

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





The Custodian of the Two Holy Mosques

King Abdullah Bin Abdulaziz Al-Saud





HRH Prince Sultan Bin Abdulaziz Al-Saud

Crown Prince , Minister of Defense and Aviation and the Inspector General



CMA Board

The CMA Board has five full-time members:



Mr. Mohamed Magnem Al-Shumrani
Member



H.E. Dr. Abdulrahman Abdulaziz Al-Tuwaijri
Chairman



Mr. Ibrahim Mohammed Al-Romaih
Vice-Chairman



Dr. Abdullah Hassan Al-Abdulgader
Member



Dr. Abdulrahman Abdulmohsen Al-Kalaf
Member





Vision

The Vision of the CMA is to raise the efficiency of the Saudi Capital Market and to enhance its competitive strength by building on the best international standards and practices in order for it to become a leading market in terms of liquidity, standards of performance and the rules and regulations that are applied. In addition the CMA seeks to promote a high level of transparency and disclosure in the local market, to provide effective supervision and control for continuous development of the market and to create a favorable and secure environment that protects and attracts investors and participants.

Mission

The CMA's mission is clearly defined to develop the Saudi Capital Market, protect investors against market risks and exert all efforts to strengthen fairness, transparency and disclosure.

Objectives

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

- promote investment in financial securities and increase the number of listed companies.
- act to develop and elevate the Saudi Capital Market; attract funds for investment; diversify the financial instruments available for investment; and provide adequate liquidity.
- develop an ideal, efficient and fair capital market that ensures effective and continuous disclosure of material information.
- maintain the stability of the financial system through the introduction and enforcement of sophisticated rules and regulations in accordance with the most advanced standards and practices applied internationally in terms of transparency, licensing, supervision and regulation.

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Chairman's Statement

I have the pleasure to present the Annual Report of the CMA for 2008 (1428-1429 H) that summarizes the most important achievements of the CMA in regulating the Saudi Capital Market, enhancing fairness, transparency and disclosure and protecting investors.

The CMA continued the evolution of the many laws and regulations that ensure development and enhancement of the Capital Market's constitutional infrastructure through the issuance of implementing regulations that are designed mainly for regulating and developing the Capital Market or amending certain implementing regulations. During the year the CMA's Board issued Anti-Money-Laundering and Counter-Terrorist Financing Rules whilst three implementing regulations were amended, including those related to the offering of securities, corporate governance and the glossary of definitions used in the CMA's rules and regulations.

The Board also approved the introduction of swap agreements between authorized persons and non-resident foreigners, be they financial institutions or individuals.

To deepen the Capital Market and to increase investment opportunities, the CMA continued its regulatory and developmental efforts directed at the IPO market; 56 offers were approved by the CMA during the year, including subscriptions to shares in 13 companies amounting to SR36.4 billion. To facilitate subscription procedures and to help investors alternative subscription channels were introduced, including the Internet, ATMs and Phone Banking, thereby reducing reliance on paper applications. At the end of 2005 subscriptions through bank branches had reached 82% of the total, a figure that had declined to just 11 % by the end of 2008.

In line with the CMA's constant efforts to increase the channels available for investment a total of 262 investment funds had been approved and authorized by the CMA by the end of 2008, an increase of 12% over the number at the end of 2007.

To enhance transparency and disclosure, the CMA monitored the compliance of listed companies for disclosure of their quarterly and annual financial results and of other material information in accordance with the CMA's standards and controls. A total of 1787 announcements were made on the website of the Saudi Stock Exchange "Tadawul", in 2008.

To protect investors against any unfair or unsound practices the CMA encourages the lodging of complaints. During the year a total of 444 complaints were received relating to the execution of transactions, facilities, Murabaha contracts, investment funds or portfolios. Necessary action was taken for 87% of such complaints, whilst 13% of them were still under process at the year end. The CMA also investigated 151 suspected violations of the Capital Market Law.

The CMA provided various professional financial intermediary services during 2008, including the issuance of licenses to 34 new companies and financial institutions for the practice of securities business, making the total number of authorized persons



110 compared to only 8 at the end of 2005.

The CMA also participated in conferences and meetings with international organizations, including the annual meeting of the International Organization of Securities Commissions (IOSCO), which took place in Paris between 26th and 29th May 2008, and a meeting with officials of American, French and Malaysian stock markets. It also participated in many international events that provide a framework for cooperation and enhancement of the level of understanding that will ultimately impact favorably on the CMA's business.

In recognition of the importance of investor awareness, six new manuals were issued by the CMA to add to those already published under the titles: Investments and Stock Markets, Young Investors' Guide, Retired Investor Guide, How to File a Complaint, A Manual of Investment Terminology and A Guide for Dealers on the Securities Disputes Litigation Agencies. Also, more than 108 fact sheets were introduced for explanation and clarification of the opinions and decisions issued by the CMA.

To develop the internal environment of the CMA, and to foster its regulatory capabilities, highly-qualified people were recruited who have an extensive experience in the capital markets. The total number of staff employed has now reached 436, an increase of 20% over the number in 2007. Cooperative frameworks were formed with leading international securities commissions for the preparation of HR development programs and an agreement with an international consultancy was signed for review of the CMA's current strategy and to help in its reformulation in order to keep pace with the changes

and developments taking place in the Saudi Capital Market. The CMA also upgraded its e-infrastructure by introducing the state-of-the-art technologies, systems, resources and infrastructures necessary for automation of its business.

In conclusion, I would like, on behalf of the CMA's Board, to extend my deepest thanks and appreciation to the Custodian of the Two Holy Mosques, King Abdullah Bin Abdulaziz Al Saud, and his Crown Prince Sultan Bin Abdulaziz Al Saud, may Allah protect them, for their constant much appreciated support of the CMA.

With my best wishes.

Dr. Abdulrahman Bin Abdulaziz Al-Tuwaijri
Chairman
Capital Market Authority





Chapter One

Capital Market Authority

- ▶ Establishment of the CMA
- ▶ Main Functions and Responsibilities of the CMA
- ▶ Organizational Structure
- ▶ Parties Subject to CMA Regulation

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Capital Market Authority

➤ *Establishment of the Capital Market Authority*

The Capital Market Authority (CMA) was established under the "Capital Market Law" that was promulgated by Royal Decree No. (M/30) dated 2/6/1424H, corresponding to 31/7/2003, to assume the supervisory and controlling role over the parties that fall under its authority. The CMA is a government authority with financial and administrative autonomy and reports directly to the Prime Minister. The Authority is vested with the organization and development of the Saudi Capital Market, the issuance of rules, directives and instructions and the implementation of the provisions of the Capital Market Law.

➤ *Main Functions and Responsibilities of the CMA*

The Capital Market Law spells out the CMA's main functions, the most important of which are to:

- ⌘ regulate and develop the capital market and to seek to develop and improve the practices of those parties involved in the trading of securities.
- ⌘ protect investors in securities from unfair and unsound practices or practices involving fraud, deceit, cheating, manipulation or any insider trading.
- ⌘ seek to achieve fairness, efficiency and transparency in securities transactions.
- ⌘ develop procedures that mitigate the risks associated with securities transactions.
- ⌘ regulate and monitor issuance of and trading in securities.
- ⌘ regulate and monitor the activities of parties that are under CMA's regulation.
- ⌘ regulate and monitor the full disclosure of information regarding securities and issuers, the dealings of informed

persons and investors, and define and make available information which the participants in the market should provide and disclose to shareholders and the general public.

➤ *Organizational Structure*

The CMA is composed of eight main departments that collaborate closely to achieve the CMA's goals and objectives.

(1) *Enforcement Department:*

Main Functions and Responsibilities:

- ⌘ Investigates violations of the Capital Market Law and its Implementing Regulations and institutes legal proceedings.
- ⌘ Acts to settle disputes that may arise among participants in the market.
- ⌘ Investigates investors' complaints and follows-up on their settlement.
- ⌘ Enforces the resolutions issued by the CMA Board or the Committee for the Resolution of Securities Disputes.

(2) *Corporate Finance:*

Main Functions and Responsibilities:

- ⌘ Reviews applications for the issuance, offering and listing of securities to ensure their compliance with the Capital Market Law and its Implementing Regulations.
- ⌘ Ensures compliance of listed companies with the disclosure requirements.
- ⌘ Ensures compliance of investment funds with the Capital Market Law and its Implementing Regulations.

(3) *Market Supervision Department:*

Main Functions and Responsibilities:



- Acts to implement the instructions and controls related to corporate information.
- Reviews interim and annual financial statements of listed companies and monitors their publication on the Tadawul website.
- Reviews interim and annual financial statements of listed companies to ensure their compliance with laid down Accounting Standards.
- Supervises on-line and off-line trading activities and reviews and analyzes trading transactions on a continuous basis.

(4) *Authorization and Inspection Department:*

Main Functions and Responsibilities:

- Studies applications for authorization to conduct securities business, including dealing, managing, arranging, advising and custodial services, as well as any other business which has to be authorized by the CMA.
- Ensures compliance of authorized persons with the Capital Market Law and its Implementing Regulations.
- Inspects authorized persons to ensure their compliance with the Capital Market Law and its Implementing Regulations.

(5) *Research and Investor Awareness Department:*

Main Functions and Responsibilities:

- Undertakes financial and economic research and studies.
- Prepares annual as well as other required reports and issues regular awareness, statistical and analytical publications on the Saudi Capital Market.
- Raises investment awareness and inspires an investment culture through various mechanisms and programs and

promotes the concepts of disclosure and transparency.

- Creates communication channels with regional and international financial and economic institutions and organizations and oversees the organization and implementation of co-operation programs with them.

(6) *The General Administration Department:*

Main Functions and Responsibilities:

- Prepares and develops Human Resource-related policies and regulations.
- Provides qualified human resources to meet the work requirements of the CMA.
- Monitors and provides the necessary IT systems and equipment.

(7) *Internal Audit Department:*

Main Functions and Responsibilities:

- Improves performance and productivity of the CMA's departments.
- Implements and develops internal compliance policies.
- Monitors observance of the code of conduct by CMA staff.

(8) *Legal Affairs Department*

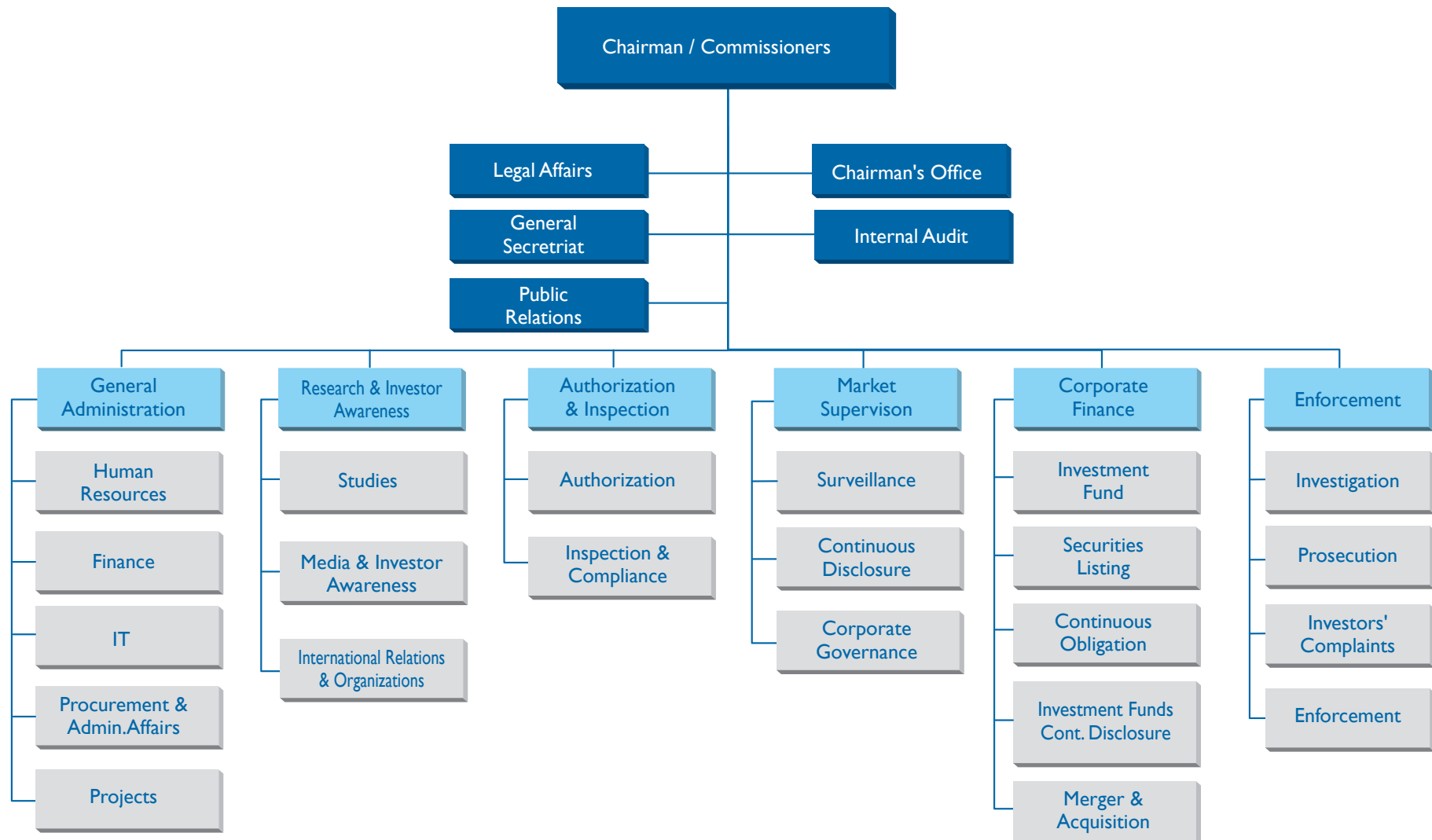
Main Functions and Responsibilities:

- Prepares and reviews the regulations, rules and instructions issued by the CMA and studies suggestions for their amendment.
- Reviews the contracts and agreements that are concluded by the CMA with overseas and local parties.
- Prepares the formal decisions related to the amendment of regulations issued by the CMA's Board.

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Capital Market Authority

CMA Organizational Structure





Parties Subject to CMA Control

(1) Saudi Stock Exchange (Tadawul)

In accordance with article twenty of the Capital Market Law, a market has been established in the Kingdom of Saudi Arabia for trading in securities which is known as the "Saudi Stock Exchange", and has the legal status of a joint-stock company in accordance with the provisions of this law. This Exchange is the sole entity authorized to carry out trading in securities in the Kingdom and to be responsible for all matters relating to operation of the Exchange.

(2) Authorized Persons

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

(3) Listed Companies

These are the companies whose securities are traded in the Saudi Capital Market.

(4) Traders

These represent the public who trade in securities in the Saudi Capital Market





Chapter Two

Achievements of the CMA

2-1 CMA Achievements in Regulating and Developing the Offering and Trading of Securities

- 2-1-1 Implementing Regulations and Regulatory Decisions for Developing and Regulating the Offering and Trading of Securities.
- 2-1-2 Offering and Trading of Securities and Investment Funds.
- 2-1-3 Supervision of Trading, Disclosure, Violations and Investors' Complaints.
- 2-1-4 Authorized Persons.
- 2-1-5 Investor Awareness.

2-2 Achievements in Regulating and Developing Internal Rules

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CMA Achievements in Regulating and Developing the Offering and Trading of Securities

2-1 CMA Achievements in Regulating and Developing the Offering and Trading of Securities:

2-1-1 Implementing Regulations and Regulatory Decisions for Developing and Regulating the Offering and Trading of Securities

In implementation of articles five and six of the Capital Market Law, which stipulate that the CMA is the agency responsible for issuing regulations, directives and instructions and for implementing the provisions of the law, an array of Implementing Regulations and regulatory decisions have been issued by the CMA for regulating and developing the capital market, as well as for the techniques that may be adopted by the parties involved in securities trading. Presented below is a summary of the rules and regulations and the most important regulatory decisions that have been issued:

(1) Implementing Regulations

Since its creation the CMA has issued a number of Implementing Regulations aimed at regulating and developing the Capital Market. As the CMA believes in the participation of the parties concerned with and interested in the development of the implementing regulations, it regularly announces such regulations on its website before their endorsement to solicit the ideas and opinions of concerned parties.

During the period from 1/7/2004 to the end of 2007, nine Implementing Regulations plus a Glossary of Terms were issued by the CMA's board, as follows:

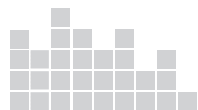
- 1- Market Conduct Regulations.
- 2- Offers of Securities Regulations.
- 3- Listing Rules.
- 4- Authorized Persons Regulations.
- 5- Securities Business Regulations.

- 6- Real Estate Investment Fund Regulations.
 - 7- Corporate Governance Regulations.
 - 8- Investment Fund Regulations.
 - 9- Merger and Acquisition Regulations.
 - 10- Glossary of Definitions used in the CMA Law and Rules.
- The CMA's Board passed Decision No. (1-39-2008 dated 3/12/1429H, corresponding to 1/12/2008) approving the regulations governing Money - Laundering and Counter - Terrorist Financing Rule to ensure compliance of authorized and listed persons with the Anti-Money-Laundering Law and its implementing regulations which were issued by Royal Decree No.(M/39) dated 25/6/1424H in compliance with the forty recommendations dealing with money-laundering, and the nine recommendations dealing with counter-terrorism funding that were issued by the financial work group.

In 2008, three decisions were reached by the CMA Board for making material amendments to three implementing regulations as follows:

1) Offers of Securities Regulations

These regulations were issued by the CMA Board, Decision No. (1-28-2008) dated 17/8/1429H, corresponding to 18/8/2008, for the purpose of enhancing the standards and requirements of offers of securities in the Kingdom. The regulations reflect all conditions and requirements governing offers of securities in the Kingdom, including public offering and private placement, the information provided to investors, private placement announcements and liability for incorrect documents. The most important amendment to these regulations is the revocation of the exempted offering.





2) Corporate Governance Regulations

In its constant effort to foster transparency in the Saudi Capital Market and to develop standards of Corporate Governance, the CMA, by its decision No. (1-20-2008), dated 14/5/1429H, corresponding to 19/5/2008, endorsed an amendment to Clause (a) of Article 18 of the corporate governance regulations to read "A Board member shall not, without prior authorization from the General Assembly, which must be renewed each year, have any interest (whether directly or indirectly) in the company's business and contracts. The activities to be performed through general bidding shall constitute an exception where a Board member is the best bidder. A Board member shall notify the Board of Directors of any personal interest he/she may have in the business and contracts that are completed for the company's account. Such notification shall be entered in the minutes of the meeting. A Board member who is an interested party shall not be entitled to vote on the resolution to be adopted in this regard neither in the General Assembly nor in the Board of Directors. The Chairman of the Board of Directors shall notify the General Assembly, when convened, of the activities and contracts in respect of which a Board member may have a personal interest and shall attach to such notification a special report prepared by the company's auditor".

3) Glossary of Definitions used in the CMA's Rules and Regulations

The Glossary was amended by CMA Board Decision No. (1-28-2008) dated 17/8/1429H, corresponding to 18/8/2008, to embrace the new terminology reflected in the Offers of Securities Regulations after their amendment.

(2) Regulatory Decisions

During 2008, the CMA Board held (41) sessions and issued 310 decisions, the most important of which were:

- 1- Qualification tests, that have to be undergone by listed persons or those persons to be listed to work for authorized persons, were endorsed on 22/4/2008.
- 2- Decision No. (1-20-2008), dated 14/5/1429H, corresponding to 19/5/2008, concerning amendment to Clause (a) of Article (18) of the Corporate Governance Regulations issued by the CMA Board Decision No. (1-212-2006), dated 21/10/1427H, corresponding to 12/11/2006.
- 3- Decision No. (1-28-2008), dated 17/8/1429H, corresponding to 18/8/2008, concerning Approval of Offers of Securities Regulations and amendment to the Glossary of Definitions used in the CMA's Rules and Regulations.
- 4- Decision No. (2-28-2008), dated 17/8/1429H, corresponding to 18/8/2008, which permits swap agreements between authorized persons and non-resident foreigners, be they financial institutions or individuals.
- 5- Decision No. (1-36-2008), dated 12/11/1429H, corresponding to 10/11/2008, which obliges listed companies to observe the following articles of the corporate governance regulations:
 - ☞ Article nine, effective from the first report of the Board of Directors that is issued by the company after issue of the above decision.
 - ☞ Clauses (c and e) of articles (12) and (14), effective from 2009.
- 6- Decision No. (4-38-2008), dated 26/11/1429H, corresponding to 24/11/2008, concerning amendments to the instructions governing announcements of listed companies that were issued by the CMA Board, Decision No. (1-199-2006), dated 18/7/1427H, corresponding to 12/8/2006.

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CMA Achievements in Regulating and Developing the Offering and Trading of Securities

2-1-2 Offering and Trading of Securities and Investment Funds

1) Securities Offerings

In implementation of clause (A) of article five and clause (A) of article six of the Capital Market Law pertaining to the CMA's function in respect to regulating, supervising, controlling and dealing with securities and approval for the offering of securities, the CMA exerted every effort to encourage investment in securities by increasing the number of listed companies. Securities Offerings include bonus shares, capital decreases, acquisitions, rights issues, debt instruments, exempted offers, private placements and public offerings.

(1)-Total Number of Applications for Offerings and their Value

Table (1) shows the total number of applications for offerings of securities that were approved by the CMA in 2008, compared to that for 2007, by type of offer. From this table, the following important points can be summarized:

- ▶ Total number of applications approved by the CMA in 2008 declined to (56) from (126) in 2007, a decrease of about 56%.
- ▶ In 2008, the shares of (13) companies were offered for subscription, compared to (27) such offerings in 2007, a decrease of about 52%.
- ▶ The total number of corporate private placements in 2008 was (19), in addition to which was the issuance of one debt instrument, five rights issues, one issue for the purpose of acquisition and (17) issues of bonus shares (stock dividends).

Table (1): Total Number of Applications for Securities Offerings Approved by the CMA in 2008 and 2007

Type	Total Applications		% Change
	2008	2007	
Public Offerings	13 ¹	27 ²	-52%
Private Placements	19	1	1800%
Exempted Offerings ³	0	72	-
Debt Instruments	1	2	-50%
Rights Issues	5	4	25%
Acquisitions	1	1	-
Capital Reductions	0	1	-
Bonus Shares (Stock Dividends)	17	18	-6%
Total	56	126	-56%

¹ Includes the IPO of Atheeb Telecommunication Company, which was approved by the CMA Board in 2008 and offered in early 2009.

² Includes the IPO of Rabigh Petrochemical Company which was approved by the CMA Board in 2007 and offered in early 2008.

³ Consolidation of the Exempted Offerings with private placements in the Offers of Securities Regulations issued by the CMA Board dated 18/8/2008.



Chart (1): Total Number of Applications for Securities Offerings Approved by the CMA in 2008 and 2007

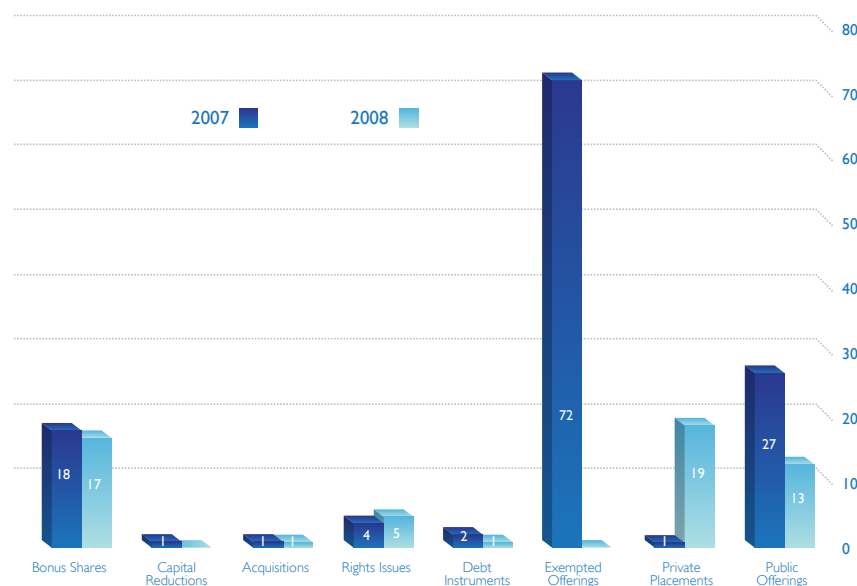


Table (2) shows the total number of applications for offers of securities approved by the CMA in 2008 compared to those in 2007, excluding exempted offers, bonus shares, capital reductions and shares issued for the purpose of acquisition. Table (3) shows the total value of securities offered by type of offer. The most important indicators that can be derived from these tables are:

- The total number of applications for offers approved by the CMA in 2008 rose to 38 compared to only 34 in 2007, an increase of 11.8%.
- The total value of securities offered in 2008 stood at SR 70.56 billion, an increase of 98.2% when compared to the figure in 2007.

- The total value of public offerings in 2008 increased to SR 36.36 billion, 101.6% more than in 2007.
- The total value of debt instruments offered in 2008 was about SR 5 billion compared to SR 13 billion in 2007, a decrease of 61.5%.
- The total value of right issues soared from SR 3.8 billion in 2007 to SR 22.48 billion in 2008, an increase of 491.6%.

Table (2): Total Number of Applications for Securities Offerings and their Value (excluding exempted offers, bonus shares and acquisition shares) which were approved by the CMA in 2008 and 2007

Description	Year		% Increase
	2008	2007	
Total Number of Applications for Offers	38	34 ⁴	11.8%
Value (SR billion)	70.56 ⁵	35.60	98.2%

⁴ Includes IPO of Rabigh Petrochemical Company which was approved by the CMA Board in 2007 and offered early in 2008.

⁵ Includes IPO of Rabigh Petrochemical Company which was approved by the CMA Board in 2007 and offered early in 2008.

