futures contracts for the MT30 Index (which is based on the MSCI Tadawul Index "MT30"), as the first derivative product traded in the Saudi capital market. The trading has been available to all clients from institutions, companies, and individuals, to have the mediator measure client suitability.

Since the launch of the market in August 2020 and until the end of the year, 4 types of futures contracts were traded, with SR 28.2 million trading value.

The importance of the derivatives market lies in the development of the Saudi capital market and the provision of different benefits to investors and dealers, as follows:

- ▶ Derivatives are one of the most important instruments used by foreign institutional investors as a hedging tool to manage their investment portfolios.
- ▶ Part of the asset allocation strategies of investment managers requires allocating part of the funds for capital markets that have a derivatives market.
- ▶ Increasing liquidity and enhancing price discovery in the capital market.
- ▶ Derivatives markets usually help increase capital market efficiency.

For this reason, CMA and relevant parties in the capital market sought to develop the market's current infrastructure and enhance its efficiency. Work was carried out in several related projects, directly or indirectly, to launch this market, and to make sure global best practices were implemented.

This achievement comes after a several steps that were taken to that end, including the adoption of the 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. The Securities Clearing Center Company (Muqassa) was also licensed by CMA at the beginning of 2020, as the first clearing company licensed to perform clearing activities in the Kingdom. The company was founded in 2018 and is considered a key pillar in the development of the capital market infrastructure. It also helps reduce post-trading operation risks, in addition to the centralization of risk management and the development of clearing services in accordance with the international risk management best practices. This, in turn, supports the provision of new securities, such as derivatives and others, contributes to the diversification of investor strategies, and enables participants to hedge risks.

After the approval of the CMA Board, the Saudi Stock Exchange Company (Tadawul) issued the Securities Clearing Center rules, the rules and procedures of trading and membership of derivatives, and the Glossary of Defined Terms used in the Exchange Rules issued by the Saudi Stock Exchange Company (Tadawul). These rules aim to regulate the membership of the Clearing Center and the members' obligations, and to regulate the membership of the derivatives market and the derivatives trading activities.

Due to the recent introduction of this type of investment product into the Saudi capital market, CMA cooperated with the Saudi Stock Exchange Company (Tadawul) to organize workshops for the members of the market and launch awareness-raising campaigns on derivatives that target investors.

The launch of the derivatives market in the Kingdom is an extension of the important developments witnessed by the market recently, which enhance the Kingdom's position at the level of the financial sector and its leading role in the Middle East region and attracts a larger portion of investors to invest in the Saudi Capital Market from all over the world.

CMA cooperates with relevant parties to consider increasing the products available in the derivatives market, such as the future contract product on stocks.

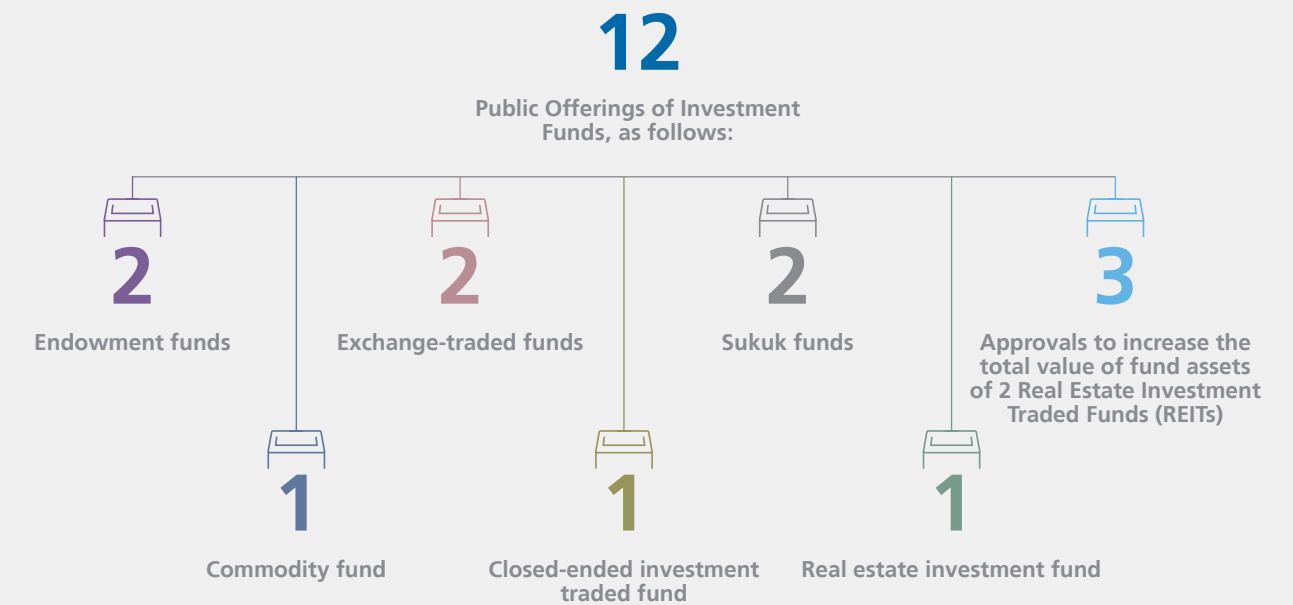


Section Two: Assets Under Management

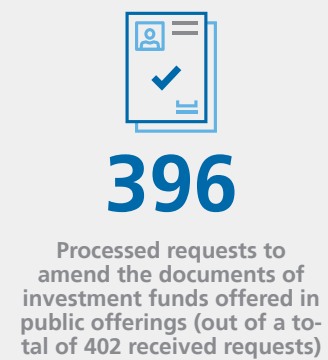
- 1. Issuing Investment Products**
- 2. Investment Funds**
- 3. Discretionary Portfolios**

1. Issuing Investment Products

During 2020, CMA approved the offering of the following units:



Throughout the same year, CMA also received:



2. Investment Funds

For the fifth year consecutively, the total assets of investment funds have achieved a further annual increase, after an increase of 26.5% at the end of 2020, compared to the previous year (Table No. (18)).

Table No. (18): Indicators of Investment Funds Sector⁽¹⁾

Element	2019			2020			Change (%)
	Public	Private	Total	Public	Private	Total	
Number of Funds	253	354	607	254	437	691	13.8 %
Number of Subscribers	329,739	4,487	334,226	358,894	5,301	364,195	9.0 %
Asset Value (Million SR)	159,958.0	189,460.0	349,418.0	209,724.3	232,251.3	441,975.6	26.5 %

2.1 Public Investment Funds

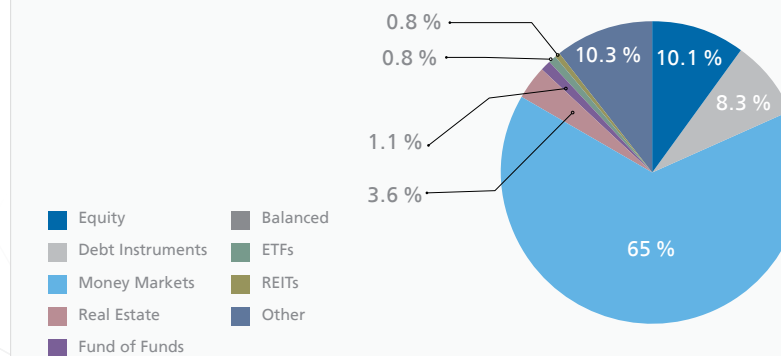
The asset value of public investment funds (whose units are publicly offered) represented 47.5% of the total value of fund assets by the end of 2020. Their value increased by 31.1% to reach SR 209.7 billion by the end of 2020, compared with the previous year, due to the increase in the asset value of money markets and debt instruments by 27.7% and 801.2%, respectively. The number of subscribers in public investment funds also increased by 8.8% to reach 358.9 thousand. The most prominent increase was in the number of subscribers Exchange-Traded Funds, which went up by 962.7%, and other investment funds which increased by 249.4% (Table No. (19)) and (Chart No. (4)).

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

Table No. (19): Indicators of Public Investment Funds by Type of Investment

Investment Type	Number of Funds			Number of Subscribers			Asset Value (million SR)		
	2019	2020	Change (%)	2019	2020	Change (%)	2019	2020	Change (%)
Equities	137	128	-6.6%	148,367	142,968	-3.6%	20,667.5	21,220.7	2.7 %
Debt Instruments	7	12	71.4 %	752	2,049	172.5%	1,927.3	17,368.1	801.2 %
Money Markets	46	43	-6.5%	39,051	37,607	-3.7%	106,796.6	136,415.4	27.7 %
Real Estate	9	10	11.1 %	7,141	7,212	1.0 %	7,951.6	7,544.9	-5.1%
Fund of Funds	25	23	-8.0%	5,478	5,422	-1.0%	2,837.3	2,236.2	-21.2%
Balanced	2	2	0.0 %	293	288	-1.7%	62.5	53.4	-14.6%
Exchange Traded Funds (ETFs)	3	6	100.0 %	461	4,899	962.7 %	42.0	1,609.0	3731.0 %
Real Estate Investment Traded Funds (REITs)	17	17	0.0 %	127,593	156,342	22.5 %	19,068.2	21,645.0	13.5 %
Other	7	13	85.7 %	603	2,107	249.4 %	605.0	1,631.7	169.7 %
Total	253	254	0.4 %	329,739	358,894	8.8 %	159,958.0	209,724.3	31.1 %

Chart No. (4): Percentages of Public Investment Funds Assets by Type of Investment for 2020



2.1.1 Public Funds Investing in Equities

The asset value of public funds investing in equities increased by the end of 2020 to reach SR 21.2 million. The most prominent increase was in public funds investing in American equities, which went up by 30.3% to reach SR 1.1 billion (Table No. (20)).

Table No. (20): Indicators of Public Investment Funds in Equities Classified Geographically

Geographic Location	Number of Funds			Number of Subscribers			Asset Value (million SR)		
	2019	2020	Change (%)	2019	2020	Change (%)	2019	2020	Change (%)
Local Equities	80	72	-10.0%	137,139	131,937	-3.8%	15,464.2	15,371.1	-0.6%
GCC Equities	24	24	0.0 %	8,541	8,018	-6.1%	1,620.7	1,618.0	-0.2%
Arab Equities	4	4	0.0 %	192	175	-8.9%	167.6	135.2	-19.4%
Asian Equities	7	7	0.0 %	804	831	3.4 %	683.6	871.0	27.4 %
American Equities	3	3	0.0 %	235	376	60.0 %	867.8	1,130.8	30.3 %
European Equities	4	4	0.0 %	234	288	23.1 %	531.7	607.5	14.3 %
Other International Equities	15	14	-6.7%	1,222	1,343	9.9 %	1,331.9	1,487.2	11.7 %
Total	137	128	-6.6%	148,367	142,968	-3.6%	20,667.5	21,220.7	2.7 %

2.2 Private Investment Funds

By the end of 2020, the asset value of private funds (whose units were privately offered) increased by 22.6% compared with the preceding year to reach SR 232.3 billion (Table No. (21)).

Table No. (21): Indicators of Private Funds Classified by Investment Type⁽¹⁾

Investment Type	Number of Funds			Number of Subscribers			Asset Value (Million SR)		
	2019	2020	Change (%)	2019	2020	Change (%)	2019	2020	Change (%)
Equities	66	94	42.4 %	673	412	-38.8%	102,966.4	115,287.9	12.0 %
Private Equity/ Venture Capital	87	108	24.1 %	1,234	1,368	10.9 %	11,675.6	10,496.6	-10.1%
Debt Instruments	9	14	55.6 %	80	483	503.8 %	5,175.2	10,708.9	106.9 %
Money Markets	7	7	0.0 %	103	109	5.8 %	2,262.3	2,207.2	-2.4%
Real Estate	116	136	17.2 %	2,168	2,531	16.7 %	58,458.1	83,157.0	42.3 %
Commodities	1	1	0.0 %	4	0	-	382.7	-	-
Multi Assets	59	69	16.9 %	132	207	56.8 %	7,836.2	9,269.4	18.3 %
Hedging and Derivatives	1	1	0.0 %	5	5	0.0 %	325.2	323.1	-0.6%
Feeder	2	1	-50.0%	24	68	183.3 %	59.7	292.1	388.9 %
Finance	6	6	0.0 %	64	118	84.4 %	318.6	509.0	59.8 %
Total	354	437	23.4%	4,487	5,301	18.1 %	189,460.0	232,251.3	22.6 %

(1) Including funds in offering periods.

2.3 Exchange Traded Funds (ETFs)

By the end of 2020, the asset value of Exchange Traded Funds increased to SR 1.6 billion, marking a 3,700% increase compared to the previous year. This increase is due to the launch of 3 new Exchange Traded Funds that invest in government Sukuk and gold. This was reflected in the 962.7% increase in the number of subscribers compared to the previous year (Table No. (22)).

Table No. (22): Exchange Traded Funds

Fund Name	Asset Value (million SR)			Number of Subscribers		
	2019	2020	Change (%)	2019	2020	Change (%)
Falcom Saudi Equity	24	19.4	- 19.2 %	266	527	98.1 %
Falcom Petrochemical	9	3.2	- 64.4 %	102	211	106.9 %
HSBC Saudi 30	9	9.6	6.7 %	93	193	107.5 %
Alinma Saudi Government Sukuk ETF Fund - Short Maturity	-	1,291.4	-	-	187	-
Albilad Saudi Sovereign Sukuk ETF	-	166.8	-	-	1,287	-
Albilad Gold ETF	-	118.8	-	-	2,494	-
Total	42	1,609.0	3731.0 %	461	4,899	962.7 %

2.4 Real Estate Investment Traded Funds (REITs)

The asset value of the REITs amounted to SR 21.6 billion by the end of 2020 compared to SR 19.1 billion by the end of 2019. The number of REITs remained stable at 17 listed funds while the number of subscribers increased by 22.5% to reach more than 156 thousand (Table No. (23)).

Table No. (23): Real Estate Investment Traded Funds

Fund Name	Asset Value (Million SR)			Number of Subscribers		
	2019	2020	Change (%)	2019	2020	Change (%)
Riyad REIT	1,495.5	2,384.3	59.4 %	8,872	11,346	28.0 %
Al Jazira Mawten REIT	103.4	96.3	-6.9 %	1,900	2,293	21.0 %
Jadwa REIT Al Haramain	636.9	548.5	-13.9 %	4,386	8,913	103.0 %
Taleem REIT	524.4	656.3	25.1 %	1,280	2,451	91.0 %
Al Maather REIT	595.3	578.1	-2.9 %	2,843	4,830	70.0 %
Musharaka REIT	1,078.7	1,208.9	12.1 %	3,599	5,828	62.0 %
Mulkia REIT	894.5	1,298.6	45.2 %	4,365	5,589	28.0 %
Mashaer REIT	579.3	548.9	-5.2 %	3,380	4,490	33.0 %
Al-Ahli REIT 1	1,792.6	1,913.3	6.7 %	6,908	7,937	15.0 %
Derayah REIT	1,549.7	1,595.4	2.9 %	4,995	9,261	85.0 %
Al-Rajhi REIT	1,724.1	2,338.0	35.6 %	23,993	26,447	10.0 %
Jadwa REIT Saudi	1,555.1	1,514.9	-2.6 %	11,547	10,402	-10.0 %
Sedco Capital REIT	1,193.4	1,074.1	-10.0 %	19,067	17,825	-7.0 %
Swicorp Wabel REIT	1,116.3	958.2	-14.2 %	5,532	6,678	21.0 %
MEFIC REIT	1,245.9	1,241.1	-0.4 %	11,532	16,251	41.0 %
Bonyan REIT	1,941.6	1,963.1	1.1 %	6,698	7,263	8.0 %
AlKhabeer REIT	1,041.6	1,727.2	65.8 %	6,696	8,538	28.0 %
Total	19,068.2	21,645	13.5 %	127,593	156,342	22.5 %

3. Discretionary Portfolios

The asset value of discretionary portfolios increased by 12.9% to reach SR 169.7 billion by the end of 2020 (Table No. (24)).

Table No. (24): Asset Value of Discretionary Portfolios Categorized by Investment Type

Investment Type	Asset Value (million SR)		Change (%)
	2019	2020	
Local Equities	54,620.7	68,659.8	25.7 %
International Equities	2,188.3	3,276.1	49.7 %
Debt Instruments	4,111.5	6,507.3	58.3 %
Investment Funds	48,246.9	45,275.3	- 6.2%
Other	41,179.3	46,029.6	11.8 %
Total	150,346.7	169,748.1	12.9 %



**Chapter Five: Capital Market
Disclosure and Governance**



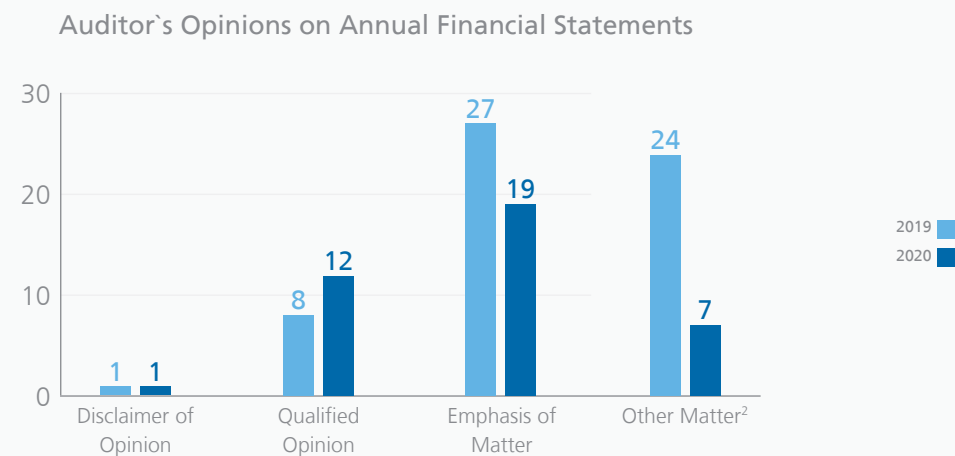
Section One: Disclosure

1. **Financial Statements of Listed Companies**
2. **Announcements of Listed Companies**

1. Financial Statements of Listed Companies⁽¹⁾

The reviews conducted by CMA during 2020 revealed qualified audit opinions on the annual financial statements. The number of qualified audit opinions on the annual financial statements of 2019, which were reviewed during 2020, totaled 39 (Chart No. (5)).

Chart No. (5): Number of Qualified audit opinions on the Annual financial statements of listed Companies that were reviewed by CMA



(1) 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.

