



Annual Report
1431/1432H (2010)

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



The Custodian of the Two Holy Mosques

King Abdullah Bin Abdulaziz Al-Saud



His Royal Highness

Prince Sultan Bin Abdulaziz Al-Saud

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



His Royal Highness

Prince Nayef bin Abdulaziz Al-Saud

Second Deputy Prime Minister and Minister of the Interior

The CMA Board

The CMA Board comprises five full-time members:



Mr. Mazin Al-Romaih
(Member)

Mr. Abdulrahman Al-Rashid
(Vice-Chairman)

H.E. Dr. Abdulrahman Bin Abdulaziz Al-Tuwaijri
(Chairman)

Mr. Mohamed Al-Shumrani
(Member)

Dr. Abdulrahman Al-Barrak
(Member)



Vision

- ☰ The Saudi Arabian capital market is among the leading capital markets in the world.
- ☰ Investor protection is ensured by a fair, open, and efficient market with active and predictable disclosure of material information.
- ☰ Financial market stability is maintained through world-class, transparent and predictable regulation.

Mission

- ☰ Develop the capital market in depth and breadth and enhance its innovativeness in collaboration with its players.
- ☰ Regulate and monitor the capital market, the issuance and trading of securities and the regulated entities.
- ☰ Protect investors and achieve fairness, efficiency and transparency.

Strategic Goals

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

- ☰ Core task and competence of CMA is to continuously protect investors.
- ☰ Maintain an efficient, simple regime (e.g., for listing, transparency and corporate governance, market disclosure) to ensure fair and full competition and to promote capital formation as well as investment in KSA.
- ☰ Further develop the regulatory framework in order to meet the continuing and growing challenges of the capital markets.
- ☰ Encourage & support the programs for developing public awareness in all fields concerning and for the various parties of the financial community.
- ☰ Continuously develop the infrastructure of the capital market.
- ☰ Show dedicated customer & market orientation and secure speed in all market facing activities.
- ☰ Enable more products by setting a flexible & innovative regulatory framework in order to broaden, deepen and stabilize the market and specifically increase the portion of institutional investors.
- ☰ Secure a professional and effective regulatory organization staffed with skilled talent and clearly defined roles & responsibilities - internally as well as towards other agencies.

The background of the slide is a photograph of a bright blue sky with a large, white, fluffy cloud on the right side. The sun is partially obscured by the cloud, creating a lens flare effect. A diagonal line of a lighter blue gradient runs from the bottom left towards the top right. A black horizontal bar is positioned across the middle of the slide, containing the text 'Annual Report 2010' in white. To the left of this bar, there is a solid blue vertical bar.

Annual Report 2010

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Chairman's Statement



It gives me great pleasure to present the CMA's annual report for fiscal year 1431/1432H (2010) which highlights the salient achievements of the CMA in regulating the capital market and enhancing the measures of fairness, transparency, disclosure and investor protection in the Saudi capital market .

Achievements of the CMA were culminated with accepting its accession to the International Organization of Securities Commissions (IOSCO) as a full member to join its 114 ordinary members of the IOSCO during its 35th Annual Conference in Montreal, Canada (6-10 June 2010). Welcoming the Kingdom of Saudi Arabia in the membership of the IOSCO came in recognition of what the CMA has realized at the level of regulatory, supervisory and surveillance capabilities in Saudi capital market. This membership will allow the CMA to actively participate in the exchange of information and experiences with the member states of the IOSCO.


In the realm of developing rules and regulations supporting the legislative structure of the capital market, the CMA Board issued a resolution concerning the amendment to the definition of the "independent member" stated in Paragraph (b) of Article Two of the Corporate Governance Regulations, which had been issued in 21/10/1427H (12/11/2006). The resolution specified in detail what infringes the independence of a board member. This resolution is to run into effect as of 1/1/2011 for companies already listed on the Saudi Stock Exchange (Tadawul), and from the release date for new companies wishing to get listed. Moreover, the same resolution stated that Article Fifteen of the Corporate Governance Regulations on the Nomination and Remuneration Committee shall be mandatory on all listed companies.

As to the regulatory resolutions, the CMA Board issued Resolution No. (4-10-2010) on 30/3/1431H corresponding to 16/3/2010, to pass the mechanism

of exchange traded funds (ETFs), allowing non-resident foreign investors to trade their units on the Saudi Stock Exchange (Tadawul). On 12/4/1431H (28/3/2010), the first ETF was listed and traded, under a new market segment (ETFs segment), during usual market trades by operating brokerage firms.

The CMA Board also issued a regulatory resolution to regulate the investments of listed companies and their subsidiaries in listed securities. The resolution stated that the securities investment decision must be made by the company's board of directors controls in which the controls of investment are defined; separation between the company and its securities investment decision should also be observed. It stipulated that corporate securities investments should be made through a mutual fund or an investment portfolio managed by an authorized person under a management contract approved by the CMA. Subsidiaries of listed companies must stick to the controls of the securities investment decision once they had their financial statements consolidated. Some exceptions were made for companies in the Banking and Insurance sectors. In addition, the resolution made long-term investment obligatory on the companies by not permitting them to sell the invested security before one year from the purchase date.

Endeavors of the CMA continued in the area of developing and regulating securities offerings; 107 operations were carried out in 2010 compared to 96 operations in 2009, increasing by 11.5%. The CMA approved seven companies to go public and 93 companies to float their shares in private placements. Also, seven different operations were made to regulate securities issuance: one debt instrument was offered, one company offered rights issue, four companies issued bonus shares, and one reduced its capital. The value of securities offerings operations in 2010 totaled SR 30.3 billion (IPOs accounted for SR 3.8 billion). The number of companies listed on Saudi Stock Exchange (Tadawul) rose to 146 at the end of 2010.



To open more investment channels on the capital market, the CMA approved the offering of 26 investment funds in 2010, rendering the total number of funds 267 at year end. After the approval on ETFs mechanism, which allows foreign investors to trade their units, the units of two of such funds were traded.

The CMA stepped up its efforts to ensure the compliance of listed companies with the requirements of disclosure and transparency. 2010 saw considerable improvement in this side, reflected by the increase of listed companies' announcements to 2,554 (24.5%) compared to 2009. The number of companies that had financial statements with qualified audit reports in 2010 went down by 12.2% compared to 2009, indicating the success of surveillance methods adopted by the CMA to boost the level of market disclosure and transparency.

To protect investors from unfair or unsound practices, 253 cases suspected of containing violations of the Capital Market Law (CML) and its Implementing Regulations were investigated during 2010; investigation into 184 cases was finalized, and work is underway to close the remainder. Regarding filed complaints, the CMA received 405 complaints during 2010 as 215 of which were resolved; 64 complaints are still under examination while the CMA is working to settle 126 complaints between concerned parties.

In 2010, the CMA licensed four new institutions and firms to conduct securities business, and issued decisions to amend the activities of 13 authorized persons. Although the number of authorized persons dropped from 110 in 2009 to 97 in 2010, total paid-up capital went up from SR 13.6 billion in 2009 to SR 14.4 billion in 2010.

Being keen on educating investors, the CMA intensified its efforts on that front as it released an awareness booklet on "Corporate Governance" to promote such culture among investors. It distributed over 500,000 awareness publications to various segments of investors at several events and occasions Kingdom-wide.

The CMA also released the second volume of the children-devoted magazine "The Smart Investor". Nearly 44,000 copies were distributed.

The CMA made tremendous strides to rebuild its organizational structure in an attempt to elevate the administrative and operational efficiency of its manpower. To serve that purpose, an international company was chosen to assist in envisioning and conducting necessary studies to rebuild a comprehensive organizational structure with world-class standards. As a result, the tasks of several of departments were expanded and new departments emerged. Also, a plan was set up to motivate and improve performance within the CMA. The new organizational structure became effective in early 2010.

In the end, on behalf of the CMA's Board and employees, I would like to extend my deepest thanks and gratitude to the Custodian of the Two Holy Mosques, King Abdullah Bin Abdulaziz, His Royal Highness Prince Sultan Bin Abdulaziz, Crown Prince, Deputy Prime Minister, Minister of Defense and Aviation and the Inspector General, and His Royal Highness Prince Naif Bin Abdulaziz, the Second Deputy Prime Minister and Minister of the Interior for their endless much appreciated support for the CMA.