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CMA Achievements in Regulating and Developing the Offering and Trading of Securities

Table (3): Total Value of Offered Securities (SR billion), by type, in 2008 and 2007

Type	2008		2007		% Change
	Amount	%	Amount	%	
Public Offering	36.36 ⁶	51.5%	18.03	50.7%	101.7%
Private Placement	6.72	9.5%	0.77	2.2%	772.7%
Rights Issues	22.48 ⁷	31.9%	3.80	10.6%	491.6%
Debt Instruments	5.00	7.1%	13.00	36.5%	-61.5%
Total	70.56	100%	35.60	100%	98.2

The total number of applications for offers approved by the CMA in 2008 rose to 38 compared to only 34 in 2007

⁶ Includes IPO of Rabigh Petrochemical Company which was approved by the CMA Board in 2007 and offered early in 2008.

⁷ Includes 2 Rights Issues which were approved by the CMA Board in 2007 and offered early in 2008.

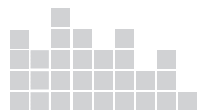
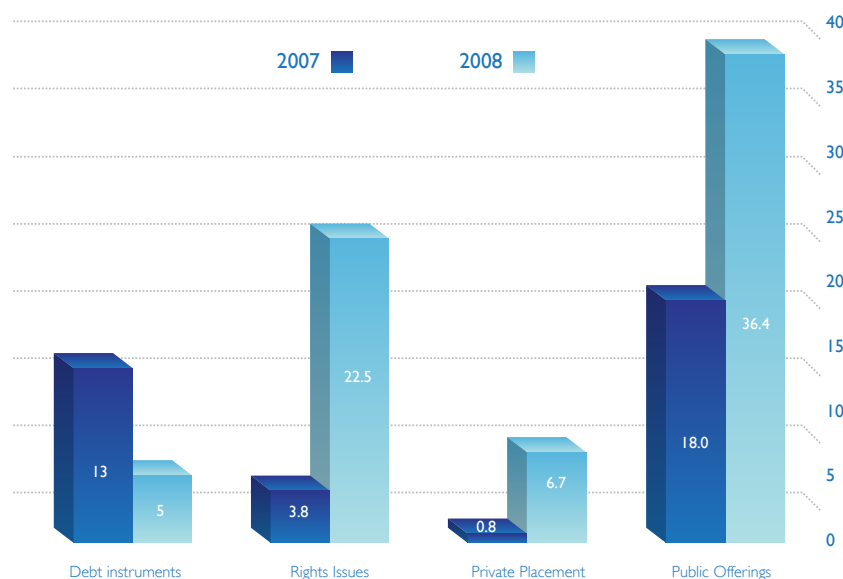




Chart (2): Total Amount of Offered Securities (SR billion), by Type, in 2008 and 2007



8 Includes IPO of Rabigh Petrochemical Company which was approved by the CMA Board in 2007 and offered early in 2008.

2- Debt Instruments

2008 witnessed a decrease in debt instruments issued, there being just one issue, for SABIC, amounting to SR 5 billion, compared to two issues amounting to SR 13 billion in 2007.

3- Public Offerings

Regulating the Public Offering Process

In 2008 37 investment firms (investment funds, authorized persons, investment entities and semi-government firms) participated in book building, which mechanism was applied to ensure a fair price for the offered securities and determination of the volume of demand.

Public Offerings

In 2008 shares in 13⁸ companies were offered for public subscription. Table (4) details those companies whose shares were offered for public subscription classified by volume, ratio of subscription shares to the company's total shares, the level of over-subscription and the total number of subscribers. The relevant indicators can be summarized as follows:

- The volume of shares offered for subscription in 2008 ranged from SR 80 million by "United Cooperative Insurance Group" to SR 10.5 billion by "Inma Bank", whereas the total value of the shares offered amounted to SR 36.36 billion.
- The percentage of shares offered out of a company's total shares in 2008 ranged between 25% for "Rabigh Petrochemical Company" and 70% for "Inma Bank".
- The number of times an issue was over-subscribed in 2008 ranged between 1.74 times for "Inma Bank" and 31.06 times for "BCI", with the weighted average of over-subscription being about 10 times.
- The total number of subscribers for the shares offered in 2008 ranged between about 1.77 million for "United Cooperative Insurance Group" and 8.85 million for "Inma Bank".

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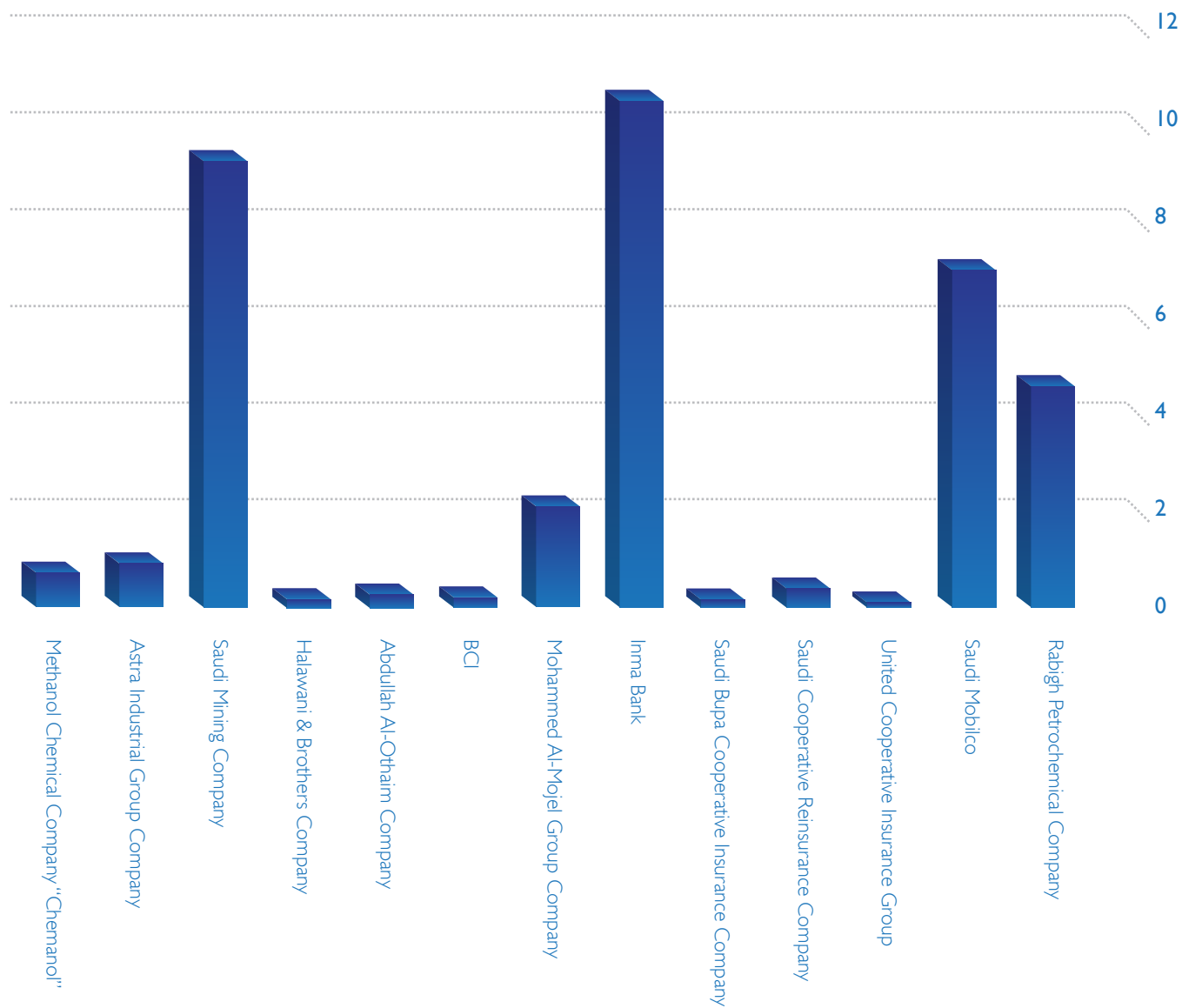
CMA Achievements in Regulating and Developing the Offering and Trading of Securities

Table (4): Companies that Offered Shares for Public Subscription in 2008 Classified by Volume, Ratio of Subscription Shares to Total Number of Shares in Issue, Level of Over-Subscription and Total Number of Subscribers:

Name	Volume (SR Billion)	Ratio of Subscription Shares to Total Number of Shares in Issue (%)	Level of Over-Subscription	Total Number of Subscribers
Rabigh Petrochemical Company	4.599	25%	7.16	5.40
Saudi Mobilco	7.000	50%	2.55	8.53
United Cooperative Insurance Group	0.080	40%	12.64	1.77
Saudi Cooperative Reinsurance Company	0.400	40%	3.66	2.41
Saudi Bupa Cooperative Insurance Company	0.160	40%	9.22	2.50
Inma Bank	10.500	70%	1.74	8.85
Mohammed Al-Mojel Group Company	2.100	30%	4.54	2.79
BCI	0.198	30%	31.06	3.85
Abdullah Al-Othaim Company	0.270	30%	21.88	3.33
Halawani & Brothers Company	0.171	30%	19.11	3.21
Saudi Mining Company	9.250	50%	1.88	7.01
Astra Industrial Group Company	0.911	30%	7.57	3.36
Methanol Chemical Company "Chemanol"	0.723	50%	8.15	5.34
Total	36.36	-	-	58.43



Chart (3): Volume of Shares Offered in 2008 (SR million)



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CMA Achievements in Regulating and Developing the Offering and Trading of Securities

Chart (4): Level of Oversubscription of Shares Offered for Subscription in 2008

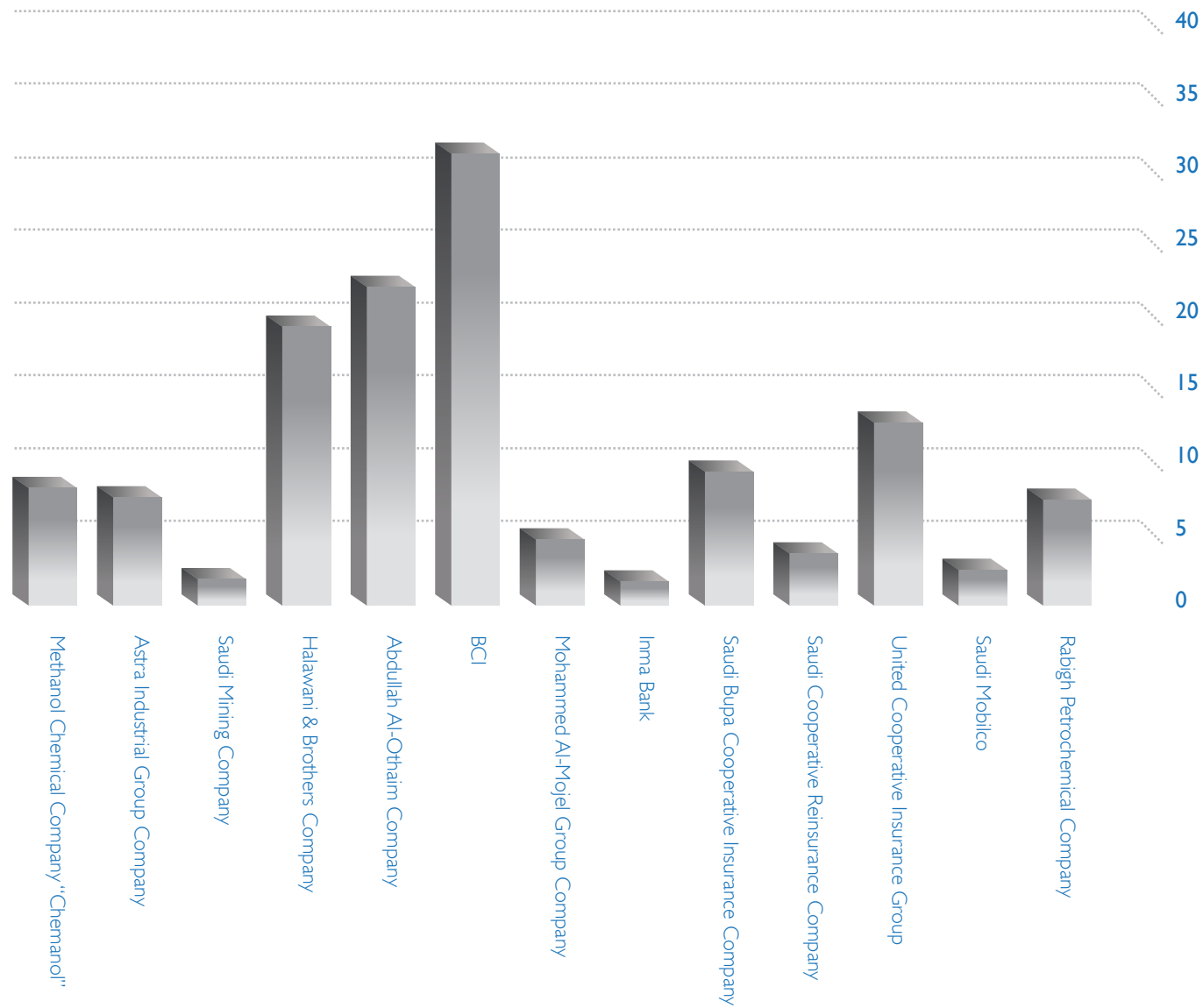
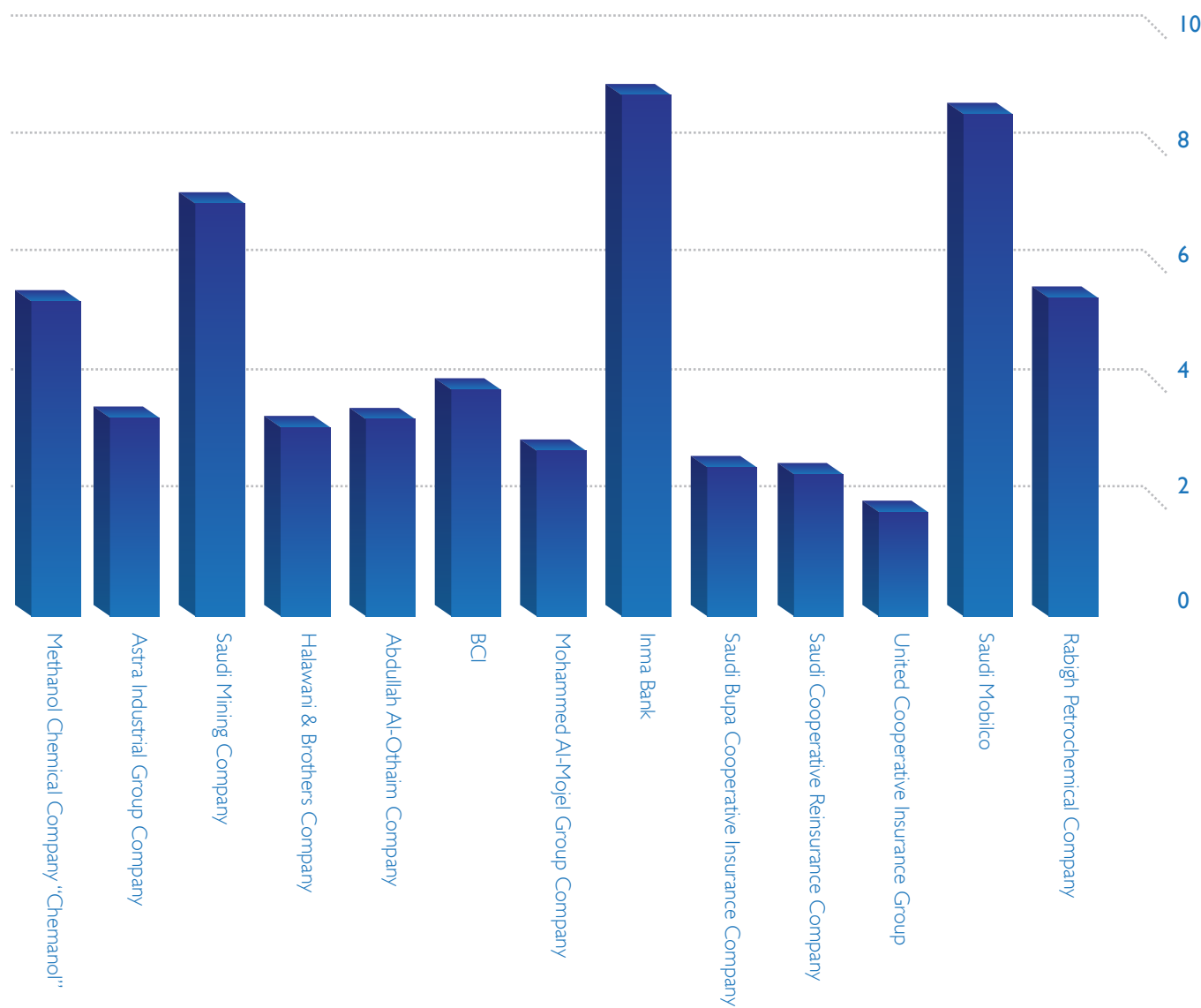




Chart (5): Total Subscribers (million) in 2008



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CMA Achievements in Regulating and Developing the Offering and Trading of Securities

4- Capital Increases of Listed Companies in 2008 by way of Bonus Issues

Table (5) provides a list of companies that increased their capital through Bonus Issues (Stock Dividends) in 2008 and the total number of shares in issue before and after the increase. The most important information derived from this table can be summarized as follows:

☞ 17 companies (13%) out of a total of 127 listed companies increased their capital through bonus issues (stock dividends) of shares.

☞ SABIC was at the top of the listed companies that increased their capital through bonus issues with an increase of 500 million shares, making the total number of shares in issue after the capital increase (3) billion.

5- Subscription Channels

▶ The Total Number of Subscribers through various Subscription Channels

Table (6) defines the total number of subscribers (in millions), based on subscription channels, in 2008, 2007 and 2006. The table's main indicators can be summarized as follows:

☞ The total number of subscribers using e-devices (Phone Banking, the Internet and ATMs) rose in 2008 to 89% of the overall total as compared to 83% in 2007 and 67% in 2006.

☞ Only 11% of the total number of subscribers in 2008 used bank branches for processing their applications, while Phone Banking, the Internet and ATM channels were used by 21%, 19% and 49% of subscribers respectively.

Table (5): List of Companies that Increased their Capital (million) during 2008 through Bonus Issues and the Total Number of Shares in Issue Before and After the Capital Increases

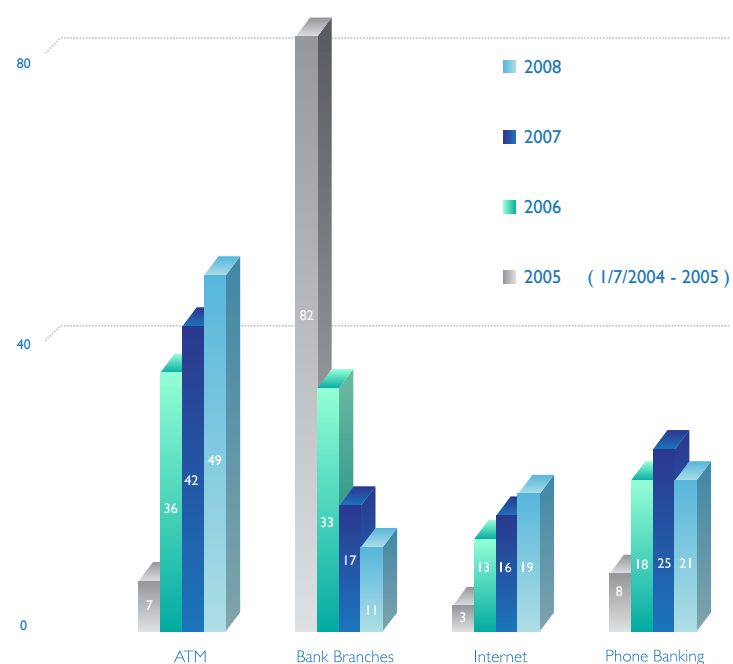
No.	Company	Total Shares	
		Before Capital Increase	After Capital Increase
1	Gizan Development Company	225	300
2	Saudi Fertilizer Company	200	250
3	SABIC	2,500	3,000
4	Al-Drees Petroleum Services and Transportation Company	20	25
5	National Company for Industry and Metallurgy	16.35	20.44
6	Al-Rajhi Bank	1,350	1,500
7	Saudi Investment Bank	391.02	450
8	Savola Group	375	500
9	SAMBA Financial Group	600	900
10	Arab National Bank	455	650
11	Fitaihi Holding Group	38.50	50
12	Saudi Paper Company	24	30
13	National Agricultural Development Company (NADEC)	40	60
14	Al-Abdellatif Industrial Investment Company	65	81.25
15	SABB	375	600
16	Dar Arkan Real Estate Development Company	540	720
17	Saudi Refinery Company	6	15
Total		7,220.872	9,151.695



Table (6): Total Number of Subscribers (Millions), by Subscription Channel from Establishment of the CMA until end 2008

Category	2008		2007		2006		The Period from 1/7/2004-End of 2008	
	Number	%	Number	%	Number	%	Number	(%)
Phone Banking	12.129	21%	8.979	25%	6.143	18%	1.944	8%
Internet	10.963	19%	5.672	16%	4.205	13%	857	3%
Bank Branches	6.707	11%	6.176	17%	11.206	33%	20.826	82%
ATM	28.626	49%	15.020	42%	11.966	36%	1.764	7%
Total	58.427	100%	35.851	100%	33.519	100%	25.391	100%

Chart (6): Percentage of Subscribers by Subscription Channel from Establishment of the CMA until end 2008



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6- Subscription Proceeds Collected Through the Different Channels:

Table (7) indicates the subscription proceeds collected, broken down into the different subscription channels, for the years 2008 and 2007. The main inferences that can be derived from this table can be summarized as follows:

- ☞ The total amount collected through the different subscription channels in 2008 stood at about SR 81.20 billion, 3.5% higher than in 2007 when SR 78.43 billion was collected.
- ☞ During 2008, the total amount collected through Phone Banking, the Internet and Bank Branches stood at about SR 14.41 billion, SR 17.37 billion and SR 30.77 billion or 17.8%, 21.4% and 22.9% respectively.

The total amount collected through the different subscription channels in 2008 stood at about SR 81.20 billion, 3.5% higher than in 2007

Chart (7): Percentage of Amounts Collected through Subscription Channels in 2008 and 2007

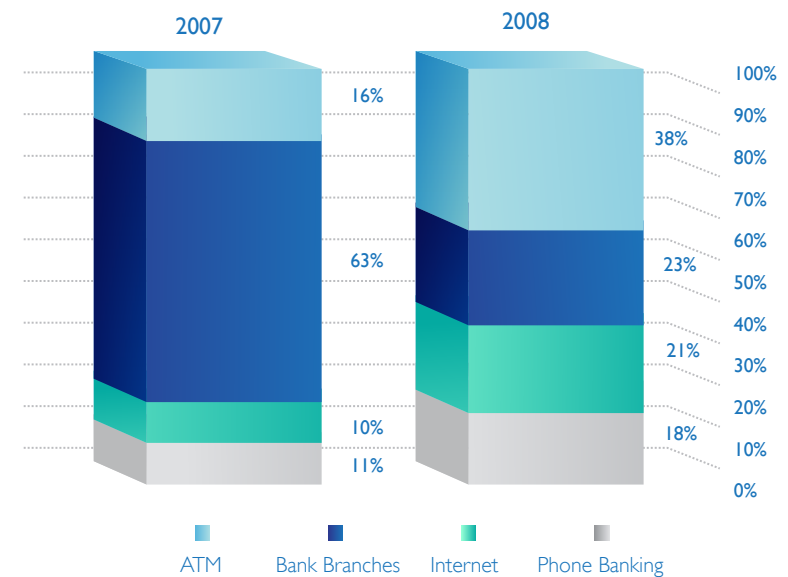


Table (7): Amounts (Billion) Collected through Subscription Channels in 2008 and 2007

Channel	2008		2007		% Change
	Amount	%	Amount	%	
Phone Banking	14.41	17.8%	8.27	10.5%	74.2%
Internet	17.37	21.4%	0.72	9.8%	125%
Bank Branches	18.65	22.9%	49.36	62.9%	-62.2%
ATM	30.77	37.9%	13.08	16.8%	135.2%
Total	81.20	100%	78.43	100%	3.5%



(7)- Handling of Complaints Related to Subscription Applications

During the issuance of IPOs and afterwards, the CMA receives investors' complaints relating to their subscriptions and takes the necessary action for handling and settling these in collaboration with the concerned parties. Table (8) reflects the total number of complaints for the years 2008 and 2007 and the actions taken for handling and settling them. The most important points indicated by this table can be summarized as follows:

- ☛ A total of 3,460 complaints were received by the CMA in 2008, an increase of 15% over a year earlier when the number of complaints was 3,003.
- ☛ 99% of the complaints were handled and settled in 2008, with only 1% of them still under processing at the year end.

Chart (8): Percentage of the Total Number of Subscription Complaints and Settlements in 2008 and 2007

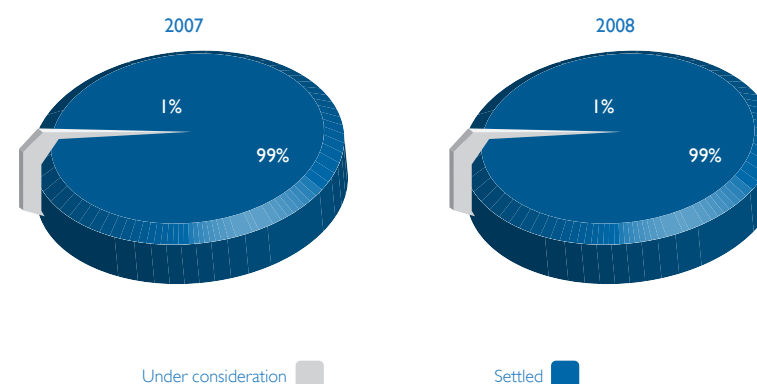


Table (8): Total Number of Subscription Complaints and Settlements in 2008 and 2007

Description	2008		2007		% Change
	Number	%	Number	%	
Received	3,460	100%	3,003	100%	15%
Settled	3,434	99%	2,968	99%	16%
Under consideration	26	1%	35	1%	-26%

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(8) Number of Listed Companies on the Saudi Stock Exchange and the Number of their Shares in Issue

I-Number of Listed Companies

Since its establishment, the CMA has been exerting every effort to expand the size of the Saudi Capital Market by seeking to increase the number of companies listed on the Saudi Stock Exchange. This follows on from recognition of the importance of developing the Capital Market, of attracting funds for investment and of the need for diversification of the investment instruments available. Table (9) indicates the total number of listed companies and the percentage change in the total between 1990 and 2008. The salient features of the increase in the number of listed companies can be summarized as follows:

- ☞ The total number of listed companies has risen from 57 in 1990 to 127 in 2008, an increase of 122%.
- ☞ Since establishment of the CMA the total number of listed companies has increased from 73 in 2004 to 127 in 2008.