(2) "Other Matter" in the chart refers to a matter other than what is presented or disclosed in the financial statements and is considered by the auditor as relevant to the users' understanding of the audit, the auditor's responsibilities, or the auditor's report. Example: The auditor left a remark under "Other Matter" indicating that the comparative figures presented in the financial statement concerning the previous financial period has been reviewed by another auditor.

2. Announcements of Listed Companies

The total number of listed companies' announcements on the Saudi Stock Exchange (Tadawul) website reached 3,932, compared with 4,069 in the previous year. Announcements concerning "Approval of New Product" increased by 100% (Table No. (25)).

Table No. (25): Announcements on the Saudi Stock Exchange (Tadawul) Website Classified by Type of Material Developments

Type of Announcement	2019		2020		Change (%)
	Number	Out of Total (%)	Number	Out of Total (%)	
Financial Results	775	19.0 %	780	19.8 %	0.6 %
Board of Directors' Recommendation to Increase Capital Through Issuing Preemptive Rights	9	0.2 %	7	0.2 %	-22.2%
Board of Directors' Recommendation to Increase Capital Through Bonus Shares Issue	16	0.4 %	6	0.2 %	-62.5%
Board of Directors' Recommendation to Decrease Capital	11	0.3 %	10	0.3 %	-9.1%
Invitation to General Assemblies and Announcements of Their Results	641	15.8 %	673	17.1 %	5.0 %
Dividends	133	3.3 %	126	3.2 %	-5.3%
Explanatory Announcement	721	17.7 %	450	11.4 %	-37.6%
Change in the Composition of Corporate Board of Directors and Top Management	195	4.8 %	156	4.0 %	-20.0%
Approval of New Product	4	0.1 %	8	0.2 %	100.0 %
Other Developments	1,564	38.4 %	1,716	43.6 %	9.7 %
Total	4,069	100 %	3,932	100 %	-3.4%



Section Two: Governance of Listed Companies

- 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 key actions taken by listed companies to achieve effective governance, through the following:



Responding to corporate inquiries about corporate governance



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



Continuously raising the awareness of listed companies



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



Raising the awareness of newly listed companies on their ongoing commitments

Over several years, the Saudi Corporate Governance Regulations have been developed (from guidance to obligatory) and have undergone substantial changes. The most prominent features of the Saudi Corporate Governance Regulations are as follows:



Dealing with conflict of interest and related parties' transactions



Clarifying the role and duties of the auditor in listed companies



Elaborating the internal control system and internal audit functions in listed companies



Clarifying the formation, responsibilities, and competencies of the board of directors and company committees



Explaining the general rights of shareholders in a way that guarantees justice and equality among them, and activating their roles in the listed companies



Clarifying the policy for retaining documents and for providing additional information and data



Establishing corporate governance rules consistent with the mandatory provisions stipulated in the Corporate Governance Regulations



Activating professional and ethical standards as well as social responsibility in listed companies



Clarifying the policies and procedures of disclosure in listed companies



Regulating the relationship with stakeholders and reporting non-compliant practices in listed companies

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 91.4% of the total seats in the boards of directors of listed companies in 2020 (Table No. (26) and Chart (6)).

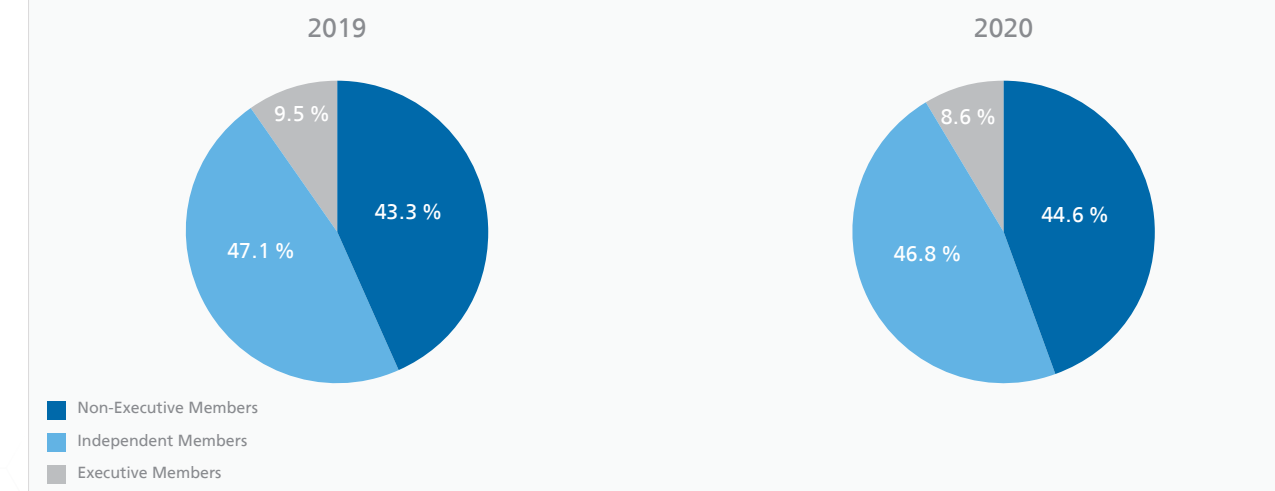
▶ **91.4%**

The percentage of non-executive members and independent members, combined, out of the total seats in the boards of directors of listed companies in 2020.

Table No. (26): Composition of Boards of Directors of Listed Companies Classified by Membership Type

Membership Type	Number		Change (%)
	2019	2020	
Non-Executive Members ⁽¹⁾	651	676	3.8%
Independent Members ⁽²⁾	708	708	0.0%
Executive Members	143	130	-9.1%
Total	1,502	1,514	0.8%

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



(1) 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.

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

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 issued by 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 must not be a member of the Audit Committee.

The number of seats of Audit Committees in listed companies decreased by 3.0% in 2020 to reach 626 seats. The Member seats outside the Board of Directors represented 49.2% of the total number of Audit Committee seats. (Table No. (27)).

Table No. (27): Number of Seats of Audit Committees in Listed Companies Classified by Membership Type

Membership Type	2019		2020		Change (%)
	Number	Out of Total (%)	Number	Out of Total (%)	
Non-Executive	109	16.9 %	90	14.4 %	-17.4%
Independent	233	36.1 %	228	36.4 %	-2.1%
Non-Board	303	47.0 %	308	49.2 %	1.7 %
Total	645	100.0 %	626	100.0 %	-2.9%

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.

The number of seats of Remuneration and Nomination Committees in listed companies decreased by the end of 2020 to 608 seats compared to 612 seats at the end of 2019. Independent Members accounted for the largest number of seats at 55.3 % of the total in 2020 (Table No. (28)).

Table No. (28): Number of Seats of Remuneration and Nomination Committees in Listed Companies Classified by Membership Type

Membership Type	2019		2020		Change (%)
	Number	Out of Total (%)	Number	Out of Total (%)	
Non-Executive	213	34.8 %	214	35.2 %	0.5%
Independent	317	51.8 %	336	55.3 %	6.0%
Executive	6	0.8 %	0	0.0 %	- 100%
Non-Board	76	12.4 %	58	9.5 %	- 23.7%
Total	612	100 %	608	100 %	- 0.7%

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 of 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 stood at 299 in 2020 (Table No. (29)).

Table No. (29): Number of Ordinary and Extraordinary General Assemblies Held in 2020

Assembly Type	Number
Ordinary General Assembly convening from the first meeting	14
Ordinary General Assembly convening from the second meeting	1
Extraordinary General Assembly convening from the first meeting	6
Extraordinary General Assembly convening from the second meeting	1
Extraordinary General Assembly convening from the third meeting	15
Ordinary General Assembly convening from the first and second meetings after one hour	192
Extraordinary General Assembly convening from the first and second meetings after one hour	70
Total Number of Meetings	299

4. Supervisory Visits

During 2020, 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 directors 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, raising awareness regarding the Regulations, and improving the practices of listed companies and parties related to the capital market, CMA was keen, during 2020, on participating in several international and local forums and held several seminars and awareness workshops, including:

Participation Type	Subject	Number	Location
Conference	OECD Corporate Governance Committee	2	Paris / Virtual
Conference	OECD Corporate Governance Working Group's Meeting of the MENA Region	1	Paris / Virtual
Workshop	Providing Support after Listing / Tadawul	2	Riyadh / Virtual
Awareness lectures for university students (Thameen Program)	Corporate Governance	2	Riyadh / Virtual
Workshop	Local Content and its Measurement Mechanisms	1	Riyadh
Seminar	The Importance of the Audit Committee in Companies and the Most Prominent Difficulties and Challenges it Faces; in collaboration with the Saudi Institute of Internal Auditors	1	Riyadh / Virtual
Meeting	Meeting With Listed Companies Regarding Investor Relations Function	1	Riyadh / Virtual



Chapter Six: Investors Protection



Section One: Investor Awareness

- 1. Informational Programs**
- 2. Investment Culture Programs**

Ever since its establishment, CMA has given great attention and care to raising awareness and promoting an investment culture in securities. It aims to raise and strengthen awareness regarding laws and regulations issued by CMA Board and enhance the financial and investment culture with a view to increase confidence, knowledge, and the acquisition of skills needed to manage investment instruments, as well as enable the investor to take advantage of investment opportunities, grow and develop their investments, and inject available funds and savings into the capital market, all of which reflects positively on the performance of the national economy. CMA also strives to protect investors through increasing awareness regarding risks the investor might be exposed to in the capital market as well as manipulative and misleading acts. 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

Throughout 2020, CMA issued 169 statements and announcements (17 press releases and 152 announcements) posted on its website and shared with participants in the capital market through media, social media platforms, and the Saudi Stock Market "Tadawul" website.

CMA also held 25 media meetings with local and foreign media outlets through which it highlighted the legislations and regulations issued. Given CMA's attention to and keenness on staying informed about what is reported in the media, CMA held 14 meetings with economic opinion columnists and participated in several information and awareness conferences, seminars, forums, and workshops and issued several periodic reports that monitor and analyze what is reported in media outlets and social media platforms regarding the capital markets.

2. Investment Culture Programs

During 2020, CMA carried out the following cultural programs:

1. Publishing and Distributing Awareness Booklets

Awareness booklets and publications are among the most essential educational means made available by CMA to all kinds of investors. CMA issued 4 new awareness booklets during 2020 as follows:

1. Financial Statements: This booklet aims to introduce financial statements, their types, and general concepts related to financial statements,
2. Financial Sector: This booklet provides an introduction to the financial sector, factors that affect it, sector types, and the role of the financial sectors in the Saudi economy and financial sector.
3. A Journey from Savings to Investment: This booklet discusses how to save, the next steps after saving, and concepts of investing in the capital market.
4. Margin Trading Brochure: This booklet defines margin trading and explains why investors ask for margin trading and the risks they might expose investors to.

As such, the number of awareness booklets and brochures issued by CMA throughout previous years and until the end of 2020 is 36, all of which are made available through online platforms under "Thameen" program and "Smart Investor" program.

2. Educational Campaigns Through Social Media Platforms

Due to the importance of social media platforms and their wide consumption by all society groups, CMA organized, during 2020, a number of promotional and educational campaigns on various topics related to the capital market, including raising and strengthening awareness regarding laws and regulations managed by CMA, investor rights, and unsound practices, enhancing the financial and investment culture, increasing the confidence and knowledge needed to manage investment instruments, and raising awareness regarding investment products, sukuk, and debt instruments' specifications and risks.

Educational campaign topics also included a number of aspects that contribute to the awareness of people seeking to invest regarding the most prominent investment methods.

As part of its efforts to promote a culture of sound financial practices among the youth, CMA held awareness campaigns for the "Smart Investor" program, which targets youth within the age group 9-14 years and aims to establish a financially literate generation that is prepared to positively interact with the society in regard to financial practices and savings awareness.

Furthermore, CMA contributed to spreading awareness campaigns aiming to inform and warn the public against trading securities in the unlicensed foreign exchange market FOREX and marketing all names and derivatives of unlicensed digital currencies. The Standing Committee for Awareness and Warning Against the Activity of Trading With Securities in the Unlicensed Foreign Exchange Market (Forex), concerned with raising this awareness, is chaired by the Capital Market Authority and includes in its membership the Ministry of Interior, the Ministry of Information and the Ministry Trade, and the Saudi Arabian Monetary Authority, and works on permanent coordination with the relevant government agencies to reduce the phenomenon of marketing for investment and trading in unlicensed forex activities, as well as dealing in unlicensed virtual digital currencies.

CMA also effectively contributed to launching the Joint Gulf Awareness Campaign for the Awareness of Investors in Gulf Markets ("Mulem"), a joint campaign launched by GCC capital market regulators to raise awareness regarding the fundamentals of investing in the capital markets of GCC member states. This campaign is an extension of the present cooperation among GCC states, especially in economic importance, as GCC capital markets attract national and international investments.

3. Seminars and Workshops

Throughout 2020, CMA held 29 forums and workshops with participants in the capital market and shed light on regulations and legislations in the capital market in the presence of parties under CMA supervision and legislative authorities in the capital market.

CMA staff also contributed to delivering 32 awareness and educational talks to students at certain Saudi educational institutions regarding various topics related to the capital market (Table No. (30)).

Table No. (30): Talks delivered by CMA to students at certain Saudi educational institutions in 2020

Educational Institution	Number of Talks
Virtual talk addressed to all universities	5
Princess Nourah Bint Abdulrahman University	4
Majmaah University	3
King Abdulaziz University	3
Shaqra University	3
Qassim University	2
University of Jeddah	2
Dar Al Uloom University	2
University of Business and Technology	1
King Khalid University	1
King Saud University	1
King Fahd University of Petroleum and Minerals	1
King Faisal University	1
Effat University	1
Arab East Colleges	1
Institute of Public Administration	1
Total	32

4. Awareness Exhibitions

CMA participates 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, and to introduce CML information, guidelines, and implementing regulations. This service is to help investors find fair and safe investment opportunities and increase their awareness of suspicious investments.

5. Smart Investor Award

In 2020, CMA launched the Smart Investor Award as one of the initiatives within the Smart Investor Program. The initiative aims to enrich awareness content regarding the financial culture and promote sound financial practices among youth. 10 winners were selected for each track (video track, drawing track, expression track, and photography track), and the event gathered more than 1,800 female and male student participants from different educational cycles from all over the Kingdom. The Smart Investor Award was announced in September, and the final results were announced at the end of the year.





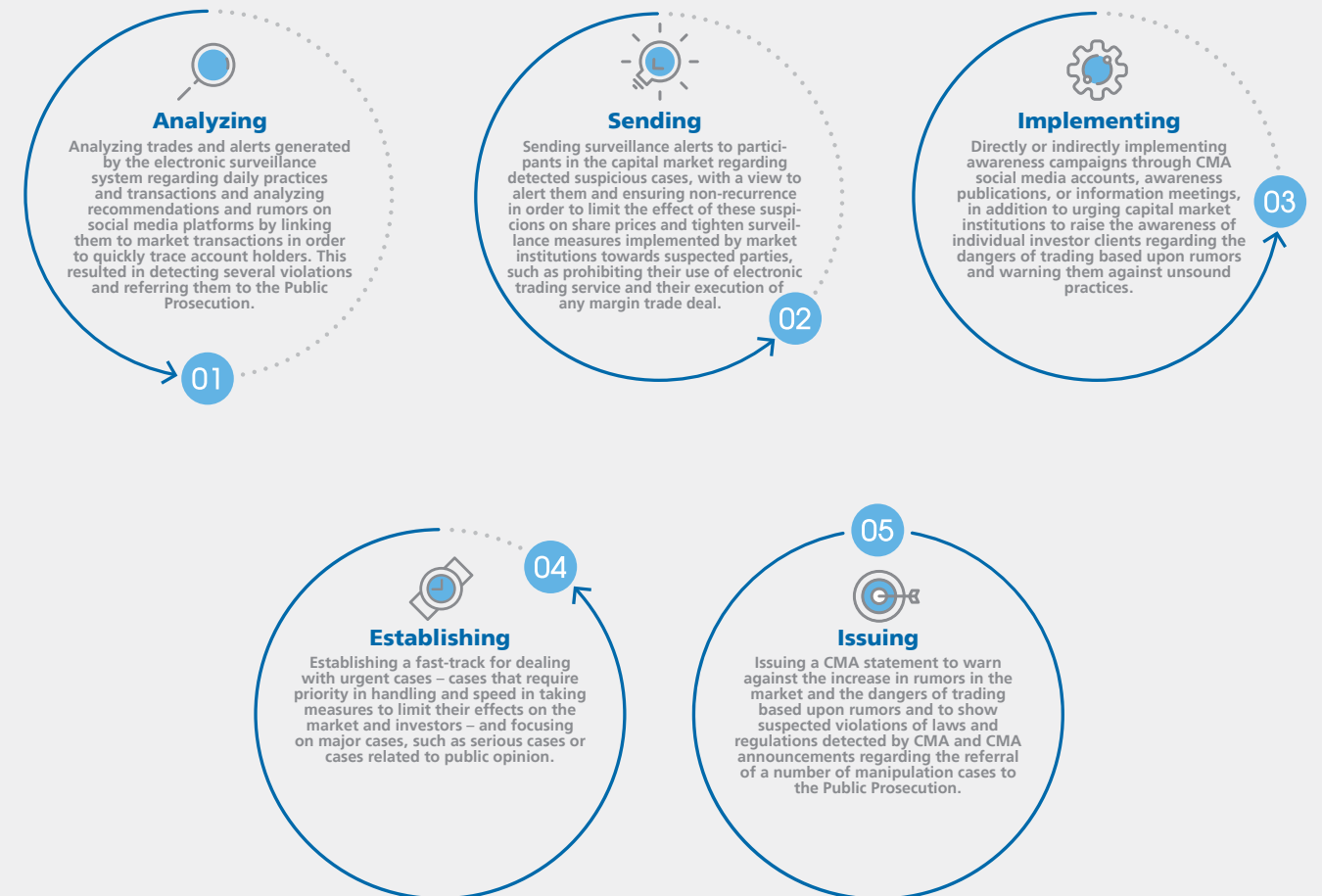
Section Two: Surveillance

- 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. Throughout 2020, CMA made several efforts to reduce risks associated with activity momentum, limit unjustified price inflation, and curb unsound practices in the market, as follows:



By the end of 2020, surveillance system alerts on trade reached 49,247 and 981 intensive scans for trades suspected of being in violation of the laws and regulations were carried out. Surveillance inquiries reached 194 by the end of 2020, and 19 suspected violations were detected during that year (Table No. (31)).