Dr. Abdulrahman Bin Abdulaziz Al-Tuwaijri

CMA Board Chairman and CEO



Chapter One

The Capital Market Authority (CMA)

1.1 Establishment

1.2 Main Functions and Responsibilities

1.3 Organizational Structure

1.4 Parties Subject to the CMA's Supervision



1.1 Establishment

The Capital Market Authority was established under the “Capital Market Law (CML)” 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 entity that enjoys financial and administrative autonomy and reports directly to the Prime Minister. The Authority is vested with the regulation and development of the Saudi capital market, and issuance of regulations, rules and instructions essential to applying the provisions of the Capital Market Law (CML)

1.2 Main Functions and Responsibilities

The Capital Market Law (CML) defines the CMA’s main functions, the most important of which are to:

- Regulate and develop the capital market, and seek to develop and improve the practices of entities trading in securities.
- Protect investors in securities from unfair and unsound practices, or acts involving fraud, deceit, cheating, manipulation or insider trading.
- Seek to achieve fairness, efficiency and transparency in securities transactions.
- Develop controls that mitigate the risks associated with securities transactions.
- Regulate and monitor the issuance of and trading in securities.
- Regulate and monitor business activities of parties subject to the CMA’s supervision.
- Regulate and monitor the full disclosure of information pertaining to securities and their issuers, the dealings of informed persons and investors, and specify and provide the information that should be disclosed by participants in the market to shareholders and the public.

1.3 Organizational Structure

To develop the CMA’s business and boost the operational efficiency of its manpower, the CMA’s organizational structure was rebuilt and approved in early 2010. As illustrated by the hierarchal chart, the new organizational structure is composed of the CMA Board to which two Departments directly report: the Internal Audit and the General Secretariat of the Board of Commissioners. Also linked directly to the CMA’s chairman/CEO are:

Four Steering Divisions:

- Public Relations.
- Information Technology.
- CMA HQ Project.
- Media and Investor Awareness.

Five Core Divisions:

- Legal Affairs.
- Enforcement.
- Market Supervision.
- Capital Market Institutions Supervision.
- Corporate Finance and Issuance.

And Two Supporting Divisions:

- Strategy and Research.
- Corporate Services.

The next section outlines the key functions and responsibilities of the CMA’s Core and Supporting Divisions:

Legal Affairs Division

Main functions and responsibilities:

- Reviews draft resolutions of the CMA Board, and prepares and examines legislations, regulations, rules and instructions related to the CMA's function; proposes interpretations for their provisions, drafts guidance notes and studies any arising amendments thereof.
- Manages the CMA's internal legal function, provides legal counsel and services to the senior management and other divisions and departments, manages the CMA's legal risks, and handles judicial cases brought against it.
- Drafts or/and reviews and approves all CMA contracts, agreements, MOUs and other legally binding documents between the CMA and external parties.
- Monitors legal standards, trends and developments in peer regional and international regulatory agencies.

Enforcement Division

Main functions and responsibilities:

- Investigates and prosecutes violations of the CML and its Implementing Regulations.
- Settles disputes that may arise among market participants.
- Investigates into investors' complaints and follows up on their settlement.
- Enforces the resolutions/decisions issued by the CMA Board or the two Committees for the Resolution and Appeal of Securities Disputes.

Market Supervision Division

Main functions and responsibilities:

- Implements the guidelines and instructions related to the disclosure of companies listed on the capital market.

- Reviews the financial statements of listed companies to ensure their compliance with accounting standards and monitors their posting on the Saudi Stock Exchange (Tadawul) website.

- Monitors on-line and off-line trading activities, and reviews and analyzes trading transactions on an ongoing basis.

- Educates companies and monitors their compliance with the Corporate Governance Regulations.

Capital Market Institutions Supervision Division

Main functions and responsibilities:

- Examines applications for authorization to conduct securities business, including dealing, managing, arranging, advising and custody services, as well as any other applications for business change which have to be authorized by the CMA.

- Regularly inspects authorized persons to ensure their compliance with the CML and its Implementing Regulations; inspects unauthorized institutions suspected of being involved in conducting securities business activities.

- Supervises and monitors the compliance of authorized persons with the CMA's Anti Money Laundering and Counter-Terrorist Financing Rules, as well as communicating with official competent bodies.

- Constantly monitors the financial status of authorized persons to ensure their compliance with capital adequacy requirements such as having adequate net capital (liquidity) to meet their obligations when necessary.

Corporate Finance and Issuance Division

Main functions and responsibilities:

- Reviews applications for the issuance, offering and listing of securities to ensure their compliance with the CML and its Implementing Regulations.



- Ensures the compliance of listed companies with the initial disclosure requirements.
- Ensures the compliance of investment funds with the CML and its Implementing Regulations.

Strategy and Research Division

Main functions and responsibilities:

- Prepares and executes the CMA's annual business plan to realize its strategies, enhance performance and projects management within the CMA.
- Conducts periodical and occasional research, reports and surveys on capital market activities; issues the CMA Annual Report in addition to administrating the CMA's data.
- Strengthens the CMA ties with relevant international organizations and regulators by exchanging regulatory and legislative expertise and transferring technology.
- Develops and implements the appropriate framework for risk management, including the methodologies and tools necessary to shape up an effective risk management within the CMA.

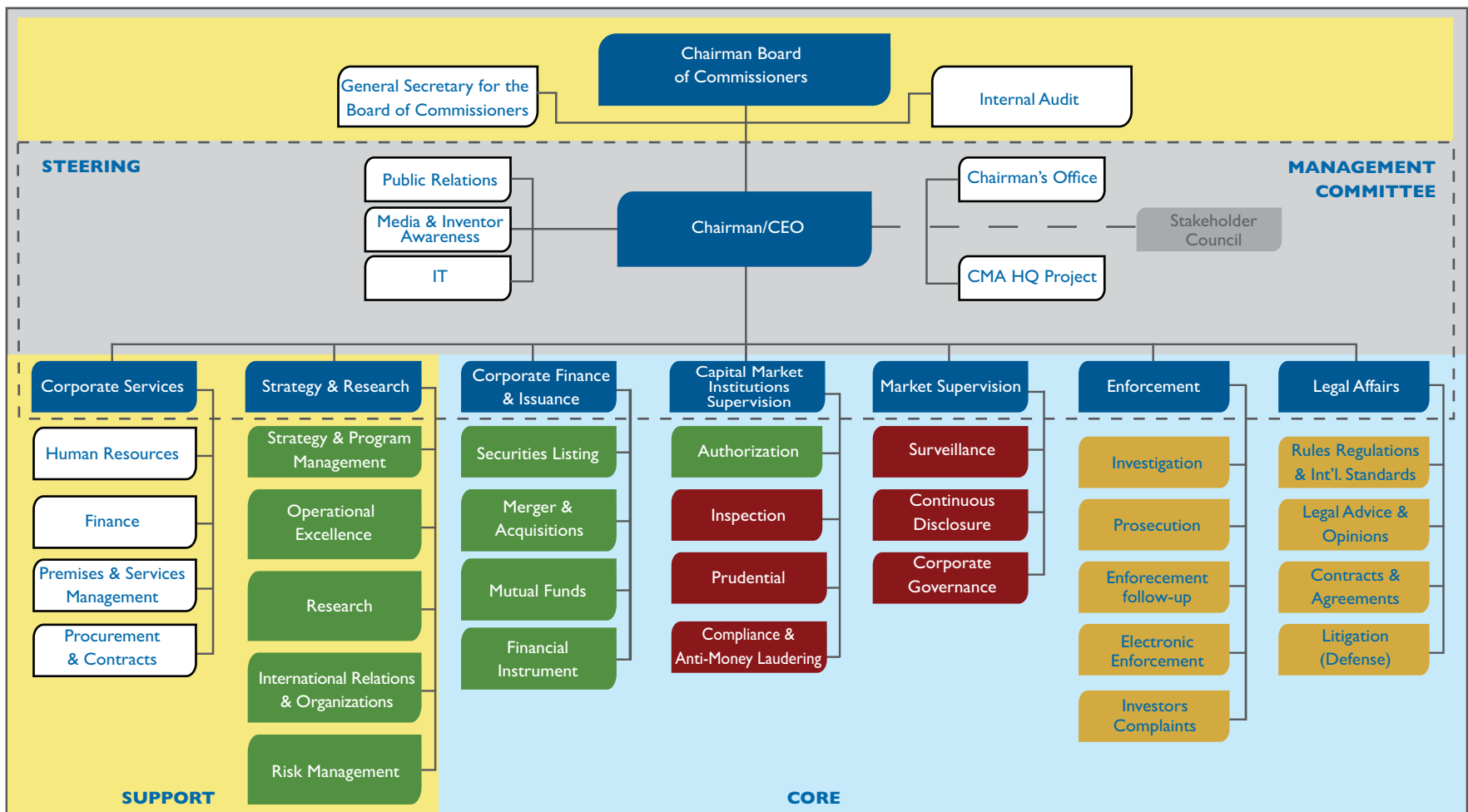
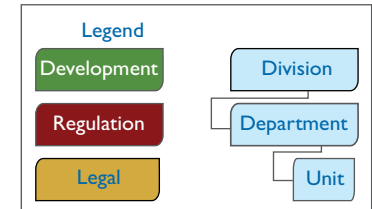
Corporate Services Division

Main functions and responsibilities:

- Supervises the CMA's financial matters, and ensures their compliance with national and international certified accounting standards.
- Supervises human resources activities within the CMA, and ensures their consistency with the CMA's approved policies, regulations and controls in accordance with the best professional practices.