Chart (9): Total Number of Listed Companies in the Saudi Stock Market for the Period 1990 - 2008

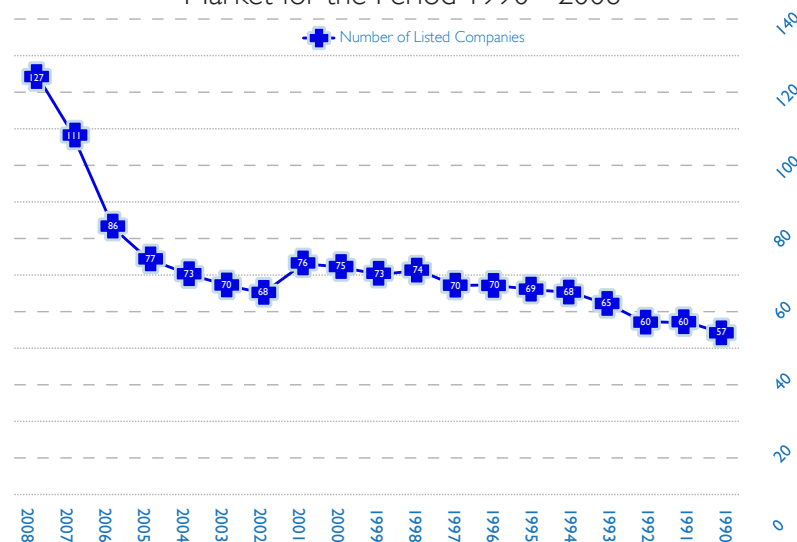


Table (9): Total Number of Listed Companies for the Period from 1990 to 2008 and the Annual Percentage Change

Year	Total Number of Companies	Percentage Change
1990	57	-
1991	60	5.3%
1992	60	0%
1993	65	8.3%
1994	68	4.6%
1995	69	1.5%
1996	70	1.4%
1997	70	0%
1998	74	5.7%
1999	73	-1.4%
2000	75	2.7%
2001	76	1.3%
2002	68 ⁹	-10.5%
2003	70	2.9%
2004	73	5.3%
2005	77	5.48%
2006	86	11.7%
2007	111	29.1%
2008	127 ¹⁰	14.4%

⁹ The number of listed companies declined as a result of the merger of electricity companies into a single company.

¹⁰ Includes 3 companies which were approved by the CMA Board in 2007 and offered early in 2008.



2-Total Issued Shares of Listed Companies

Table (10) indicates the total issued shares of listed companies in the Saudi Capital Market and the percentage change for the period from 1996 to 2008. The main points arising from the table can be summarized as follows:

☛ The total number of issued shares of listed companies jumped from 3.9 billion shares in 1996 to 39.5 billion in 2008, a substantial increase of 900%.

☛ Since establishment of the CMA in mid-2004, the total number of shares in issue rose from approximately 13 billion to about 39.5 billion shares in 2008.

Chart (10): Total Number of Issued Shares (Million) of Listed Companies for the Period from 1996 to 2008

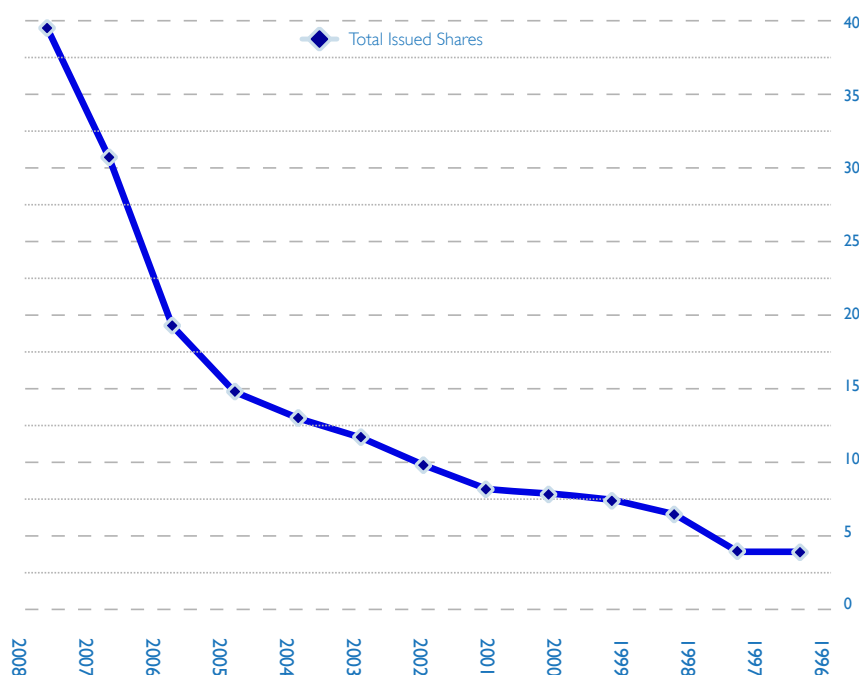


Table (10): Total Number of Issued Shares (Million) of Listed Companies and the Percentage Change for the Period from 1996 to 2008

Year	Total Number of Issued Shares	% Change
1996	3,921	-
1997	3,983	1.6%
1998	6,497	63.1%
1999	7,423	14.3%
2000	7,857	5.8%
2001	8,195	4.3%
2002	9,807	19.7%
2003	11,736	19.7%
2004	13,021	10.9%
2005	14,827	13.9%
2006	19,328	30.4%
2007	30,728	59.0%
2008	39,503	28.6%

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(3) Investment Funds

According to article six of the Capital Market Law, the CMA has the right to establish standards and conditions governing the activities of Investment Funds and, according to article thirty nine, the CMA assumes the power to regulate and supervise the activities of Investment Funds including control of portfolio managers and investment advisors. This includes setting the relevant regulations, directives and instructions and regulating Investment Fund activities in respect of their inception, offering and management as well as the application of disclosure and transparency rules. In implementation of article thirty nine, the CMA has issued regulations governing Investment Funds and Real Estate Investment Funds.

I - Total Number of Investment Funds in 2008 and 2007

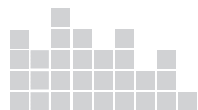
In recognition of the importance of expanding channels for

investment, the CMA has encouraged the offering of all types of Investment Fund. Table (11) indicates the total number of Investment Funds licensed, based on their type, in 2008 and 2007. The table's contents can be summarized as follows:

- ⌚ The total number of investment funds was 262 at the end of 2008 compared to 233 funds in 2007, an annual increase of 12%.
- ⌚ The total number of Investment Funds of all types, excluding debt instrument funds, increased in 2008 over 2007 at a rate of 3% for "funds of funds" and 79% for "other funds".
- ⌚ The largest number of funds were International Equity Funds as they totaled 74 at the end of 2008, representing 28% of the total number of funds available.
- ⌚ The total number of local Investment Funds was 45 in 2008, an increase of 29 % over the end of 2007.

Table(11): Total Number of Investment Funds in 2008 and 2007, Classified by Type

Type	2008		2007		% Annual Increase
	Number	%	Number	%	
Local Equity Funds	45 ¹¹	17%	35	15%	29%
GCC Equity Funds	16	6%	13	6%	23%
International Equity Funds	74	28%	74	32%	0%
Debt Instrument Funds	7	2%	11	5%	-36%
Money Market (Murabaha) Funds	57	22%	49	21%	16%
Real Estate Funds	4	2%	4	2%	0%
Funds of Funds	34	12%	33	13%	3%
Other	25	10%	14	6%	79%
Total	262	-	233	-	12%



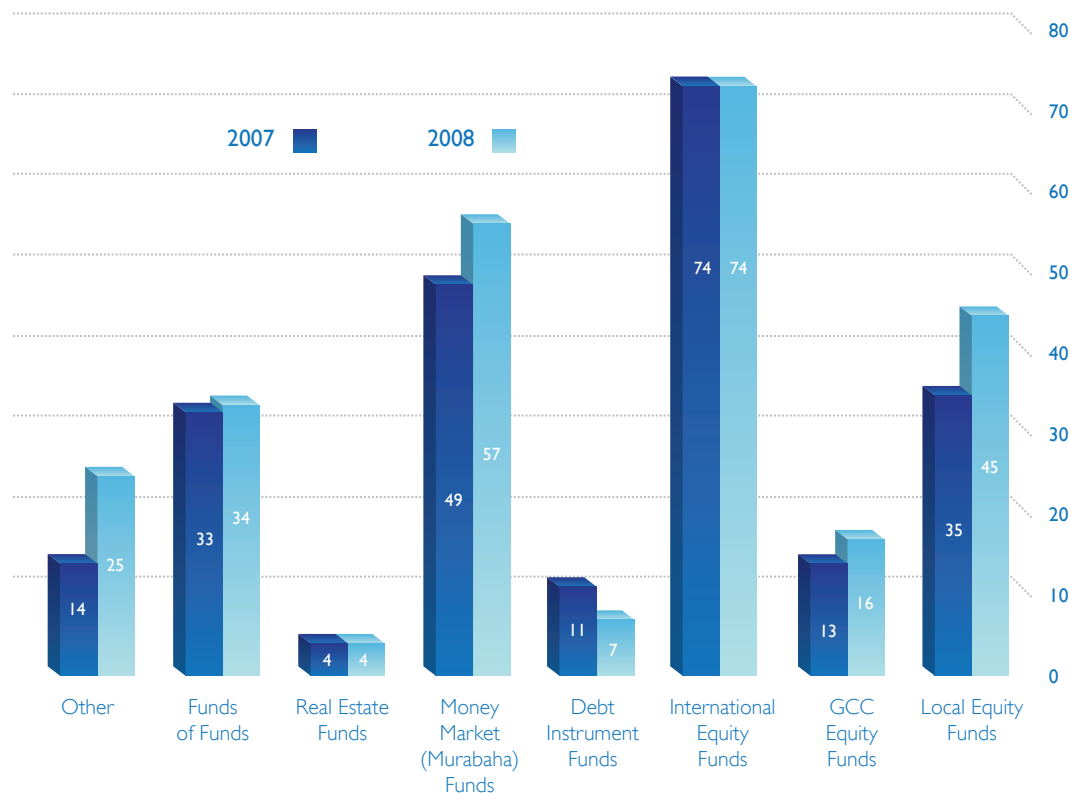


Chart (11): Total Number of Investment Funds in 2008 and 2007, Classified by Type

2-Investment Fund Assets under Management in 2008 Compared to 2007

Table (12) indicates Investment Fund assets under management in 2008 and 2007. The most important highlights of the table can be summarized as follows:

- ☞ The total Investment Fund assets under management in 2008 declined to about SR 74.81 billion, compared to SR 105 billion in 2007, a decrease of 28.8%.
- ☞ The total assets under management excluding real estate and money market (Murabaha) funds, declined in 2008 as compared to 2007 at a rate of decrease ranging between 25.7% for "funds of funds" and 81.1 % for "debt instrument funds".

☞ Approximately SR 16.47 billion was invested in local equity funds in 2008, which accounts for 22% of the total assets under management, a decrease of 62.3% compared to the 2007 figure. Table (13) indicates the assets under management for all funds and liquidity for the years 2008 and 2007. It can be inferred from the table that funds invested in local equities were concentrated mainly in the "Banking and Financial Services" and "Petrochemical Industries" sectors. Investments in these two sectors in 2008 stood at approximately SR 3.237 billion and SR 3.220 billion or 19.7% and 19.6% of the total assets under management respectively.

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Table (12): Investment Funds Assets Under Management (AUM) (SR billion), by Type, in 2008 and 2007

Type	2008		2007		% Annual Change
	Value	%	Value	%	
Local Equity Funds	16.470	22%	43.678	41.6%	-62.3%
GCC Equity Funds	1.614	2.2%	3.760	3.6%	-57.1%
International Equities	6.740	9.0%	14.879	14.2%	-54.7%
Debt Instrument Funds	0.153	0.2%	0.808	0.8%	-81.1%
Funds of Funds	1.756	2.3%	2.363	2.2%	-25.7%
Money Market (Murabaha) Funds	43.035	57.5%	33.893	32.2%	27%
Real Estate Funds	2.293	3.1%	1.591	1.5%	44.1%
Other	2.754	3.7%	4.127	3.9%	-33.3%
Total	74.814	100%	105.099	100%	-28.8%

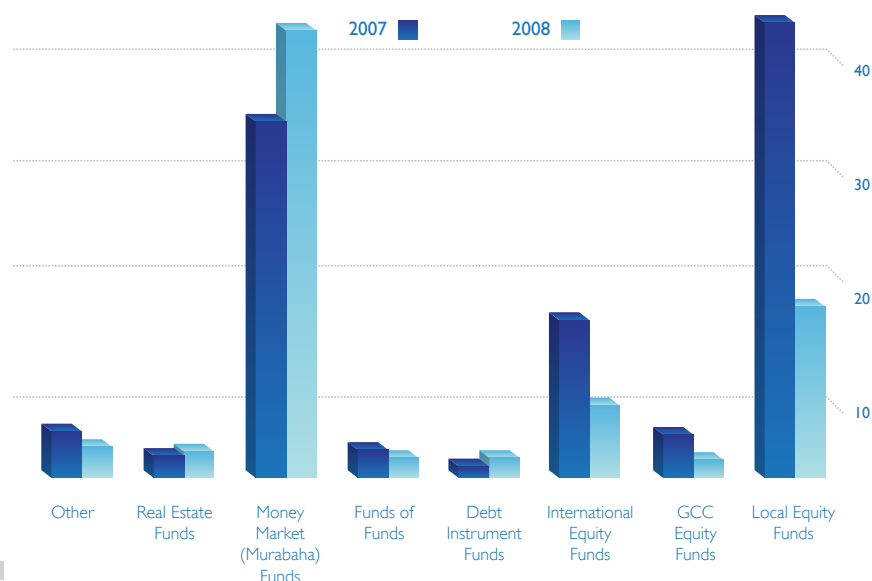


Chart (12): Investment Funds Assets Under Management (AUM) (SR billion) in 2008 and 2007, by Type



Table (13): Investment Funds Assets Under Management (AUM) (SR billion), by Saudi Stock Market Sectors and Liquidity in 2008 and 2007

No	2008			2007		
	Sector	Volume	%	Sector	Volume	%
1	Banks and Financial Services	3.237	19.7%	Banks	9.175	21.0%
2	Petrochemical Industries	3.220	19.6%	Industry	21.640	49.5%
3	Cement	0.981	6.0%	Cement	34.01	7.8%
4	Retail	0.458	2.8%	Services	2.300	5.3%
5	Agriculture and Food Industries	0.843	5.1%	Electricity	0.191	0.4%
6	Energy and Utilities	0.049	0.3%	Telecommunications	3.137	7.2%
7	IT and Telecommunications	1.728	1.5%	Insurance	1.087	2.5%
8	Multi Investment	0.060	0.4%	Agriculture	0.127	0.3%
9	Insurance	0.002	0%	Liquidity	2.620	6.0%
10	Industrial Investment	0.912	5.5%	Total	43.678	100%
11	Building and Construction	1.144	6.9%			
12	Real Estate Development	2.396	14.5%			
13	Transportation	0.172	1.0%			
14	Media and Publishing	0.015	0.1%			
15	Hotels and Tourism	0	0%			
16	Other ¹²	1.253	7.6%			
	Total	16.470	100%			

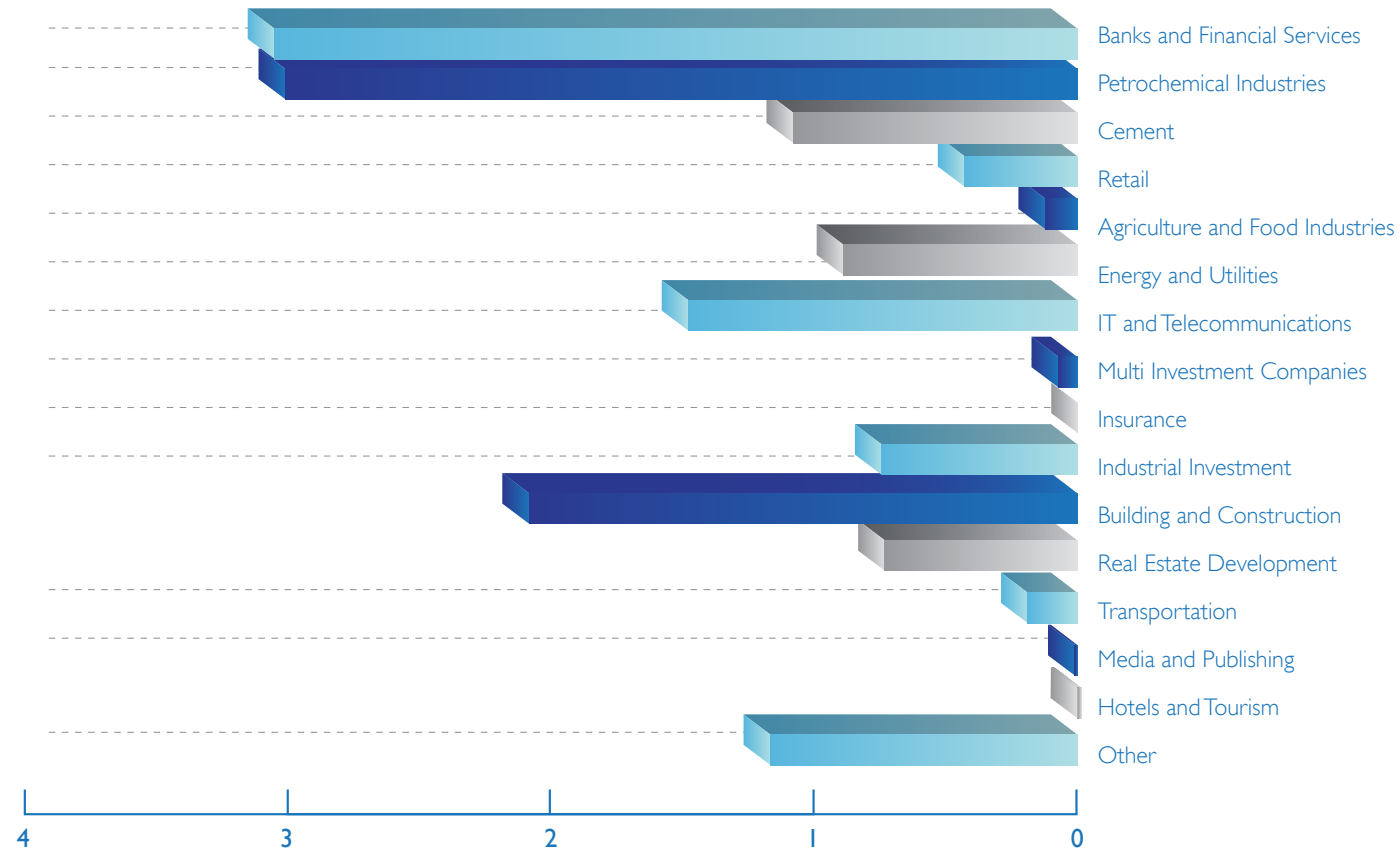
Approximately SR 16.47 billion was invested in local equity funds in 2008, which accounts for 22% of the total assets under management,

¹² Include (cash, money markets)

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Chart (13): Investment Funds Assets Under Management (AUM), by Saudi Stock Market Sectors and Liquidity in 2008 (SR billion)



3- Number of Investors in Investment Funds in 2008 Compared to 2007

Table (14) indicates the total number of investors in Investment Funds by fund type in 2008 and 2007. This information can be summarized as follows:

☞ The total number of investors in Investment Funds declined to about 375,000 in 2008 from about 426,000 in 2007, a fall

of 12%.

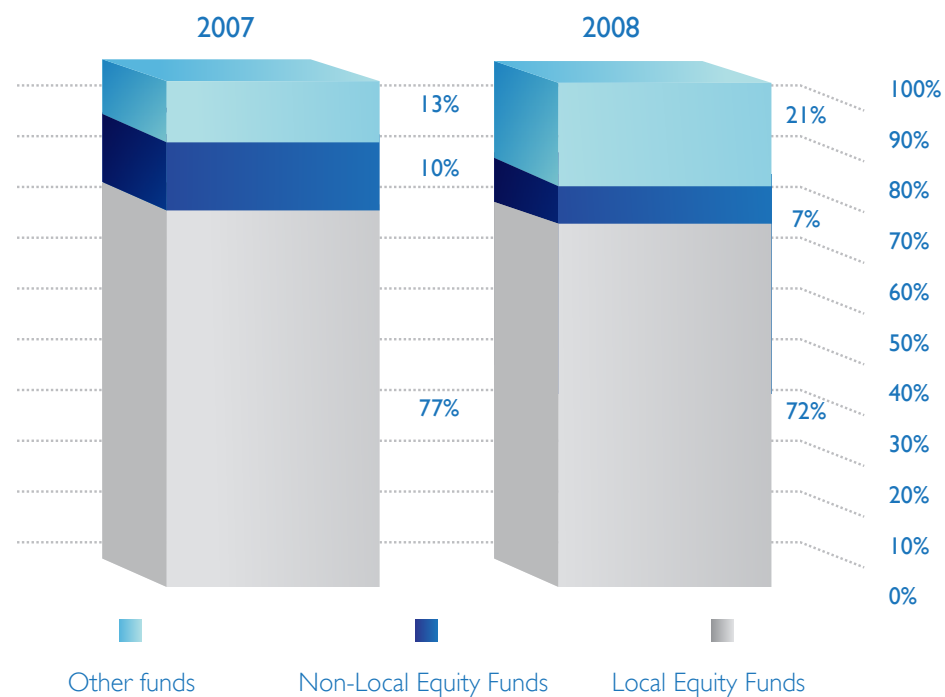
- ☞ The total number of investors in local equity funds declined by 18 % in 2008 as compared to the number in 2007.
- ☞ The total number of investors in local equity funds stood at about 270,000 at the end of 2008, which accounts for 72% of the total number of investors in all types of fund.



Table (14): Total Number of Investors in Investment Funds in the Years 2008 and 2007, by Type of Fund

Type of Fund	2008		2007		% Change
	Total Investors	%	Total Investors	%	
Local Equity Funds	270,496	72%	328,832	77%	-18%
Non-Local Equity Funds	26,167	7%	44,205	10%	-41%
Other funds ¹³	78,312	21%	52,923	13%	48%
Total	374,975	100%	425,960	100%	-12%

Chart (14): Ratios of Investors in Investment Funds in 2008 and 2007 by Type of Fund



13. Debt instruments, funds of funds, money markets.

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4- Number of Investment Funds Approved by the CMA in 2008
2008 witnessed an increase to 262 in the number of investment funds authorized by the CMA. Table (15) provides a list of these funds classified by type, fund manager, fund name and currency authorized in 2008. Tables (16) and (17) describe those Investment Funds approved by the CMA in 2008, classified by fund manager and currency respectively. The most important points arising from these tables are as follows:

- ☛ Eleven funds, accounting for 28% of the total funds in 2008, were managed by authorized persons who are banks' affiliates, whereas 28 funds were managed by other authorized persons.
- ☛ The Saudi Riyal is the currency of 26 funds (67%) and the US Dollar is the currency of 13 funds (33%).

Table (15): Investment Funds Approved/Authorized by the CMA in 2008, Classified by Type, Fund Manager, Fund Name and Fund Currency.

	Fund Manager	Fund Name	Currency
Local Equities	KSB Capital Group	KSB Saudi Shares Fund	SR
	Bakheet Investment Group	Bakheet IPO Fund	SR
	Capital Group Company- Hermes-KSA	EFG Fund –Saudi Hermes	SR
	HSBC Saudi Arabia Limited	HSBC Saudi Cement and Construction Companies Fund	SR
	Jadwa Investment Company	Jadwa Saudi Index Fund	SR
	Audi Capital Company	Al-Safwa Saudi Index Fund	SR
	Arab National Investment Company	Al-Mubarak IPO Fund	SR
	Al-Ahli Capital Company	Al-Ahli Fund	SR
	Morgan-Stanley Company- KSA	Saudi Index Fund	SR
	Arab National Investment Company	Al-Mubarak Saudi Shares Fund	SR
	International Investment House-KSA	Global Saudi Equity Fund	SR



	Fund Manager	Fund Name	Currency
GCC Equities	Jadwa Investment Company	Jadwa GCC Equity Fund	SR
	Altawfeek Financial Group	Isalah GGC Equity Fund	SR
	Arabian Financial Company	Arabian Financial GCC Equity Fund	SR
	Global Investment House-KSA	Global GCC Equity Fund	SR
	Global Investment House-KSA	Global GCC Equity Fund	SR
International Equities	HSBC Saudi Arabia	HSBC International Markets Equities Fund	US Dollar
	Jadwa Investment	Jadwa Global Sukuk Fund	US Dollar
	Riyad Capital Company	Asian Opportunities Fund	US Dollar
	Riyad Capital Company	Natural Resources Fund	US Dollar
	Rana Investment Company	Rana Emerging Markets Fund	US Dollar
	Jadwa Investment Company	Jadwa Flexible African Equities Fund	US Dollar
	Falcom Financial Services	Falcom IPO Fund	SR
	KSB Capital Group	KSB IPO Fund (Subscriber)	SR
	Al-Ahli Financial Company	Al-Ahli International Technology Fund	US Dollar
	Jadwa Investment Company	Jadwa Consumer Goods and Natural Resources Fund	US Dollar
	Altawfeek Financial Group	Al-Barq Telecommunications Fund	SR
	Arab National Investment Company	Al-Mubarak Asian Real Estate Fund – Pacific	US Dollar

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	Fund Manager	Fund Name	Currency
Money Markets (Murabaha)	Rana Investment Company	Rana Liquidity Fund (SR)	SR
	Rana Investment Company	Rana Liquidity Fund	US Dollar
	Altawfeek Financial Group	Al-Durrah Liquidity Fund	SR
	Altawfeek Financial Group	Al-Durrah Liquidity Fund	US Dollar
	KSB Capital Group	KSB Murabaha Fund	SR
Funds of Funds	Jadwa Investment Company	Jadwa Portfolio Fund	SR
	Jadwa Investment Company	Jadwa Balanced Fund	SR
	Jadwa Investment Company	Jadwa Aggressive Fund	SR
	Falcom Financial Services	Falcom Multiple Assets Fund	SR
	National Arab Investment Company	Al-Mubarak Portfolio Fund	US Dollar
	National Arab Investment Company	Al-Mubarak Growth Fund	US Dollar

39 Investment Funds were approved by the CMA in 2008, of which 28% were managed by authorized persons who are banks' affiliates. The Saudi Riyal is the currency of 26 funds.