Table No. (31): Prominent Developments of Surveillance of Trades and Transactions

Element	Number		Change (%)
	2019	2020	
Surveillance System Alerts ⁽¹⁾	29,043	49,247	69.6%
Intensive Scans for Trades Suspected of Violating the Laws and Regulations Enforced by CMA	447	981	119.5%
Surveillance Inquiries	60	194	223.3%
Suspected Violations	5	19	280.0%

The intensive scans for trades suspected of violating laws and regulations enforced by CMA in 2020, classified by source, show that CMA conducted 332 intensive scans through market surveillance, and 649 scans through surveillance system alerts (Table No. (32)).

Table No. (32): Intensive Scans for Trades and Deals Suspected of Violating Laws and Regulations Enforced by CMA Classified by Source

Source of Intensive Scans	2019		2020		Change (%)
	Number	Out of Total (%)	Number	Out of Total (%)	
Market Surveillance ⁽²⁾	93	20.8%	332	33.8%	257.0%
Alert ⁽³⁾	354	79.2%	649	66.2%	83.3%
Total	447	100%	981	100%	119.5%

During the fourth quarter of 2020, CMA's efforts to limit unsound practices in the market paid off, and CMA issued a statement warning against rumors and announcing the issuance of the board's resolution to refer 11 suspects. The suspects were seized during the second half of 2020 to appear before Public Prosecution, and the board announced the issuance of its resolution to refer 10 suspects who were also seized during the second half of 2020 for Public Prosecution. Immediately after announcing the outcome of CMA efforts, an improvement in basic market indicators was witnessed.

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

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

(3) "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 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 28/01/1437 H corresponding to 10/11/2015. In 2020, 26 listed companies incurred losses amounting to 20% or more of their capital⁽¹⁾ (Table No. (33)).

Table No. (33): Listed Companies with Accumulated Losses of 20% or more of their Capital in 2020 ⁽²⁾

Accumulated Losses (%)	Number
Companies with accumulated losses of 20% or more but less than 35%	15
Companies with accumulated losses of 35% or more but less than 50%	7
Companies with accumulated losses of 50% or more	4
Total	26

(1) 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."

(2) Data regarding accumulated losses in 2020 was extracted from the interim financial statements for the period ending September 30, 2020 because the timeframe for publishing the annual financial statements for 2020 ends on March 31, 2021, after the issuance of this report.



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

- 1. Contact Center**
- 2. Investor Complaints and Reports**
- 3. Handling Investor Complaints**
- 4. Taking Action Against Violations of Laws and Regulations Enforced by CMA**
- 5. Classification of Violations of Laws and Regulations Enforced by CMA**

1. Contact Center

In 2020, CMA Contact Center handled 17,971 communications received via different communication channels compared to 8,798 communications during 2019. These communications included:

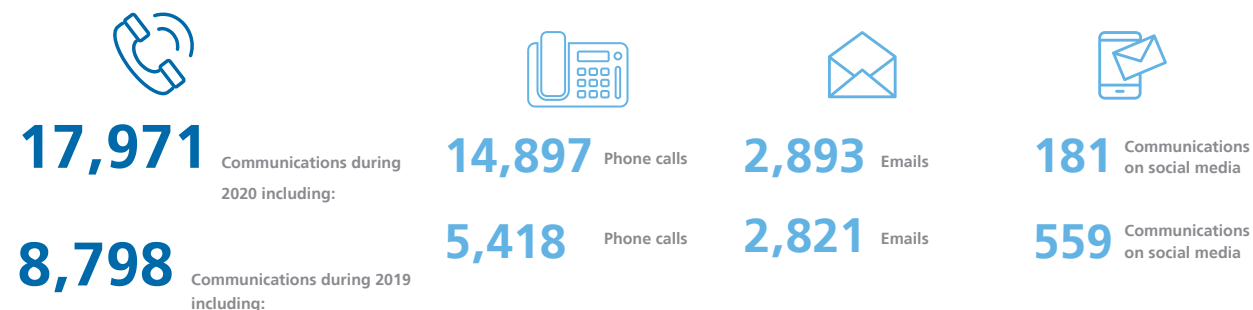
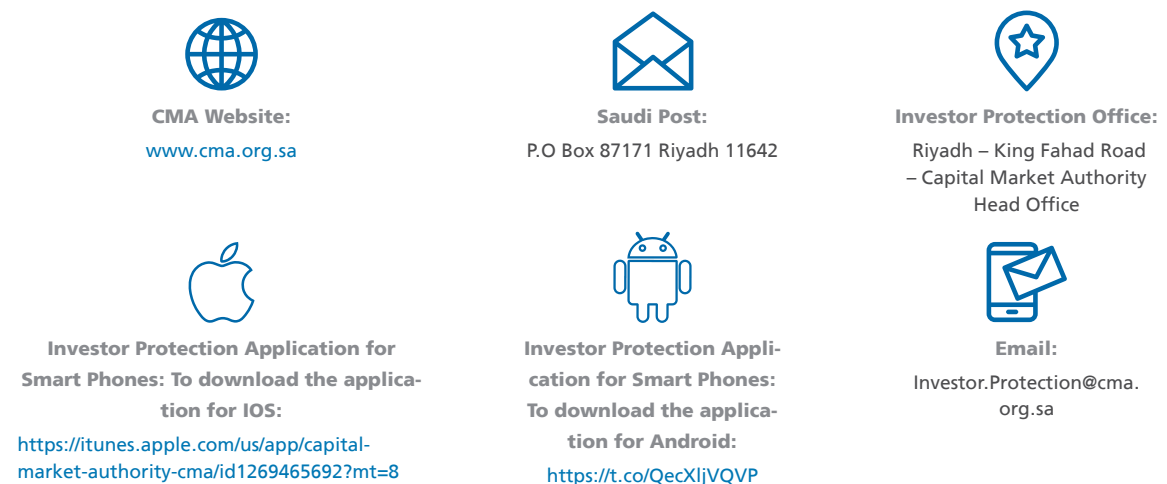


Figure No. (3) shows the official channels for receiving reports and complaints.

Figure No. (3): Official Channels for Receiving Reports and Complaints



2. 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.

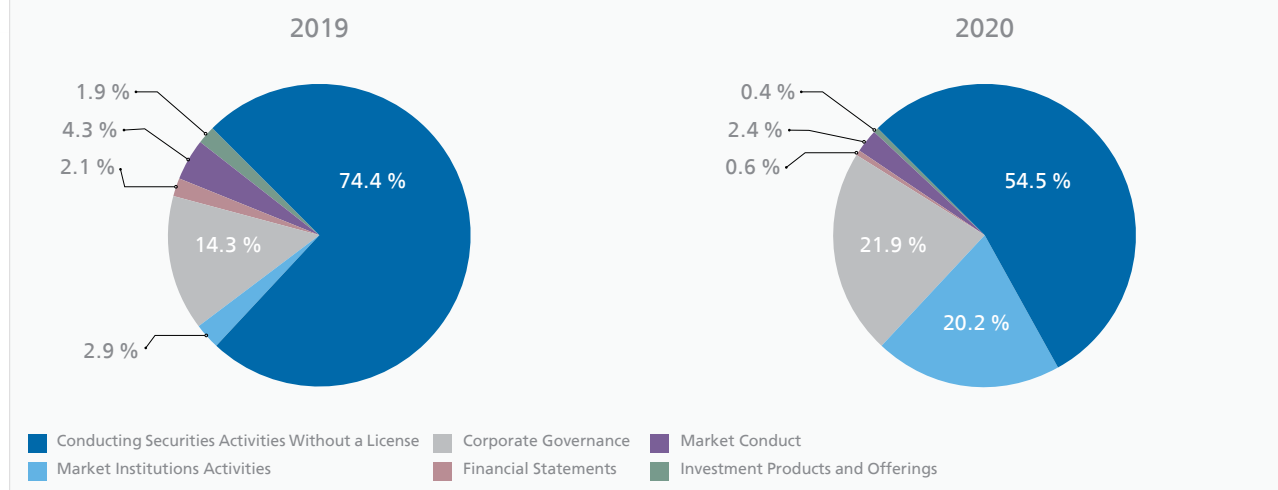
2.1. Reports

Table No. (34) indicates a rise in the number of reports received by CMA in 2020 to 1,473 compared to 934 in 2019. The number of reports related to conducting securities activities without a license increased by 15.5% (representing 54.5% of the total reports). The number of reports related to corporate governance and activities of market institutions increased in 2020 by 140.3% and 1004.7% respectively, while reports related to investment products and offerings, financial statements, and market conduct decreased by 66.7%, 55.0%, and 12.5% respectively in the same year (Chart No. (7)).



Table No. (34): Reports Classified by Subject

Subject of Report	Number		Change (%)
	2019	2020	
Conducting Securities Activities Without a License	695	803	15.5 %
Market Institutions Activities	27	298	1004.7 %
Corporate Governance	134	322	140.3 %
Financial Statements	20	9	- 55.0 %
Market Conduct	40	35	- 12.5 %
Investment Products and Offerings	18	6	- 66.7 %
Total	934	1,473	57.7 %

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

In view of the classification of complaints by the reported parties, Table No. (35) indicates that the number of reports against market infrastructure institutions went up by 137.5%, individuals by 114.7%, and market institutions by 544.4% in 2020 compared with 2019.

Table No. (35): Reports Classified by Reported Entity

Reported Entity	Number		Change (%)
	2019	2020	
Market Institutions	45	290	544.4 %
Listed Companies	131	323	146.6 %
Individuals	177	380	114.7 %
Market Infrastructure Institutions	8	19	137.5 %
Unlicensed Entities Dealing in Securities	573	461	- 19.5 %
Total	934	1,473	57.7 %

2.2. 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 which include: 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 10,391 complaints were received in 2020, marking an increase of 79.0% compared to the previous year. The number of complaints related to "Services Provided by Capital Market Institutions" represented the largest category of received complaints in 2020 (Table No. (36)).

Table No. (36): Complaints Classified by Subject

Element	Number	Out of Total (%)	Number	Out of Total (%)	Change (%)
	2019		2020		
Agreements and Contracts Between Investors and Brokerage Firms	55	0.8 %	49	0.5 %	- 10.9 %
IPO Subscriptions and Rights Issue	279	4.1 %	247	2.4 %	- 11.5 %
Services Provided by Capital Market Institutions	475	6.9 %	2,670	25.7 %	462.1 %
Investment Funds	227	3.3 %	159	1.5 %	- 30.0 %
Investment Portfolios	312	4.6 %	652	6.3 %	109.0 %
Execution of Securities Transactions	107	1.6 %	220	2.1 %	105.6 %
Corporate Governance	692	10.1 %	1,214	11.7 %	75.4 %
Listed Companies Earnings	344	5.0 %	836	8.0 %	143.0 %
Conducting Securities Activities Without a License	1,097	16.0 %	987	9.5 %	- 10.0 %
Indemnification Requests Related to Violations of the CML and Its Implementing Regulations	2,048	29.9 %	891	8.6 %	- 56.5 %
Complaints Not Within CMA's Jurisdiction	122	1.8 %	47	0.5 %	- 61.5 %
Other ⁽¹⁾	1088	15.9 %	2,419	23.3 %	122.3 %
Total	6,846	100 %	10,391	100 %	51.8 %

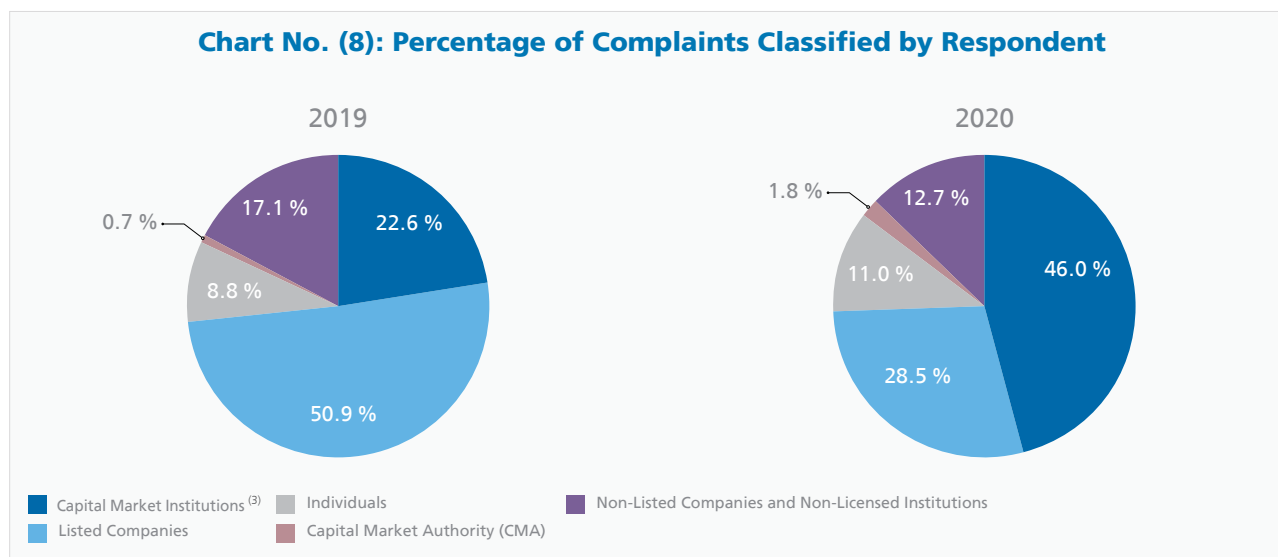
Classifying complaints by respondent reveals that complaints against capital market institutions represent the largest category at 46.0% of complaints received during 2020 (Table No. (37)) and (Chart No. (8)).

(1) Complaints closed during the registration phase and prior to classification.

Table No. (37): Complaints Classified by Respondent

Respondent	Number		Change (%)
	2019	2020	
Capital Market Institutions	1,314	4,777 ⁽²⁾	236.5 %
Listed Companies	2,953	2,963	0.3 %
Individuals	509	1,142	124.4 %
Capital Market Authority	38	190	400.0 %
Non-Licensed Institutions and Non-Listed Companies	992	1,319	33.0 %
Total	5,806	10,391	79.0 %

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



(2) Including 295 complaints against the Saudi Stock Exchange (Tadawul) and 178 complaints against the Securities Depository Center Company.

(3) Including complaints against the Saudi Stock Exchange (Tadawul) and against the Securities Depository Center Company.

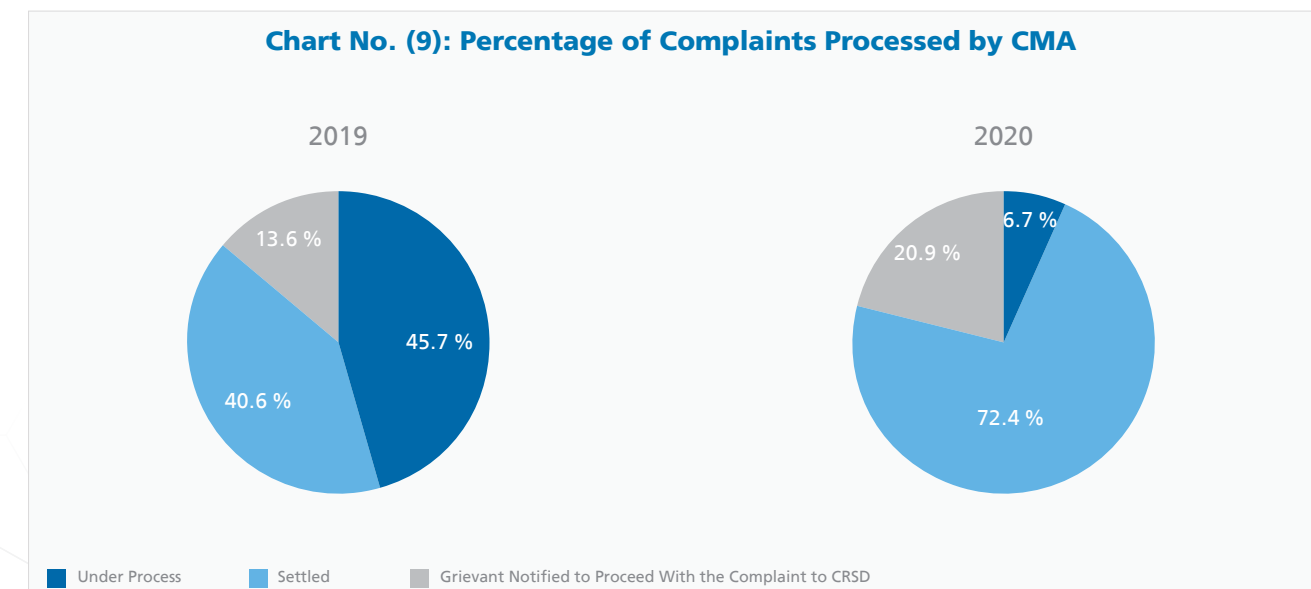
3. Handling Investor Complaints

The number of complaints that were settled in 2020 totaled 7,527. The percentage of complaints under consideration decreased significantly to 694 complaints in 2020, compared with 2,656 in 2019 (Table No. (38)) and (Chart No. (9)).

Table No. (38): Complaints Processed by CMA

Complaint Status	Number		Change (%)
	2019	2020	
Under Process	2,656	694	- 73.9 %
Settled	2,358	7,527	219.2 %
Grievant Notified to Proceed With the Complaint to The Committee for Resolution of Securities Disputes (CRSD)	792	2,170	174.0 %
Total	5,806	10,391	79.0 %

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



4. 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, CMA members and employees designated by the Board are empowered to subpoena witnesses, take evidence, and require the production of any books, papers, or other documents which CMA deems relevant or material to its investigation. CMA 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."