- Supervises support services management and the CMA's premises ensuring efficient and effective fulfillment their objectives.
- Oversees the activities of procurement and contracts, and ensures their compliance with the CMA's controls, standards, and specifications in accordance with the best professional practices.
- Develops and updates policies, regulations and procedures that govern the activities of the Division and its Departments.

Organizational Structure





1.4 Parties Subject to the CMA Supervision

(1) The Saudi Stock Exchange Co. (Tadawul)

According to Article Twenty of the Capital Market Law (CML), “a market shall be established in the Kingdom of Saudi Arabia for trading in securities which shall be known as the “Saudi Stock Exchange”, and shall have the legal status of a joint-stock company in accordance with the provisions of this Law. This Exchange shall be the sole entity authorized to carry out trading in securities in the Kingdom” and to be responsible for all matters relating to the operations of the Exchange.

(2) Authorized Persons

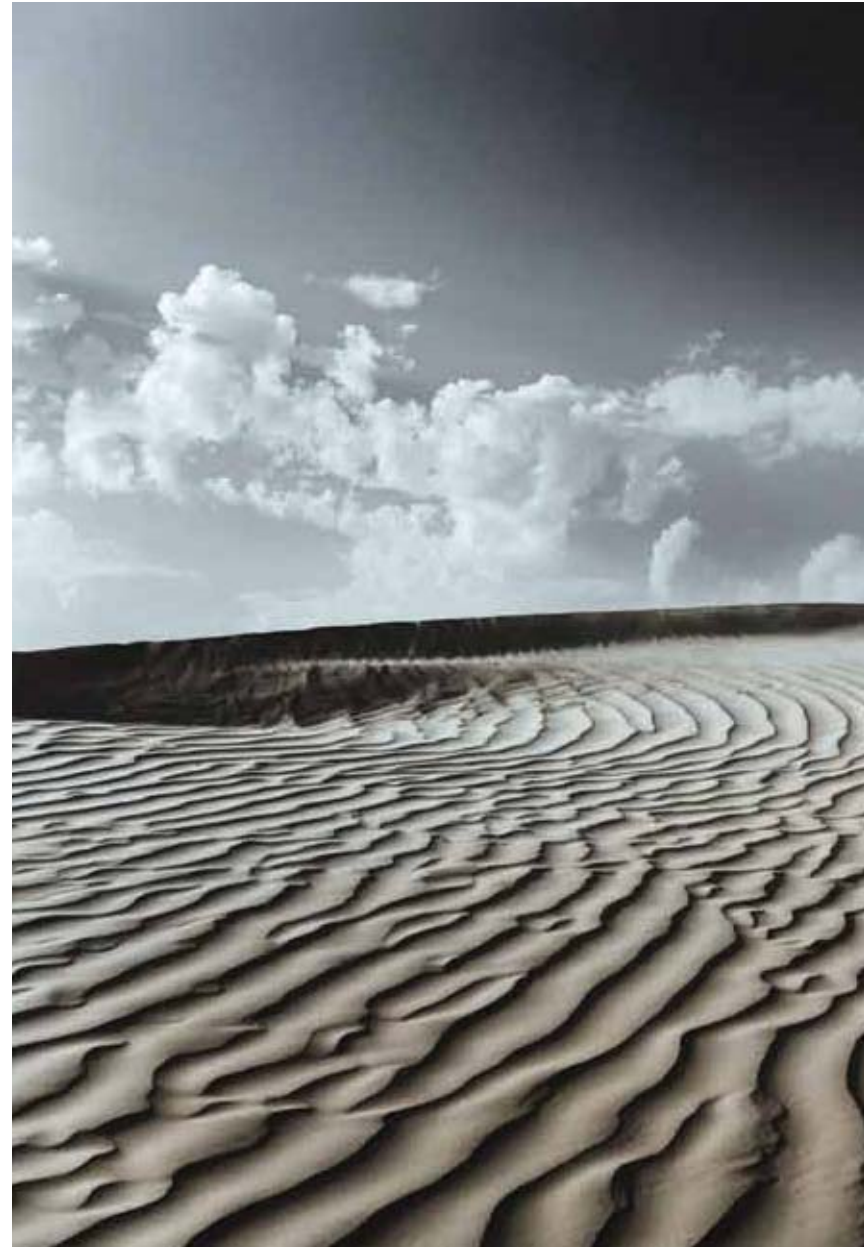
These are the persons authorized by the CMA to carry out securities business. Only persons holding a valid license issued by the CMA are allowed to carry out securities business.

(3) Listed Companies

They are the companies whose securities are traded on the Saudi Stock Exchange.

(4) Traders

Represent the general public who trade securities on the Saudi Stock Exchange.



Chapter Two

Achievements of the CMA

2.1 Achievements in Regulating and Developing the Capital Market

2.1.1 Implementing Regulations and Regulatory Resolutions for Regulating and Developing the Capital Market

2.1.2 Offering and Trading of Securities

2.1.3 Investment Funds

2.1.4 Exchange Traded Funds (ETFs)

2.1.5 Monitoring Securities Transactions

2.1.6 Disclosure of Listed Companies

2.1.7 Violations and Investor Complaints

2.1.8 Persons Authorized to Conduct Securities Business Activities (Authorized Persons)

2.1.9 Investor Awareness

2.1.10 Accession to the International Organization of Securities Commissions (IOSCO)

2.2 Achievements in Regulating and Developing the Internal Environment

2.2.1 Human Resources Development and Administrative Organization

2.2.2 Shift to Electronic Government Transactions



2.1 Achievements in Regulating and Developing the Capital Market

2.1.1 Implementing Regulations and Regulatory Resolutions for Regulating and Developing the Capital Market

Articles Five and Six of the Capital Market Law (CML) stipulate that “the CMA shall be the agency responsible for issuing regulations, rules and instructions and for applying the provisions of the CML, as well as assuming the tasks and functions set out under this Law”. In implementation of Articles Five and Six, the CMA has issued a set of regulations, rules, instructions and procedures known as the “Implementing Regulations”. It also issued a number of regulatory resolutions for developing the capital market, and improving the practices adopted by entities and organs involved in securities trading.

Presented below is a list of the regulations and rules (Implementing Regulations) up to the end of 2010, and the most important regulatory resolutions that were issued in 2010:

(1) Implementing Regulations:

Since its establishment, the CMA has issued a number of implementing regulations and rules aimed at regulating and developing the Saudi capital market. During the period from 1/7/2004 to the end of 2010, eleven implementing regulations were issued:

1. Market Conduct Regulations
2. Offers of Securities Regulations
3. Listing Rules
4. Authorized Persons Regulations
5. Securities Business Regulations
6. Real Estate Investment Funds Regulations
7. Corporate Governance Regulations

8. Investment Funds Regulations

9. Glossary of Defined Terms Used in the Regulations and Rules of the CMA

10. Merger and Acquisition Regulations

11. Anti-Money Laundering and Counter-Terrorist Financing Rules

In 2010, the CMA Board issued Resolution No.(1-10-2010) dated 30/3/1431H corresponding to 16/3/2010, concerning the amendment to the definition of the independent member stated in Paragraph (b) of Article Two of the “Corporate Governance Regulations”, which had been issued by the CMA Board under Resolution No.(1-212-2006) dated 21/10/1427H corresponding to 12/11/2006. The amended definition shall be as follows:

“Independent Member: A member of the Board of Directors who enjoys complete independence. By way of example, the following shall constitute an infringement of such independence:

1. He/she holds a five percent (5%) or more of the issued shares of the company or any of its group.
2. Being a representative of a legal person that holds a five percent (5%) or more of the issued shares of the company or any of its group.
3. He/she, during the preceding two years, has been a senior executive of the company or of any other company within that company's group.
4. He/she is a first-degree relative of any board member of the company or of any other company within that company's group.
5. He/she is first-degree relative of any of senior executives of the company or of any other company within that company's group.
6. He/she is a board member of any company within the group of the company which he is nominated to be a member of its board.