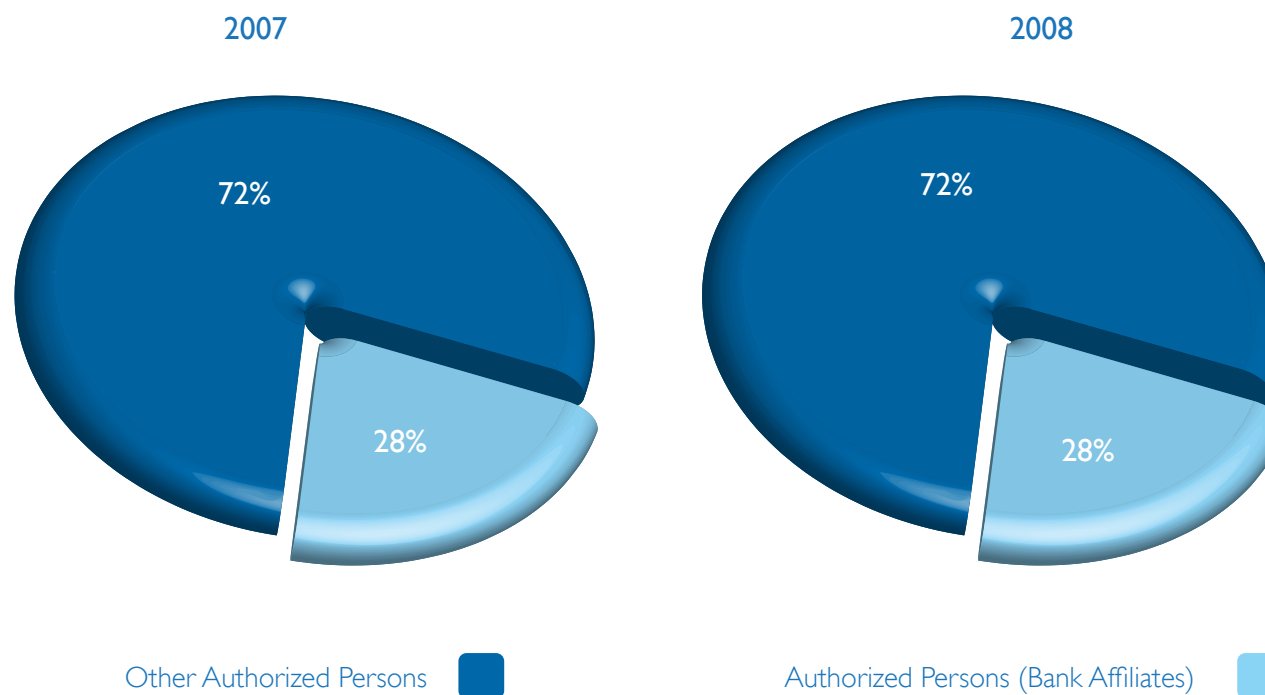




Table (16) Total number of Investment Funds whose units have been publicly offered in 2008 and 2007, Classified by Fund Manager

Fund Manager	2008		2007		% Change
	Number of Funds	%	Number of Funds	%	
Authorized Persons (Bank affiliates)	11	28%	7	28%	57%
Other Authorized Persons	28	72%	18	72%	56%
Total	39	100%	25	100%	56%

Chart (15): Percentage of Investment Funds whose units have been publicly offered in 2008 and 2007, Classified by Fund Manager



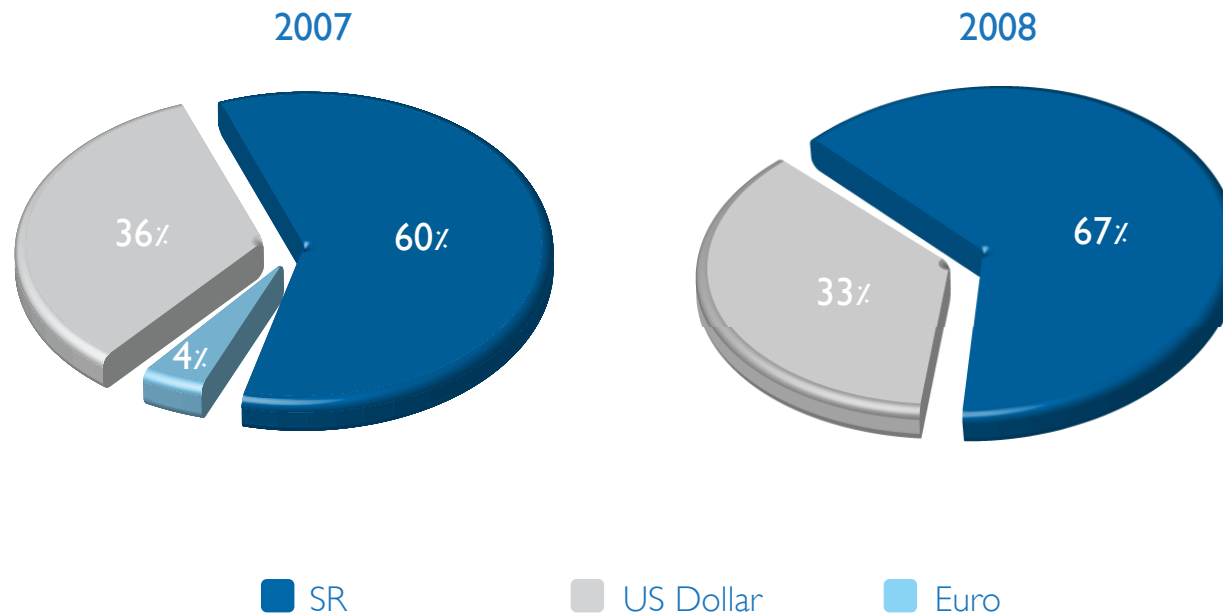
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Table (17): Total Number of Investment Funds whose Units have been Publicly Offered in 2008 and 2007 by Currency

Currency	2008		2007		% Change
	Number of Funds	%	Number of Funds	%	
SR	26	67%	15	60%	73%
US Dollar	13	33%	9	36%	44%
Euro	0	0%	1	4%	-
Total	39	100%	25	100%	56%

Chart (16): Percentage of Investment Funds whose units have been publicly offered by the CMA in 2008 and 2007, by Currency



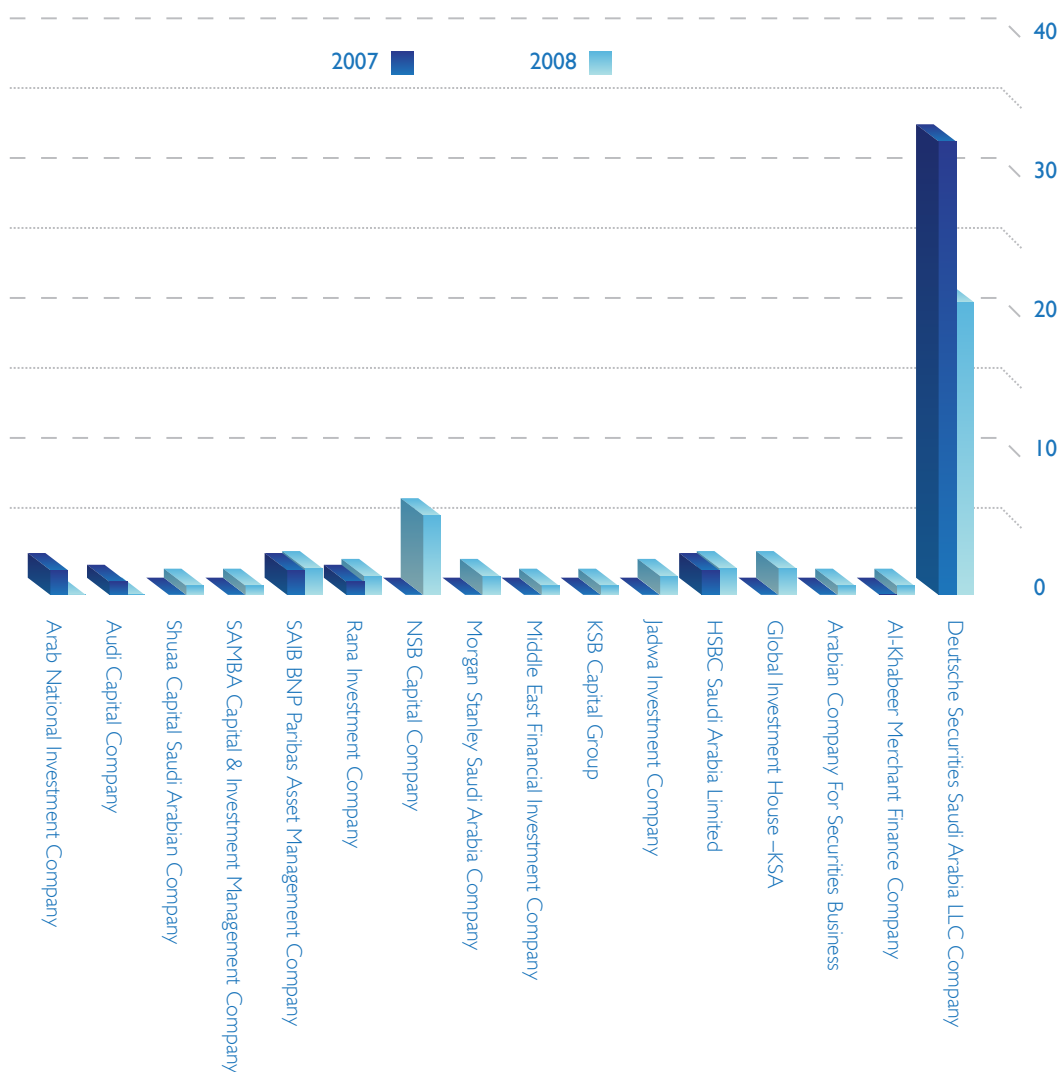


5- Private Placement Investment Funds Approved/ Authorized by the CMA in 2008 and 2007

In addition to regulating the offering of Investment Funds to the general public, the CMA also regulates the activities of Private Placement Investment Funds. In 2008 a total of 63 private placement funds were offered in accordance with the Investment Fund regulations. Table (18) indicates the total number of such funds and their respective percentages by fund manager for the years 2008 and 2007, which can be summarized as follows:

- ☞ The total number of private placement funds rose to (63), an increase of 43% compared to the number in 2007.
- ☞ Deutsche Securities Saudi Arabia LLC Company was the leading issuer of Private Placement Investment Funds whose units have been publicly offered in both 2008 and 2007, with a total of (33) and (36) funds in each of those years respectively.

Chart (17): Percentage of units that have been publicly offered by way of private placement in 2008 and 2007, by Fund Manager



The total number of private placement funds rose to (63)

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Table (18): Investment Funds whose Units have been offered by way of Private Placement in 2008 and 2007, by Fund Manager

No.	Fund Manager	2008		2007		% Change
		Number of Funds	%	Number of Funds	%	
1	Deutsche Securities Saudi Arabia LLC Company	33	52%	36	81%	-58%
2	Al-Khabeer Merchant Finance Company	1	2%	-	-	-
3	Arabian Company For Securities Business	1	2%	-	-	-
4	Global Investment House –KSA	3	5%	-	-	-
5	HSBC Saudi Arabia Limited	3	5%	2	5%	50%
6	Jadwa Investment Company	2	3%	-	-	-
7	KSB Capital Group	1	2%	-	-	-
8	Middle East Financial Investment Company	1	2%	-	-	-
9	Morgan Stanley Saudi Arabia Company	2	3%	-	-	-
10	NSB Capital Company	9	14%	-	-	-
11	Rana Investment Company	2	3.17%	1	2%	100%
12	SAIB BNP Paribas Asset Management Company	3	5%	2	5%	50%
13	SAMBA Capital & Investment Management Company	1	2%	-	-	-
14	Shuaa Capital Saudi Arabian Company	1	2%	-	-	-
15	Audi Capital Company	0	0%	1	2%	-100%
16	Arab National Investment Company	0	0%	2	5%	-100%
Total		63	100%	44	100%	43%



2-1-3 Supervision of Securities Transactions, Disclosure, Violations and Investors' Complaints

(1) Monitoring of Securities Trading

Articles five and six of the Capital Market Law stipulate that the CMA seeks to develop the procedures that reduce the risks related to securities transactions and to monitor securities trading to protect investors from unfair and unsound practices. Articles forty nine and fifty of the Capital Market Law further set out the practices that constitute violation of the Capital Market Law. In fulfillment of its supervisory role, the CMA focuses its efforts on enhancing the supervision of securities' transactions through the following:

- ☞ Development of new supervisory techniques and systems.
- ☞ Development of internal policies and procedures for improving the supervisory performance of the CMA.
- ☞ Maintaining close monitoring of all transactions to ensure participants' compliance with the Capital Market Law and its Implementing Regulations.

Trading Supervision Mechanism

Trading is supervised as follows:

- 1- The electronic supervision system (SMART), which was brought into operation in 2007, generates alerts in the event of suspected violations of the Capital Market Law and its Implementing Regulations.
- 2- The system performs intensive scanning of all trades and deals that are the subject of the alert by analyzing market data and reviewing and analyzing executed orders and transactions.
- 3- Reports are then produced about suspected violations of the Capital Market Law and its Implementing Regulations for forwarding to the concerned department for further investigation and the taking of the necessary action.

Reports on Trading Supervision Activities

Two types of supervisory reports are generated:

- 1- Reports on market activity describing daily trading.
- 2- Reports on suspected violations of the Capital Market Law.

Table (19) provides information on the total number of reports issued concerning the supervision of trades, and the daily average of reports issued based on the number of trading days for each of the years 2008 and 2007.

The most important points evidenced by this table can be summarized as follows:

- ☞ In 2008, a total of (5,344) reports on market activity were generated in (251) days as compared to (4,802) reports in 2007, which were generated in (248) days.
- ☞ The average number of reports on trading supervision in 2008 increased to (21) per trading day as compared to (19) per day in 2007, an increase of 11%.

Table (19): Total Number of Reports Generated on Supervision of Trades, their Daily Average and the Total Number of Trading Days in 2008 and 2007

	Category	Number		Change %
		2008	2007	
Reports	Reports on Market Activity	5,271	4,780	10%
	Other Reports ¹⁴	73	22	232%
	Total Reports	5,344	4,802	11%
	Total Trading Days	251	248	1%
	Average Number of Daily Reports	21	19	11%

14. Include all other market supervision reports.

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In 2008, a total of (968) intensive examinations of trades subject to alerts were carried out

Table (20) indicates the intensive examination of trades and deals that were the subject of alerts generated by (SMARTS) and the total number of suspected violations of the Capital Market Law in the years 2008 and 2007. In 2008, a total of (968) intensive examination of trades subject to alerts were carried out, of which (44) were regarded as suspected violations, representing 5% of total trades and deals examined. In 2007, a total of (283) intensive examinations were performed, (41) of which, or 14%, were considered to be suspected violations.

Table (20): Total Number of Intensive Examinations of Trades and Deals that were the Subject of Alerts and Suspected of Violations of the Capital Market Law in the Years 2008 and 2007

Case	2008		2007	
	Total	%	Total	%
Intensive Examination of Deals and Trades that were the Subject of Alerts	968	100%	283	100%
Suspected Violations	44	5%	41	14%

(2) Disclosure

Disclosure and provision of information to investors are essential factors in the efficiency and effectiveness of any capital market. According to article five of the Capital Market Law, the CMA regulates and monitors full disclosure of information regarding securities and their issuers and the dealings of informed persons, major shareholders and investors, in addition to defining and making available information that participants in the market should provide to shareholders and the general public. According to article six of the Capital Market Law, the CMA has full authority to issue the necessary decisions, instructions and procedures for regulating and supervising the disclosure process.

The CMA regulates and monitors two types of disclosure as follows:

I-Initial Disclosure

Preliminary relevant information is disclosed to investors about a company whose shares are to be offered for subscription subject to securities offers regulations and listing rules. Such information must be disclosed through a prospectus which must contain:

- An adequate description of the issuer, its business, the individuals responsible for its management, including members of the Board of Directors, executive officers and senior staff, and its major shareholders.



- ⌚ An adequate description of the securities to be issued or offered, their number, price and related rights, privileges and preferences of the issuer's other securities, if any. The description must set out how the issue proceeds will be disbursed and the commissions levied by persons connected with the issue.
- ⌚ A clear statement of the financial position of the issuer and any related financial data, including audited balance sheet, profit and loss account and cash flow statement.
- ⌚ Any other relevant information as may be required by the CMA.

2-Continuous Disclosure

Pursuant to this type of disclosure, the CMA monitors listed companies to ensure their compliance with the following:

- ⌚ Disclosure of the annual financial statements and reports on closing of the fiscal year.
- ⌚ Disclosure of the quarterly interim financial statements and reports.
- ⌚ Disclosure of any material developments, and events "significant information" of importance to investors that might affect the price of a company's securities, by publishing such information on the Tadawul website within the specified period defined in CMA Implementing Regulations, before release to the press or publication on any other website. The announcements should comply fully with the CMA's announcements instructions.
- ⌚ Disclosure of any development or events related to change in the capital of the issuer.
- ⌚ Disclosure of any change in any information related to directors and senior executives and their relatives.
- ⌚ Disclosure of any change in the issuers by- laws or the headquarters location or any change in its external auditor.

The CMA also performs the following:

- ⌚ Reviews the annual and quarterly financial statements of listed companies to ensure their compliance with the disclosure requirements set out in the Capital Market Law and its Implementing Regulations.
- ⌚ Examines the Board of Directors' reports of listed companies to ensure their compliance with the disclosure requirements set

out in the listing rules.

- ⌚ Follows-up compliance of listed companies with the provisions of the corporate governance regulations and the disclosure of the provisions that have been implemented and the provisions that have not been implemented and the reasons for not implementing them.
- ⌚ Monitors companies' investments in the shares of listed companies.
- ⌚ Reviews announcements of listed companies' financial results and of any material developments and events to ensure their compliance with the CMA Law and its Implementing Regulations and all relevant instructions issued by the CMA.
- ⌚ Monitors notifications relating to the ownership of shares by substantial shareholders, members of Boards of Directors and executives to ensure their compliance with the CMA Law and its Implementing Regulations.
- ⌚ Monitors agreements and memoranda of understanding executed between listed companies and unlisted companies concerning ownership of shares or capital increases of the companies.

► Disclosure in Boards of Directors' Reports in Compliance with Corporate Governance Requirements

Table (21) details the total number of listed companies that complied or failed to comply with the Corporate Governance Regulations disclosure requirements in the Boards of Directors' Reports for the years 2008 and 2007. The most important points arising from this table can be summarized as follows:

- ⌚ The total number of companies that complied with the Corporate Governance disclosure requirements in the Boards of Directors' reports in 2008 was (84), 88% of all companies, compared to (60) in 2007, or 70% of the total.
- ⌚ Eleven companies, 12% of the total, failed to comply with the disclosure or corporate governance requirements in their Boards of Directors' Reports in 2008, as compared to (26) companies or (30%) of the total in 2007.

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Table (21): Total Number of Listed Companies that Complied or Failed to Comply with the Corporate Governance Regulations Disclosure Requirements in the Boards of Directors' Reports in 2008 and 2007

Category	2008		2007	
	Number	%	Number	%
Companies that Complied with the Corporate Governance Requirements	84	88%	60	70%
Companies that Failed to Comply	11	12%	26	30%
Total	95 ¹⁵	100%	86	100%

Review of Annual and Quarterly Financial Statements

Tables (22), (23) and (24) reveal the results of reviews of the detailed and summarized annual and quarterly financial statements of listed companies. The main results of the review are as follows:

- ☞ Most listed companies have complied with the Capital Market Law and its Implementing Regulations governing disclosure in annual and quarterly financial statements and results.
- ☞ A total of 534 detailed statements were reviewed and published on the Tadawul website in 2008, compared to 466 in 2007, an increase of 15% year-on-year; and a total of 550 summarized statements were reviewed after publication on the "Tadawul" website in 2008, compared to 461 in 2007, an increase of 19%.
- ☞ In 2008, 97 annual financial statements without qualified audit report were reviewed, representing 87% of the total listed companies, whereas in 2007 the figure was 70, or 81%.
- ☞ The total number of annual financial statements with qualified audit report reviewed in 2008 was 14, or 13% of the total listed companies, and in 2007 the figure was 16 or 19% of the total.
- ☞ Qualifications were made on 24 quarterly financial statements of listed companies in 2008, 19% of the total, compared to qualifications on 29 quarterly statements in 2007, or 26% of the total.



Table (22): Detailed and Summarized Financial Statements which were Reviewed and Published on the “Tadawul” Website in 2008 and 2007

Category	Total Number for the Year		% Change
	2008	2007	
Summarized Financial Statements that were Reviewed after Publication on the “Tadawul” website	550	461	19%
Detailed Financial Statements that were Reviewed and Deposited on the “Tadawul” website	534	466	15%

Table (23): Annual Financial Statements With and Without Qualifications in 2008 and 2007

Statements	2008		2007		% Change
	Number of Companies	%	Number of Companies	%	
Financial Statements Without Qualifications	97	87%	70	81%	39%
Financial Statements With Qualifications	14	13%	16	19%	-13%
Total	111	100%	86	100%	29%

Table (24): Quarterly Financial Statements With and Without Qualification in 2008 and 2007

Statements	2008		2007	
	Number of Companies	%	Number of Companies	%
Financial Statements Without Qualifications	103	81%	82	74%
Financial Statements With Qualifications	24	19%	29	26%
Total	127	100%	111	100%

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► Disclosure of Material Developments and Events or “Significant Information”

The CMA ensures compliance of listed companies with the disclosure of any material developments and events on the “Tadawul” website in accordance with the CMA’s instructions and requirements as to timing and content. Table (25) details the total number of these announcements, classified by type. The most important elements of this table can be summarized as follows:

- ☞ The number of announcements published on the “Tadawul” website in 2008 was 1,787, compared to 1,489 in 2007, with an increase of 20%.
- ☞ The total number of announcements of material developments and events during 2008 was 1,231, 69% of the total announcements, with an increase of 19% over the figure for 2007.

- ☞ The total number of financial results announcements in 2008 was 534, 30% of the total with an increase of 24% over the previous year.
- ☞ The total number of Boards of Directors’ announcements recommending capital increases through rights issues was seven, a decrease of 36% compared to 11 such announcements in 2007. The total number of announcements of Boards of Directors recommending capital increases through the issuance of bonus shares (stock dividends) was 15 in 2008, an increase of 7% over 2007.

Table (26) shows the total number of announcements published on the Tadawul website, on a quarterly basis in 2008 and 2007. As indicated in the table, 62% of these announcements were made in the first half of 2008 as compared to 63% in 2007.