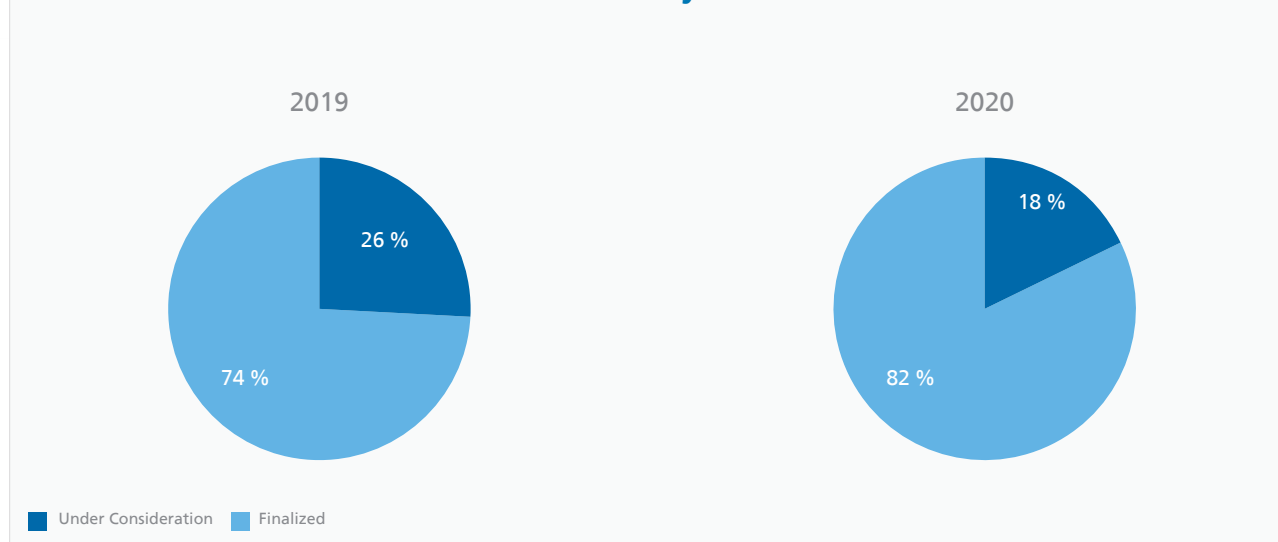
CMA finalized 214 out of 261 cases filed during 2020. This represents 82.0% of the total number of cases in which violations of the laws and regulations enforced by CMA were suspected. In general, the number of violations of the laws and regulations enforced by CMA decreased by 7.1% in 2020 (Table (39)) and (Chart (10)).

Table No. (39): Taking Actions Against Violations of Laws and Regulations Enforced by CMA

Status	Number		Change (%)
	2019	2020	
Under Consideration	73	47	- 35.6%
Finalized	208	214	2.9%
Total ⁽¹⁾	281	261	- 7.1%

(1) Including cases from the same year and previous years.

Chart No. (10): Percentage of Taking Actions Against Violations of Laws and Regulations Enforced by CMA



5. 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 10.5% in 2020 compared to 2019. (Table No. (40)).

B. Finalized Violations Cases

The total number of violation cases of laws and regulations enforced by CMA that have been finalized went up by 2.9% at the end of 2020 compared to 2019 (Table No. (40)).

Table No. (40): Filed and Finalized Violation Cases of Laws and Regulations Enforced by CMA, Classified by Type

Violation Type	Filed			Finalized ⁽¹⁾		
	2019	2020	Change (%)	2019	2020	Change (%)
Manipulation and Misleading Act/Market Conduct	2	17	750.0%	7	12	71.4%
Disclosure	55	21	- 61.8%	90	24	73.3%
Insider Trading	2	4	100.0%	8	2	- 75.0%
Capital Market Institutions Regulations ⁽²⁾	25	39	56.0%	19	43	126.3%
Change in the Ownership/Disposal Percentages without Notifying CMA	0	1	-	0	1	-
Conducting Securities Transactions without CMA License	37	34	- 8.1%	17	50	194.1%
CMA Board Resolutions	6	3	- 50.0%	5	2	- 60.0%
Offers of Securities Regulations ⁽³⁾	0	0	-	0	0	-
Registration and Listing Rules ⁽⁴⁾	0	0	-	1	0	- 100.0%
Trading during Prohibited Periods	36	7	- 80.6%	23	20	- 13.0%
Corporate Governance Regulations	2	27	1250.0%	3	16	433.3%
Real Estate/Investment Funds Regulations	6	8	33.3%	6	6	0.0%
Prudential Rules	5	0	- 100.0%	6	0	- 100.0%
Merger and Acquisition Regulations	0	0	-	0	0	-
CMA Circulars/Capital Market Institutions Conduct	6	8	33.3%	6	2	- 66.7%
Companies Law	26	16	- 38.5%	11	34	209.1%
Anti-Money Laundering Law and its Implementing Regulations and Counter-Terrorist Financing Law and their Implementing Regulations	2	3	50.0%	6	2	- 66.7%
Total	210	188	- 10.5%	208	214	15.4%

(1) Including cases from previous years.

(2) "Authorized Persons Regulations" was amended to become "Capital Market Institutions Regulations" pursuant to CMA Board Resolution No. (2-75-2020) dated 22/12/1441H corresponding to 12/08/2020; such violations are related to those found during inspection visits to capital market institutions to ensure the extent to their compliance with the provisions of the Capital Market Institutions Regulations, and others..

(3) Rules on the Offer of Securities and Continuing Obligations replace the Offering of Securities Regulations.

(4) Rules on the Offer of Securities and Continuing Obligations replace Registration and Listing Rules.



Section Four: 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 Committee for Resolution of Securities Disputes (CRSD), whether such violation cases are filed by or against CMA. CMA has the right to appeal CRSD's decisions before the Appeal Committee for the Resolution of Securities Disputes (ACRSD). Decisions issued by the ACRSD are deemed final and enforceable.

The number of cases pending with the CRSD filed against/by CMA decreased by 28.6% at the end of 2020, while the number of cases pending with ACRSD filed against/by CMA increased by 33.3% at the end of 2020 (Table No. (41)).

▶ **28.6 %**

Percentage decrease in the number of cases pending with the CRSD filed against/by CMA.

▶ **33.3 %**

Percentage increase in the number of cases pending with the ACRSD filed against/by CMA.

Table No. (41): Number of Cases Pending before the Committees for the Resolution of Securities Disputes Filed against/by CMA, Classified by Type

Case Type ⁽¹⁾	CRSD		ACRSD	
	Number		Number	
	2019	2020	2019	2020
Manipulation and Misleading Acts	1	0	0	1
Other Violations of Market Conduct Regulations	1	0	0	0
Conducting Securities Business without License	1	0	0	0
Violations of Registration and Listing Rules ⁽²⁾	1	2	1	0
Violations of Capital Market Institutions Regulations ⁽³⁾	0	0	0	0
Violation of Corporate Governance Regulations	0	0	1	0
Disclosure Violation	0	0	0	0
Violation of Unlicensed Offering of Securities	0	0	0	0
Appeals against CMA Board Resolutions, Instructions, and Circulars	3	3	1	0
Enforcement Lawsuit	0	0	0	3
Total	7	5	3	4

(1) Cases related to "Insider Trading" mentioned in the 2019 Annual Report were deleted because jurisdiction over them had been transferred to Public Prosecution.

(2) Rules on the Offer of Securities and Continuing Obligations replace Registration and Listing Rules.

(3) "Authorized Persons Regulations" was amended to become "Capital Market Institutions Regulations" pursuant to CMA Board Resolution No. (2 - 75 - 2020) dated 22 / 12 /1441H corresponding to 12 / 08/ 2020.

2. Cases Pending Before other Judicial Authorities Filed Against/by CMA

The number of cases pending before other judicial authorities filed against/by CMA increased to 5 cases in 2020. This is due to the increase in the number of administrative cases at the Administrative Court (Table No. (42)).

Table No. (42): Number of Cases Pending Before the Judicial Authorities Filed Against/by CMA

Judicial Body	2019		2020	
	Type of Case	Number of Cases	Type of Case	Number of Cases
Administrative Court	Administrative	2	Administrative	4
Enforcement Courts of the Ministry of Justice	Enforcement	1	Enforcement	1
Total		3		5

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. (Table No. (43)).

▶ **66**

Total number of statements of claim, defense, and grievances in cases filed against/ by CMA

▶ **107.7 %**

Statements of Defense in Cases Filed against CMA

▶ **33.3 %**

Percentage decrease in statements of claim and defense in cases filed by CMA

▶ **18.2 %**

Percentage decrease in briefs of appeal against decisions issued by relevant judicial bodies

Table No. (43): Total Number of Statements of Claim, Defense and Grievances in Cases Filed Against/by CMA

Statements of Claim/Defense/Grievances	Number		Change (%)
	2019	2020	
Statements of Claim and Defense in Cases Filed by CMA	21	14	- 33.3 %
Statements of Defense in Cases Filed against CMA	13	27	107.7 %
Briefs of Appeal Against Decisions Issued by Relevant Judicial Bodies	11	9	- 18.2 %
Grievances against CMA Board Resolution	20	16	- 20.0 %
Total	65	66	1.5 %

4. Number of Cases Filed Against/by CMA with Final Judgements

➤ **14** Final judgments

were issued in favor of CMA in cases brought by or against it.

➤ **1** Final judgment

was issued against CMA in cases brought by or against it.

Table No. (44): Number of Final Judgments for/against CMA

Case Status	Number						Total Change (%)
	2019			2020			
	Filed by CMA	Filed Against CMA	Total	Filed by CMA	Filed Against CMA	Total	
Final Judgment in Favor of CMA	3	7	10	4	10	14	40.0%
Final Judgment Against CMA	0	1	1	1	0	1	0.0%

The number of cases referred by CMA to the Public Prosecution, since the issuance of High Order No. (4690) dated 06/02/1435H, which transferred the powers of agencies and committees involved in the investigation and prosecution of criminal offences to the Public Prosecution, reached 161 cases up to the end of 2020. The total number of cases referred to the Public Prosecution throughout 2020 reached 27 cases, most of which are violations related to conducting securities business without licenses which reached 15 violations in 2020. (Tables No. (45) and (46)).

The number of sessions attended by CMA's representatives before the Committee for the Resolution of Securities Disputes and relevant judicial bodies decreased to 21 sessions during 2020, compared to 31 sessions during 2019.

Table No. (45): Number of Cases Referred by CMA to the Public Prosecution Classified by Violated Article

Violated Article	2019	2020
Article (31): Violations Related to Conducting Securities Business/Transaction Without License	13	15
Article (49): Manipulation and Misleading Acts	5	10
Article (50): Insider Trading	1	1
Paragraph (c) of Article (211) of the Companies Law	1	1
Total	20	27

Table No. (46): Status of Cases Referred by CMA to the Public Prosecution

Case Status	Number (since jurisdiction was transferred up until the end of 2020)
Under Consideration with CRSD and ACRSD	15
Finalized	125
Referred to Public Prosecution and Still Under Process	21
Total	161

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

➤ **70** Sanction Decisions
Issued by CMA Board in 2020

➤ **30** Sanction Decisions
Issued by CRSD and ACRSD in 2020

➤ **38.1 %**
Percentage of decrease in sanction decisions issued by CMA compared to 2019

➤ **11.1 %**
Percentage of increase in sanction decisions issued by CRSD and ACRSD compared to 2019

➤ **62.9 %**
Percentage of sanction decisions issued by CMA Board and enforced by CMA

➤ **20.0 %**
Percentage of sanction decisions issued by CRSD and ACRSD and enforced by CMA

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

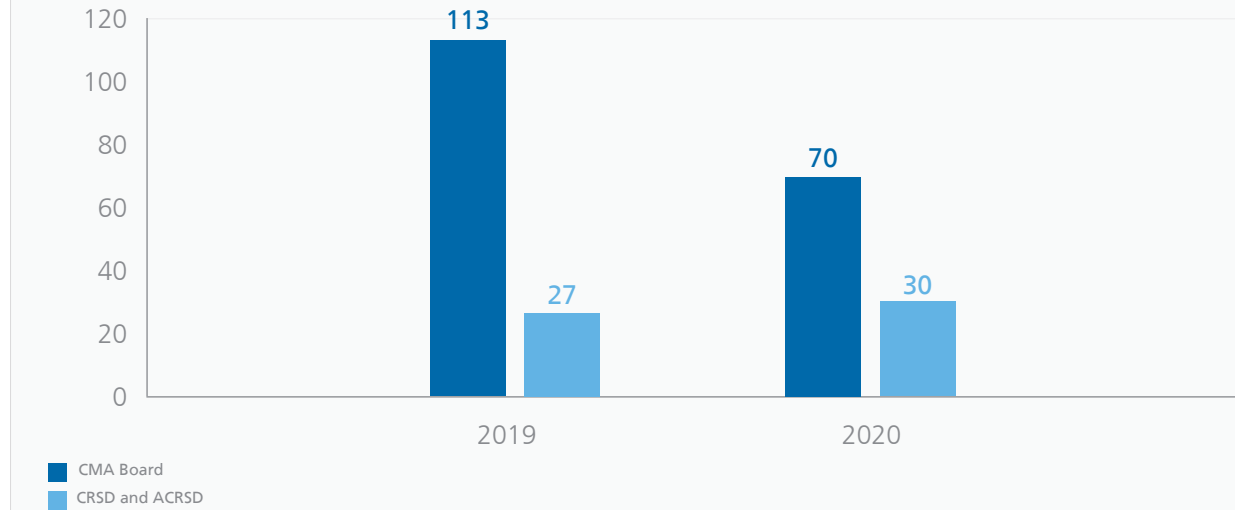


Table No. (47): Enforcement of Sanction Decisions Against Violators of Laws and Regulations Enforced by CMA Classified by Issuer

Decision Issuer	2019			2020		
	Number	Enforced	Enforced (%)	Number	Enforced	Enforced (%)
CMA Board	113	99	87.6%	70	44	62.9%
CRSD/ ACRSD	27	10	37.0%	30	6	20.0%
Total	140	109	77.9%	100	50	50.0%

6. Classification of Sanction Decisions Filed by CMA Against Violators of Laws and Regulations Enforced by CMA

➤ **100** Sanction Decisions

Issued by CMA Board, CRSD, and ACRSD in 2020

➤ **372** Violators

Involved in sanction decisions issued by CMA Board, CRSD, and ACRSD in 2020

Table No. (48): Enforcement of Sanction Decisions Against Violators of Laws and Regulations Enforced by CMA, Classified by Type of Violator in 2020

Type of Violator	Number	Enforced	Enforced (%)	Under Follow-Up	Under Follow-Up (%)
Investor	131	49	37.4 %	82	62.6 %
Capital Market Institution/ Registered Person	44	38	86.4 %	6	13.6 %
Listed Company	18	10	55.6 %	8	44.4 %
Senior Executives	179	129	72.1 %	50	27.9 %
Total	372	226	60.8 %	146	39.2 %

Table No. (49) shows the number of violations that resulted in sanctions against violators of the laws and regulations enforced by CMA classified by violation type in 2020. It also shows that 60.8% of all sanctions issued in 2020 have been enforced, compared to the enforcement of 79.4% of the 199 sanctions in 2019. "Manipulation and Misleading Acts" represent the highest number of violations.

➤ **128**

Manipulation and misleading acts

➤ **%41.4**

Enforcement percentage of violations related to manipulation and misleading acts

Table No. (49): Enforcement of Violations that Resulted in Sanctions Against Violators of Laws and Regulations Enforced by CMA, Classified by Type of Violation in 2020

Type of Violation ⁽¹⁾	Number	Enforced	Enforced (%)	Under Follow-Up	Under Follow-Up (%)
Manipulation and Misleading Acts	128	53	41.4 %	75	58.6 %
Disclosure	1	0	0.0 %	1	100.0 %
Insider Trading	1	1	100.0 %	0	0.0 %
Capital Market Institutions Regulations ⁽²⁾	38	35	92.1 %	3	7.9 %
Change in Ownership/Disposal Percentages without Notifying CMA	0	0	0.0 %	0	0.0 %
Conducting Securities Business without a CMA License	16	4	25.0 %	12	75.0 %
CMA Board Resolutions/Circulars	0	0	-	0	0.0 %
Offers of Securities Regulations ⁽³⁾	0	0	-	0	0.0 %
Registration and Listing Rules ⁽⁴⁾	4	4	100.0 %	0	0.0 %
Trading during Prohibited Period	8	7	87.5 %	1	12.5 %
Corporate Governance Regulations	78	37	47.4 %	41	52.6 %
Real Estate/Investment Funds Regulations	4	2	50.0 %	2	50.0 %
Prudential Rules	1	1	100.0 %	0	0.0 %
Merger and Acquisition Regulations	0	0	-	0	0.0 %
Companies Law	73	69	94.5 %	4	5.5 %
Anti-Money Laundering and Counter-Terrorist Financing Laws and Regulations	2	1	50.0 %	1	50.0 %
Rules on the Offer of Securities and Continuing Obligations	18	12	66.7 %	6	33.3 %
Total	372	226	60.8 %	146	39.2 %

(1) The type of violation "Anti-Money Laundering and Counter-Terrorist Financing Rules" mentioned in the 2019 report has been deleted in accordance with CMA Board Resolution No. (2-124-2018) dated 13/3/1440H corresponding to 21/11/2018.

(2) "Authorized Persons Regulations" was amended to become "Capital Market Institutions Regulations" pursuant to CMA Board Resolution No. (2-75-2020) dated 22/12 /1441 H corresponding to 12/08/2020.

(3) Rules on the Offer of Securities and Continuing Obligations replace the Offering of Securities Regulations.

(4) Rules on the Offer of Securities and Continuing Obligations replace Registration and Listing Rules.

372

Sanctions issued by CMA Board, CRSD and ACRSD

109 %

Percentage increase in sanctions issued by CMA Board, CRSD and ACRSD compared to 2019

Table No. (50): Sanctions Issued by the CMA Board and CRSD/ACRSD Classified by Type of Sanction

Sanction	Number	Out of Total (%)	Number	Out of Total (%)	Change (%)
	2019		2020		
Financial Penalty	143	80.3 %	278	74.7 %	94.4 %
Banning from Brokerage Activity, Portfolio Management, Investment Advisory, or any Registrable Function	5	2.8 %	23	6.2 %	360.0 %
Banning from Working in Listed Companies	8	4.5 %	41	11.0 %	412.5 %
Banning from Buying Shares of Listed Companies	17	9.6 %	27	7.3 %	58.8 %
Imprisonment	0	0.0 %	0	0.0 %	-
Other ⁽⁵⁾	5	2.8 %	3	0.8 %	- 40.0 %
Total	178	100.0 %	372	100.0 %	109.0 %

(5) Including administrative and cautionary sanctions.