7. If he/she, during the preceding two years, has been an employee with an affiliate of the company or an affiliate of any company of its group, such as external auditors or main suppliers; or if he/she, during the preceding two years, had a controlling interest in any such party”.

This definition shall apply upon appointing any board member as of 1/1/2011 for companies already listed on the Saudi Stock Exchange (Tadawul), and from the date of publishing the CMA Board's resolution of amendment for companies applying for listing on Tadawul.

The resolution has also stated that Article Fifteen of the Corporate Governance Regulations on the Nomination and Remuneration Committee is mandatory on all companies listed on Tadawul, effective from 1/1/2011.

(2) Regulatory Resolutions

During 2010, the CMA Board held 34 sessions and issued 303 resolutions, the most important of which were:

1. The CMA Board issued its Resolution No.(4-10-2010) on Tuesday 30/3/1431H corresponding to 16/3/2010, to approve the mechanism of exchange traded funds (ETFs), allowing non-resident foreign investors to trade their units on the Saudi Stock Exchange (Tadawul). On Sunday 12/4/1431H corresponding to 28/3/2010, the first ETF was listed and traded under a new market segment (ETFs segment); the units of that fund were traded on the market through operating brokerage firms connected to Tadawul system.
2. The CMA Board issued Resolution No.(1-10-2010) dated 30/3/1431H corresponding to 16/3/2010, concerning the amendment to the definition of the independent member stated in Paragraph (b) of Article Two of the “Corporate Governance Regulations”, which had been issued by the CMA Board under Resolution No.(1-212-2006) dated 21/10/1427H corresponding to 12/11/2006. It also made Article Fifteen of the Corporate Governance Regulations mandatory on all companies listed on Tadawul, effective from 1/1/2011.

3. On Monday 3/6/1431H corresponding to 17/5/2010, the CMA Board issued its Resolution No.(1-14-2010) concerning the regulation of the investments of listed companies and their subsidiaries in listed securities. The Resolution sets out the controls that must be abided by when these companies wish to invest; investing in listed securities should be based on a decision made by the company's board of directors in which the controls of investment are defined; securities should also be traded through a mutual fund or an investment portfolio managed by an authorized person under a management contract approved by the CMA reflecting a complete separation between the company and investment decisions. Moreover, the Resolution contained some improved investment controls:

- Securities investments of subsidiaries: the controls of the investment decision are enforced on the subsidiaries of listed companies whenever they have their financial statements consolidated with the company listed on the Saudi Stock Exchange.
- Companies in the Banking and Insurance sectors: listed companies and subsidiaries from these two sectors have been excluded from mandatory compliance with the controls of the securities investment decision unless it is based on a board decision that determines investment controls.
- Long-term investment: refers to the direct investment of each listed company or subsidiary in a particular security for one year or more while committing not to sell it before one year from the date of last purchase of the security which belongs to the same issuer.

With this resolution issued, all CMA Board's previously issued resolutions in this regard have been abolished.



2.1.2 Offering and Trading of Securities

(I) Securities Offering

In implementation of Paragraph (a) of Article Five and Paragraph (a) of Article Six of the CML pertaining to the CMA's responsibility with respect to regulating, monitoring, and dealing in securities, and approving the offering of such securities, the CMA has exerted every effort to encourage investment in securities by regulating the issuance of securities and approving their offering.

The CMA issued several regulations on securities offering such as the Listing Rules and the Offers of Securities Regulations in order to develop the standards and requirements of offering securities in the Kingdom. The Regulations encompassed all the provisions related to securities offering, including the conditions and requirements of public offerings and private placements, information provided to investors, private placement announcements, and the liability for untrue documents.

I. Regulating Securities Issues

The CMA assumes the responsibility of approving securities offerings including public offerings, debt instruments, and rights issues. It also regulates and monitors private placements, acquisitions, capital reductions, and bonus shares. Table (I) shows the number of applications for offerings of securities, acquisition, and capital reduction that were approved by the CMA, in addition to private placement notifications in 2009 and 2010. The following key points can be highlighted:

- The total number of CMA-approved securities operations in 2010 rose by 11.5% to 107, seven of which were IPOs, compared to 2009.
- The CMA received 93 private placement notifications in 2010, up by 45.3% compared to 2009.
- The year 2010 witnessed other securities operations: issuing one debt instrument, one offering of rights issues, four issues of bonus shares, and one corporate capital reduction.

Table (I): Number of Applications for Securities Offerings, Acquisition and Capital Reduction Approved by the CMA and Private Placement Notifications in 2009 and 2010

Operation Type	Number		Change (%)
	2009	2010	
Public Offerings	13	7	-46.2%
Private Placements ¹	64	93	-45.3%
Debt Instruments	2	1	-50.0%
Rights Issues	3	1	-66.7%
Acquisitions	1	0	-
Capital Reduction	0	1	-
Bonus Shares	13	4	-69.2%
Total	96	107	11.5%

¹ Represents the number of private placements. The number of completed private placements was 23 in 2009 and 40 in 2010.

Chart (I): Number of Applications for Securities Offerings, Acquisition and Capital Reduction Approved by the CMA and Private Placement Notifications in 2009 and 2010

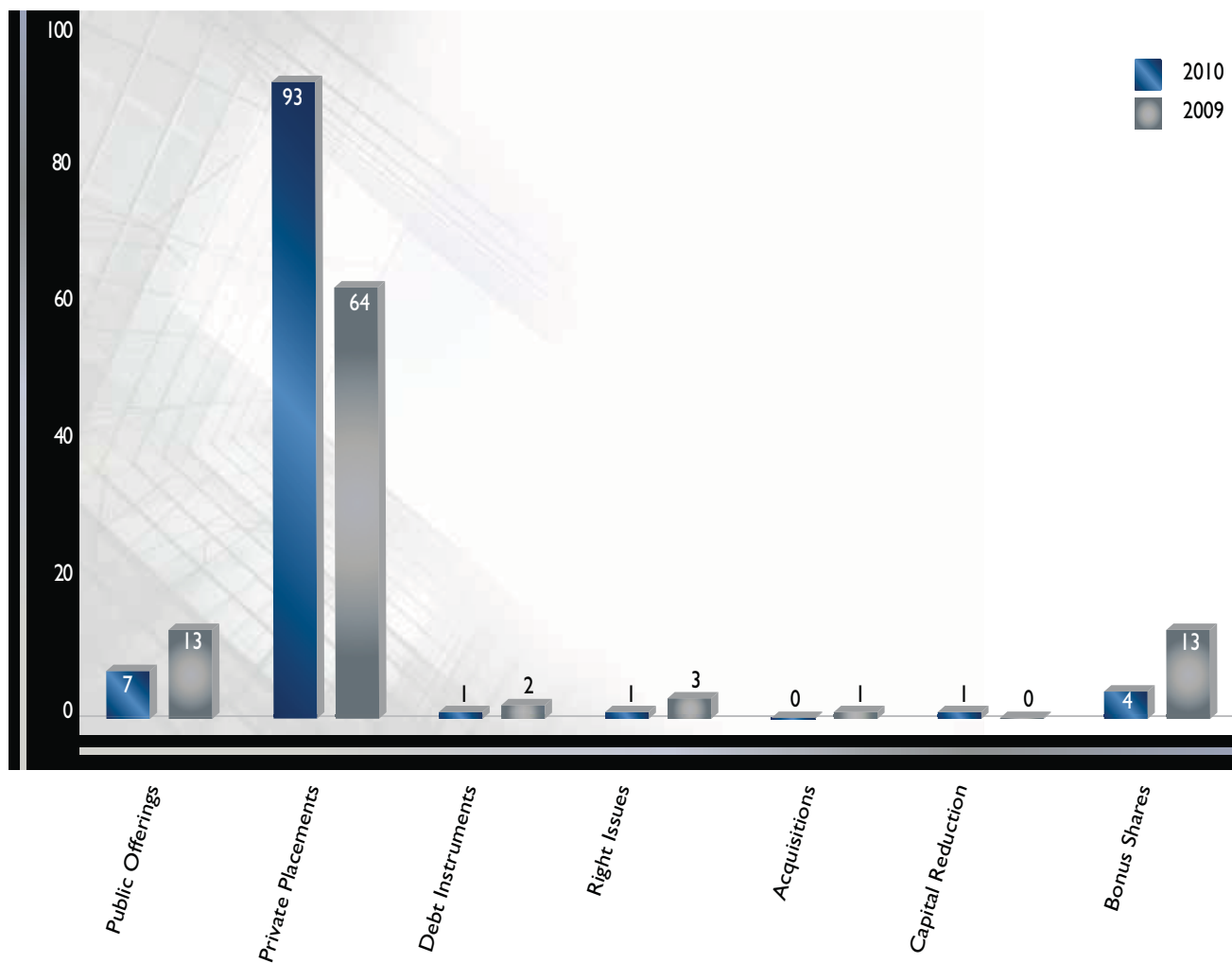




Table (2) Indicates the total amounts of securities offerings by type. The most important indicators of this table can be derived as follows:

- Total amounts of securities offerings stood at SR 30.3 billion in 2010 compared to SR 30.9 billion in 2009.
- Total amounts of public offerings in 2010 amounted to SR 3.8 billion compared to SR 3.9 billion in 2009.