Table (25): Total Number of Announcements Published on the Tadawul Website in 2008 and 2007, by Type

Type of Announcement	2008		2007		Change %
	Number	%	Number	%	
Material Developments and Events	1,231	69%	1,032	69%	19%
Financial Results	534	30%	431	29%	24%
Company Boards of Directors Recommending Capital Increases through Rights Issues	7	0%	11	1%	-36%
Company Boards of Directors Recommending Capital Increases through the Issuance of Bonus Shares	15	1%	14	1%	7%
Company Boards of Directors’ Recommendations Proposing Capital Decreases	-	-	1	0%	-
Total	1,787	100%	1,489	100%	20%

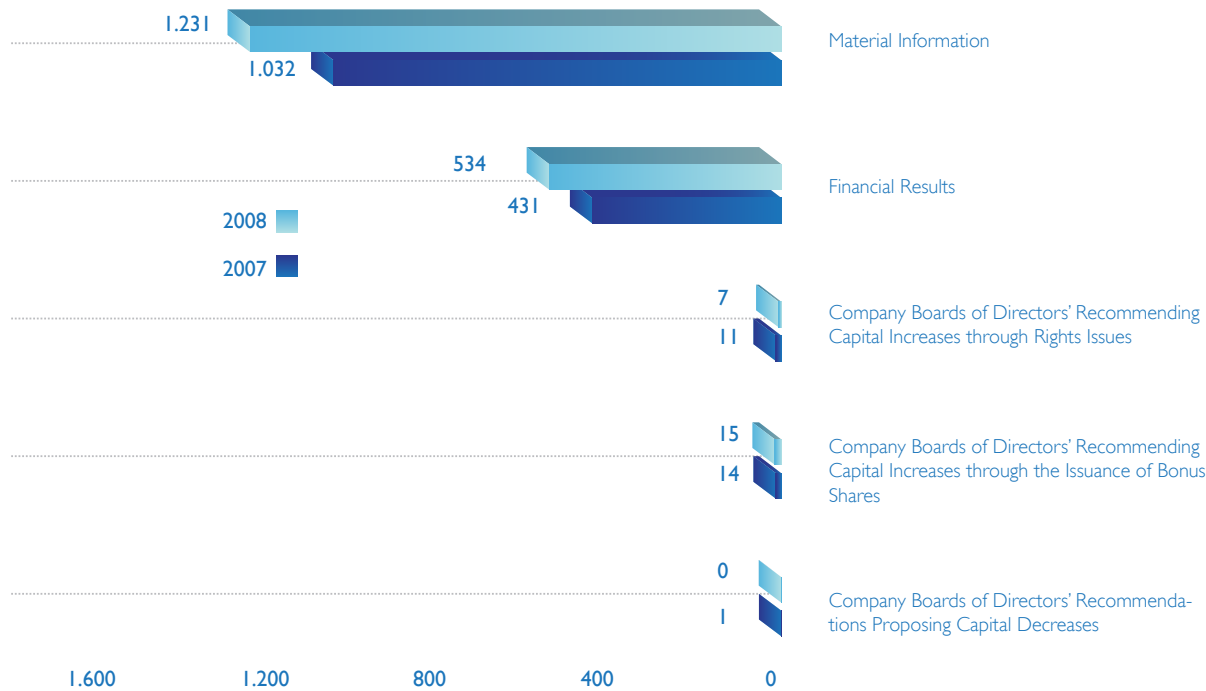


Chart (18): Total Number of Announcements Published on the "Tadawul" Website in 2008 and 2007, by Type

The number of announcements published on the "Tadawul" website in 2008 was 1,787

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Table (26): Total Number of Announcements Published on the Tadawul Website in 2008 and 2007, on a Quarterly Basis

Quarter	2008		2007		% of Change
	Number	%	Number	%	
First	569	32%	495	33%	15%
Second	532	30%	436	30%	22%
Third	318	17%	288	19%	10%
Fourth	368	21%	270	18%	36%
Total	1,787	100%	1,489	100%	20%

(3) Suspected Violations of CMA Announcements Instructions

The CMA monitors the compliance of listed companies with its instructions regarding announcements of material developments and events they publish on "Tadawul" website. Table (27) displays the total number of such announcements involving suspected violations of CMA announcements instructions, on a quarterly basis, during 2008. The main points evidenced by the contents of the table can be summarized as follows:

- ⌚ The total number of announcements involving suspected violations of the CMA announcements instructions in 2008 was 34.
- ⌚ 19 of these announcements, or 56% of the total, were made in the third quarter of the year.

Chart (19): Total Number of Announcements Published on the "Tadawul" Website in 2008 and 2007, on a Quarterly Basis

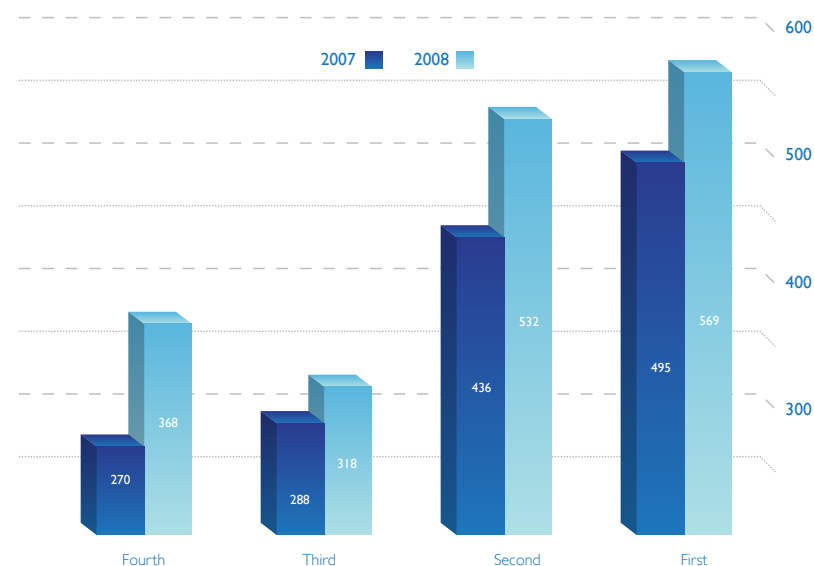


Table (27): Total Number of Announcements Involving Suspected Violations of CMA Announcements Instructions Published on the "Tadawul" Website in 2008, on a Quarterly Basis

Quarter	2008	
	Number	%
First	1	3%
Second	10	29%
Third	19	56%
Fourth	4	12%
Total	34	100%



Notifications of the Ownership of 5% or more of the Shares of a Listed Company

Notification regarding substantial shareholdings (5% or more) and the ownership of any shares by a board member or executives of a listed company or of any change to the percentage of such ownership, are among the matters that must be disclosed to the CMA.

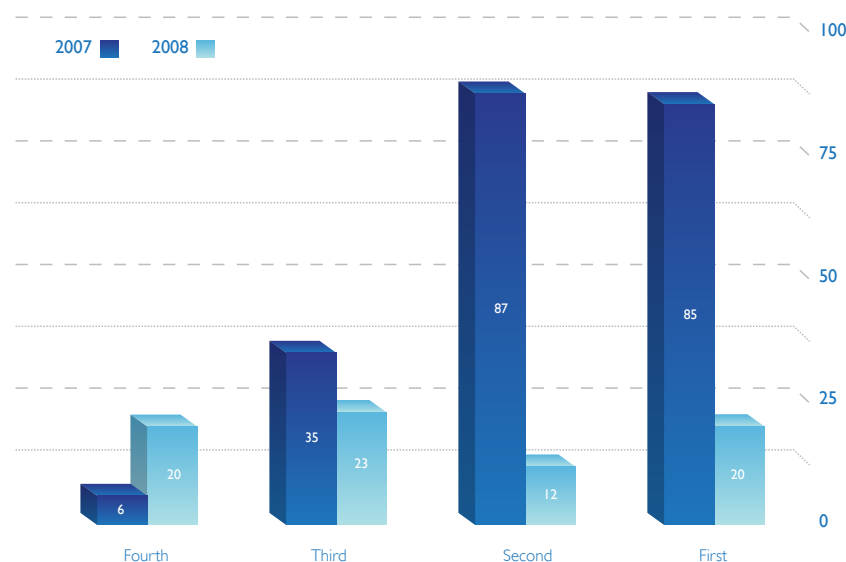
Table (28) indicates the total number of such notifications, of substantial shareholdings on a quarterly basis, in the years 2008 and 2007. The contents of this table can be summarized as follows:

- The total number of notifications in 2008 was 75, compared to 213 in 2007, a decline of 65%.
- The highest percentage of notifications was 30% for the third quarter of 2008 and 41% for the second quarter of 2007.

Table (28): Total Number of Notifications Of Substantial Shareholdings Received by the CMA in 2008 and 2007, on a Quarterly Basis

Quarter	2008		2007	
	Number	(%)	Number	(%)
First	20	27%	85	40%
Second	12	16%	87	41%
Third	23	30%	35	16%
Fourth	20	27%	6	3%
Total	75	100%	213	100%

Chart (20): Total Number of Notifications of Substantial Shareholdings Received by the CMA in 2008 and 2007, on a Quarterly Basis



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Table (29) provides details of the total number of notifications of Boards of Directors' and Executives' ownership in 2008 and 2007, on a quarterly basis. The findings in this table can be summarized as follows:

- ☞ The total number of notifications received by the CMA in 2008 was 88 compared to 60 in 2007, an increase of 47%.
- ☞ The highest percentage of these notifications, 33%, was in the second quarter of 2008 and 30% in the first quarter of 2007.

Chart (21): Total Number of Notifications of Ownership of Shares in Listed Companies by Board Members and Executives Received by the CMA in 2008 and 2007, on a Quarterly Basis

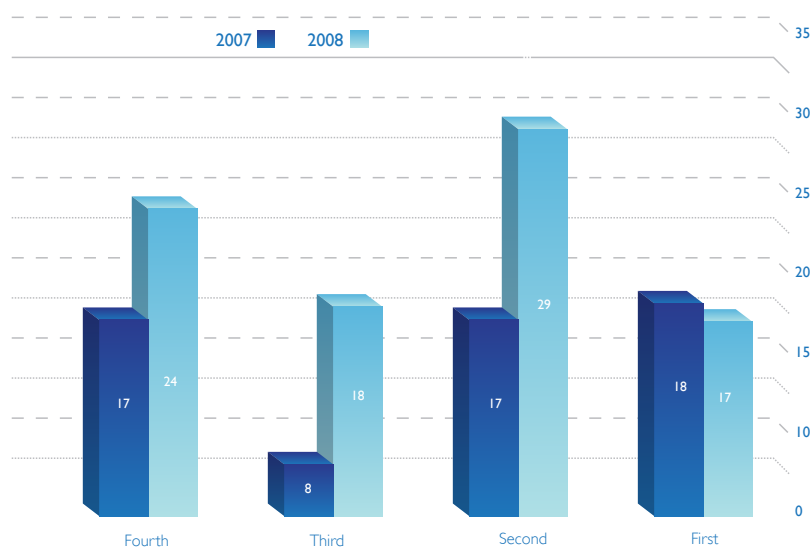


Table (29): Total Number of Notifications of Ownership of Shares in Listed Companies by Board Members and Executives Received by the CMA in 2008 and 2007, on a Quarterly Basis

Quarter	2008		2007	
	Number	%	Number	%
First	17	19%	18	30%
Second	29	33%	17	29%
Third	18	21%	8	13%
Fourth	24	27%	17	28%
Total	88	100%	60	100%

(3) Violations and Investor Complaints

The CMA exerts strenuous efforts to protect investors against any unfair or unsound practices that may involve fraud, deceit or manipulation, as follows:

- ☞ Receives investors' complaints.
- ☞ Follows-up and monitors violations of the Capital Market Law and its Implementing Regulations and of the decisions and directives issued by the CMA Board.
- ☞ Investigates issues referred to it by the competent departments relating to violations of the Capital Market Law or arising from investors' complaints.
- ☞ Brings legal proceedings before the Committee for Resolution of Securities Disputes (CRSD) against any party violating the Capital Market Law and its Implementing Regulations.
- ☞ Follows-up on the implementation of the decisions and verdicts issued by the CMA Board or the CRSD.



Table (30): Total Number and Classification of Complaints Received by the CMA in 2008 and 2007

Type of Complaint	2008		2007		%age Change
	Number	%	Number	%	
Execution of Transactions	227	51%	399	55%	-43%
Facilities and Murabaha Contracts	12	3%	93	13%	-87%
Investment Funds	43	10%	65	9%	-34%
Portfolios	93	21%	54	7%	72%
Other Complaints	69	15%	144	16%	-39%
Total	444	100%	725	100%	-39%

Channels for Lodging Complaints

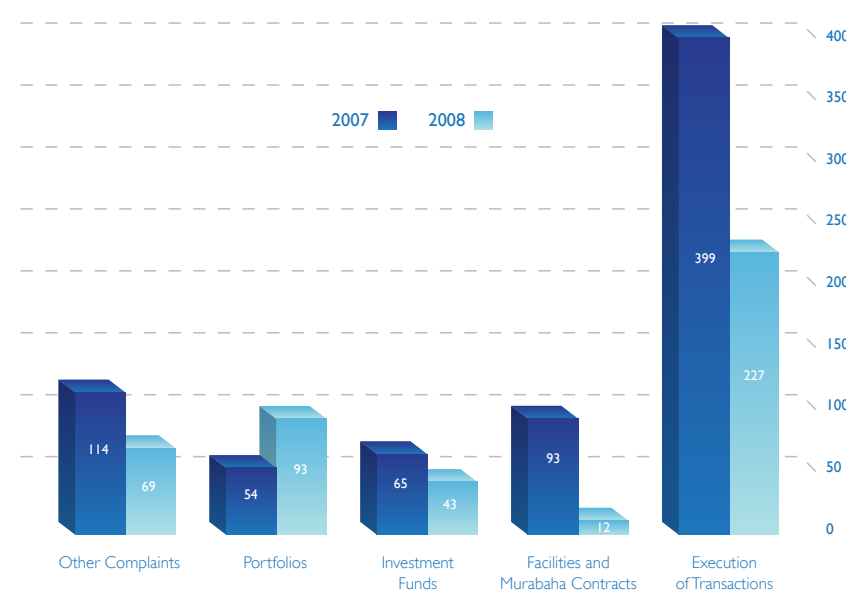
The CMA has opened many channels for lodging and handling investors' complaints including at the CMA's premises and by e-mail, fax or post. The CMA studies and reviews each complaint and ensures that it has jurisdiction to investigate further.

Total Number and Classification of Complaints in 2008 and 2007

Table (30) details the total number of complaints, classified by type, received by the CMA through the various channels in 2008 and 2007. Such complaints relate to the execution of transactions, Murabaha contracts, investment funds and portfolios as well as any other complaints that might be made. The most important details contained in this table can be summarized as follows:

- ☞ A total of 444 complaints were received in 2008, compared to 725 in 2007, with a decrease of 39%
- ☞ The highest percentage of complaints in both 2008 and 2007 related to the execution of transactions, the percentages being 51% and 55% respectively.
- ☞ The lowest percentage of complaints in 2008, 3%, related to facilities and Murabaha contracts and, in 2007, related to portfolios, at 7% of the total.

Chart (22): Total Number and Classification of Complaints Received by the CMA in 2008 and 2007



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Complaints received in 2008 and 2007 can also be classified on a quarterly basis, as indicated in Table (31), and can be summarized as follows:

- ⌚ The highest number of complaints received by the CMA was in the first quarter of both years, 36% and 37% .
- ⌚ The lowest number of complaints received by the CMA in the two years was in the fourth quarter, 12% in 2008 and 15% in 2007.

Chart (23): Total Number of Complaints Received by the CMA in 2008 and 2007, on a Quarterly Basis

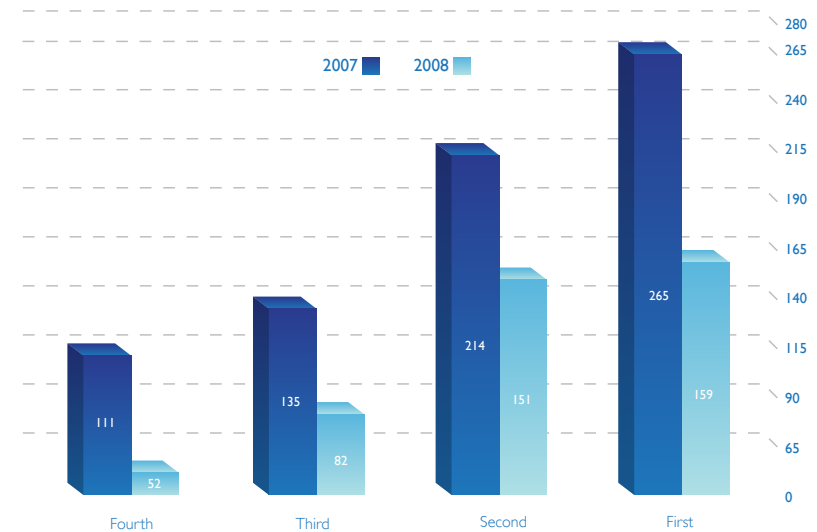


Table (31): Total Number of Complaints Received by the CMA in 2008 and 2007, on a Quarterly Basis

Quarter	2008		2007		% Change
	Number	%	Number	%	
First	159	36%	265	37%	-40%
Second	151	34%	214	29%	-29%
Third	82	18%	135	19%	-39%
Fourth	52	12%	111	15%	-53%
Total	444	100%	725	100%	-39%



Handling of Complaints

On receipt of complaints, the CMA issues notices and notifications to complainants in an attempt to reach settlement between the concerned parties and takes any necessary action, pursuant to clause (e) of article (25) of the Capital Market Law which states "No complaint or statement of claim may be filed with the Committee without being filed first with the authority and a 90 day period has passed from the filing date". In case a settlement is not possible, and 90 days from filing of the complaint has passed, this notice will be given to the complainant. The complainant may then file a case with the CRSD for them to examine.

A notice:

is served to complainants after 90 days have passed from the original filing of the case with the CMA and permits the filing of a case with the CRSD

A notification:

permits a complainant to file a complaint with the CRSD before 90 days have passed from the original filing of the case with the CMA.

Table (32) indicates the status of complaints received by the CMA in 2008. These can be summarized as follows:

- ☞ A total of 444 complaints were received, of which 243 or 55% of the total filed have been solved. Only 57 complaints, 13%, remained under review and consideration at the year end.
- ☞ Notifications/notices have been prepared for 144 complainants, 32% of the total.

Table (33) details notices/notifications prepared and served by the CMA to complainants and notices/ notifications received but not yet passed on to complainants in 2008. A total of 95 notices/ notifications, 66% of the total, had been passed to complainants, whereas 49 notices/notifications, representing 34% of the total, had not been delivered..

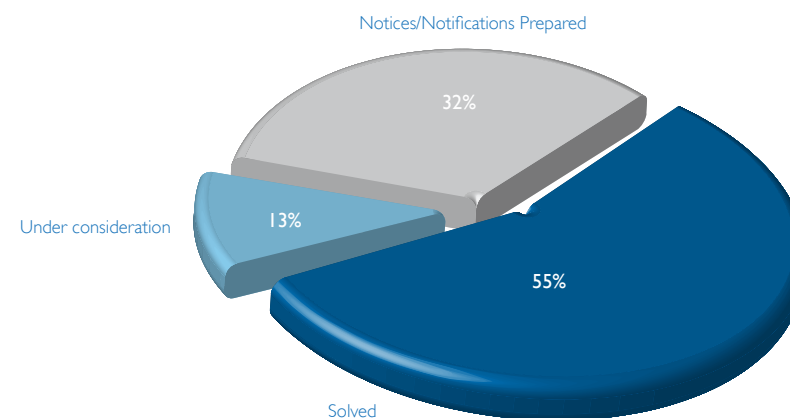
Table (32) Status of Complaints Received by the CMA in 2008

Status	Total number	%
Under consideration	57	13%
Solved	243	55%
Notices/Notifications Prepared	144	32%
Total	444	100%

Table (33): Status of Notices/Notifications Relating to Investors Complaints in 2008

Status of Notices/Notifications	Total Number	%
Delivered to Complainants	95	66%
Not Delivered	49	34%
Total	144	100%

Chart (24): Status of Complaints Received by the CMA in 2008



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4- Investigations into Violations of the Capital Market Law

According to clause (c) of article (5) of the Capital Market Law the CMA, or those of its employees designated by the Board, is empowered to subpoena witnesses, take evidence, analyze portfolios and records of trading activity, request any other documents as the CMA may deem appropriate in order to review and analyze this information and conduct the necessary investigations through interrogation of violators. The capital market may also inspect records and other documents to determine if the concerned person has violated or is about to violate the CMA Law or its Implementing Regulations or the rules and instructions issued by the CMA.

Stages of Investigation into Suspected Violations of the Capital Market Law in 2008 and 2007

Investigation into violations of the Capital Market Law and its Implementing Regulations passes through various stages from gathering, analysis and study of all relevant information to investigation through interrogation of violators after obtaining CMA Board approval.

Table (34) presents details of the total number of investigations into violations of the Capital Market Law in 2008. The highlights of the table are as follows:

- 59 investigations, 39% of the total suspected violations of the Capital Market Law, have been conducted and finalized.
- 56 cases, 37% of the total, were still under investigation and evidence gathering at the year end.
- the percentage of cases that were still in the arraignment and interrogation or final investigation stages at the end of 2008 were 9% and 15% respectively.

Table (34): Stages of Investigation into Suspected Violations of the Capital Market Law in 2008

No.	Stage	Number	%
1	Investigation and Evidence Gathering	56	37%
2	Arraignment and Interrogation	14	9%
3	Final Investigation	22	15%
4	Finalized	59	39%
Total		151	100%

59 investigations, 39% of the total suspected violations of the Capital Market Law, have been conducted and finalized.



Investigation into Cases of Suspected Violations of the Capital Market Law in 2008 and 2007

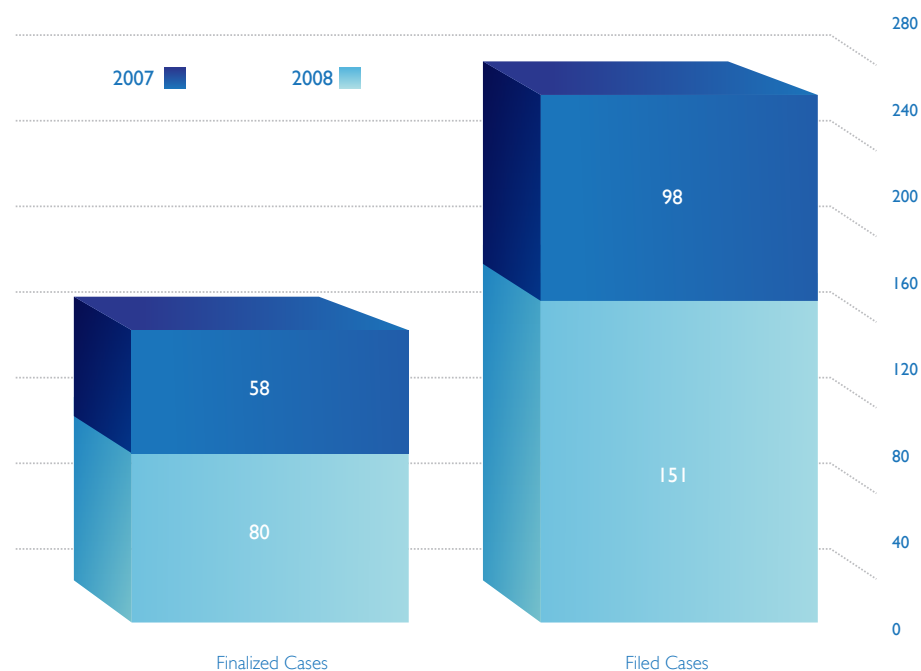
Table (35) provides information on the total number of investigations into suspected violations of the Capital Market Law in 2008 and 2007. This can be summarized as follows:

- The total number of cases in 2008 was 151, an increase of 54% over the figure for 2007.
- All legal procedures of 80 cases were finalized in 2008, compared to just 58 cases in 2007. The procedures followed included investigation, arraignment and imposition of penalties by the CMA's Board or the CRSD.

Table (35): Investigation into Cases of Suspected Violations of the Capital Market Law in 2008 and 2007

Category	Number		% Change
	2008	2007	
Filed Cases	151	98	54%
Finalized Cases	80	58	38%

Chart (25): Investigation into Cases of Suspected Violations of the Capital Market Law in 2008 and 2007



All legal procedures of 80 cases were finalized in 2008, compared to just 58 cases in 2007. The procedures followed included investigation, arraignment and imposition of penalties by the CMA's Board or the CRSD.

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Table (36): Number of Investigations into Suspected Violations in 2008 and 2007, Classified by Type of Case

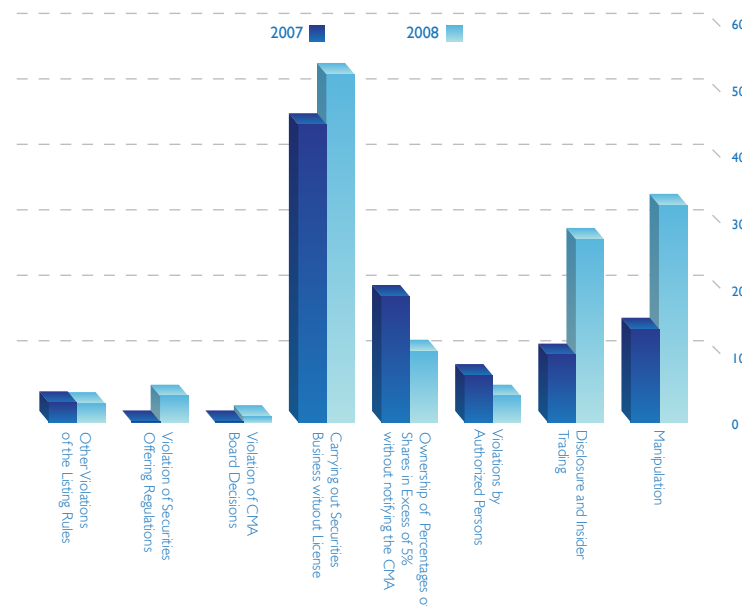
Case	2008		2007		% Change
	Number	%	Number	%	
Manipulation	47	31%	14	14%	236%
Disclosure or Insider Trading	28	19%	10	10%	180%
Violations by Authorized Persons	4	3%	7	7%	-43%
Ownership of Percentages of Shares in Excess of 5% without notifying the CMA	11	7%	19	20%	-42%
Carrying out Securities Business without License	53	35%	45	46%	18%
Violation of CMA Board Decisions	1	1%	-	-	-
Violation of Securities Offering Regulations	4	2%	-	-	-
Other Violations of the Listing Rules	3	2%	3	3%	-
Total	151	100%	98	100%	54%

Investigation into Cases of Suspected Violations of the Capital Market Law in 2008 and 2007 Classified by Type of Case

Table (36) shows the total number of investigations into suspected violations of the Capital Market Law by type of case in 2008 and 2007, which can be summarized as follows:

- The total number of investigations into suspected violations of "manipulation" or "disclosure or insider trading" increased in 2008 compared to 2007, by 236% and 180% respectively.
- The percentage of investigations into suspected violations of "manipulation"; "disclosure or insider trading"; "authorized persons' violations", and "ownership of percentages of shares in excess of 5% without notifying the CMA" in addition to the "violation of Board decisions"; "violation of securities' offering regulations" and "other violations to the listing rules" in 2008, stood at 31%, 19%, 3%, 7%, 1%, 2% and 2% respectively.

Chart (26): Total Number of Investigations into Suspected Violations in 2008 and 2007, Classified by Type of Case





Cases of Violations of the Capital Market Law Finalized in 2008 and 2007

Table (37) provides details of the total number of violations of the Capital Market Law that were finalized in 2008 and 2007, which can be summarized as follows:

- ☞ Total cases finalized in 2008 numbered 80 as compared to 58 in 2007.
- ☞ Finalized cases related to "Carrying out Securities Business without Licenses" were in the majority in 2008 and 2007, at 58% and 43% of total violations respectively.
- ☞ The percentage of finalized cases of "manipulation", "disclosure or insider trading", "authorized persons' violations" and "ownership of percentages of shares in excess of 5% without notifying the CMA" amounted to 10%, 15%, 6% and 11% respectively in 2008.