7. Financial Penalties Against Violators of Laws and Regulations Enforced by CMA

258 million SR

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

242.9 million SR

Financial penalties issued against violations by Manipulation and Misleading Acts

Table No. (51): 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 2020

Type of Violation ⁽¹⁾	Total Amounts of Financial Penalties & Fines Imposed 01/01/2019 – 31/12/2019 (SR)	Total Amounts of Financial Penalties & Fines Collected 01/01/2019 – 31/12/2019 (SR)	Total Amounts of Financial Penalties & Fines Imposed 01/01/2020 – 31/12/2020 (SR)	Total Amounts of Financial Penalties & Fines Collected 01/01/2020 – 31/12/2020 (SR)
Manipulation and Misleading Acts	127,644,577	73,420,889	242,851,221	28,996,203
Disclosure	530,000	360,000	40,000	0
Insider Trading	1,440,380	1,440,380	0	0
Capital Market Institutions Regulations ⁽²⁾	460,000	450,000	2,250,000	2,200,000
Change in Ownership/Disposal Percentages Without Notifying CMA	0	0	0	0
Conducting Securities Business without a CMA License	1,192,915	962,923	1,384,400	258,746

(1) The type of violation "Anti-Money Laundering and Counter-Terrorist Financing Rules" mentioned in the 2019 report has been deleted in accordance with CMA Board Resolution No. (2-124-2018) dated 13/3/1440H corresponding to 21/11/2018.

(2) "Authorized Persons Regulations" was amended to become "Capital Market Institutions Regulations" pursuant to CMA Board Resolution No. (2-75-2020) dated 22/12/1441H corresponding to 12/08/2020.

Table No. (51): 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 2020

Type of Violation ⁽¹⁾	Total Amounts of Financial Penalties & Fines Imposed 01/01/2019 – 31/12/2019 (SR)	Total Amounts of Financial Penalties & Fines Collected 01/01/2019 – 31/12/2019 (SR)	Total Amounts of Financial Penalties & Fines Imposed 01/01/2020 – 31/12/2020 (SR)	Total Amounts of Financial Penalties & Fines Collected 01/01/2020 – 31/12/2020 (SR)
CMA Board Resolutions/Circulars	110,000	90,000	0	0
Offers of Securities Regulations ⁽³⁾	20,000	20,000	0	0
Registration and Listing Rules ⁽⁴⁾	0	0	1,500,000	1,500,000
Trading during Prohibited Period	1,010,000	960,000	370,000	320,000
Corporate Governance Regulations	0	0	6,070,000	1,780,000
Real Estate/Investment Funds Regulations	100,000	100,000	120,000	40,000
Prudential Rules	20,000	0	20,000	20,000
Merger and Acquisition Regulations	0	0	0	0
Companies Law	200,000	170,000	2,890,000	2,580,000
Anti-Money Laundering and Counter-Terrorist Financing Laws and Regulations	40,000	40,000	200,000	50,000
Rules on the Offer of Securities and Continuing Obligations	0	0	320,000	90,000
Total	132,767,872	78,014,192	258,015,621	37,834,948

(3) Rules on the Offer of Securities and Continuing Obligations replace the Offering of Securities Regulations.

(4) Rules on the Offer of Securities and Continuing Obligations replace Registration and Listing Rules.

➤ **242** million SR

Total amount of financial penalties imposed by CMA Board, CRSD, and ACRSD on investors

➤ **27.7** million SR

Total amount of collected financial penalties imposed on investors

Table No. (52): 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 2020

Type of Violator	Total Amounts of Financial Penalties & Fines Imposed 01/01/2019 – 31/12/2019 (SR)	Total Amounts of Financial Penalties & Fines Collected 01/01/2019 – 31/12/2019 (SR)	Total Amounts of Financial Penalties & Fines Imposed 01/01/2020 – 31/12/2020 (SR)	Total Amounts of Financial Penalties & Fines Collected 01/01/2020 – 31/12/2020 (SR)
Investor	130,297,872	75,844,192	242,025,621	27,704,948
Senior Executives	1,030,000	950,000	13,290,000	8,030,000
Registered Person	0	0	0	0
Listed Company	750,000	560,000	410,000	90,000
Capital Market Institution	690,000	660,000	2,290,000	2,010,000
Total	132,767,872	78,014,192	258,015,621	37,834,948⁽⁵⁾

(5) The decrease in the total amounts collected is due to the issuance of a number of Decisions by the Appeals Committee throughout the fourth quarter of 2020 imposing large amounts. Collection is still in progress in accordance with the followed regulations and procedures.

Section Five: Requests Regarding Investors' Assets

1. Request Received by CMA for Disclosure and Imposing / Removing Attachment and Enforcement
2. Judicial Orders Received via "Nafith" E-System

1. Request Received by CMA for Disclosure and Imposing / Removing Attachment and Enforcement

The total number of the requests received by CMA reached 268,159 in 2020. The largest number was from the Ministry of Justice by 265,046 requests, decreasing by 1.1% compared to the previous year (Table No. (53)).

Table No. (53): Request Received by CMA for Disclosure, Imposing / Removing Attachment and Enforcement classified by Requesting Party

Requesting Party	2019		2020		Change (%)
	Number	Out of Total (%)	Number	Out of Total (%)	
Ministry of Justice	269,365	99.3 %	265,046	98.8 %	-1.6 %
Other Governmental Agencies	211	0.1 %	354	0.2 %	67.8 %
Investors/Heirs	1,546	0.6 %	2,759	1.0 %	78.5 %
Total	271,122	100 %	268,159	100 %	- 1.1 %

The largest percentage of incoming requests was for Attachment, representing 64.1% of the total incoming requests in 2020 (Table No. (54)).

Table No. (54): Incoming Requests to CMA classified by Request Type

Request Type	2019		2020		Change (%)
	Number	Out of Total (%)	Number	Out of Total (%)	
Disclosure	4,608	1.7 %	4,680	1.7 %	1.6 %
Attachment	169,782	62.6 %	171,831	64.1 %	1.2 %
Removal of Attachment	96,194	35.5 %	91,245	34.0 %	- 5.1 %
Distribution of Estate	73	0.0 %	49	0.0 %	- 32.9 %
Sale	397	0.1 %	309	0.1 %	- 22.2 %
Other	68	0.0 %	45	0.0 %	- 33.8 %
Total	271,122	100 %	268,159	100 %	- 1.1 %




2. Judicial Orders Received via “Nafith” E-system

The number of disclosure and attachment orders electronically received by CMA from the Ministry of Justice via “Nafith” e-system reached 171,971 in 2020, increasing by 1.3% compared to the previous year (Table No. (55)).

Table No. (55): Number of Judicial Orders Received via “Nafith” E-System

Order Type	2019	2020
Disclosure and Attachment	169,697	171,971
Removing Attachment	95,860	91,100
Enforcement	93	90
Total	265,650	263,161



**Section Six: Registered Accounting Firms
and Registered Certified Public Accountants
(CPAs)**



As part of its role in regulating and developing the Saudi Capital Market, and in an attempt to make the Market's environment more stable by promoting transparency and disclosure, CMA started registering accounting firms and CPAs in 2019, in order to conduct audits for companies under its supervision. This took place after adopting "Rules for Registering Auditors of Entities Subject to the Authority's Supervision", which aim at improving the quality of both: the audits and the information required from investors, hence facilitating access to it. This contributes to promoting transparency, enhancing investors' trust in disclosed information, and attracting institutional investors. Tables No. (56) and No. (57) show the number of Registered Accounting firms and CPAs registered in CMA by the end of 2020.

Table No. (56): Certified Public Accountants (CPAs) Registered by CMA

Number	
2019	2020
39	40

Table No. (57): Accounting Firms Registered by CMA

Number	
2019	2020
13	13

In 2020, CMA also held 4 workshops for the registered accounting firms with the aim to raise the awareness level and support communication with CPAs and accounting firms, hence achieving higher compliance with the Capital Market Law and its implementing regulations. Table No. (58) shows the number of workshops held for the accounting firms registered in CMA by the end of 2020.

Table No. (58): Workshops Held for Accounting Firms Registered by CMA

Number	
2019	2020
1	4

CMA is working on developing a program related to inspecting registered accounting firms in order to protect investors and enhance the quality of audits. As per this program, CMA conducts inspection processes to evaluate the extent of each firm's compliance with rules, regulations, and related professional standards when auditing for companies under CMA's supervision. CMA has first inspected registered accounting firms in 2019 by looking at samples of financial statements audits for the years ending on the 31st of December 2018 and on the 31st of March 2019. An inspection program is currently being implemented for the year 2020, with inspection processes mainly focusing on financial statement audits in listing companies, performed in 2019 and 2020. Table No. (59) shows the total number of accounting firms covered by the inspection processes by the end of 2020.

Table No. (59): Registered Accounting Firms Covered by the Inspection/Examination Processes

Number	
2019	2020
3	5

After monitoring accounting firms registered by CMA, 9 violations were recorded by the end of 2020.



**Chapter Seven: Securities
Business Activities**



Section One: Licenses

- 1. Authorization Decisions to Conduct Securities Business Activities**
- 2. Licenses Classified by Securities Business Activities**
- 3. Credit Rating Licenses**
- 4. Special Purpose Entities (SPEs)**
- 5. Market Infrastructure Institutions (MIIs) Licenses**
- 6. Financial Technology Products "Fintech" in the Saudi Capital Market**
- 7. CMA Efforts in the Development of Financial Sector Employees**

1. Authorization Decisions of Securities Business Activities

➤ **22** Authorization Decisions
Issued by CMA

CMA issued authorization decisions for conducting securities business, including licensing, amendment, cancellation, and revocation.

➤ **106**
Capital Market Institutions by the End of 2020

Table No. (60): Number of Authorization Decisions Classified by Type

Decision	2019	2020
New License	11	7
Amended License	Add Activity	4
	Cancel Activity	4
Cancellation of License	1	6
Revocation of License	0	1
Total	18	22

2. Licenses Classified by Securities Business Activities

➤ **540**

Securities Business Activities Licenses by the End of 2020

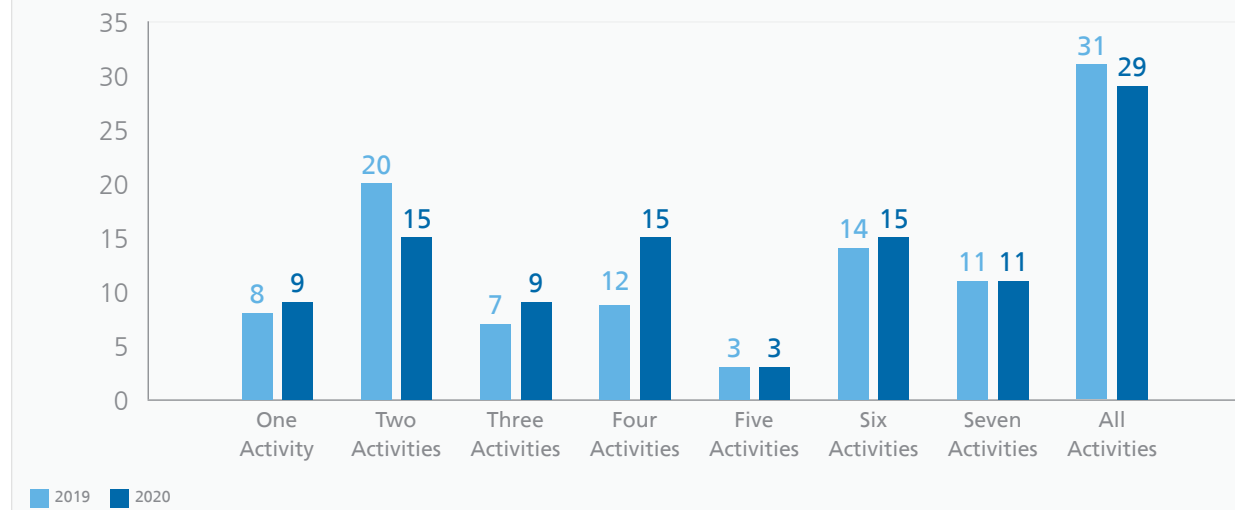
➤ **29**

Capital Market Institutions Performing All Activities by the End of 2020

Table No. (61): Number of Licenses Classified by Securities Business Activity

Securities Business Activity	2019			2020			Change out of Total (%)
	Commenced	Not Commenced	Total	Commenced	Not Commenced	Total	
Dealing	As Principal	62	0	62	60	0	- 3.2 %
	As Agent	39	1	40	40	0	0.0 %
	As Underwriter	48	1	49	50	1	4.1 %
Managing	Investment Fund Management	62	1	63	59	3	- 1.6 %
	Client Portfolio Management	57	1	58	54	3	- 1.7 %
	Private Non-Real Estate Investment Funds Management	6	6	12	7	7	16.7 %
	Sophisticated Investors Portfolio Management	7	4	11	8	3	0.0 %
	Arranging	83	8	91	84	8	9.2 %
Advising	79	12	91	81	8	8.9 %	
Custody	63	1	64	63	1	0.0 %	
Total	506	35	541	506	34	540	- 0.2 %

Chart No. (12): Number of Capital Market Institutions Classified by Number of Securities Activities Licenses



3. Credit Rating Licenses

➤ **4**

Licensed Credit Rating Agencies Authorized to Work in the Kingdom by the End of 2020

Table No. (62): Credit Rating Licenses Classified by Practice Status

Element	2019	2020
Practicing	4	4
Non-Practicing	0	0
Total	4	4

4. 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 unding 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 specialpurpose entities.

5. Market Infrastructure Institutions (MIIs) Licenses

Pursuing CMA's constant efforts to develop the Capital Market in the Kingdom and diversify investment opportunities, and in line with the Saudi Vision 2030, CMA granted the Securities Clearing Center Company (Muqassa) the authorization to perform securities clearing processes and classified it as a Qualifying Central Counterparty (QCCP). Muqassa has started practicing businesses of clearing derivative markets traded in the Saudi Capital Market. Muqassa Center will be established to diversify investment opportunities in the Capital Market, after allowing this Center to provide new business securities like derivatives, etc. Muqassa Center will also contribute to enhancing market risk management by developing new mechanisms to curb risks. This will allow the Center to ensure that the settlements are completed and that all parties fulfill their obligations upon the settlement of transactions, which will help develop the market's current infrastructure and increase its operational efficiency.

6. Financial Technology Products "Fintech" in the Saudi Capital Market

Financial Technology (Fintech) is a new financial industry that uses technical applications to improve financial products and services by facilitating the access of all segments of investors to these services in an easy, fast, and cost-competitive way. This is achieved through the automation of processes and operations, linking them to databases and ISP providers, and decreasing reliance on human services. Fintech also describes a diverse range of innovative business models and emerging technologies capable of elevating the financial services industry to reach new horizons.

As one of the initiatives under 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 23/04/1439 H corresponding to 10/01/2018. These Financial Technology Experimental Permit Instructions are the regulatory framework for granting permits that allow Fintech developers to make the 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 specific timeframe.

➤ **4**

Batches of Financial Technology Experiment Permit Applications Received by CMA Since 2018

➤ **15** Parties

Receiving Authorizations by the end of 2020

Table No. (63): Batches of Financial Technology Experiment Permit Applications

Element	Batches				Total
	First Batch	Second Batch	Third Batch	Fourth Batch	
Start Date	01 / 02 / 2018	15 / 10 / 2018	01 / 12 / 2019	01 / 10 / 2020	
End Date	28 / 02 / 2018	25 / 12 / 2018	30 / 01 / 2020	30 / 11 / 2020	
Number of Applicants	8	40	44	58	150
Number of Applicants Granted Authorizations	2	8	5	Under Study	15

Table No. (64): Financial Technology Experimental Permits

Permitted Financial Technology Model	Number	
	2019	2020
Financing Collective Ownership	6	8
Robo-Advisor	2	3
Introducing Debt Instruments and Investing in them	0	2
Adopting Distributed Ledger Technology (DLT) to Arrange and Preserve Securities	0	1
Social Trading	0	1
Total Number of Permits	8	15

Most Prominent Activities of Fintech Saudi

After its launching in 2019, Fintech Saudi has worked on supporting the offering of financial services by new actors involved in the field of Financial Technology. It also worked on developing funds, accelerators, and incubators that in turn focus on Financial Technology, with the aim of providing venture capital and stimulating the entrepreneurial environment.

The most prominent activities of Fintech include:

- **Launching Fintech Accelerator:** Fintech launched an accelerating program to support innovative entrepreneurs by providing them with the necessary guidance and instruction. This will develop the field of Financial Technology in the Kingdom after expanding the businesses of Fintech start-ups. Fintech started receiving applications for this program as of 28/10/2020 and launched it on 15/11/2020. Fintech Accelerator was developed to provide entrepreneurs with the best practices, resources, and tools that shall help them grow, develop, and expand their financial technology businesses.
- **Fintech Tour:** Fintech held several workshops and lectures, presented by financial technology experts, in order to grant everyone

the chance of learning and building knowledge related to Financial Technology. The third tour included three main themes: trends in Financial Technology, Financial Technology in the Kingdom, and entrepreneurial skills, each presented by local and international field experts.

- Establishing partnerships and signing agreements with partners and supporters, which amounted to 54 partnerships.
- Preparing and publishing an annual report on Financial Technology in the Kingdom during 2019-2020, which includes an overview of Financial Technology, the role of financial technology personnel, governmental policies and existing regulations related to the financial technology field, the legislator's perspectives, and the most prominent achievements in developing the financial sector.

7. Labor Force in Capital Market Institutions, Market Infrastructure Institutions, and Licensed Financial Technology Companies

The total number of employees working for Capital Market Institutions reached 4,395, and the Saudization percentage reached a 75.0% at the end of 2020 (Table No. (65)).

Table No. (65): Employees Working for Capital Market Institutions and the Saudization Percentage

Element	Number of Employees		Saudization Percentage	
	2019	2020	2019	2020
Registered Person ⁽¹⁾	3,059	3,052	75.0%	76.0%
Unregistered Person	1,270	1,343	69.0%	72.0%
Total	4,329	4,395	73.0%	75.0%

The total number of employees working for Market Infrastructure Institutions reached 373, and the Saudization percentage witnessed a 90.6% increase by the end of 2020 (Table No. (66)).

(1) A registered person with CMA for a job that requires registration.

Table No. (66): Employees Working in Market Infrastructure Institutions and the Saudization Percentage

Institution	Number of Employees		Saudization Percentage	
	2019	2020	2019	2020
Saudi Stock Exchange (Tadawul)	315	299	90.5%	91.3%
Securities Clearing Center Company (Muqassa)	22	24	63.6%	66.7%
Securities Depository Center Company (Edaa)	55	50	96.4%	98.0%
Total	392	373	89.8%	90.6%

The total number of employees working for Licensed Financial Technology Companies reached 36, and the Saudization percentage reached 88.9% at the end of 2020 (Table No. (67)).