■ During 2010, the total amounts of debt instruments stood at SR 7 billion compared to SR 7.7 billion in 2009, decreasing by 9.1%.

■ Total amounts of private placements rose to SR 19.1 billion during 2010, rising by 6.7% over that of 2009.

Table (2): Total Amounts of Securities Offerings (SR Billion) by Type in 2009 and 2010

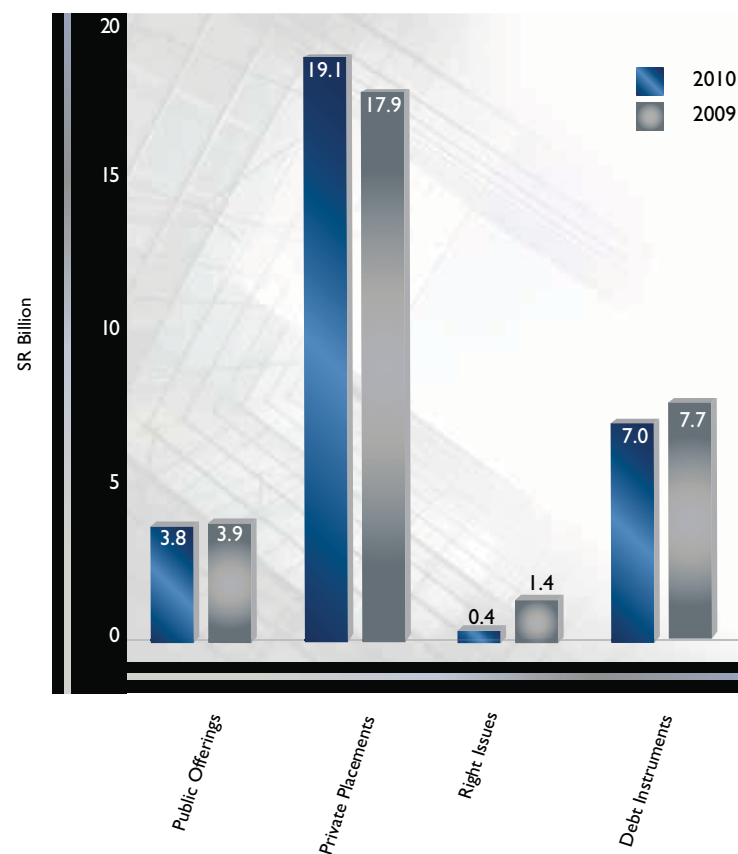
Type	2009		2010	
	Amount	Percentage out of Total (%)	Amount	Percentage out of Total (%)
Public Offerings ²	3.9	12.6%	3.8	-2.6%
Private Placements ³	17.9	57.9%	19.1	6.7%
Right Issues ⁴	1.4	4.5%	0.4	-71.4%
Debt Instruments	7.7	24.9%	7	-9.1%
Total	30.9	100%	30.3	-1.9%

2. Including Herfy Food Services Co. and Al-Sorayai Trading & Industrial Group Co., which were approved in 2009 and later went public in 2010.

3. This amount represents only the completed private placements.

4. Including the Saudi Pharmaceutical Indust. & Med. Appliances Corp., which was approved in 2009 and offered in 2010.

Chart (2): Total Amounts of Securities Offerings (SR Billion) by Type in 2009 and 2010



2. Public Offering

Regulating the Public Offering Process

The CMA regulates the process of public offerings (IPOs) in order to discover the fair price of securities through what is called book building, a mechanism that aims to determine the share price before going public. The process begins with a financial advisor specifying the share price range, and then receiving subscription applica-

tions from institutional investors according to the specified price range. Afterwards, the final share price is determined if the total offered shares are subscribed by institutional investors within the price range.

During 2010, about 170 institutional investors (investment funds, authorized persons, investment entities and semi-government firms) participated in book building when four companies partially floated their shares in IPOs.

Offering Shares for Public Subscription

In 2010, the shares of 9 companies were partially offered for public subscription. Table (3) shows the companies whose shares were partially offered for public subscription in 2010 classified by offering volume, ratio of subscription shares to the company's total shares, the level of over-subscription (by individuals and institutions) and the number of subscribers. Relevant data can be summarized as follows:

- The volume of shares offered for subscription in 2010 ranged from SR 30 million by "Wataniya Insurance Co." to SR 1.02 billion by "Knowledge Economic City". The total amounts of offered shares amounted to SR 3.8 billion.
- The level of over-subscribed shares (by individuals) in 2010 ranged between one time for "Abdullah A. M. Al-Khodari Sons Co." and 20 times for "Wataniya Insurance Co.". The level of over-subscribed shares (by institutions) ranged between 1.7 times for "Abdullah A. M. Al-Khodari Sons Co." and 4.5 times for "Al Hassan Ghazi Ibrahim Shaker Co.".
- The number of subscribers to the shares publicly offered in 2010 ranged between 342.8 thousand for "Abdullah A. M. Al Khodari Sons Co." and 1,968.4 thousand for "Knowledge Economic City".



Table (3): Companies that Offered Part of their Shares for Public Subscription in 2010 Classified by Volume, Ratio of Subscription Shares to Company Total Shares, Level of Over Subscription (Individuals and Institutions) and Number of Subscribers

No.	Company Name	Volume (SR Million)	Ratio of Subscription (%)	Level of Over-Subscription (Individuals) ⁵	Level of Over-Subscription (Institutions) ⁶	Level of Over Subscription ⁷	Number of Subscribers (Thousand)
1	Herfy Food Services Co.	413	30.0%	2.4	3.2	2.8	745.1
2	Al-Sorayai Trading & Industrial Group Co.	243	30.0%	4.6	2.2	3.4	1439.5
3	Al Hassan Ghazi Ibrahim Shaker Co.	514	30.0%	1.7	4.5	3.1	743.2
4	Wataniya Insurance Co.	30	30.0%	20.0	-	20.0	1,144.3
5	Solidarity Saudi Takaful Co.	222	40.0%	3.1	-	3.0	1,242.1
6	Amana Cooperative Insurance Co.	128	40.0%	4.5	-	4.5	1,048.3
7	Knowledge Economic City	1020	30.0%	1.7	-	1.7	1,968.4
8	Al Jouf Cement Co.	650	50.0%	2.0	-	2.0	1,633.0
9	Abdullah A. M. Al Khodari Sons Co.	612	30.0%	1.0	1.7	1.4	342.8
Total		3,832	-	-	-	-	10,306.7

5. Level of over subscription was calculated by dividing the number of shares subscribed by individuals by the number of shares allotted for them.

6. Level of over subscription was calculated by dividing the number of shares subscribed by institutions by the number of shares allotted for them.

7. Level of over subscription was calculated by dividing the number of shares subscribed by both individuals and institutions by the total number of shares offered.