Table (37): Number of Finalized Cases of Violations of the Capital Market Law in 2008 and 2007, Classified by Type of Case

Case	2008		2007	
	Number	%	Number	%
Manipulation and Providing Misleading Information	8	10%	8	14%
Disclosure or Insider Trading	12	15%	6	10%
Violations by Authorized Persons	5	6%	1	2%
Ownership of Percentages of shares in Excess of 5% without notifying the CMA	9	11%	18	31%
Carrying out Securities Business without License	46	58%	25	43%
Total	80	100%	58	100%

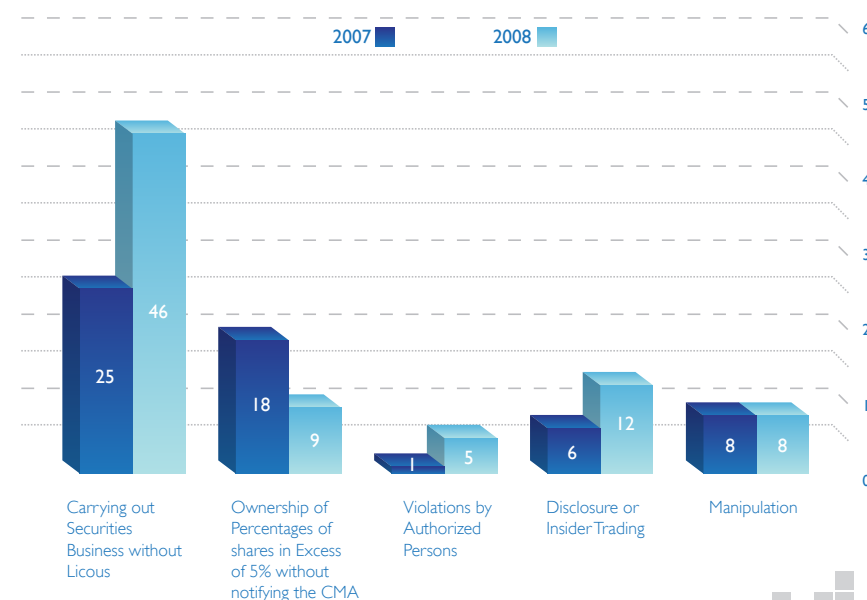


Chart (27): Total Number of Finalized Cases of Violations of the Capital Market Law in 2008 and 2007, Classified by Type of Case

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Investigations into Suspected Violations of the Capital Market Law in 2008 and 2007 using Technological Tools

Due to the tremendous development in communication and information transmission technology and to cope with such developments, the CMA monitors Internet sites and forums and audio-visual media, whilst also taking into consideration the recommendations of individuals relating to the stock market in order to protect investors against any fraud or manipulation. Table (38) details the total number of Internet sites and forums, personal cell-phone recommendations and audio-visual media violations that were the subject of investigation in 2008 and 2007. The most

important points arising from the table can be summarized as follows:

- ☞ The total number of investigations into the above-mentioned violations rose to 90 in 2008, compared to 47 in 2007, an increase of 91% year-on-year.
- ☞ Internet site and forum violations were the most prevalent in 2008 and 2007 at 90% and 94% respectively.

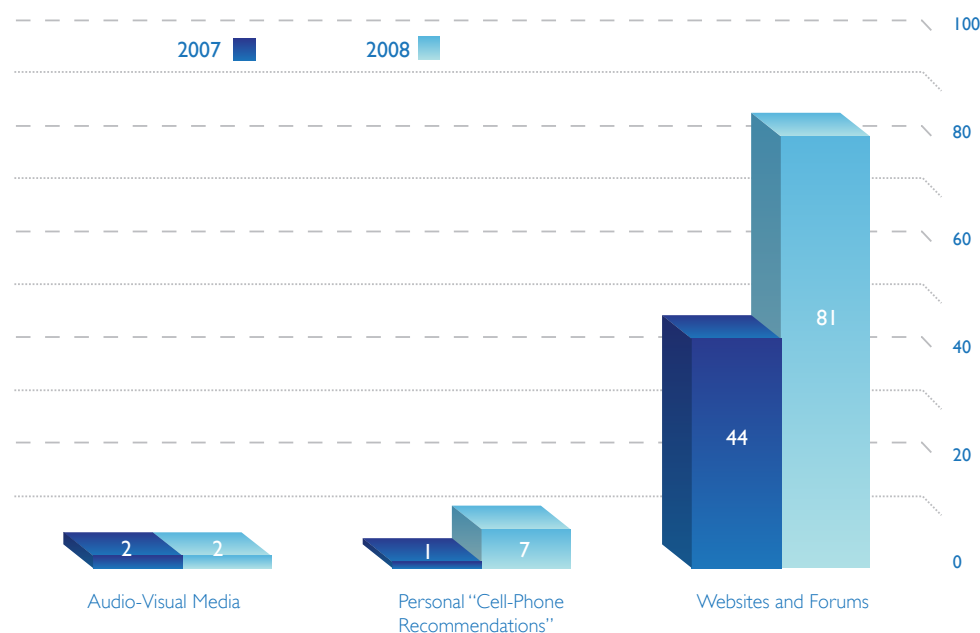
Legal procedures were taken to handle these violations, including arraignment and interrogation of violators who were subsequently obliged to cease such violations immediately, to close their websites and to refrain from committing similar violations in the future.

Table (38): Total Number of Internet Sites and Forums, Personal Cell-Phone Recommendations and Audio-Visual Media that were subject to Investigation in 2008 and 2007

Violator	2008		2007		% Change
	Number	%	Number	%	
Websites and Forums	81	90%	44	94%	84%
Personal "Cell-Phone Recommendations"	7	8%	1	2%	600%
Audio-Visual Media	2	2%	2	4%	-
Total	90	100%	47	100%	91%



Chart (28): Total Number of Internet Sites and Forums, Personal Cell-Phone Recommendations and Audio-Visual Media that were subject to Investigation in 2008 and 2007



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

After taking evidence of any violation of the Capital Market Law or its Implementing Rules, a case will be filed against a violator with the CRSD and an indictment will be prepared containing all presumptions, evidence and supporting documents. Table (39) details the cases that were brought before the CRSD in 2008 and 2007. The main points arising from this table can be summarized as follows:

- ☞ In 2008, nine violations of the Capital Market Law and its Implementing Regulations were filed before the CRSD as compared to 14 cases in 2007.
- ☞ In 2008, four cases involving fraud and manipulation with the intention of creating a false and misleading impression about the market or the prices of securities, three cases of carrying out securities business without license, one case of grievance of a listed company against fines imposed by the CMA and one violation of the listing rules were filed with the CRSD.

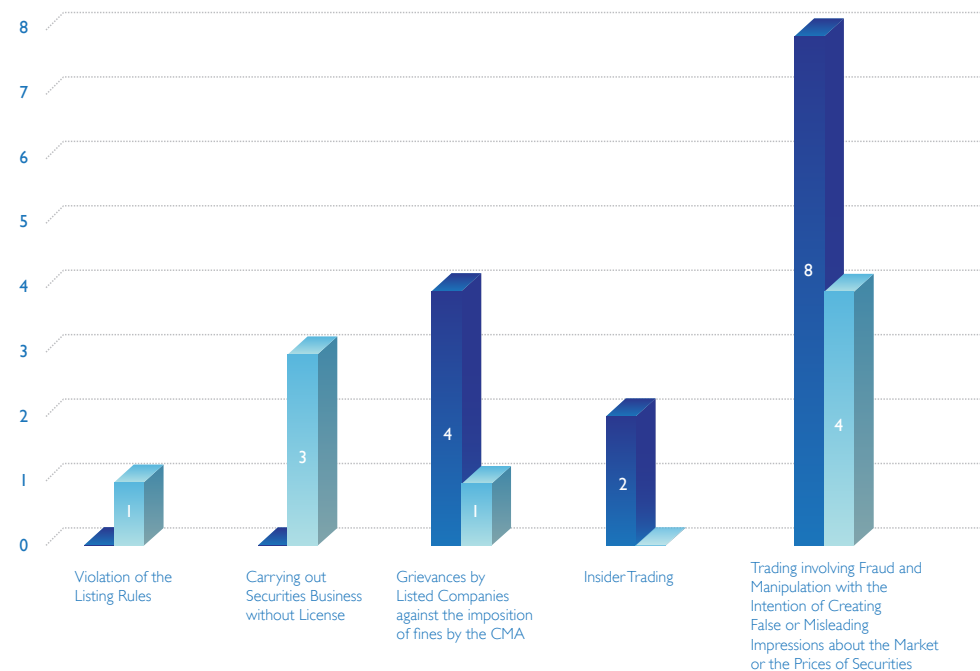
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Table (39): Cases Filed with the CRSD in 2008 and 2007

No	Case	2008		2007	
		Number	%	Number	%
1	Trading involving Fraud and Manipulation with the Intention of Creating False or Misleading Impressions about the Market or the Prices of Securities	4	45%	8	57%
2	Insider Trading	-	-	2	14%
3	Grievances by Listed Companies against the imposition of fines by the CMA	1	11%	4	29%
4	Carrying out Securities Business without License	3	33%	-	-
5	Violation of the Listing Rules	1	11%	-	-
Total		9	100%	14	100%

Chart (29): Cases Filed with the CRSD in 2008 and 2007





6- Following-up on the Execution of Decisions and Verdicts

The CMA tracks implementation of the decisions issued by the CMA's Board and CRSD by addressing the competent authorities and the violators who are the subject of financial or administrative penalties. Table (40) presents details of the total number of decisions issued by the CMA's Board and final decisions issued by the CRSD in 2008 and 2007 that had been followed-up. The table can be summarized as follows:

- ☞ The total number of decisions issued in 2008 was 33 as compared to 25 in 2007, an increase of 32%.
- ☞ The total number of decisions issued by the CMA's Board in 2008 was 32, 97% of the total, as compared to 12 in 2007, or 48% of the total.

The total number of decisions issued by the CMA's Board in 2008 was 32 , as compared to 12 in 2007

Table (40): Total Number of Decisions Issued by the CMA Board and the CRSD in 2008 and 2007

Source of decision	2008		2007	
	Number	%	Number	%
CMA Board	32	97%	12	48%
CRSD ¹⁶	1	3%	13	52%
Total	33	100%	25	100%

16 . Includes only decisions convicting violators or the provisional seizure of violators' properties and not decisions under consideration by the Appeal Panel.

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Chart (30): Total Number of Decisions Issued by the CMA's Board and the CRSD in 2008 and 2007

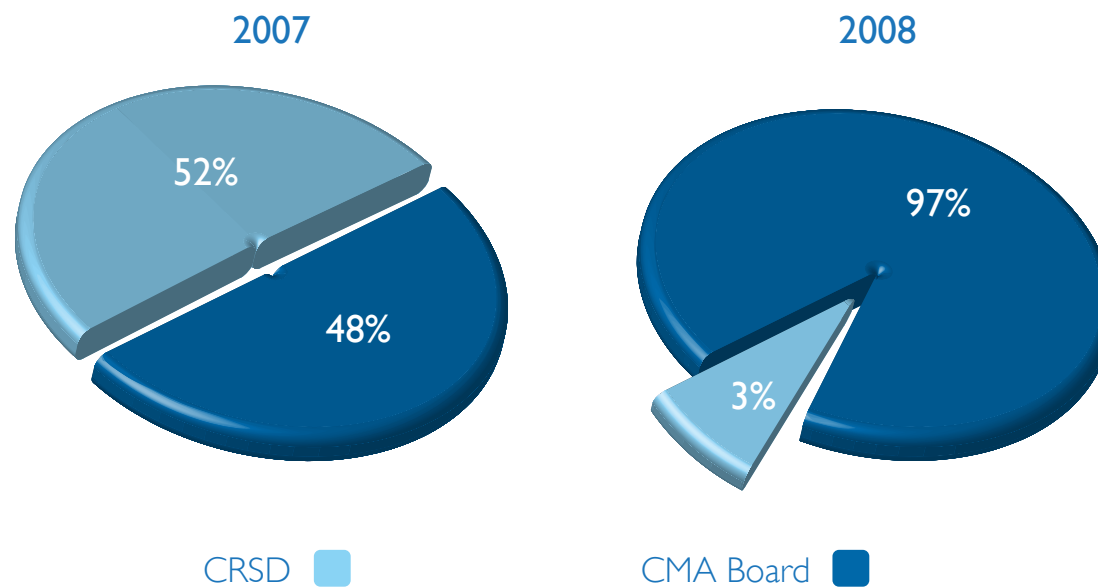


Table (41) shows the results of following-up the implementation of CMA Board decisions or the final decisions issued by the CRSD in 2008, by type of case, which can be summarized as follows:

☞ 13 decisions, 65% of the total issued by the CMA's Board and the CRSD, were implemented.

☞ 13 decisions issued by the CMA's Board and related to investment of funds cases, were still being followed up at the end of the year.



Table (41): The Results of Following-up Implementation of the Decisions Issued by either the CMA Board or the CRSD in 2008

Source of Decision	Type of Case	Total	Implemented		Being Followed Up	
			Number	%	Number	%
CMA Board	Violations of the Capital Market Law	19	13	68%	6	32%
	Investment of Funds	13	0	0%	13	100%
CRSD	Violations of the Capital Market Law	1	0	0%	1	100%
	Investment of Funds	0	-	-	-	-
Total	Violations of the Capital Market Law	20	13	65%	7	35%
	Investment of Funds	13	0	0%	13	100%

13 decisions, 65% of the total issued by the CMA's Board and the CRSD, were implemented

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2-1-4 Persons Authorized to Conduct Securities Business (1) Authorizations

As part of its responsibilities to facilitate dealing of securities and the protection of investors, to encourage competition and to enhance the quality of the services rendered by intermediaries, as well as implementing articles (31) through (38) of the Capital Market Law, two regulations were issued by the CMA:

- 1- Securities Business Regulations.
- 2- Authorized Persons Regulations.

These two regulations are the main pillars, which form the basis for regulating the conduct of securities business by authorized persons in the kingdom, and these regulations also provide the basis for issuing of licenses to persons to conduct securities business in any or all of the five core securities business activities, namely dealing, managing, arranging, advising and providing custodial services.

According to the securities business regulations, a person is prohibited from practicing any activity pertaining to securities business unless authorized to do so by the CMA.

Authorization Mechanism

Article (6) of the Authorized Persons Regulations sets the requirements for authorization and article (7) sets the CMA's powers and procedures for processing applications for

authorization. The authorization process passes through four stages:
 First: Pre-application stage.
 Second: Receiving and the initial review of an application.
 Third: Intensive review and assessment.
 Fourth: Recommendations and CMA Board's decisions.

I-Authorization Decisions

In 2008 a total of 47 decisions pertaining to new licenses, changes to a license or withdrawal of a license were issued by the CMA as compared to 43 decisions in 2007 as reflected in Table (42), which can be summarized as follows:

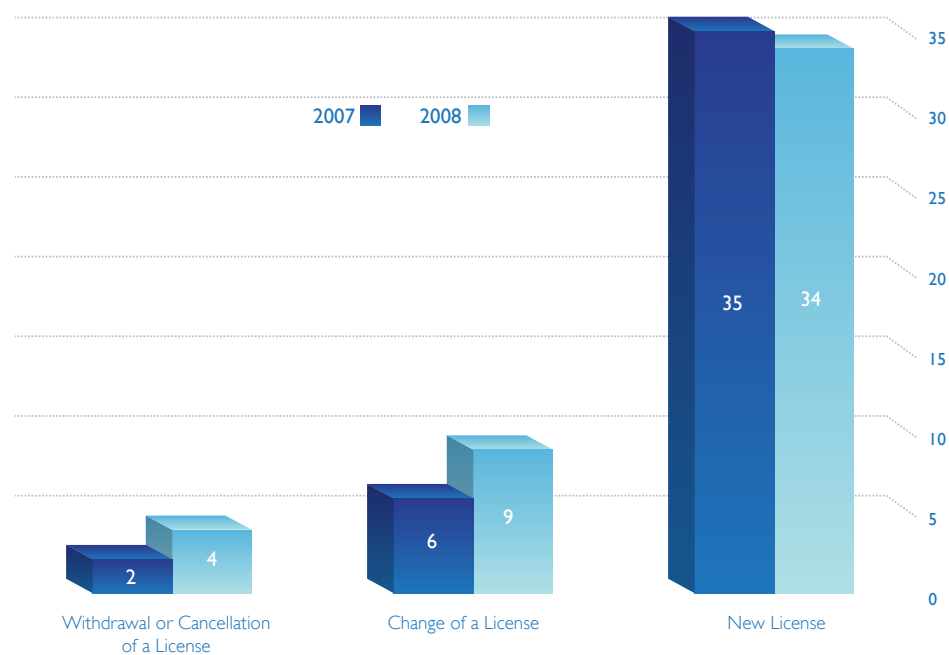
- ☞ In 2008 the CMA's Board issued approvals authorizing 34 companies and firms to practice securities business, bringing the total number of authorized persons to 110 by the end of the year.
- ☞ In 2008, the CMA's Board approved changes to 9 licenses, either by addition or deletion of one or more of the five activities, whereas in 2007 six changes were approved.
- ☞ Four decisions were issued by the CMA's Board in 2008 for the withdrawal or cancellation of licenses issued to firms/companies practicing securities business, compared to two decisions in 2007.

Table (42): Total Number of Licensing Decisions Issued by the CMA in 2008 and 2007, Classified by Type of License

Type of License	2008		2007	
	Number	%	Number	%
New License	34	72%	35	81%
Change of a License	9	19%	6	14%
Withdrawal or Cancellation of a License	4	9%	2	5%
Total	47	100%	43	100%



Chart (31): Total Number of Licensing Decisions Issued by the CMA in 2008 and 2007, Classified by Type of License



In 2008 a total of 47 decisions pertaining to new licenses were taken such that the total number of authorized persons had increased to 110 by the year end.

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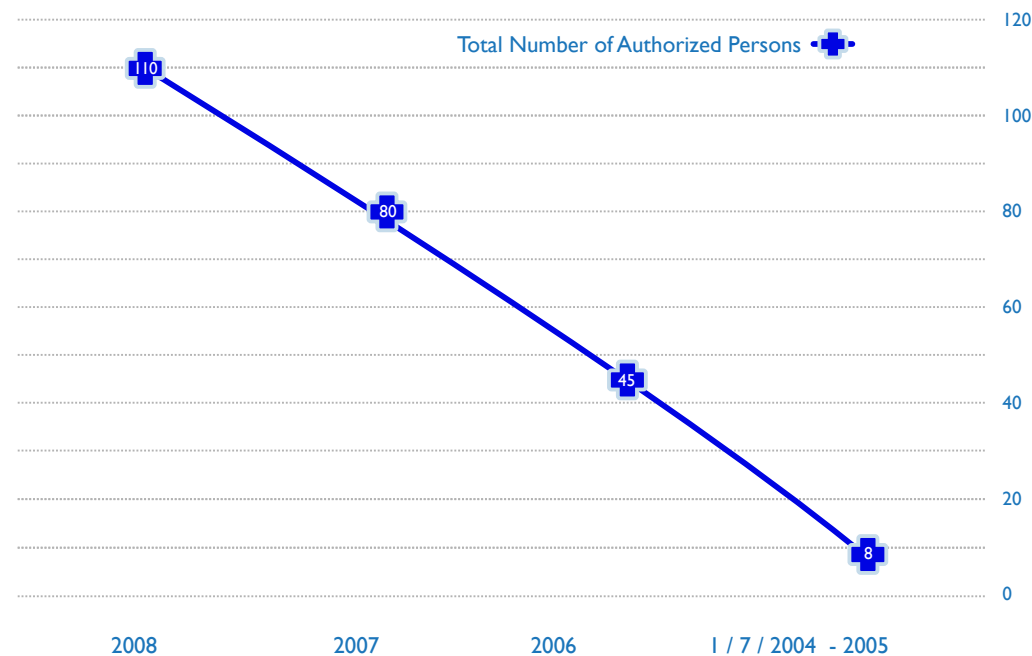
2-Change in the Total Number of Authorized Persons since Establishment of the CMA

Table (43) indicates the total number of authorized persons, and the percentage of change to this number, for the period from 1/7/2004 to the end of 2008. As indicated, the total number of authorized persons increased from 8 at the end of 2005 to 110 by the end of 2008, with an annual average increase of about 193%.

Table (43): Total Number of Authorized Persons for the Period from 1/7/2004 to the end of 2008

Year (Period)	APs Total Number	% Change
From 1/7/2004 – end 2005	8	-
2006	45	463%
2007	80	78%
2008	110	38%

Chart (32): Total Number of Authorized Persons for the Period from 1/7/2004 to the end of 2008





3-Paid-up Capital of Authorized Persons

Table (44) shows details of the paid-up capital of authorized persons for the period from 2005 to 2008. The table can be summarized as follows:

- In 2008 total capital injected by newly Authorized Persons was SR 3.715 billion, declining by 11% compared to the figure for 2007.
- The total accumulated capital of Authorized Persons in 2008 rose to SR 12.978 billion, an increase of 40% over the figure in 2007.

Chart (33): Paid-Up Capital of Authorized Persons (SR Billion) for the Period 2005 - 2008

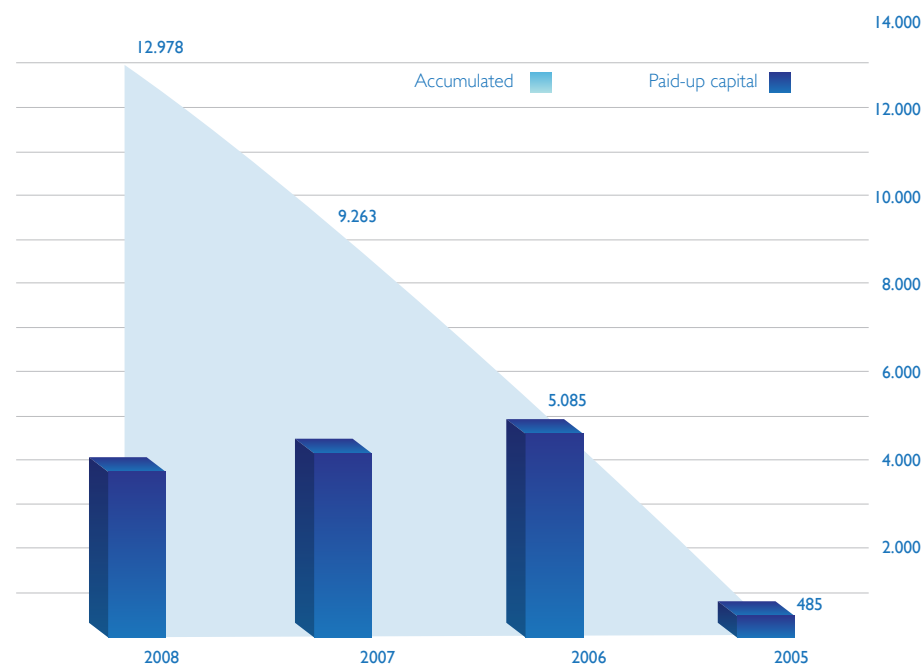


Table (44): Paid-Up Capital of Authorized Persons (SR) for the Period 2005 – 2008

Year	Total Capital	Total Accumulated Capital	% Annual Increase
2005	485,000,000	485,000,000	-
2006	4,600,094,825	5,085,094,825	949%
2007	4,178,049,999	9,263,144,824	82%
2008	3,714,550,000	12,977,694,824	40%

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4-Licenses Issued by Type of Securities Business by the end of 2008

Table (45) highlights the total number of licenses issued for every security business activity at the end of both 2008 and 2007, while Table (46) indicates the total number of authorized persons based on the number of securities business activities they practice. These tables can be summarized as follows

- By the end of 2008, the total number of licenses in issue, for each type of securities business activity, increased over the number in 2007 by between 31%, being for “dealing”, and 50%, for “managing”.
- By the end of 2008, the total number of issued licenses ranged between 67 and 97, whereas licensing for “Advising” was the highest representing 24% compared to other activities.
- By the end of 2008, the total number of authorized persons practicing two, four or all activities increased compared to 2007 by 46%, 50%, 50% respectively, whereas the total number of persons practicing just one activity declined by 33%.
- By the end of 2008, the total number of authorized persons practicing all activities was 54, which accounts for 49% of total authorized persons.

In addition, 71 of the total authorized persons, 65%, were issued with letters to commence securities business whilst 39 were authorized but not issued letters to commence securities business as shown in Table (47).

Table (48) reflects a list of authorized persons and type of securities business that they are licensed to practice as at the end of 2008.