Table No. (67): Employees Working for Licensed Financial Technology Companies

Number of Employees		Saudization Percentage	
2019	2020	2019	2020
20	36	90.0%	88.9%

8. CMA Efforts in the Development of Financial Sector Employees

CMA made significant efforts to help develop the Capital Market sector during 2020, including:

- Launching the Corporate Finance Technical Foundation Certificate, provided by the Chartered Institute for Securities and Investment (CISI). This Certificate is required from the persons to be registered to work as a Corporate Finance specialist and to obtain approval of receiving other equivalent certificates.
- Holding a Capital Market Institutions Forum, in cooperation with the Authorized Financial Institutions Committee. The Forum discussed several topics such as reviewing CMA's future plans with Capital Market Institutions as well as the emerging challenges facing the market due to the COVID-19 pandemic.
- Holding two annual Forums for Compliance Officers at the Capital Market Institutions to discuss the new challenges facing Securities Business Regulations and the Capital Market Institutions Regulations⁽²⁾.
- Holding several advanced certification programs in the fields of compliance, anti-money laundering, and counter-terrorism financing, in cooperation with the Financial Academy. These programs aim at developing the human resources working for Capital Market Institutions in the fields of compliance, anti-money laundering, and counter-terrorism financing.

(2) The name "Authorized Persons" has been amended to be "Capital Market Institutions", in accordance with the Board Resolution No. (2-75-2020) dated 22/12/1441H, corresponding to 12/8/2020..



Section Two: Inspection and Financial Prudence

- 1. Inspection**
- 2. Financial Prudence**
- 3. Margin Lending**
- 4. Anti-money Laundering (AML) and Counter-Terrorist Financing (CTF)**



1. Inspection

Inspections conducted by CMA during 2020 resulted in:

➤ **89**

Licenses, through

➤ **49**

Cycle Inspections

➤ **40**

Cause Inspections

Table No. (68): Number of Inspected Licenses

Type of License	2019			2020			Change out of Total (%)
	Cycle Inspections	Cause Inspections	Total	Cycle Inspections	Cause Inspections ⁽¹⁾	Total	
Dealing	10	14	24	10	18	28	16.7 %
Managing	10	6	16	9	20	29	81.3 %
Arranging	10	1	11	10	2	12	9.1 %
Advising	10	0	10	10	0	10	0.0 %
Custody	10	2	12	10	0	10	- 16.7 %
Total	50	23	73	49	40	89	21.9 %

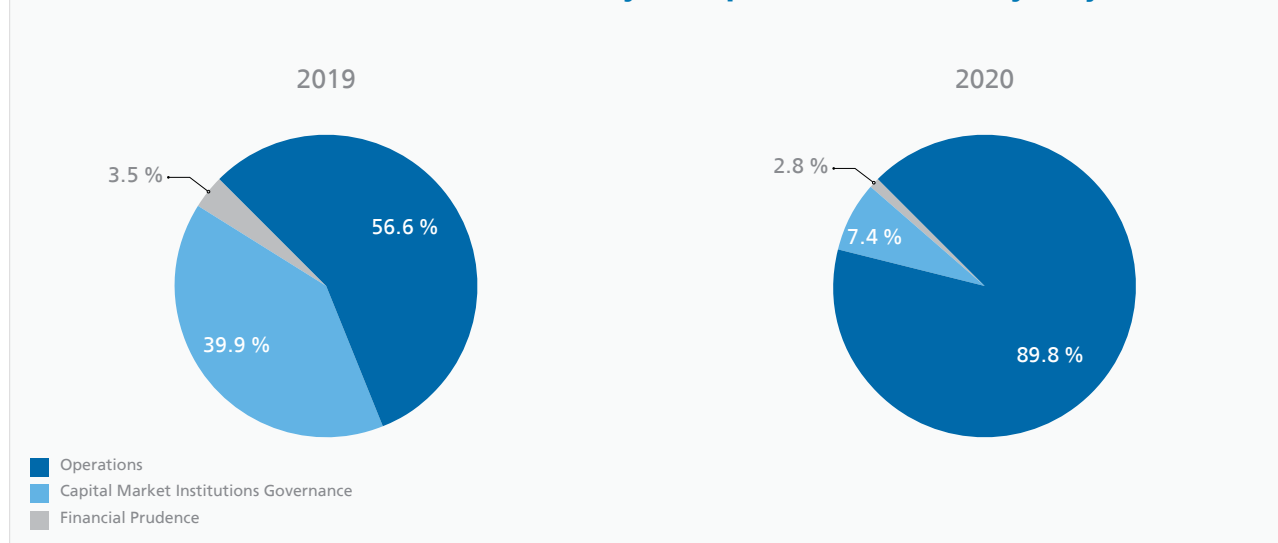
The total number of cause inspections resulting from referrals from related parties, inside or outside CMA, accounted for 93.2% of the total referrals (Table No. (69)).

(1) The total number does not include the 63 cause inspection visits related to other aspects of Capital Market Institutions' businesses, such as compliance with the requirements of corporate governance, financial prudence, and so on..

Table No. (69): Number of Cause Inspections Classified by Reason

Reason	Number		
	2019	2020	Change out of Total (%)
Referrals from Related Parties Inside or Outside CMA	67	96	43.3 %
Notices and Inquiries of Capital Market Institutions ⁽²⁾	3	7	133.3 %
Total	70	103	47.1 %

In 2020, cycle inspections of Capital Market Institutions 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

(2) The name «Authorized Persons» has been amended to be «Capital Market Institutions», in accordance with the Board Resolution No. (2 -75-2020) dated 22/12/1441H, corresponding to 12/8/2020.

2. Financial Prudence

To ensure the compliance of Capital Market Institutions with the financial adequacy principle set out in paragraph (b/4) of Article Five of the Capital Market Institutions Regulations⁽¹⁾ and its related requirement, CMA reviewed the following:

1. Financial Prudence Reports for Capital Market Institutions
2. Subordinate Loan Agreements
3. Financial Prudence of Capital Market Institutions as Underwriters of Securities Offering
4. Audited Annual Financial Statements and Certified Accountant's Report
5. Reports of Internal Capital Adequacy Assessment Process (ICAAP)
6. Pillar III Disclosures Reports

➤ **1,267**

Total Number of Financial Reviews of Capital Market Institutions in 2020

➤ **5.7 %**

Increase Compared with the Previous Year

Table No. (70): Financial Reviews of Capital Market Institutions Classified by Type

Type of Review	Number	
	2019	2020
Periodic Reviews of Financial Prudence	1,098	1,166
Financial Prudence, as Underwriters	16	9
Requests for Subordinated Loan Agreements	1	0
Plans to Raise Financial Prudence	2	1
Large Exposures	0	5
Audited Financial Statements	82	86
Total	1,199	1,267

(1) The name "Authorized Persons" has been amended to be "Capital Market Institutions", in accordance with the Board Resolution No. (2 -75-2020) dated 22/12/1441H, corresponding to 12/8/2020.

Capital Adequacy Positions of Capital Market Institutions

To monitor their capital adequacy, Capital Market Institutions were classified under two categories based on securities business activities:

1. Capital Market Institutions Licensed to Engage in Dealing and/or Managing, and/or Custody Activities

➤ **2.16** Capital Adequacy Ratio Coverage

For Capital Market Institutions Licensed to engage in Dealing, Managing, and/or Custody Activities

➤ **24,149** Million SR

Total Capital Base

➤ **11,154** Million SR

Minimum Capital Requirements

Table No. (71): Capital Adequacy Requirements of Capital Market Institutions⁽²⁾ Licensed to conduct Dealing and/or Managing, and/or Custody Activities

Element	Capital Market Institutions								Average/Total	
	Local Bank Affiliate		Local		Regional		International		2019	2020
	2019	2020	2019	2020	2019	2020	2019	2020		
Average Capital Adequacy Coverage	2.57	2.25	1.59	1.47	2.51	2.86	6.92	7.22	2.38	2.16
Capital Adequacy Ratio ⁽³⁾	31.2%	27.1%	20.4%	19.2%	32.1%	35.4%	77.4%	77.0%	29.5%	26.7%
Capital Base (SR million)	12,680	13,995	4,932	5,869	2,837	1,657	2,070	2,627	22,519	24,148
Minimum Due ⁽⁴⁾ (SR million)	4,934	6,212	3,103	3,999	1,130	580	299	364	9,466	11,154
Credit Risk ⁽⁵⁾ (SR million)	3,921	4,837	2,736	3,633	989	480	199	212	7,845	9,161
Market Risk ⁽⁶⁾ (SR million)	453	769	112	100	52	17	8	16	626	901
Operational Risk ⁽⁷⁾ (SR million)	559	605	255	266	89	84	92	136	996	1,092

(2) The name "Authorized Persons" has been amended to be "Capital Market Institutions", in accordance with the Board Resolution No. (2-75-2020) dated 22/12/1441H, corresponding to 12/8/2020.

(3) Capital Adequacy ratio is presented based on Basel Accords.

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

(5) Risks arising from fluctuations in the credit standing of securities issuers counterparties and any debtors, to which Capital Market Institutions are exposed.

(6) Risks arising from changes in the volatility of market prices of assets, liabilities, and financial instruments, to which Capital Market Institutions are exposed.

(7) Risks arising from deficiency or failure in internal procedures and processes, to which Capital Market Institutions are exposed.

2. Capital Market Institutions Licensed to Engage in Arranging and/or Advising

Prudential Rules require Capital Market Institutions 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

➤ **345** Million SR

Working Capital for Capital Market Institutions Licensed practicing arranging or advising

➤ **310** Million SR

Total Excess in working Capital

➤ **25** Million SR

Average Excess in Capital by the End of 2020

Table No. (72): Capital Adequacy Requirements for Capital Market Institutions⁽⁸⁾ Licensed to Perform Arranging and/or Advising⁽⁹⁾ Activities (Million SR)

Element	2019	2020
Working Capital	320	345
Total Excess in Working Capital	284	310
Average Excess in Capital	25	25

(8) The name "Authorized Persons" has been amended to be "Capital Market Institutions", in accordance with the Board Resolution No. (2 -75-2020) dated 22/12/1441H, corresponding to 12/8/2020.

(9) Data includes Capital Market Institutions licensed to manage sophisticated investors' portfolios, manage private non-real estate investment funds, and practicing arranging and/or advising.

3. Margin Lending

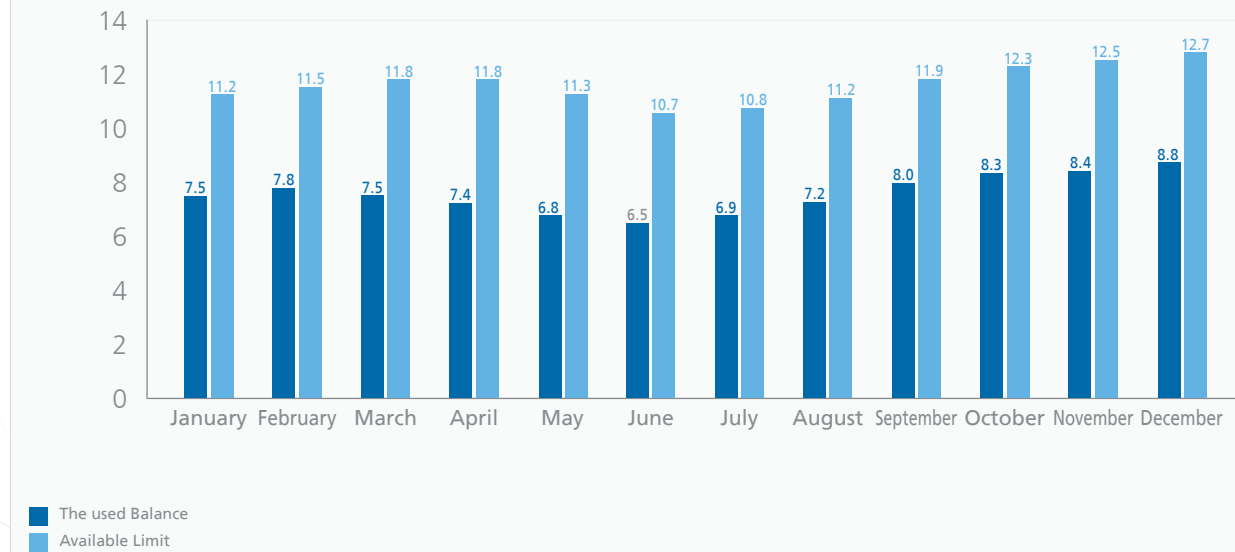
➤ **12.7** Million SR

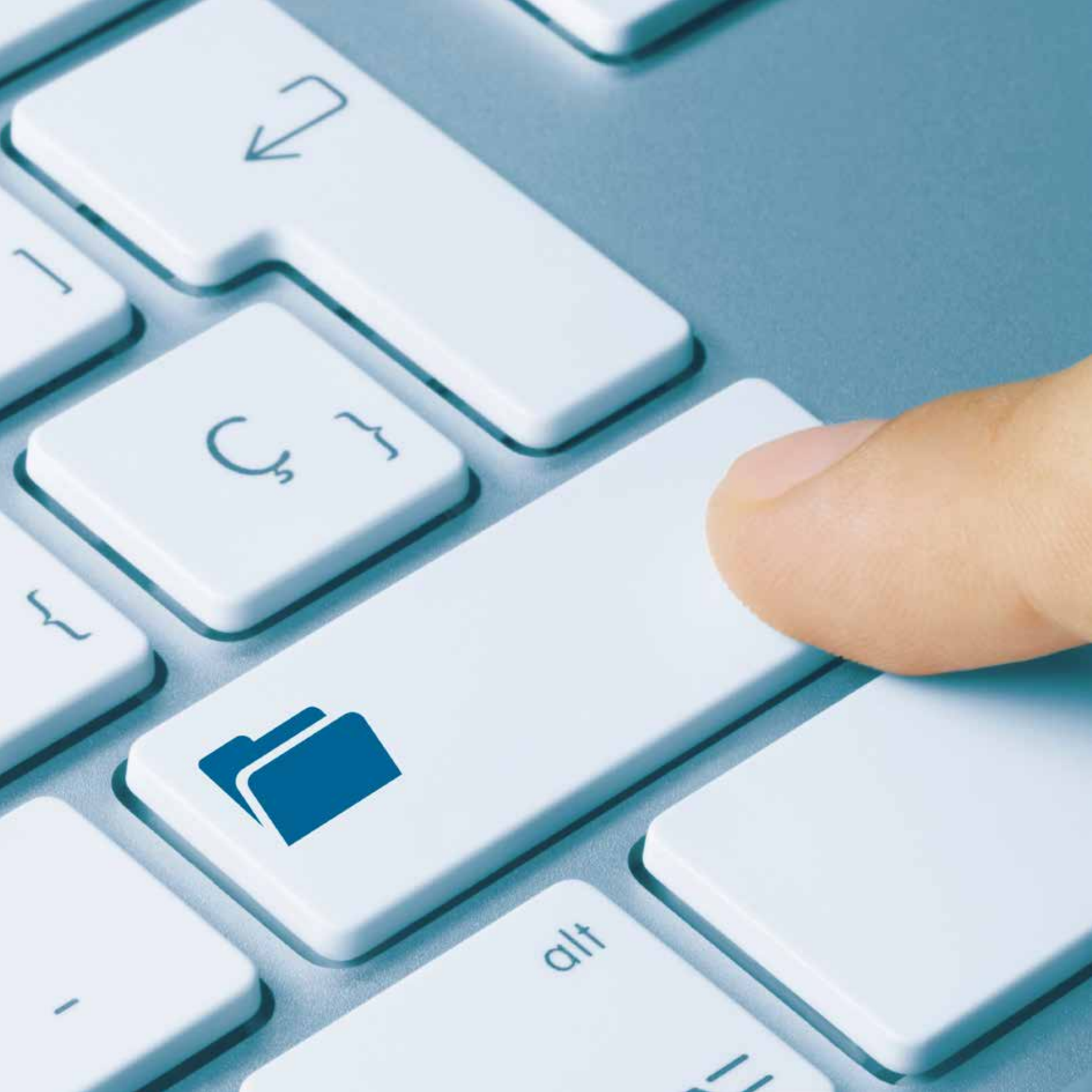
Total margin commitment by the End of 2020

➤ **8.8** Million SR

Total outstanding balance by the End of 2020

Chart No. (14): Value of Transactions with Margin Commitment in 2020 (Million SR)





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

➤ **1,587** Requests

A total number of AML and CTF requests received by CMA in 2020

➤ **71.0 %**

Increased Compared with the Previous Year

Table No. (73): AML/CTF Activities Classified by Requesting Party

Requesting Party	Number		Change (%)
	2019	2020	
Requests from Government Agencies	826	1,550	87.7 %
Requests and Inquiries from Capital Market Institutions	102	37	- 63.7 %
Total	928	1,587	71.0 %

AML Law and its implementing regulations as well as CTF Law and its implementing regulations require gathering data and conducting field work and office visits, to ensure Capital Market Institutions compliance with these laws. In 2020, CMA conducted 12 inspection visits in accordance with CMA'S risk assessment of AML and CTF, compared with 9 visits in 2019. (Table No. 74)

Table No. (74): Periodic Inspection Visits Related to AML and CTF

Element	Number		Change (%)
	2019	2020	
Visits	9	12	33.3 %



Section Three: Performance of Capital Market Institutions

- 1. Performance Indicators of Capital Market Institutions**
- 2. Revenue Sources of Capital Market Institutions**

1. Performance Indicators of Capital Market Institutions⁽¹⁾

By the end of 2020, the total paid-up capital of Capital Market Institutions stood at SR 16.7 billion, an increase of 1.6% over the previous year. The total revenue of Capital Market Institutions reached SR 7.8 billion, an increase of 23.8% over the previous year, and their net profits reached SR 3.3 billion, an increase of 49.5% over the previous year. The profits of Saudi banks affiliate Capital Market Institutions reached SR 3.0 billion, which accounted for 91.1% of the total profits of Capital Market Institutions in 2020, compared with 89.3% in the previous year.

To help compare Capital Market Institutions' financial statements, Capital Market Institutions were classified according to ownership structure, regional presence, and business types into five categories, namely: Saudi-banks affiliate, local, regional, international, and arranging/advising Capital Market Institutions. Table No. (75) shows a number of financial indicators for Capital Market Institutions.