Chart (3): Volume of Company Shares (SR Million) Partially Offered for Public Subscription in 2010

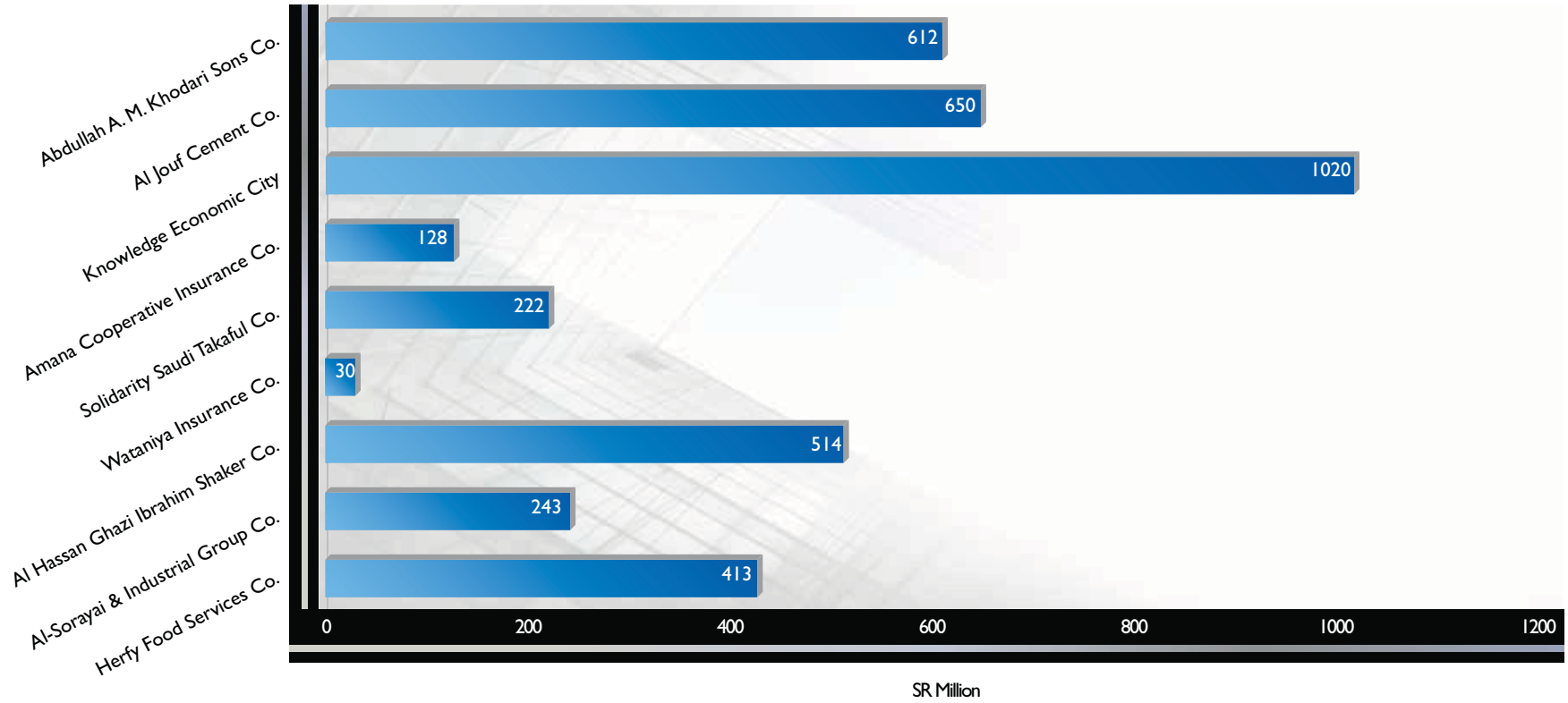




Chart (4): Level of Over-subscription of Company Shares Partially Offered for Public Subscription in 2010

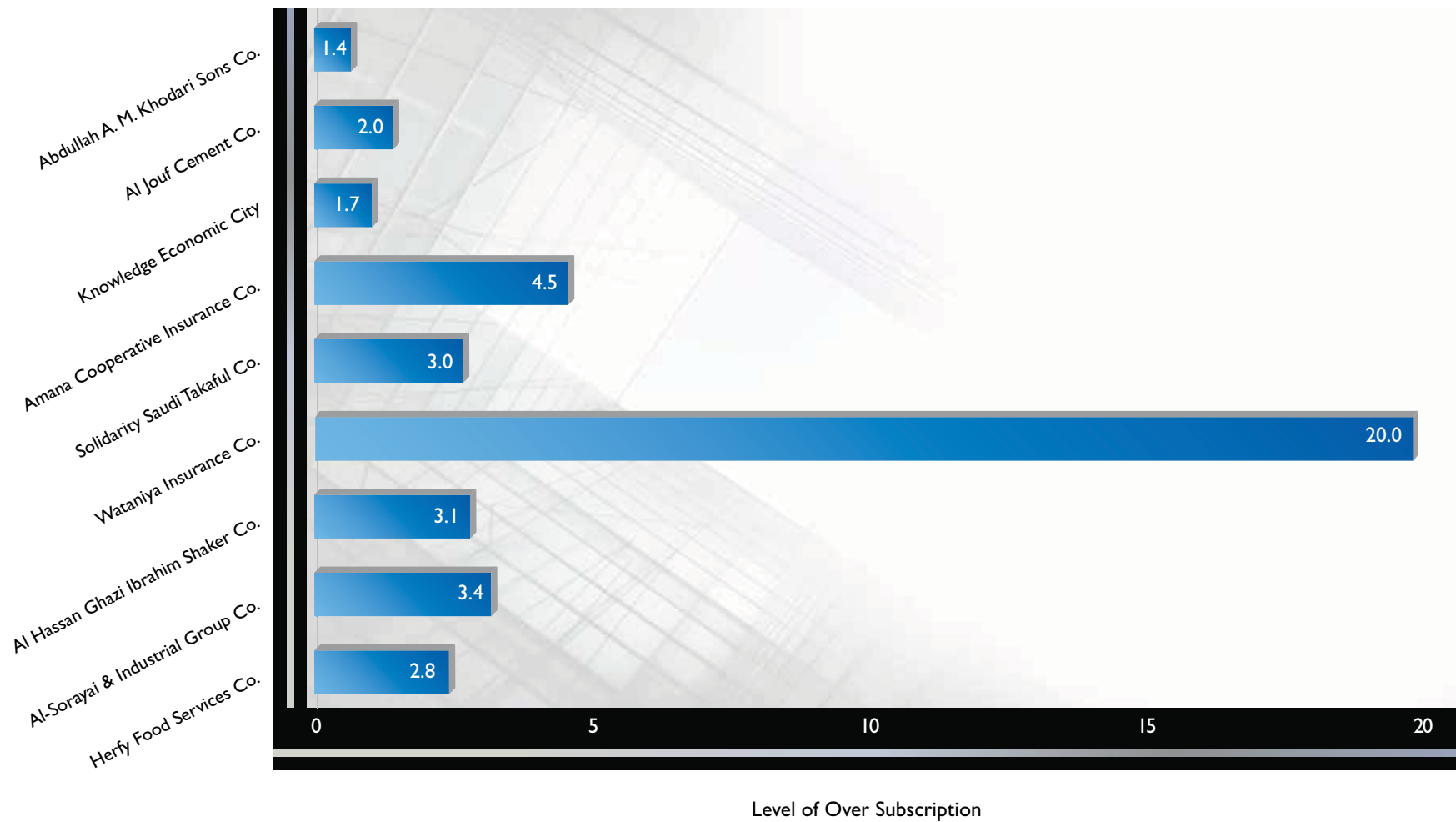
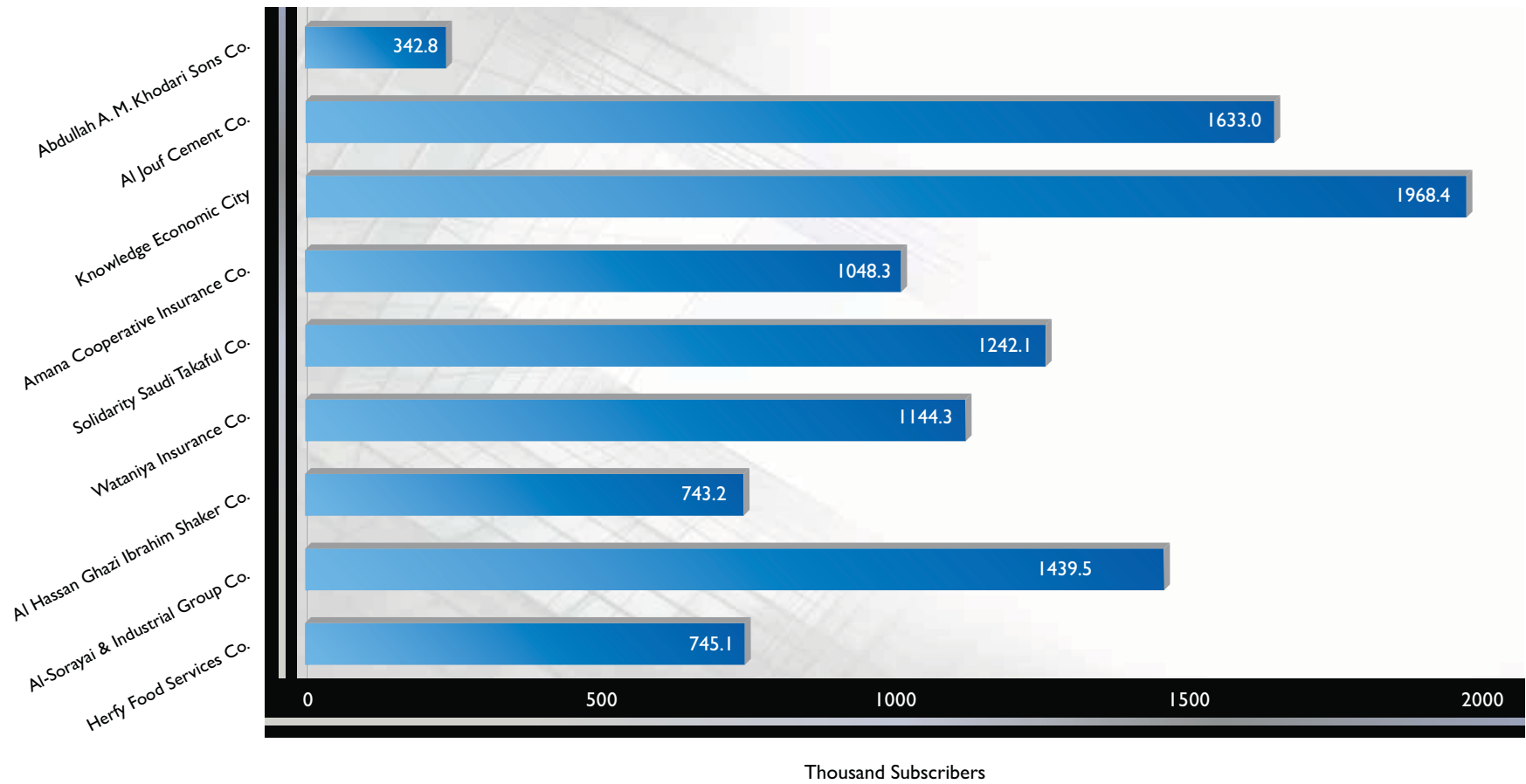