By the end of 2008, the total number of licenses in issue, for each type of securities business activity, increased over the number in 2007

71 of the total authorized persons were issued letters to commence securities business

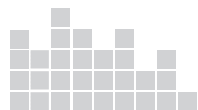




Table (45): Total Number of Issued Licenses, Classified by Type of Securities Business for 2008 and 2007

Type of Business	2008		2007		% Change
	Total Licenses	%	Total Licenses	%	
Dealing	67	17%	51	18%	31%
Managing	69	17%	46	17%	50%
Arranging	92	23%	64	23%	44%
Advising	97	24%	68	25%	43%
Custody	72	18%	49	18%	47%

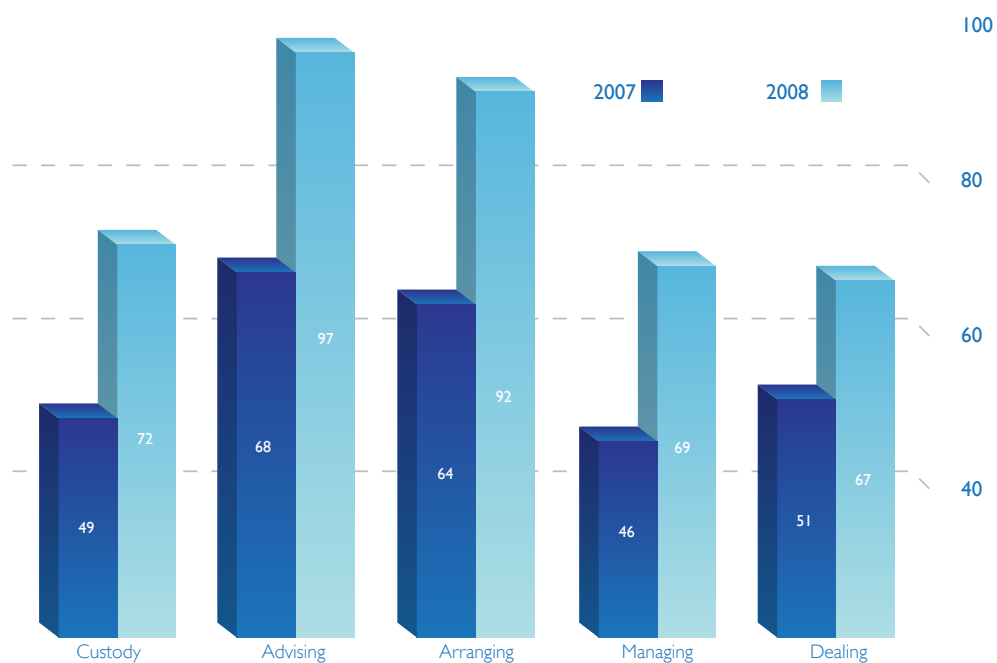


Chart (34): Total Number of Issued Licenses, Classified by Type of Securities Business for 2008 and 2007

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Table (46): Total Number of Authorized Persons Classified by Number of Licensed Securities Business Activities for 2008 and 2007

Total Number of Activities	2008		2007		% Change
	Total Licenses	%	Total Licenses	%	
One Activity	4	4%	6	8%	-33%
Two Activities	38	35%	26	32%	46%
Three Activities	8	8%	8	10%	-
Four Activities	6	4%	4	5%	50%
All Activities	54	49%	36	45%	50%
Total	110	100%	80	100%	38%

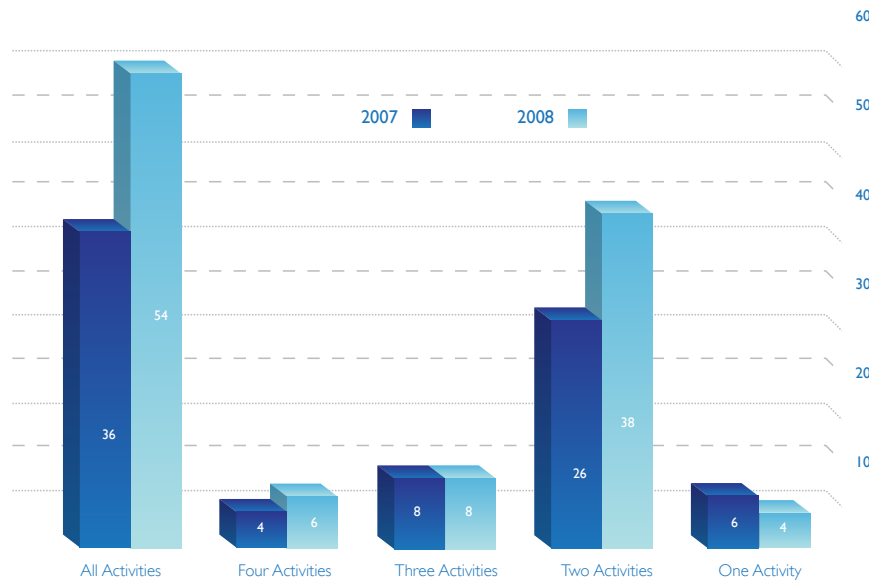


Chart (35): Total Number of Authorized Persons Classified by Number of Licensed Securities Business Activities in 2008 and 2007



Table (47): Total Number of Authorized Persons Classified by the Status of Authorization Letter for 2008 and 2007

Category	2008		2007		% Change
	Number	%	Number	%	
Authorized and Issued Letters to Commence Securities Business	71	65%	46	57%	54%
Authorized but not issued Letters to Commence Securities Business ¹⁷	39	35%	34	43%	15%
Total Number of Authorized Persons	110	100%	80	100%	38%

Table (48): List of Authorized Persons and Their Respective Licensed Securities Business Activities to the End of 2008

No.	Company	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
1	Morgan Stanley Saudi Arabia Company	✓	✓	✓	✓	✓
2	BMG Financial Group	✓	✓	✓	✓	✓
3	Financial Transaction House				✓	✓
4	AIDukheil Financial Group	✓	✓	✓	✓	✓
5	Osool Capital Company	✓	✓	✓	✓	✓
6	Credit Suisse Saudi Arabia Company	✓	✓	✓	✓	✓
7	HSBC Saudi Arabia Limited	✓	✓	✓	✓	✓
8	Team One Company				✓	✓
9	Rana Investment Company	✓	✓	✓	✓	✓
10	Swicorp Company	✓	✓		✓	✓

17. Letter for commencing securities business are usually issued only after satisfying all requirements, within a period not exceeding one year from issuance of the authorization letter by the CMA

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No.	Company	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
11	Bakheet Investment Group		✓	✓		✓
12	Abdulaziz Alrebby Financial Consulting Office				✓	✓
13	EFG-Hermes KSA	✓	✓	✓	✓	✓
14	Audi Saudi Arabia Company	✓	✓	✓	✓	✓
15	Altawfeek Financial Group	✓	✓	✓	✓	✓
16	Ernst & Young Consulting Saudi Arabia Limited				✓	✓
17	Falcom Investment Company	✓	✓	✓	✓	✓
18	Al-Albab Financial Consulting				✓	✓
19	Al-Awaal for Financial Services Company		✓	✓	✓	✓
20	Al-Khabeer Merchant Finance Corporation Company	✓	✓	✓	✓	✓
21	Sadaqah Financial Consultants				✓	✓
22	Al Mal Securities Saudi Company	✓				
23	Capital Advisory Group Company				✓	✓
24	Compass International Consulting Company Ltd				✓	✓
25	Alpha Team Company				✓	✓
26	Middle East Financial Investment Company	✓	✓	✓	✓	✓
27	KSB Capital Group	✓	✓	✓	✓	✓
28	Amwal for Security Advising Ltd				✓	✓
29	Jadwa Investment Company	✓	✓	✓	✓	✓
30	Alwasatah Al-Maliah Company	✓		✓	✓	✓



No.	Company	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
31	Rasmala Investments Saudi Arabia Company	✓	✓	✓	✓	✓
32	Gulf Bureau for Research & Financial Development				✓	✓
33	Assets Financial House				✓	✓
34	House of Investment & Financial Capital				✓	✓
35	Ithraa Capital Company	✓	✓	✓	✓	✓
36	Saudi Pioneers Securities Company	✓	✓	✓	✓	✓
37	Watan Investment and Securities Company	✓	✓	✓	✓	✓
38	Aloula Geojit Brokerage Company	✓				
39	NCB Capital Company	✓	✓	✓	✓	✓
40	The Investor Company for Securities	✓	✓	✓	✓	✓
41	Khalijia Investments Company	✓	✓	✓	✓	✓
42	Arabian Company for Securities Business	✓	✓			
43	Portfolio Brokerage & Financial Services Company	✓	✓	✓	✓	✓
44	Fransi Tadawul Company	✓		✓		
45	Manar Financial Consulting					✓
46	ICG Group				✓	✓
47	Shuaa Capital Saudi Arabia Company	✓	✓	✓	✓	✓
48	Watheeqa Capital Company	✓	✓	✓	✓	✓
49	CAAM Saudi Fransi Company		✓	✓		✓
50	SAIB BNP Paribas Asset Management Company		✓	✓		✓

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No.	Company	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
51	Alistithmar Capital Company	✓		✓	✓	
52	House of National Consulting Company				✓	✓
53	Financial Investors Company		✓	✓		
54	Saudi Med Investment Company	✓	✓	✓	✓	✓
55	Global Investment House KSA	✓	✓	✓	✓	✓
56	Merrill Lynch KSA Company	✓	✓	✓	✓	✓
57	SAMBA Capital & Investment Management Company	✓	✓	✓	✓	✓
58	Riyadh Capital Company	✓	✓	✓	✓	✓
59	Al-Rajhi Financial Services Company	✓	✓	✓	✓	✓
60	SABB Securities Limited Company	✓		✓		
61	Arab National Investment Company	✓	✓	✓	✓	✓
62	Deutsche Securities Saudi Arabia LLC Company	✓	✓	✓	✓	✓
63	Al-Jazira Capital Company	✓	✓	✓	✓	✓
64	GIB Financial Services Company	✓	✓	✓	✓	✓
65	Saudi Hollandi Capital Company	✓	✓	✓	✓	✓
66	JP Morgan Saudi Arabia Ltd. Company	✓		✓	✓	✓
67	Al-Bilad Investment Company	✓	✓	✓	✓	✓
68	Al Nefaie Investment Group	✓	✓	✓	✓	✓
69	Arbah Capital Company	✓	✓	✓	✓	✓
70	Gulf Financial Services Company				✓	✓



No.	Company	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
71	Haykalah Financial Consulting Company				✓	✓
72	Emirates Investment Services Company	✓	✓	✓	✓	✓
73	Calyon Saudi Fransi Limited Company	✓			✓	
74	Investcorp Saudi Arabia Financial Investment Company		✓	✓	✓	✓
75	Gulf Advisors Financial Consulting Company				✓	✓
76	Taj for Financial Consulting				✓	✓
77	Goldman Sachs Saudi Arabia Company	✓	✓	✓	✓	✓
78	Professionals Financial Consulting Company				✓	✓
79	Blominvest Saudi Arabia Company	✓	✓	✓	✓	✓
80	Muscat Securities House	✓	✓	✓	✓	✓
81	KPMG Financial Advisory Company				✓	✓
82	Prudential Jazira Asset Management Company		✓	✓		✓
83	Emar Financial Services Company	✓	✓	✓	✓	✓
84	Addax Securities Saudi Arabia Company	✓	✓	✓	✓	✓
85	The National Investor Saudi Arabia Company	✓	✓	✓	✓	✓
86	Nomura Saudi Arabia Company	✓	✓	✓	✓	✓
87	SWIP Saudi Asset Management Company		✓	✓		✓
88	Dar Al-Mansour for Financial Consulting				✓	✓
89	Ebanah Financial Company				✓	✓
90	Derayah Financial Corporation Company	✓	✓	✓		✓

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No.	Company	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
91	Adeem Financial Company		✓	✓		
92	Ajeej Capital Limited Company					✓
93	UBS Saudi Arabia Company	✓	✓	✓	✓	✓
94	BNP Paribas Saudi Arabia Investment Company	✓		✓	✓	
95	Jareer Financial Company		✓	✓		
96	Aayan Capital Financial Company	✓	✓	✓	✓	✓
97	Corporate Financial House Financial Consulting Company				✓	✓
98	United Financial House Company	✓	✓	✓		
99	Vision Capital Group				✓	✓
100	Unicorn Capital Company Saudi Arabia	✓	✓	✓	✓	✓
101	The Investor Financial Services Company				✓	✓
102	Mizuho, Saudi Arabia Company	✓	✓	✓	✓	✓
103	Bait Almal Alkhaleeji Company	✓	✓	✓	✓	✓
104	Saudi-Kuwaiti Finance House Company	✓	✓	✓	✓	✓
105	Talal Abo-Ghazaleh Financial Consulting Company				✓	✓
106	Rawasi Financial Consulting				✓	✓
107	Arab Experts Capital LLC				✓	✓
108	Tarteeb Securities for Securities Business				✓	✓
109	Praxity Financial Consulting Company				✓	✓
110	Maceen Capital	✓	✓	✓	✓	✓



(2) Inspection

According to clause (c) of article (5) of the Capital Market Law, the CMA has the power to carry out inspection programs for monitoring the activities of authorized persons to ensure their compliance with the Capital Market Law and its Implementing Regulations. The inspection programs carried out are as follows:

1-Initial Inspection Programs

These programs are for monitoring authorized persons that have recently commenced their activities to ensure their compliance with the requirements and conditions of their licenses.

2-Cause Inspection Programs

These ad-hoc programs are conducted as a result of complaints, received from investors, employees of authorized persons alerts and cases referred to the CMA or whenever the CMA has just cause to do so.

3-Cycle/Routine Inspection Programs

These programs are implemented on authorized persons at regular intervals based on the periodically-assessed risk profile of the authorized person concerned. This program entails the usage of comprehensive inspection procedures based on the risks faced by authorized persons. These risk based programs identify 5 main risk categories namely: financial, operational, legal, system & technological and clearing & settlement risks.

Table (49) defines the total number of inspection visits, classified by type, which were carried out by the CMA in the years 2008 and 2007, and which can be summarized as follows:

- ☛ The total number of inspection visits for 2008 increased to 68, 31% more than those undertaken in 2007.
- ☛ Of the total of 68 inspection visits performed, 15 were initial, 51 were cause and 2 were cycle / routine visits.

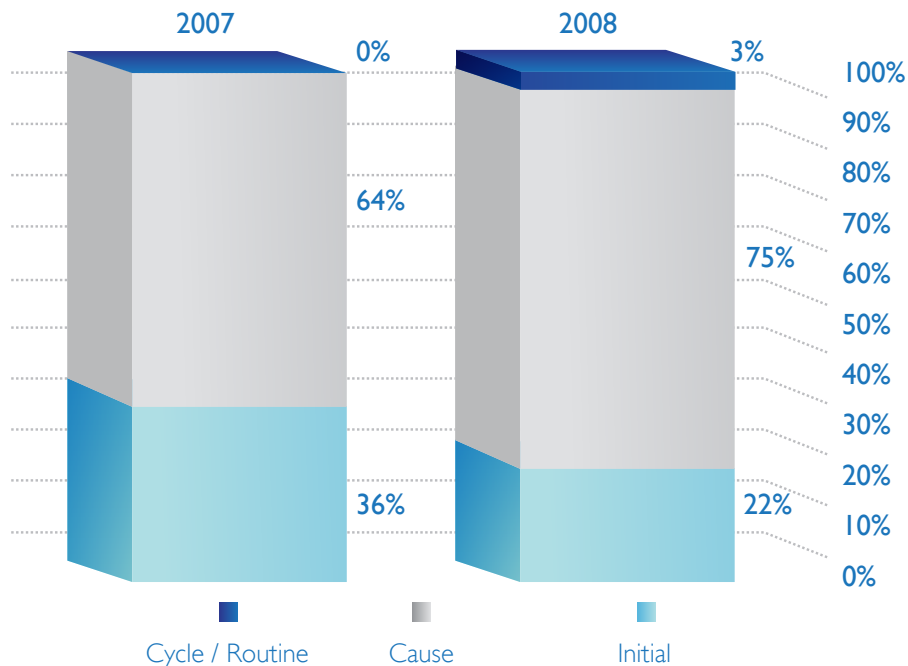
Table (49): Total Inspection Visits Carried-Out by the CMA, by Type, in 2008 and 2007

Type	2008		2007		% Change
	Number	%	Number	%	
Initial	15	22%	19	36%	-21%
Cause	51	75%	33	64%	55%
Cycle / Routine	2	3%	0	-	-
Total	68	100%	52	100%	31%

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Chart (36): Total Inspection Visits Carried-Out by the CMA, by Type, in 2008 and 2007



Where relevant, penalties were imposed by the CMA, including the withdrawal of a license from an authorized person.

The cause visits that were conducted in 2008 and 2007 can be classified as shown in Table (50), and can be summarized as follows:

- ☛ Total cause inspection visits in 2008 increased to 51, 55% more than those in 2007.
- ☛ 31 cause inspection visits in regard to the offering of securities were conducted in 2008, representing 61% of total visits.
- ☛ In 2008, the total number of inspection visits resulting from cases referred by government agencies, or complaints lodged by investors, and cases related to violations by authorized persons in respect of the requirements for announcements appearing in local newspapers, stood at 13 and 7, or 25% and 14% respectively of the total.

Table (50): Total Number of Cause Inspection Visits Carried out by the CMA in 2008 and 2007, by Type:

Type	2008		2007		% Change
	Number	%	Number	%	
Cases Referred by Government Agencies or Investors' Complaints	13	25%	24	73%	-46%
Visits Related to the Offering of Securities	31	61%	6	18%	417%
Inspection Visits Related to Violations by Authorized Persons in respect of Requirements for Announcements in Local Newspapers	7	14%	3	9%	133%
Total	51	100%	33	100%	55%



(3) Financial Surveillance

According to article 5 section (B-4) of the Authorized Persons' Regulations, an authorized person must comply with the requirements for financial prudence by maintaining adequate financial resources in accordance with the rules determined by the Authority. For this purpose, the CMA reviews the financial reports of authorized persons periodically and on a timely basis to ensure their compliance with financial adequacy requirements whilst also ensuring that they have sufficient capital to meet their obligations towards investors and other authorized persons, by reviewing the following:

- ⌚ Minimum net capital requirement.
- ⌚ Net capital computations.
- ⌚ Professional indemnity insurance requirements.
- ⌚ Subordinated loans requirements.
- ⌚ Financial reporting notification requirements.

Financial Surveillance of authorized persons addresses the following:

1- Subordinated loan agreements: such loans are typically extended by shareholders of a company and rank behind other debts should a company be wound up. In that sense for net capital computation purposes, they are treated as part of the capital. Such loans are used for improving the capital adequacy of a company without the need for a share capital increase. A subordinated loan necessitates an agreement be concluded between the lender and the borrower in a format defined by the CMA.

2- Periodical review of authorized persons capital adequacy to ensure the availability of sufficient capital to meet their obligations towards their customers and counter parties in the event it has to liquidate. This is to protect investors and the capital market against any unfavorable consequences that may arise due to the default of an authorized person.

3- Reviews the authorized persons capital adequacy to ensure their capacity to underwrite an offering of securities as they are obliged under such undertaking to buy all unsubscribed issued shares, which requires the authorized person to have sufficient financial resources.

4- Review the professional indemnity insurance policies to ensure their compliance with CMA requirements.

Table (51) indicates the total number of financial surveillance / reviews of authorized persons undertaken in 2008.

Such information can be summarized as follows:

- 1- A total of 313 financial surveillance / reviews were conducted.
- 2- A total of 248 periodic capital adequacy reviews were conducted.
- 3- 19 subordinated loan agreements were reviewed and 39 reviews were conducted to ensure the capital adequacy of authorized persons to underwrite offerings of securities.

Table (51) Financial Surveillance/Reviews of Authorized Persons Undertaken in 2008

Type of Review/Control	Number	%
Review Subordinated Loan Agreements	19	6%
Periodical Reviews of Capital Adequacy	248	79%
Reviews of the Capital Adequacy of Authorized Persons who are committed to Underwriting an Offering of Securities	39	13%
Others	7	2%
Total	313	100%

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CMA Achievements in Regulating and Developing the Offering and Trading of Securities

2-1-5 Investor Awareness

As part of the CMA's on-going efforts to enhance investor awareness in recognition of its belief that the awareness of the investor is part and parcel of the investor's protection process and that the absence of investment awareness may increase the risks that may negatively affect Capital Market efficiency, the CMA, since its establishment, has put great emphasis on investor awareness through many channels. In this regard five main activities have been implemented by the CMA:

First: Publication on the CMA website of news and details of decisions taken by the CMA Board.

The CMA publishes news and details of decisions passed by the CMA Board on its website to allow accessibility of information to all investors at the same time. Tables (52) and (53) provide detail of the number of visitors to the CMA website in 2008 and 2007, based on their geographic location. The most important points reflected by these tables can be summarized as follows:

☞ The total number of visitors in 2008 rose to about 802,000, an increase of 3% compared to about 778,000 in 2007.

☞ Total "offshore visitors" to the CMA website was about

91,000, representing about 11% of the total, compared to about 81,600 in 2007.

☞ Of the total of 90,792 offshore visitors in 2008, the percentage of visitors from the GCC countries, Arab countries and foreign countries stood at approximately 30%, 18% and 52% respectively.

Second: Dissemination of information that explains and interprets the decisions passed by the CMA Board

The CMA was able, through media channels, to provide more than (108) explanations and clarifications of the decisions passed by the CMAs' Board. These included appearances of some CMA staff members on television as well as providing press reports and articles. The information provided covered the main issues including information on the best international standards adopted by the Saudi Capital Market, procedures for monitoring violations of the Capital Market Law and explanations of the CMA decision allowing foreigners to enter the Capital Market through SWAP agreements.

Third: Receiving inquiries and complaints from media personnel and citizens and answering them through three channels: telephone, fax and e-mail.

Table (52): Geographical Location of Local and Offshore Visitors to the CMA Website in 2008 and 2007

Location	2008		2007		% Change
	Number	%	Number	%	
Local	711,159	89%	696,595	90%	2%
Offshore	90,792	11%	81,646	10%	11%
Total	801,951	100%	778,241	100%	3%

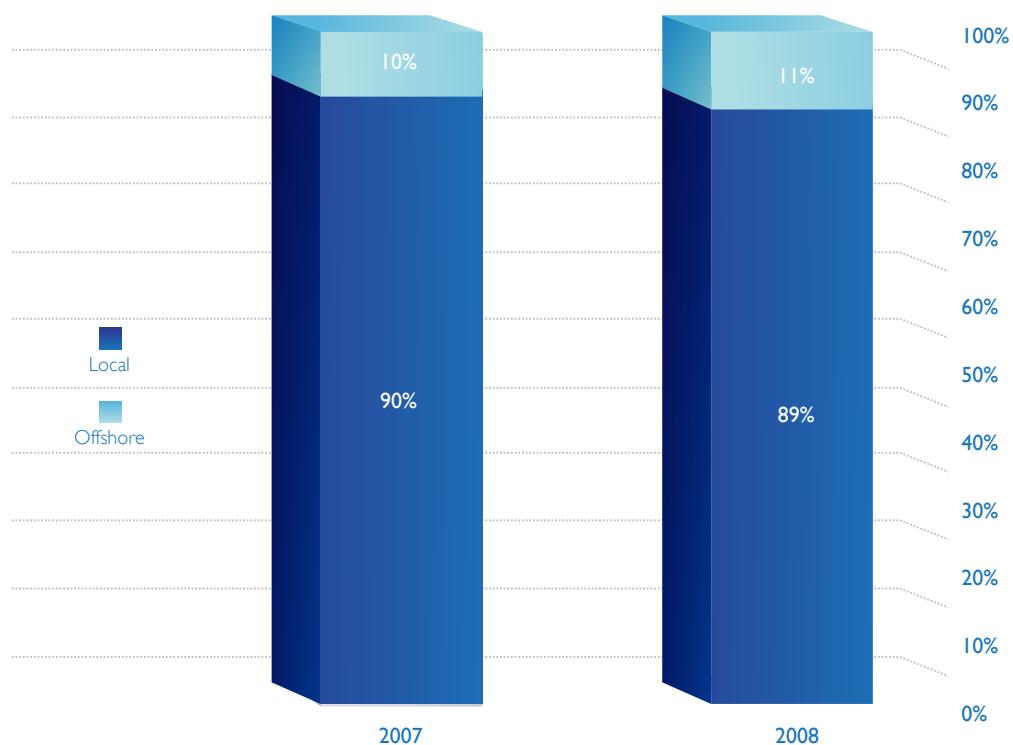


Chart (37): Geographical Location of Local and Offshore Visitors to the CMA Website in 2008 and 2007

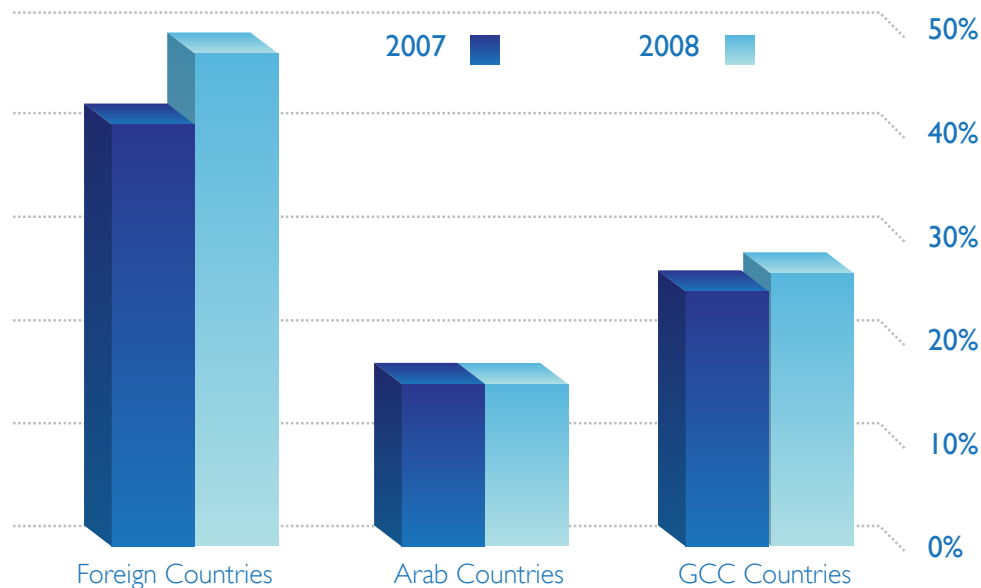
Table (53): Geographical Location of Offshore Visitors to the CMA Website in 2008 and 2007

Category	2008		2007		% Change
	Number	%	Number	%	
GCC Countries	26,897	30%	24,565	30%	10%
Arab Countries	16,066	18%	16,078	20%	-0.1%
Foreign Countries	47,829	52%	41,003	50%	17%
Total	90,792	100%	81,646	100%	11%

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CMA Achievements in Regulating and Developing the Offering and Trading of Securities

Chart (38): Geographical Location of Offshore Visitors to the CMA Website in 2008 and 2007



More than (108) explanations and clarifications of the decisions passed by the CMA's Board were provided in 2008

Fourth: Investor Awareness Programs

In 2008, the CMA continued implementation of its strategy of providing investor awareness programs, with a focus on achieving medium and long-term investor awareness goals. Among the investor awareness programs provided in 2008 were:

I- Issuance of a series of investor awareness guidebooks. CMA has finalized distribution of six new pamphlets as part of a series of booklets focused mainly on investor awareness, making twelve the total number of manuals and pamphlets distributed up to the end of 2008. They were distributed to all investors in the Capital Market with many copies being made available in trading halls in collaboration with the local banks. Electronic copies of all the manuals are obtainable on the investor awareness website.