Table No. (75): Capital Market Institutions Indicators (SR billion)

Item	Capital Market Institutions										Total	
	Saudi-Banks Affiliate		Local		Regional		International		Arranging and/or Advising ⁽²⁾			
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Paid-up Capital	5,800	6,100	5,074	5,783	2,949	1,796	2,208	2,667	374	318	16,405	16,664
Total Assets	19,791	21,332	6,786	8,312	3,339	2,018	3,097	3,495	460	433	33,473	35,590
Total Liabilities	5,784	5,089	1,503	2,066	394	266	867	752	124	72	8,672	8,245
Total Shareholder Equities	14,007	16,243	5,282	6,246	2,945	1,752	2,230	2,743	336	362	24,800	27,346
Revenues	4,137	5,428	1,025	1,367	402	258	641	598	82	131	6,287	7,782
Net Profits/ Losses	1,943	2,964	127	269	38	49-	98	59	30-	10	2,176	3,253

(1) The name "Authorized Persons" has been amended to be "Capital Market Institutions", in accordance with the Board Resolution No. (2-75-2020) dated 22/12/1441H, corresponding to 12/8/2020.

(2) Data includes Capital Market Institutions licensed to manage sophisticated investors' portfolios, manage private non-real estate investment funds, and to Engage in Arranging and/or Advising.

2. Revenue Sources of Capital Market Institutions⁽³⁾

The revenues of Capital Market Institutions from asset management amounted to SR 2,750 million, representing 35.3% of their total revenues. Revenues from dealing activities amounted to SR 2,638 million by the end of 2020, representing 33.9% of the total revenues (Table No. (76)).

Table No. (76): Revenue Sources of Capital Market Institutions (SR Million)

Revenue Source	Saudi-Banks Affiliate		Local		Regional		International		Arranging and/or Advising ⁽⁴⁾		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Dealing Activities	875	2,183	85	295	45	37	166	123	0	0	1,171	2,638
Asset Management	1,881	1,882	619	737	146	86	37	26	2	19	2,685	2,750
Investment Banking Services	479	544	125	128	86	100	70	97	47	48	807	917
Investments	640	394	169	171	73	40	106	30	5	2	993	637
Other	262	425	27	36	52	- 5	262	322	28	62	631	840
Total	4,137	5,428	1,025	1,367	402	258	641	598	82	131	6,287	7,782

(3) The name "Authorized Persons" has been amended to be "Capital Market Institutions", in accordance with the Board Resolution No. (2-75-2020) dated 22/12/1441H, corresponding to 12/8/2020.

(4) Data includes Capital Market Institutions licensed to manage sophisticated investors' portfolios, manage private non-real estate investment funds, and engage in arranging and/or advising.

Chapter Eight: CMA Financial Disclosure

- Independent auditor's report
- Statement of financial position
- Statement of financial performance
- Statement of changes in net assets
- Statement of cash flows
- Notes to the financial statements

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الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.



Independent auditor's report

To your excellences' and highnesses, the chairman and members of the board of directors of Capital Market Authority

Riyadh- Kingdom of Saudi Arabia

Opinion:

We have audited the financial statements of Capital Market Authority- ("the Authority") that include the statement of financial position as of 31 December 2020, and the statements of financial performance, changes in net assets and cash flows for the year ended, and a summary of significant accounting policies and other selected notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards Board ("IPSAS").

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter:

The financial statements of the Authority for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 March 2020.

Other Informations:

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Authority's Management and Those Charged with Governance for the Financial Statements:

The management is responsible for the preparation and fair presentation of the financial statements in conformity with IPSAS, 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, the management 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 the management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

The Audit Committee and the Board of Directors of the Authority are responsible for overseeing the financial reporting mechanism in the Authority.

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الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.



Independent auditor's report

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 conducted in accordance with ISAs endorsed in Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 ISAs endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control 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 Authority's management.
- Conclude on the appropriateness of Authority'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, 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 conclusions 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.

For Dr. Mohamed Al-Amri & Co

Gihad Mohamed Al-Amri
Certified Public Accountant -
Registration No. (362)



Riyadh – Saudi Arabia
Date: 11 Sha'ban 1442 (H)
Corresponding: 24 March 2021 (G)

CAPITAL MARKET AUTHORITY
STATEMENT OF FINANCIAL POSITION
(Saudi Riyals)

	Note	As of 31 December 2020	As of 31 December 2019
ASSETS			
Current assets			
Cash and cash equivalent	5	2,983,487,238	2,207,662,257
Receivables from exchange transactions	6-A	3,428,371	11,946,520
Receivables from non-exchange transactions	6-B	30,828,442	22,414,195
Employees imprest		10,478,534	10,615,633
Prepayments and other current assets	7	48,310,099	53,939,054
Total current assets		3,076,532,684	2,306,577,659
Non-current assets			
Non-current portion of employees imprest		17,836,496	19,496,468
Property and equipment	8	250,394,466	266,435,062
Projects in progress	9	1,695,533,499	1,690,995,691
Intangible assets	10	16,036,051	19,730,005
Total non-current assets		1,979,800,512	1,996,657,226
Total assets		5,056,333,196	4,303,234,885
LIABILITIES			
Current liabilities			
Accounts payable	11	4,973,252	5,552,197
Accruals and other current liabilities	12	100,046,777	96,404,484
Total current liabilities		105,020,029	101,956,681
Non-current liabilities			
End of service benefits provision	13	394,734,336	322,491,449
Total non-current liabilities		394,734,336	322,491,449
Total liabilities		499,754,365	424,448,130
Net assets			
Expenditure reserve	14	838,794,659	798,277,922
General reserve	14	1,305,320,093	1,311,007,417
Cash surplus	14	839,372,486	98,376,918
Accumulated surplus of revenue over expenses		1,573,091,593	1,671,124,498
Total net assets		4,556,578,831	3,878,786,755
Total net assets and liabilities		5,056,333,196	4,303,234,885

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

CAPITAL MARKET AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE
(Saudi Riyals)

	Note	31 December 2020	31 December 2019
Revenues			
Stock trading commission	15	1,337,820,667	558,207,443
The CMA services and activities	15	121,979,941	126,718,276
Violations of Capital Market law and its implementing regulations	15	52,654,116	93,939,664
Deposits' returns	15	37,724,177	71,181,908
Total revenues		1,550,178,901	850,047,291
Expenses			
Employees' salaries and benefits	16	(481,223,293)	(458,133,085)
General and administrative expenses	17	(180,529,631)	(121,674,216)
Depreciation and amortization	8,10	(28,972,052)	(32,426,955)
Professional and consultancy services		(24,421,672)	(22,944,839)
Employees' training and scholarship		(16,861,931)	(52,829,144)
Total expenses		(732,008,579)	(688,008,239)
Other expenses, net	8-A	(2,982,804)	(295,881,813)
Net surplus / (deficit) over expenses for the year		815,187,518	(133,842,761)

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

CAPITAL MARKET AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS
(Saudi Riyals)

	Note	Expenditure reserve	General reserve	Cash surplus	Accumulated surplus of revenue over expenses	Total
For the year ended 31 December 2019						
Balance at 1 January 2019		1,074,089,695	1,147,458,282	-	2,105,661,104	4,327,209,081
Transferred to the Ministry of Finance during the year		-	-	-	(275,357,931)	(275,357,931)
Net revenue surplus / (deficit) over expenses		-	-	-	(133,842,761)	(133,842,761)
Actuarial valuation differences	13	-	-	-	(39,221,634)	(39,221,634)
Transferred from expenditure reserve and general reserve to accumulated surplus over expenses		(1,074,089,695)	(1,147,458,282)	-	2,221,547,977	-
Cash surplus before reserves are created	14	-	-	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)	-	-
As at 31 December 2019		798,277,922	1,311,007,417	98,376,918	1,671,124,498	3,878,786,755
For the year ended 31 December 2020						
As at 1 January 2020		798,277,922	1,311,007,417	98,376,918	1,671,124,498	3,878,786,755
Transferred to Ministry of Finance during the year		-	-	(98,376,918)	-	(98,376,918)
Net revenue surplus / (deficit) over expenses		-	-	-	815,187,518	815,187,518
Actuarial valuation differences	13	-	-	-	(39,018,524)	(39,018,524)
Reverse of expenditures reserve and general reserve to accumulated surplus over expenses		(798,277,922)	(1,311,007,417)	-	2,109,285,339	-
Cash surplus before reserves are created	14	-	-	2,983,487,238	(2,983,487,238)	-
Transferred to expenditure reserve	14	838,794,659	-	(838,794,659)	-	-
Transferred to general reserve	14	-	1,305,320,093	(1,305,320,093)	-	-
As at 31 December 2020		838,794,659	1,305,320,093	839,372,486	1,573,091,593	4,556,578,831

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

CAPITAL MARKET AUTHORITY
STATEMENT OF CASH FLOWS
(Saudi Riyals)

	Note	31 December 2020	31 December 2019
Cash flows from operating activities			
Net revenue surplus / (deficit) over expenses for the year		815,187,518	(133,842,761)
Adjustments:			
Depreciation and amortization	10,8	28,972,052	32,426,955
(Gains) /loss from the sale of property and equipment and intangible assets		(1,199)	297,212,134
Transfer from projects in progress to expenses		2,965,811	-
End of service benefits provision	13	50,213,962	45,246,422
Deposits' return	15	(37,724,177)	(71,181,908)
Changes in operating assets and liabilities:			
Receivables from exchange transactions		8,518,149	(11,105,877)
Receivables from non-exchange transactions		(8,414,247)	34,228,968
Advance payments and other current assets		(3,026,345)	(5,627,536)
Employees imprest		1,797,071	(5,357,303)
Accounts payable		(578,945)	4,010,422
Accruals and other current liabilities		3,642,296	23,352,995
End of service benefits paid	13	(16,989,599)	(11,047,641)
Proceed from deposits return revenues	5	46,379,477	73,823,620
Net cash generated from operating activities		890,941,824	272,138,490
Cash flows from investing activities			
Additions to property and equipment and projects in progress	9.8	(17,651,734)	(10,083,279)
Additions to intangible assets	10	(279,512)	(718,649)
Proceed from the sale of property and equipment		1,191,321	135,649
Net cash used in investing activities		(16,739,925)	(10,666,279)
Cash flows from financing activities			
Transferred to Ministry of Finance	14	(98,376,918)	(275,357,931)
Net cash used in financing activities		(98,376,918)	(275,357,931)
Net change in cash and cash equivalents during the year		775,824,981	(13,885,720)
Cash and cash equivalents at the beginning of the year		2,207,662,257	2,221,547,977
Cash and cash equivalents at the end of the year	5	2,983,487,238	2,207,662,257
Non-cash transactions			
Transferred from projects in progress to property and equipment and intangible assets	8,10	4,127,858	18,600,873

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

CAPITAL MARKET AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(The amount is in Saudi Riyals, unless otherwise indicated)

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 2003G which stipulates that CMA 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 to it under Royal Decree A/114 dated 13 Jumada’ I 1425H, corresponding to 1 July 2004G by appointing the board of CMA.

CMA 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 the 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 to the supervision and control of CMA.
- Protect the 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 CMA Board Decision No. 2/5/2004 dated 23 Jumada’ II 1425 H (corresponding to 9 August 2004 G), the fiscal year of CMA begins on the eleventh day of Capricorn month each year, corresponding to 1 January and ends on the tenth day of Capricorn month of the following fiscal year, corresponding to 31 December.

The headquarters of the Authority is located in King Fahd Road, Riyadh, PO Box 87171. Riyadh 11642.

2. BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) according to the decision of CMA’s board of directors.

The financial statements have been prepared under the historical cost convention using the accrual accounting principle and the going concern concept unless otherwise indicated. The statement of cash flows is prepared using the indirect method.

The financial statements are presented in Saudi Riyals (SR) which is the functional and presentation currency of CMA. The numbers are rounded to the nearest riyal unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Presentation of assets and liabilities

CMA presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified under current assets when:

- A) an asset is expected to be sold or there is an intention to sell or depreciate it in the ordinary course of business of CMA; or
- B) an asset is mainly maintained for trading purposes; or
- C) an asset is expected to be sold within twelve month after the reporting date; or
- D) an asset is within the category of cash and cash equivalents unless it is forbidden to exchange the asset or use it to settle a liability within at least twelve month after the reporting date.

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CMA classifies all other assets as non-current assets.

A liability is considered under current liabilities when:

- A) it is expected to be settled in the ordinary course of business of CMA; or
- B) it is acquired mainly for the trading purposes; or
- C) liability is expected to be settled within twelve month after the reporting date; or
- D) there is no right associated with a condition to defer the settlement of the liability at least twelve month 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.

3.2 Cash and cash equivalent

Cash and cash equivalents set out in the statement of financial position comprise cash at banks that are available in the form of treasury and deposits, which are readily convertible to known amounts of cash, can be called at any time, and are subject to an insignificant risk of changes in value and available without any restrictions.

3.3 Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 “Recognition and Measurement” are classified as financial assets at the initial recognition 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 the exchange and non-exchange transactions, and employees imprest.

subsequent measurement

The subsequent measurement of financial assets depends on their classification. All financial assets of CMA are included under category of “receivables and employees imprest and other 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.

De-recognition

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 all the risks and rewards of the asset substantially; or (b) CMA has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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 have 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.

CAPITAL MARKET AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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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 into 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 initially 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 by 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 decreased 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, are added directly to transaction costs. The CMA's financial liabilities include payables from the 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 rate 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.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in surplus or deficit.

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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.

Financial instruments at fair value

The CMA measures the fair values of financial assets and liabilities for purposes of recognition and / or disclosure. The CMA measures the fair value of a financial instrument using the reported price in an active market. If the market for the financial instrument is not active, the CMA determines the fair value using a valuation technique. The goal of using the valuation technique is to determine what the transaction price would have been at the date of measuring the exchange transaction between parties acting freely motivated by normal operating factors. Valuation techniques include the use of exchange transactions in the market between knowledgeable and willing parties who act freely - if any, using the current fair value of another largely identical instrument, discounted cash flow analysis, and option pricing models. The method of evaluation chosen depends on the max-

	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 are 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.

imum use of market inputs and the minimum possible inputs to the CMA. The valuation method takes into account all the factors that market participants should take into account when setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

3.4 Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss if any. Cost comprises of expenditure that is directly attributable to the acquisition of the assets. Depreciable property and equipment are depreciated by using the straight-line method.

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 depreciated are as follows:

CMA derecognizes items of property and equipment 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 the 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.

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Projects in progress

Projects under construction is stated at cost less accumulated impairment loss if any. Cost is transferred to property and equipment when it is ready for their intended use, then the depreciation commences.

3.5 Intangible assets

Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any 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 as follows:

	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 year and the amortization method, for intangible assets with a finite useful life, are reviewed at least at the end of each reporting year. 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 year or method, as appropriate, and are treated as future changes in accounting estimates. The amortization expense on intangible assets with a finite life 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 de-recognition 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.

3.6 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 higher. 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 exceeds 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.

3.7 Employees' benefits

Post-employment 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 credit unit 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 ac-

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cruals 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 year 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.

Defined contribution plans

Pension and Social Security contributions are accounted for as payments for defined contribution plans and therefore are recognised as expenses when employees perform the services that give them the right to these contributions. These contributions are paid immediately, so they are measured at their undiscounted amounts.

Short-term employee benefits

This includes employee benefits that are expected to be fully settled within twelve months after the end of the financial statements year in which employees provide related services, and they include wages, salaries, and Risk and Social Security contributions in social insurance; paid annual leave and paid sick leave; and in-kind benefits (such as medical insurance, housing, and cars) for existing employees. When an employee provides a service to the CMA during the accounting year, the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is recognised as (a) an obligation (accrued expense), after deducting any amount actually paid, and (b) an expense.

Employee benefits costs are recorded as expenses, unless a standard requires or permits to include such benefits in the cost of an asset.

3.8 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.

3.9 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 future liability, a 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

CMA's share of trading commissions is recorded based on the notifications which are received from the Saudi Stock Exchange Company ("Tadawul") Commissions for trading in the main market of stocks are the largest part of trading commission income and CMA's share from the trading commission is 3.2 basis points from the total value of the Trading transaction (0.2 is related to stock trading in the primary market about 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.

CAPITAL MARKET AUTHORITY
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Revenue from deposits returns

Revenue from deposits is accrued using the effective interest method. The effective return discounts the estimated future cash gains during the expected life of the financial asset to the net carrying amount of that asset. This method applied the return on the balance of the principal amount to identify revenue of deposit at each year.

3.10 Leases

Leases are classified as operating leases that do not transfer all the risks and benefits incidental to ownership of the leased item to CMA substantially. 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.

3.11 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.

3.12 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 year in which the change occurs.

3.13 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 The Saudi Stock Exchange Company ("Tadawul") are regarded as related parties and comprise the board members of CMA.

3.14 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. Gains and losses resulting from foreign currency exchange are included in the statement of financial performance.

3.15 Provisions

Provisions are recognized when there is 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.

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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

4.a 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.

Judgments related to projects in progress

The authority coordinates with the related parties to obtain an alternative building for the administrative headquarters of the authority, and in light of this it was one of the administration's judgments to continue to prove the property with its book value in projects under implementation until the memorandum of understanding is finalized and implemented.

Judgments related to cash and cash equivalents

The Authority has deposits with a maturity date of nine months, and the management believes that these deposits are easily convertible into cash and are not subject to changes in value. Accordingly, the Authority considered these deposits as cash equivalents.

Judgments related to Financial Academy

In light of Council of Ministers No. (538) dated 21 Shaaban 1441 AH corresponding to April 15, 2020 CE, approving the establishment of an academy in the name of the "Financial Academy" and in accordance with the second paragraph of the Academy's organizational arrangements, which stipulates that the Academy has legal personality and financial and administrative independence, the Commission has stopped proving revenues And the academic financial expenses in its financial statements. (Please see note 18-b).

Among the judgments of the authority's management was to consider that the Financial Academy is an entity not under the authority's control, since the Commission does not have existing rights that give it the current ability to direct related activities that greatly affect the nature or amount of benefits accruing from its participation with the Academy.

The Authority's management considers that the Financial Academy is a related party, as it is organizationally linked to the Chairman of the Board of Directors of the Capital Market Authority, as well as the fact that the Chairman of the Board of Directors of the Commission is the Chairman of the Board of Trustees of the Academy.

4.b 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. The 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 the CMA. Such changes are reflected in the assumptions when they occur.

Estimates related to 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.

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Impairment of non-financial assets and non-cash generating assets

CMA reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances indicate that there may be an impairment in the future service potential that can reasonably be expected from the asset. Where indicators of possible impairment are present, the 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 of 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.

Estimates related to provisions

Provisions are measured at the management's best estimate that required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Estimates relating to assumptions measure employee defined benefit obligation

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, future salary increase, employees' turnover and mortality rates. Due to the complexity of valuation, key assumptions and its long-term nature make the obligations of the defined benefit highly sensitive to the changes in those assumptions.

CMA performs the actuarial valuation annually and assumptions are reviewed at each reporting date.