Chart (5): Number of Subscribers (Thousand) to Shares Partially Offered for Public Subscription in 2010





3. Capital Change of Listed Companies During

Table (4) provides a list of companies that increased/decreased their capital in 2010, and the total number of shares in issue before and after capital change. The most important points derived from this table can be summarized as follows:

Five companies increased their capital through bonus shares issue, accounting for 3.4% out of 146 listed companies.

“Almarai Co.” took the lead of listed companies in terms of capital increase percentage through bonus shares, with an additional 115 million shares after raising the company’s capital to 230 million shares, denoting a rise of 100%.

Only one company “Kingdom Holding Co.” reduced its capital by 41.2%.

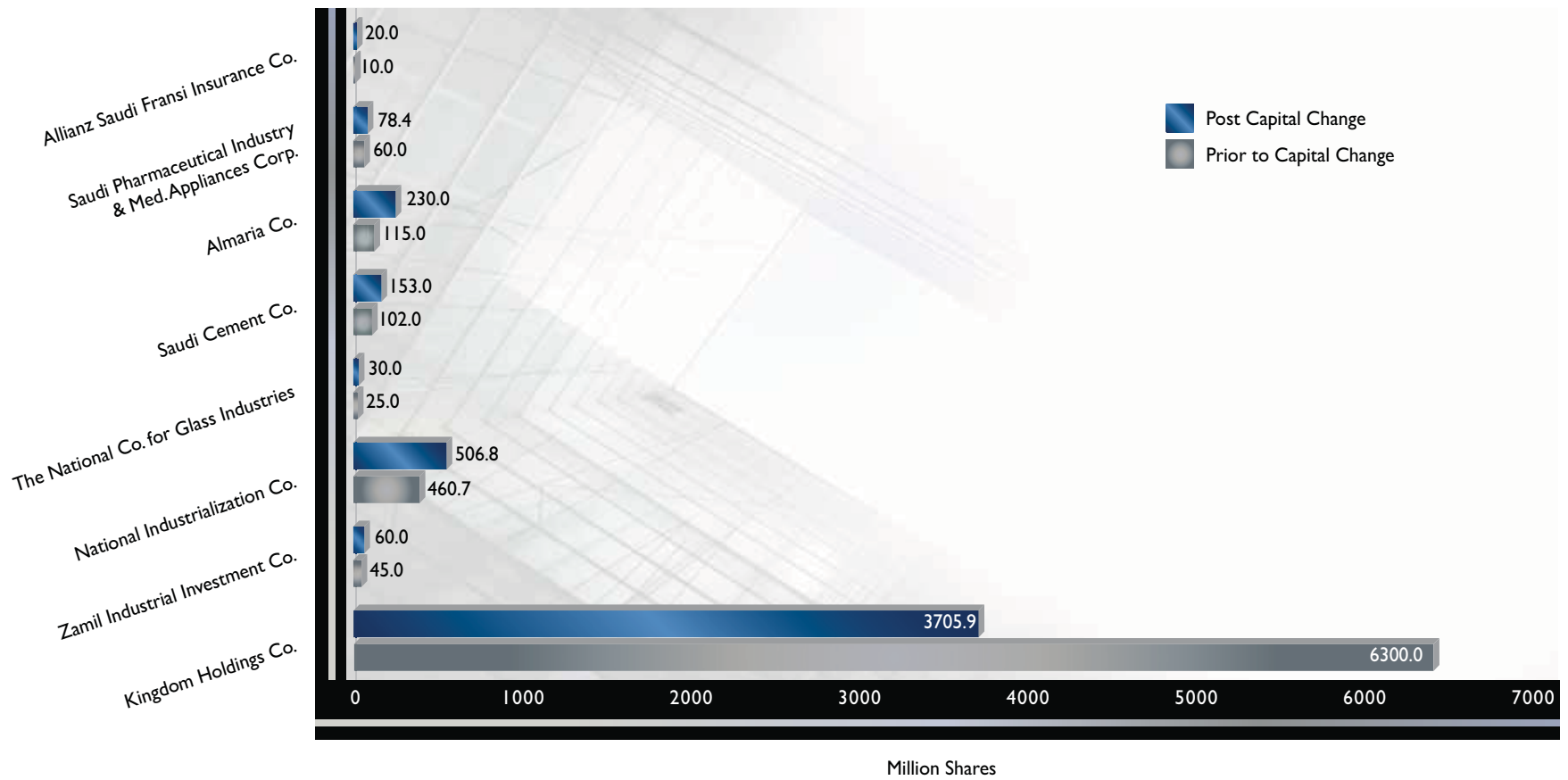
Table (4): List of Companies that Increased/Decreased their Capital (Million Shares) during 2010

No.	Company	Total Number of Shares (Million)		Increase/ Decrease in Capital (%)
		Prior to Capital Change	Post Capital Change	
1	Kingdom Holding Co.	6,300.0	3,705.9	-41.2%
2	Zamil Industrial Investment Co. ⁸	45.0	60.0	33.3%
3	National Industrialization Co.	460.7	506.8	10.0%
4	The National Co. for Glass Industries	25.0	30.0	20.0%
5	Saudi Cement Co.	102.0	153.0	50.0%
6	Almarai Co.	115.0	230.0	100.0%
7	Saudi Pharmaceutical Industry & Med. Appliances Corp. ⁹	60.0	78.4	30.7%
8	Allianz Saudi Fransi Cooperative Insurance Co.	10.0	20.0	100.0%
Total		7,118	7,484	-

8. Capital increase of Zamil Industrial Investment Co. was approved in 2009. The extraordinary general assembly was held and capital increased in 2010.