Presented below is a summary of the six guides issued in 2008:

- Investments and Stock Markets Guide: deals with matters related to capital markets and their type, functions and characteristics.
- Young Investors Guide: introduces to the young investor general investment mechanisms and strategies and explains how to scale and measure market performance. It deals also with investment risks and how to avoid them, as well as how to make sound investment decisions that allow achievement of high returns.
- The Retired Investor Guide: deals with matters related to investment by people who are of retirement age.



- How to Lodge a Complaint: contains procedures and steps for filing a complaint and the conditions that have to be met in the documents to be presented. Official forms for complaints are included with the guide.
- Investment Terminology Guide: explains, in simple jargon, the implications and meanings of the most important common terms used in the capital markets.
- Guide for Those Dealing with Agencies having Jurisdiction over Securities Disputes: has answers to most questions related to the filing of complaints with relevant agencies, sets the requirements for filing complaints and explains what forms are required, how to get them and the time set for their submission.

2- Investor Awareness Center

Table (54) details the total number of visitors to the online investor awareness center, attendees at workshops and those

obtaining guidebooks in 2008 and 2007, which information can be summarized as follows:

- The total number of visitors and participants declined to 37,031 in 2008, 41% lower than the 62,669 visitors and participants in 2007.
- Out of the 37,031 visitors and participants in 2008, the percentage of visitors to the investor awareness website, participants in workshops and those who accessed investor awareness guidebooks was 15%, 72% and 13% respectively.
- Participating in various lectures and workshops

Fifth: Seminars

conducting an intensive two day seminar for journalists about the financial market dynamics to sharpen their analytical skills.

The total number of visitors and participants was 37,031, of whom 72% attended workshops

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CMA Achievements in Regulating and Developing the Offering and Trading of Securities

Table (54): Total Number of Visitors to the Investor Awareness Center by Main Center Elements in 2008 and 2007

Center Elements	2008		2007		% Change
	Number	%	Number	%	
Investor Awareness Website	5,572	15%	6,649	11%	-16%
Workshops	26,646	72%	53,155	85%	-50%
Investor Awareness Booklets	4,813	13%	2,865	4%	68%
Total	37,031	100%	62,669	100%	-41%

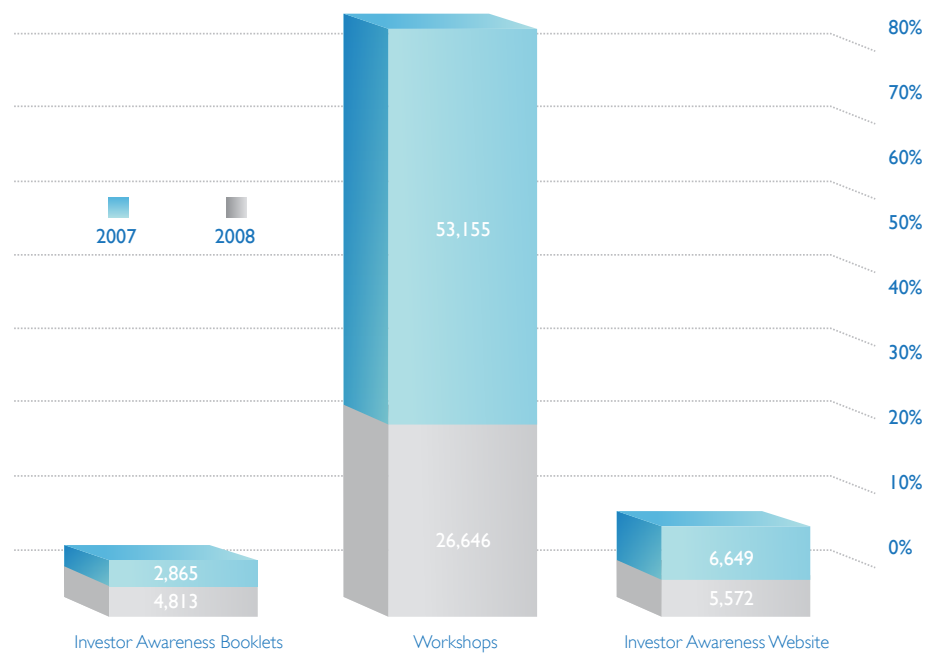


Chart (39): Total number of Visitors to the Investor Awareness Center by Main Center Elements in 2008 and 2007



Achievements of the CMA

2-2 Achievements in Regulating and Developing Internal Rules:

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Achievements in Regulating and Developing Internal Rules:

2-2 Achievements in Regulating and Developing Internal Regulations

Pursuant to article six of the Capital Market Law that confirms the CMA's responsibility for formulating and developing internal regulations, issuing instructions and setting-up the necessary procedures for management of the CMA, and articles nine and ten of the same Law that deal with the development of the CMA's business and achievement of its goals, the CMA has, in 2008, undertaken developments in six main areas:

➤ Recruitment:

- ☞ 115 employees were recruited during 2008, bringing the total number of CMA employees to 436, an increase of 20% over the number in 2007.
- ☞ A number of specialists in capital markets were recruited from overseas to fill consulting and specialist positions in some CMA departments.

➤ Human Resource Development:

- ☞ 404 employees benefited from various training programs during the year.
- ☞ The total number of employees who attended in-house and local training programs was 107.
- ☞ 92 employees attended six International Computer Driving License Programs.
- ☞ 35 employees attended local English language programs.
- ☞ 10 employees attended offshore language programs.
- ☞ 41 employees joined the distance learning program.
- ☞ A list of recommended local and offshore training centers was drawn-up, including 30 local and regional centers and 141

foreign centers, which list is updated on a regular basis.

- ☞ 22 employees were sent on scholarships in 2008, compared to just 3 in 2007.
- ☞ On-the-job training was provided to 19 employees at international organizations and entities similar to the CMA.
- ☞ The second batch of development programs for university graduates, at CASS College and London Exchange, were completed and 16 trainees were attracted to work for the CMA out of the 21 who completed the programs.
- ☞ An Assessment Center was set-up and activated for applicants and candidates who will join the development programs (English language and talent management programs). The assessment process utilizes the following tools:
 - ☞ Capabilities tests.
 - ☞ Personal tests.
 - ☞ Bultas English language test, which is one the best currently applicable tests.
 - ☞ Development of the HR project which embraces:
 1. Preparation of the competency dictionary.
 2. Preparation of an employee's development plan (PDP).
 3. Preparation of succession planning.
 4. Preparation of the talent management program.

➤ Development of the CMA's Strategy and its Administrative Organization

- ☞ Study of the strategy and administrative organization of the CMA.
- ☞ Conclusion of an agreement with an international consultancy for preparation of a study for formulation of the CMA's strategy for the next five years, taking into account the changes and developments that will take place in the capital market during



that period and to develop the CMA's administrative organization based on the defined strategy.

- ☞ Translation of the HR regulations into English.
- ☞ Development and enhancement of the HR system (Oracle HRM) in preparation for automation of all HR procedures.

➤ **Enhancing the Social Role of the CMA:**

- ☞ Participation in events and other activities at local and regional universities.
- ☞ Coordination with the Saudi Organization for Certified Public Accountants (SOCPA) to offer (100) scholarships for associateship examinations effective from 2009.
- ☞ Launching the scholarship program for recent graduates, to which a total of 40 male and female graduates were admitted and sent to pursue their higher studies in subjects that relate to capital markets.
- ☞ Training of 14 students under the co-operative training program that is provided by the CMA to universities and scientific institutions. This program will in future be extended to cover students of Saudi universities and institutes.

➤ **Development of the Internal Environment of the CMA**

For automation of CMA procedures many technological projects were implemented in 2008, including:

- ☞ Employment of the most up-to-date technologies, systems, resources and infrastructures that are necessary to enable the CMA to provide an integrated and unique array of world class IT services.
- ☞ Substantial and positive change in the area of absorption and successful mobilization of IT systems. Among the electronic

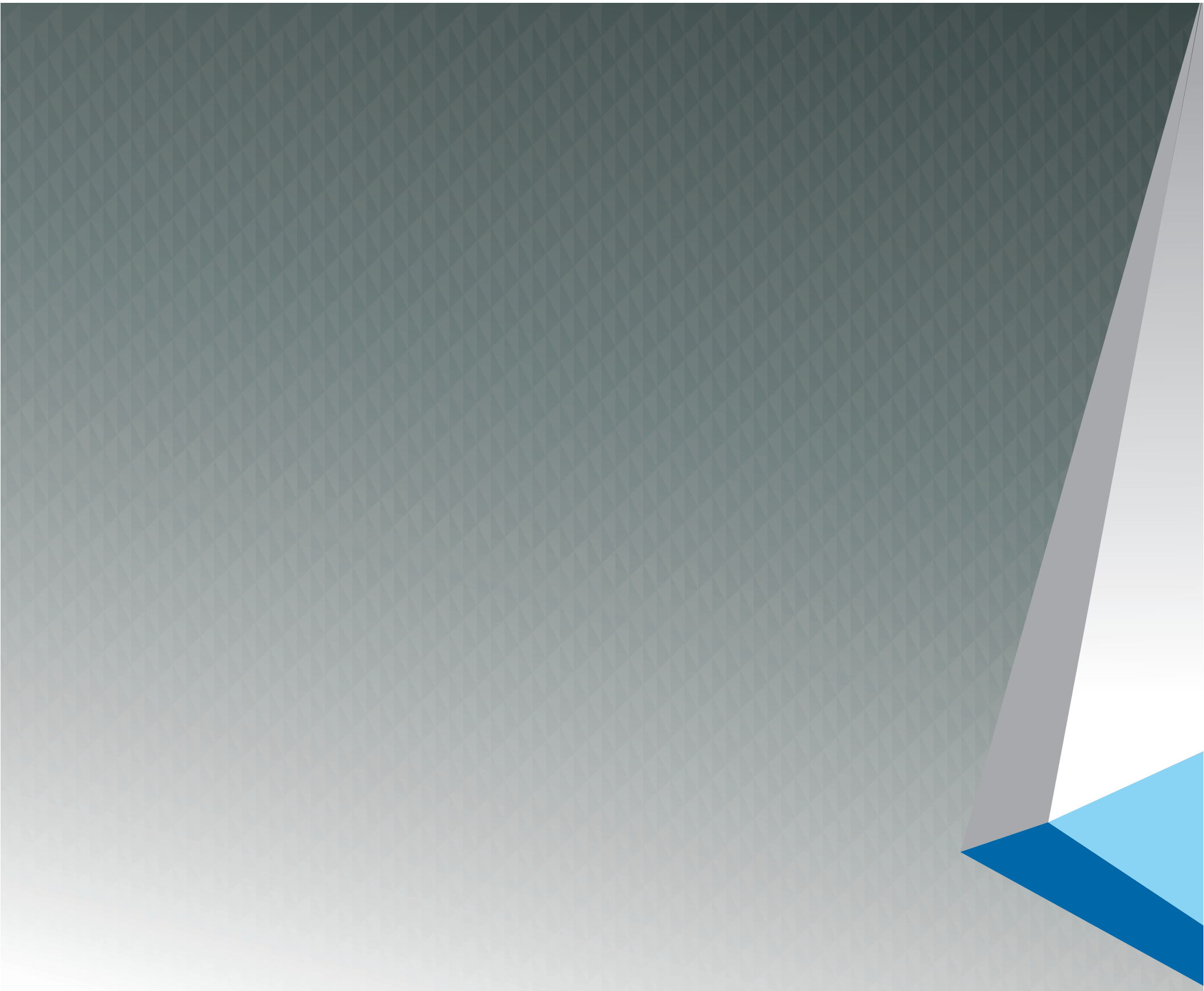
services that are now performed by the CMA's internal system are:

1. Document control system (IRM).
2. Electronic fax system.
3. Electronic technical support system.
4. CMA network control system.
5. Encryption certification (Entrust) for enhancing security and the level of secrecy of remote access and browsing of the CMA's e-mail server.
6. Preparation for obtaining the ISO27001 certificate.

➤ **Management of the CMA headquarters in the King Abdullah Financial District**

The project is still in the design stage. A contract has been signed with the HOK and AlOmrania joint venture for design of the project which it is intended will coincide with site mobilization.

115 employees were recruited during 2008, bringing the total number of CMA employees to 436





Chapter Three

Achievements of the Committee for the Resolution of Securities Disputes (CRSD) and the Appeal Committee in 2008.

3-1 Committee for the Resolution of Securities Disputes.

3-2 Appeal Committee for the Resolution of Securities Conflicts

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Achievements of the Committee for The Resolution of Securities Disputes (CRSD)

3-1 Committee for Resolution of Securities Disputes (CRSD)

According to article twenty five of the Capital Market Law, a committee has been formed of legal advisors specialized in the laws of commercial transactions, securities and exchanges as well as experts in commercial and financial affairs and securities who will seek to resolve and formulate decisions about disputes that fall under the provisions of the Capital Market Law and its Implementing Regulations and of the rules, directives and instructions issued by the CMA and the Saudi Stock Exchange "Tadawul" with respect to public and personal rights. Based on this, the CMA's Board passed Decision No. 1-2-2005 dated 7/11/1425H to form the designated committee which embraces the following three members:

- 1- Consultant Dr. Mohammed Abdullah Al-Marzouki (Chairman)
- 2- Consultant Dr. Khaled Hassan Salmien Ba-Naser (Member)
- 3- Consultant Mr. Saud Abdulrahman Al-Shammari (Member)

The following are details of the Committee and its activities:

Its jurisdiction extends over all regions of the Kingdom covering all types of disputes, be they civil, penal or administrative, that fall within the provisions of the Capital Market Law and its Implementing Regulations as well as the rules, directives and instructions issued by the CMA. It has jurisdiction over all

disputes that arise between authorized persons and investors, and between investors themselves, as well as over all claims and matters related to violations of the Capital Market Law and its Implementing Regulations.

- It has jurisdiction over claims against the decisions of the CMA and its actions.
- It comprises highly qualified staff having an extensive experience in legal and regulatory matters to support its activities, as well as a dedicated administrative apparatus that performs its functions fully independently.

In 2008 committee members met on 417 occasions, during which 253 decisions were taken about civil, administrative or penal cases. Tables (55) and (56) evidence the most important cases filed with the committee in 2008 and 2007. These can be summarized as follows:

- In 2008, 175 civil, penal and administrative cases were filed with the CRSD compared to 287 in 2007, a decrease of 39%.
- Civil cases were the most prevalent accounting for 93% of the total in 2008 and 94% of the total in 2007.
- The committee processed 253 cases in 2008, at an average of 21 cases per month, compared to 11 cases per month in 2007, an increase in the Committee's performance of 90% year-on-year.

Table (55): Total Cases Filed with the CRSD in 2008 and 2007

Case Type	2008		2007		% Change
	Number	%	Number	%	
Civil	162	93%	271	94%	-40%
Penal	7	4%	8	3%	-13%
Administrative	6	3%	8	3%	-25%
Total	175	100%	287	100%	-39%



Table (56): Total Number of Cases Processed by the CRSD in 2008 and 2007

Case Type	2008		2007		% Change
	Number	%	Number	%	
Processed During the Year	253	-	134	-	90%
Processed in the Same Year they were Lodged	39	22%	27	9%	44%

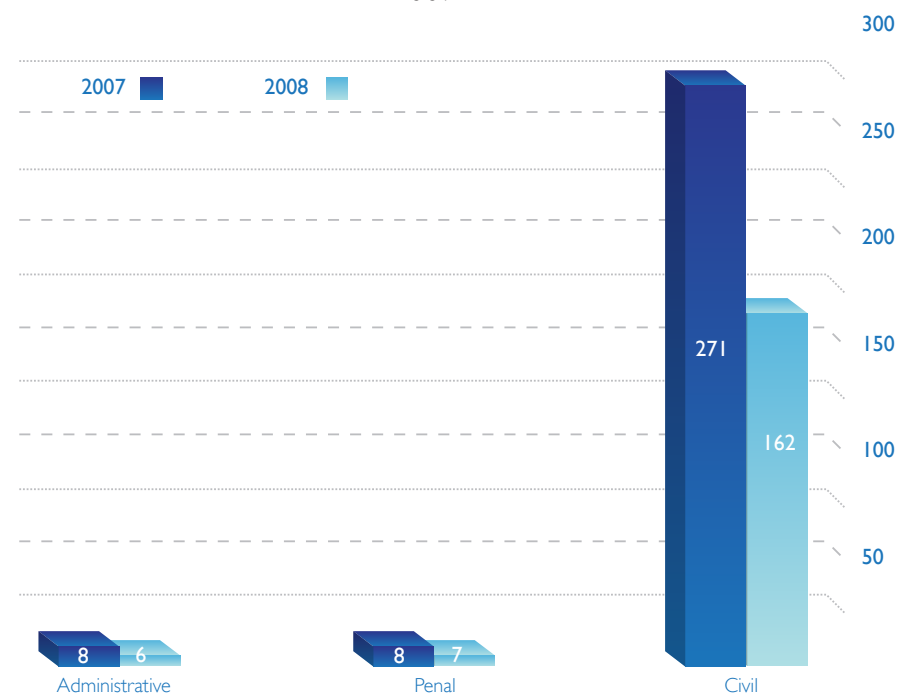
Table (57) details the total number of decisions passed by the CRSD in 2008, which can be summarized as follows:

- A total of 245 civil case decisions were passed by the CRSD in 2008, 97% of the total.
- The percentage of decisions that dealt with administrative and penal cases amounted to 1% and 2% respectively of the total.

Table (57) : Total Number of Decisions Passed by the CRSD, by case type, in 2008

Case Type	Total Number of Decisions	%
Civil	245	97%
Administrative	3	1%
Committee	5 ¹⁸	2%
Total	253	100%

Chart (40): Total Cases Filed with the CRSD in 2008 and 2007



18. Includes 4 Decisions under appeal and still at the appeal committee

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Achievements of the Committee for Resolution of Securities Disputes (CRSD)

3-2 Appeal Committee for the Resolution of Securities Conflicts

In accordance with Clause (g) of article (25) of the Capital Market Law, an Appeal committee has been formed by order of the Council of Ministers and has three members representing the Ministry of Finance, the Ministry of Commerce and Industry and the Bureau of Experts at the Council of Ministers. The Appeal committee has the discretion to refuse to review the decisions of the Committee for the Resolution of Securities Disputes, to affirm such decisions, to undertake a de novo review of the legal action or complaint based on the record developed at the hearing before the Committee and to order such relief as it believes appropriate. The decisions of the Appeal Committee are final. Accordingly, the Council of Ministers passed Decision No. (222) dated 22/8/1426H forming this committee of the following members:

- 1- Mr. Ahmed Bin Mohammed Al-Khowaiter,
Chairman (Representing the Ministry of Finance),
- 2- Prince Abdulrahman Bin Mohammed Bin Ayaf Al-Miqren,
Member (Representing the Bureau of Experts)
- 3- Mr. Falag Bin Ali Al-Mansour,
Member (Representing the Ministry of Commerce & Industry).

Subsequently, Royal decree No. (328) dated 5/11/1429H was issued for reformulation of the Appeal Committee, for its second term, to comprise the following:

- 1- Mr. Ahmed Bin Mohammed Al-Khowaiter,
Chairman (Representing the Ministry of Finance),
- 2- Prince Abdulrahman Bin Mohammed Bin Ayaf Al-Miqren,
Member (Representing the Bureau of Experts)
- 3- Mr. Abdulaziz Bin Rashid Bin Kolaib,
Member (Representing the Ministry of Commerce & Industry).

The Committee initiated its tasks on 11/11/1429H, since when it has held 103 meetings and passed 65 decisions related to various civil, administrative and penal cases.

Tables (58) and (59) detail the number of cases studied and the decisions issued by the Appeal Committee in 2008 and 2007, which can be summarized as follows:

- ☞ The total number of cases brought before the Appeal Committee in 2008 was 100 compared to 69 in 2007, an increase of 45%.
- ☞ Most cases in 2008 were civil and accounted for 97% of the total cases filed.
- ☞ The total number of decisions issued by the Appeal Committee in 2008 reached 65 compared to 34 in 2007, an increase of 91%.



Table (58): Total Number of Cases Filed with the Appeal Committee in 2008 and 2007

Case	2008		2007		% Change
	Number	%	Number	%	
Civil	97	97%	69	100%	41%
Penal	3	3%	0	0%	-
Administrative	0	0%	0	0%	-
Total	100	100%	69	100%	45%

Chart (41): Total Number of Cases Filed with the Appeal Committee in 2008 and 2007

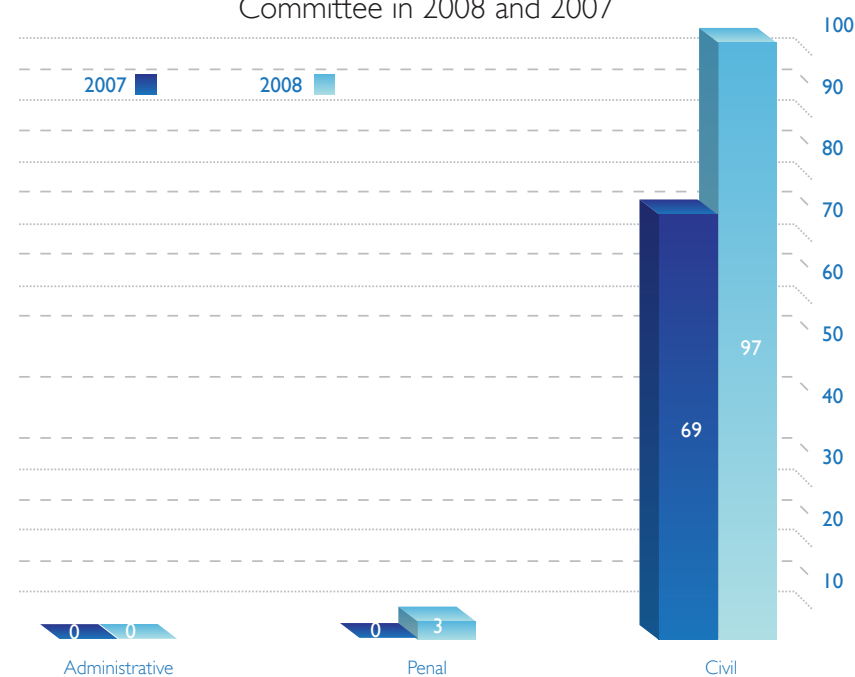


Table (59): Total Cases Filed with the Appeal Committee and Decisions Issued in 2008 and 2007

Subject	Total Number		% Change
	2008	2007	
Total Deposited Cases	100	69	45%
Number of Decisions Issued	65	34	91%





Chapter Four

The CMA's Aspirations for 2009

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The CMA's Aspirations for 2009

The CMA's Aspirations for 2009

In recognition of the importance of its mission to develop and protect the capital market and investors against market risks and to ensure full implementation of, and compliance with, transparency, justice and disclosure principles, the CMA has

been diligent, since its inception, in pursuing the development of regulations and decisions related to the issuance and trading of securities.

The CMA aspires to achieve, but is not limited to, the following during 2009:

- 🌀 Finalizing the review and development of the CMA's implementing regulations, including listing rules and investment funds regulations.
- 🌀 Offering and scheduling the issuance of securities, taking into account the interests of the CMA and protection of investors, the authorizing of financial institutions to practice securities business and authorizing the activities of investment funds.
- 🌀 Introducing new financial instruments to the capital market such as swap agreements (SWAPs) and exchange traded funds (ETFs).
- 🌀 Creating an independent department to monitor compliance of listed companies with the corporate governance regulations.
- 🌀 Issuing guidebooks for companies' board members, senior executives and shareholders, detailing their obligations in compliance with the Capital Market Law and its Implementing Regulations, and the procedures and forms that are required for performance of those obligations. These guidebooks are:

- (1) Guide on the on-going obligations of listed companies.
- (2) Guide on the obligations of joint-stock companies, after an IPO and before trading.
- (3) Guide on the obligations of board members and senior executives relating to the ownership of shares.
- (4) Guide for major shareholders relating to share ownership notifications.
- (5) Development of a mechanism for disclosure by listed companies of any requirements necessitated by the Capital Market Law and its Implementing Regulations.

🌀 Media and investor awareness:

- (1) Preparing a mobile investor awareness exhibition for use in the major cities of the Kingdom.
- (2) Preparing materials for use during awareness days at Saudi universities that are designed to give students an idea about the Capital Market and investment.
- (3) Initiating the second phase of training for Saudi economic journalists following design of an integrated training program that will provide journalists with all the economic and financial information necessary for enhancing their performance and efficiency.

🌀 Preparation and implementation of studies and researches:

- (1) Status of trading supervision in the Capital Market surveying the opinions and attitude of investors, mutual funds and portfolio managers.
- (2) The current levels of disclosure by listed companies in the Saudi Capital market: survey of the listed companies officers.



- (3) The Status of continuous disclosure by listed companies in the Saudi Capital Market: Need for development and the supervisory and regulatory roles of the CMA: A survey of the opinions and attitudes of the investors, mutual funds and portfolio managers.
- (4) Investors opinion and attitudes towards the CMA role in achieving investors awareness in the Saudi Capital Market.
- (5) A preliminary study on the introduction of new investment instruments and techniques in the Saudi Capital Market such as derivatives, short selling and options.

 Developing by-laws:

- (1) Finalizing preparation and review of the CMA by-laws.
- (2) Initiating the second phase of the strategic study and administrative structuring of the CMA.

- (3) Applying the outcome of the HR development project.
- (4) Proceeding with efforts to enhance the internal work environment through adoption of the “e-government” concept in all HR transactions.

In addition, the CMA will strive to implement many of the other tasks that are required to achieve the CMA's goals of developing the Saudi Capital Market and protecting investors against inherent risks, whilst enhancing fairness, transparency and disclosure throughout the market.