Estimates related to the impairment of trade receivables and employees imprest

CMA assesses employees imprest and trade receivables from exchange and non-exchange transactions at the end of each reporting year. 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 employees imprest 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 by national and industry-specific economic conditions and other indicators present at The annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss in the emergence year.

5. CASH AND CASH EQUIVALENT

	As at	
	31 December 2020	31 December 2019
Time deposits (5-a)	2,979,000,000	2,147,000,000
Cash at bank (Current accounts)	4,487,238	60,662,257
	2,983,487,238	2,207,662,257

(5-a) Time deposits represent the value of deposits with local banks that can be redeemed without restrictions or cost and at different interest rates.

As at 31 December 2020, the statement of financial performance has been charged with total deposit return amounted to SR 37.7 million (31 December 2019: amounted to SR 71.2 million). As at 31 December 2020, an amount of SR 46.4 million has proceeded from these deposits return (31 December 2019: SR 73.8 million).

CAPITAL MARKET AUTHORITY
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6. RECEIVABLES

	As at	
	31 December 2020	31 December 2019
(6-a) Receivables from exchange transactions		
Accounts receivables	2,045,154	11,946,520
Financial Academy (note 20- 1)	1,383,217	-
	3,428,371	11,946,520

(6-b) Receivable from non-exchange transactions

	31 December 2020	31 December 2019
Saudi Stock Exchange Company (Tadawul) (Note 20)	30,762,769	22,330,201
CMA's customers	65,673	83,994
	30,828,442	22,414,195

7. ADVANCE PAYMENTS AND OTHER CURRENT ASSETS

	31 December 2020	31 December 2019
Prepaid expenses	43,660,797	38,509,821
Accrued deposits revenues	4,467,101	13,122,401
Advances to suppliers	16,215	55,050
Others	165,986	2,251,782
	48,310,099	53,939,054

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8. PROPERTY AND EQUIPMENT

	Lands (8-a)	Buildings	Decorations and improvements	Furniture and office equipment	Motor vehicles	Computers	Total for the year ended 31 December 2020	Total for the year ended in 31 December 2019
Cost								
As at 1 January 2020	114,700,000	132,300,020	85,315,124	76,507,695	1,070,000	60,874,531	470,767,370	750,213,619
Additions	-	-	741,109	1,515,160	210,000	3,185,143	5,651,412	5,573,700
Transfer from projects in progress	-	-	2,422	346,269	-	835,896	1,184,587	13,500,172
Disposals (8-a)	-	-	(230,925)	(582,571)	-	(16,069,897)	(16,883,393)	(298,520,121)
As at 31 December 2020	114,700,000	132,300,020	85,827,730	77,786,553	1,280,000	48,825,673	460,719,976	470,767,370
Depreciation								
As at 1 January 2020	-	31,421,255	59,223,202	55,329,384	663,330	57,695,137	204,332,308	179,403,165
Depreciation	-	3,969,001	8,872,713	6,707,515	231,249	2,313,837	22,094,315	26,101,480
Disposals	-	-	(2,589)	(492,222)	-	(15,606,302)	(16,101,113)	(1,172,337)
As at 31 December 2020	-	35,390,256	68,093,326	61,544,677	894,579	44,402,672	210,325,510	204,332,308
Net book value								
As at 31 December 2020	114,700,000	96,909,764	17,734,404	16,241,876	385,421	4,423,001	250,394,466	
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

The net book value of property and equipment that was excluded as a result of the separation of the Financial Academy during the year 2020 was SR 799,819. Regarding the separation of the Financial Academy, please refer to 18-b

(8-a) On 12 Safar 1441H (corresponding to 9 November 2019 G), the Board of Directors of CMA issued a resolution to transfer the ownership of Jeddah land to the Ministry of Finance (The State Properties General Authority) amounting to SR 297 million without any charge. The effect of disposal was recorded as a net loss in the statements of financial performance of CMA for the year ended 31 December 2019

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9. PROJECTS IN PROGRESS

	Balance as at 1 January 2020	Additions during the year	Transferred	Balance as at 31 December 2020
CMA's headquarter at King Abdullah Financial District (9-a)	1,690,626,849	-	-	1,690,626,849
Furniture and fixtures	368,842	1,672,658	(930,212)	1,111,288
Computer hardware and software and other fixtures	-	10,327,664	(6,532,302)	3,795,362
	1,690,995,691	12,000,322	(7,462,514)	1,695,533,499

(9-a) Projects in progress includes building costs for the CMA's headquarter at King Abdullah Financial District in Riyadh. The Authority coordinates with the relevant parties regarding obtaining an alternative building, and until the date of the financial statements, there has not been a final agreement on this.

10. INTANGIBLE ASSETS

	For the year ended in	
	31 December 2020	31 December 2019
Cost		
As at the beginning of the year	56,200,113	50,391,263
Additions	279,512	718,649
Disposals	(40,000)	(10,500)
Transferred from projects in progress	2,943,271	5,100,701
The balance at the end of the year	59,382,896	56,200,113
Amortization		
The balance at the beginning of the year	36,470,108	30,155,133
Amortization charged	6,877,737	6,325,475
Disposals	(1,000)	(10,500)
The balance at the end of the year	43,346,845	36,470,108
Net book value	16,036,051	19,730,005

11. ACCOUNTS PAYABLE

	As at	
	31 December 2020	31 December 2019
Services suppliers	4,447,174	5,070,584
Others	526,078	481,613
	4,973,252	5,552,197

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12. ACCRUALS AND OTHER CURRENT LIABILITIES

	As at	
	31 December 2020	31 December 2019
Employees' accruals	72,503,404	61,184,387
Accrued expenses	22,980,809	13,608,757
Financial Academy accruals	3,155,901	20,549,416
Others	1,406,663	1,061,924
	100,046,777	96,404,484

13. END OF SERVICE BENEFITS PROVISION

The actuarial assumptions used in the account of provision for end-of-service benefits (an unfunded defined benefits plan) are as follows:

	31 December 2020	31 December 2019
Discount rate	2.67 %	3.4 %
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:

	As at	
	31 December 2020	31 December 2019
At the beginning of year/year	322,491,449	249,071,034
Charged to the statement of financial performance	50,213,962	45,246,422
Paid	(16,989,599)	(11,047,641)
Losses from actuarial valuation	39,018,524	39,221,634
At the end of the year	394,734,336	322,491,449

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The following is a sensitivity analysis of actuarial assumptions:

	Provision as at 31 December 2020	Change %
Basic assumptions	394,734,336	-
Discount rate basis +0.5%	371,863,825	(5.8%)
Discount rate basis – 0.5%	419,693,254	6.3%
The basis of the salary increase rate + 0.5%	417,892,098	5.9%
The basis of the salary increase rate – 0.5%	373,237,044	(5.4%)
The employee turnover rate 110%	389,370,922	(1.4%)
The employee turnover rate 90%	400,333,972	1.4%
The basis of the mortality rate 110%	394,466,325	(0.1%)
The basis of the mortality rate 90%	395,003,270	0.1%

The table below shows the projections of undiscounted liabilities for employees' end of service benefits for a period of five years based on assumptions and employee data used in calculating liabilities as of December 31, 2020:

Returns expected to be paid during the year	Amount
The year ending December 31, 2021	21,389,305
The year ending December 31, 2022	26,448,877
The year ending December 31, 2023	26,758,825
The year ending December 31, 2024	42,326,839
The year ending December 31, 2025	29,519,298

The Authority conducts the actuarial valuation of employee benefits at the end of each financial year.

14. RESERVES

Article 14 of the Capital Market Law stipulates that the surplus resources collected by the Authority shall be transferred to the Ministry of Finance after the creation of reserves, which are:

Expenditure reserve equivalent to all current and capital expenditures, i.e. the Authority's budget for the next year, and as on December 31, 2020 AD, it amounted to 838,794,659 Saudi riyals

(2019: 798,277,922 Saudi riyals).

General reserve equivalent to twice the total expenditures of the Authority shown in its previous annual budget, and as of December 31, 2020, it amounted to 1,305,320,093 Saudi riyals (2019: 1,311,007,417 Saudi riyals).

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The reserves shown previously are formed as a deduction from the cash surplus, which equals the cash balance at the end of the year, and thus the movement in the cash surplus is as follows:

	Year 2020	Year 2019
Cash surplus before reserves are created	2,983,487,238	2,207,662,257
Less:		
Expenditure reserve	(838,794,659)	(798,277,922)
General reserve	(1,305,320,093)	(1,311,007,417)
Cash surplus balance	839,372,486	98,376,918

The Authority records the cash surplus in the net assets of the Authority. During the year 2020 AD, the Authority transferred an amount of 98,376,918 Saudi riyals to the Ministry of Finance (2019: 275,357,931 Saudi riyals) from the cash reserve.

15. EXCHANGE AND NON-EXCHANGE REVENUES

All CMA's revenues are non-exchange revenues except for CMA services and activities and deposits returns. Distribution of exchange and non-exchange revenues is as follows:

	For the year ended in 31 December 2020			For the year ended in 31 December 2019		
	Exchange	Non-exchange	Total	Exchange	Non-exchange	Total
Stock trading commissions	-	1,337,820,667	1,337,820,667	-	558,207,443	558,207,443
CMA services and activities (18)	8,837,946	113,141,995	121,979,941	23,416,754	103,301,522	126,718,276
Violations of Capital Market law and its implementing regulations	-	52,654,116	52,654,116	-	93,939,664	93,939,664
Deposits returns	37,724,177	-	37,724,177	71,181,908	-	71,181,908
	46,562,123	1,503,616,778	1,550,178,901	94,598,662	755,448,629	850,047,291

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16. EMPLOYEES' SALARIES AND BENEFITS

	For the year ended in	
	31 December 2020	31 December 2019
Salaries	184,276,035	176,417,665
Employees' allowances	105,578,869	104,818,780
Employees' bonus	51,977,801	41,498,768
End of service benefits	50,213,962	45,246,422
Medical insurance	33,197,084	30,624,945
Social insurance	25,161,205	24,591,694
CMA's share in saving program	22,474,293	20,893,455
Business trips and conferences	703,874	6,106,017
Others	7,640,170	7,935,339
	481,223,293	458,133,085

17. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended in	
	31 December 2020	31 December 2019
Expenses of awareness program in CMA	62,319,383	6,138,419
Maintenance	26,164,367	18,278,592
Subscriptions	25,334,562	25,510,363
Utilities	19,101,964	17,970,057
Media and public relations	12,471,731	16,334,245
Rentals	12,295,520	12,389,938
Committees members fees	7,810,682	5,832,735
Co-operative training program	7,216,767	10,458,115
Operational contracts expenses	3,621,337	7,155,883
Others	4,193,318	1,605,869
	180,529,631	121,674,216

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18. OTHER INFORMATION

18.a Awareness Program in Capital Market

On 25 Jumada al-Awal 1438H (corresponding: 22 February 2017), CMA Board of Directors issued resolution No. (2-20-2017) which approved to designate 0.2 basis points of commission of trading share at the main market to financing 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 in establishment and operation of the Financial Academy to be established.

On 22 Rajab 1438 H corresponding: 19 April 2017 G CMA Board of Directors issued resolution No. (2-46-2017) Which approved the working regulations of the financing committee of the awareness program in the Saudi Stock Exchange.

The following is a summary of the program revenues and expenses:

	For the year ended in	
	31 December 2020	31 December 2019
Balance of surplus program at the beginning of the year	34,832,780	32,293,334
Program revenues	82,258,234	34,356,527
Cash expenses of the program	(35,101,895)	(31,817,081)
Commitments	(1,144,267)	(8,486,271)
Balance of surplus program at the end of year	80,844,852	26,346,509

18.b The Financial Academy

The revenues of trading services and activities of the Authority mentioned in Note No. 15 on the revenues of the Financial Academy "The Academy" for the fiscal year ending on 31 December 2020 G include about 6.1 million Saudi riyals (2019: about 21.2 million Saudi riyals).

On 15 January 2019 G, a cooperation agreement was signed between the Central Bank of Saudi Arabia ("the Central Bank") (Previously the Saudi Arabian Monetary Agency) and the Capital Market Authority ("the Authority") to develop a regulatory framework for cooperation regarding the operation of the Financial Academy, and it was agreed that the authority would assume the responsibility of supervising The academy, and based on that, the revenues and expenses of the academy appeared as an integral part of the financial statements of the authority, provided that the authority issues a report on the financial performance of the academy explaining its financial position. The two parties have agreed to cover any deficit in the estimated budget of the Academy equally, after exhausting the financial surplus, if any. The contribution of the Central Bank during the year ended 31 December 2020 amounted to about 17 million Saudi riyals (2019: SR 27.5 million).

The revenue and expenses of the Financial Academy have been discontinued in light of Council of Ministers Resolution No. (538) of 21 Shaaban 1441 H corresponding to 15 April 2020 G, which decided to establish the Financial Academy and approve its organizational arrangements, which means its separation from the Authority as an independent government entity.

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19. COMMITMENTS

Capital commitments

The capital commitments as of 31 December 2020 amounted to SR a million (31 December 2019: amounted to SR 22.1 million), with the total value of related contracts amounting to SR 12 million (31 December 2019: SR 58.4 million), while the paid portion amounted to SR 11 million (31 December 2019: SR 36.3 million).

Operating lease commitments

CMA as a lessee

Future minimum lease payments under non-cancellable operating leases as at the end of reporting year:

	As at	
	31 December 2020	31 December 2019
Within 1 year	1,441,406	13,129,998
More than 1 year, but not more than 5 years	656,535	915,075
More than 5 years	-	-
	2,097,941	14,045,073

20. RELATED PARTY DISCLOSURES

20.1 Due from a related party

Name of the related party	Nature of relation	Balance as at	
		31 December 2020	31 December 2019
Saudi Stock Exchange Company (Tadawul) (Note 6-b)	Supervisory and regulatory relationship	30,762,769	22,330,201
The Financial Academy (Note 6-a)	regulatory relationship	1,383,217	-

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20.2 Transactions with a related party:

Name of a related party	Nature of transaction	Transaction values for the year ended in	
		31 December 2020	31 December 2019
	CMA's revenues through stock trading	1,420,388,100	671,520,405
Saudi Stock Exchange Company (Tadawul)	Payments on behalf of CMA	13,444,838	5,643,403
	Services commitments	3,155,901	-
The Financial Academy	Revenues	959,583	-

The balance due from the Saudi Stock Exchange Company (Tadawul) 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 collected by Tadawul on behalf of CMA, in addition to the annual fee for services provided by CMA related to the Saudi Stock Exchange.

In accordance with the CMA's Law and in order to apply Article 22, Tadawul is subject to the 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

	For the year ended in	
	31 December 2020	31 December 2019
Short-term key management personnel benefits	8,296,385	9,159,904
End of service benefits	593,679	592,253
	8,890,064	9,752,157

The number of key management of the authority during the year was 5 employees (2019 G: 5 employees), all of them are working full time.

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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 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 the Authority.

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.

The fair value measurement of non-financial assets takes into account the ability of market participants to achieve economic benefits through the best and maximum use of the asset or selling it to other market participants who use the asset in the best and maximum way.

CMA uses appropriate valuation methods according to the circumstances, and there are sufficient data on it to measure fair value, increase the use of observable inputs, and reduce the use of unobservable inputs.

All assets and liabilities that are measured at fair value or disclosed in the financial statements are categorized within the hierarchy of fair value levels mentioned below and based on the lowest level inputs that are 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 year.

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.

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Fair value Classification of financial instruments	As at	As at
	31 December 2020	31 December 2019
Financial assets at amortized cost		
Cash and cash equivalents	2,983,487,238	2,207,662,257
Receivables from exchange transactions	3,428,371	11,946,520
Receivables from non-exchange transactions	30,828,442	22,414,195
Employees imprest	28,315,030	30,112,101
	3,046,059,081	2,272,135,073
Financial liabilities at amortized cost		
Accounts payable	4,973,252	5,552,197
	4,973,252	5,552,197

The fair value of the financial assets and liabilities approximates their carrying value.

Risk resulting from financial instruments and risk management.

CMA exposed to financial risks in its ordinary course of business could significantly affect the result of the 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. The interest rate on deposits ranges (from 1% to 2.5%).

Interest rate sensitivity

Sensitivity analyses relate to the following sections in the financial position as at 31 December 2020 and 31 December 2019.

A 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.

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Interest rate sensitivity:

	Increase /(decrease) in basis points	Effect of increase/ (decrease) on the statement of financial performance
31 December 2020		
Cash and cash equivalents	+ 100	24,513,028
	- 100	(24,513,028)
Employees imprest	+ 100	602,900
	- 100	(602,900)
31 December 2019		
Cash and cash equivalents	+ 100	23,786,556
	- 100	(23,786,556)
Employees imprest	+ 100	627,407
	- 100	(627,407)

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 ensuring as possible from the availability of sufficient funds to meet its commitments as they fall due. CMA does not have financial dues that exceed one year.

Credit Risk

Credit risk is the risk that one party to a financial instrument or customer contract will fail to discharge an obligation and cause the other party to incur a financial loss. For the financial assets classified in "loans and receivables" categories, the maximum exposure to credit risk is the carrying amounts of financial assets. CMA is not exposed to credit risks from its operating activities.

Credit quality for financial assets

Saudi Stock Exchange Company "Tadawul" represents the largest customer for CMA, and the balance due from as of 31 December 2020 amounted to SR 30.8 million (31 December 2019: SR 22.3 million) recorded in the trade receivables.

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As at 31 December 2020, the ageing analysis of trade receivables from exchange transactions was as follows:

	As at	
	31 December 2020	31 December 2019
Neither past due nor impaired less than 30 days	1,456,298	3,203,851
Past due from 31 - 90 days	369,466	2,681,359
Past due above 90 days	1,602,607	6,061,310
	3,428,371	11,946,520

As at 31 December 2020 the ageing analysis of trade receivables from non-exchange transactions was as follows:

	As at	
	31 December 2020	31 December 2019
Neither past due nor impaired less than 30 days	29,103,067	20,622,749
Past due from 31 - 90 days	-	40,000
Past due above 90 days	1,725,375	1,751,446
	30,828,442	22,414,195

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectable 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 2.98 billion at 31 December 2020 (31 December 2019: SR 2.2 billion) with banks having a sound credit rating.

22. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by management on 11 Sha'ban 1442 H (corresponding to 24 March 2021 G).

Chapter Nine: Reports and Bulletins

Available on CMA website: www.cma.org.sa

And in different file formats (open file) on the following link: <https://cma.org.sa/Market/Reports/Pages/default.aspx>



    Saudi CMA
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