9. Approved in 2009 and offered in 2010.

Chart (6): Number of Shares of Companies that Increased/Decreased their Capital during 2010





4. Subscription Channels

Number of Subscribers via Various Subscription Channels

Table (5) Illustrates the number of individual subscribers to IPOs, by subscription channels. The table's most significant indicators can be presented in the following:

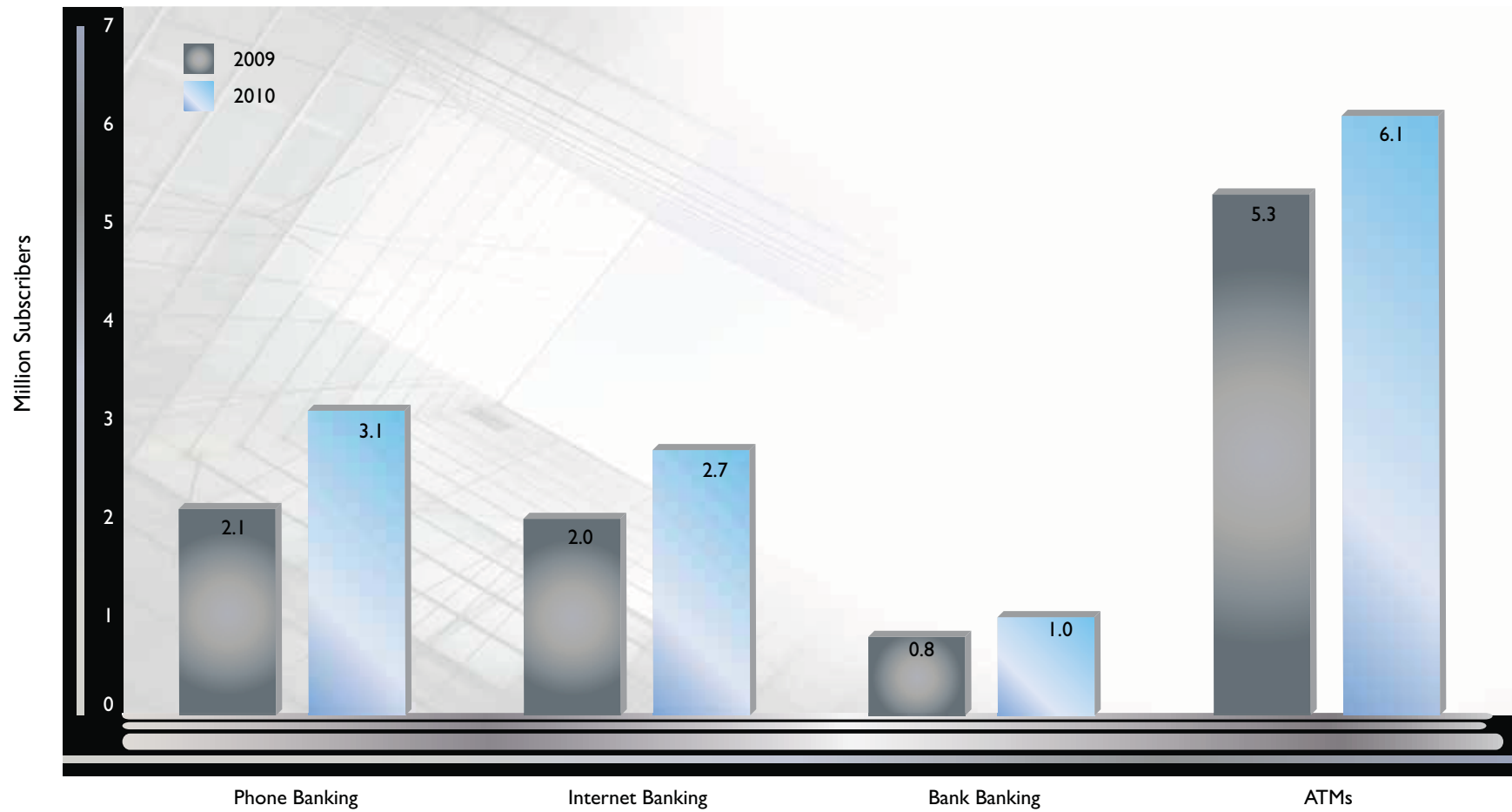
In 2010, only 8.1% of total subscribers used bank branches for processing their applications, while ATMs, phone banking, and the internet banking channels were used by 51.7%, 20.7% and 19.6% of subscribers respectively.

The percentage of individual subscribers using ATMs in 2010 went up to 51.7% compared to 47.3% in 2009, while that of phone and internet banking users declined compared to 2009.

Table (5): Number of Individual Subscribers (Million) to IPOs by Subscription Channel in 2009 and 2010

Subscription Channel	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Phone Banking	3.1	24.0%	2.13	20.7%	-31.3%
Internet Banking	2.7	20.9%	2.02	19.6%	-25.2%
Bank Branches	1.0	7.8%	0.83	8.1%	-17.0%
ATMs	6.1	47.3%	5.33	51.7%	-12.6%
Total	12.9	100%	10.3	100	-20.2%

Chart (7): Number of Subscribers (Million) to IPOs by Subscription Channel in 2009 and 2010





Amounts Collected through Subscription Channels

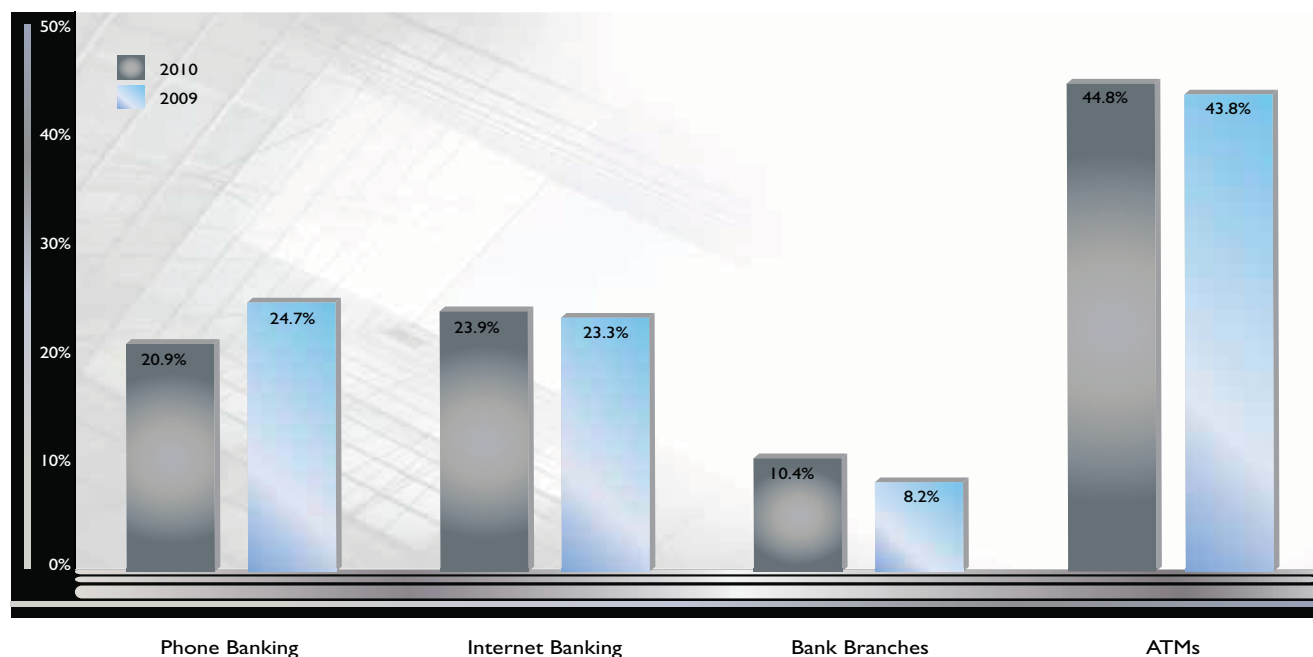
Table (6) shows the total and percentages of IPO amounts collected, by subscription channel, in 2009 and 2010. The most important points derived from this table are summarized as follows:

- The total amounts collected through different subscription channels during 2010 stood at SR 6.7 billion.
- Amounts subscribed via ATMs ranked first in 2010 with SR 3.0 billion accounting for 44.8% of total amounts.
- The percentages of amounts collected through phone banking, internet banking and bank branches in 2010 stood at 20.9%, 23.9% and 10.4% respectively.

Table (6): IPO Amounts (SR Billion) Collected, by Subscription Channel in 2009 and 2010

Subscription Channel	2009		2010		Change (%)
	Amount	Percentage out of Total (%)	Amount	Percentage out of Total (%)	
Phone Banking	1.8	24.7%	1.4	20.9%	-22.2%
Internet Banking	1.7	23.3%	1.6	23.9%	-5.9%
Bank Branches	0.6	8.2%	0.7	10.4%	16.7%
ATMs	3.2	43.8%	3.0	44.8%	-6.3%
Total	7.3	100%	6.7	100%	-8.2%

Chart (8): Percentages of IPO Amounts Collected, by Subscription Channel in 2009 and 2010



5. Handling Complaints about Subscription Applications

During IPOs and afterwards, the CMA takes prompt action to handle and resolve investors' complaints about public subscriptions in collaboration with the concerned parties. Table (7) reflects the number of subscription application complaints at the end of 2009 and 2010, and the actions taken for handling and resolving them. The most important points indicated by this table can be demonstrated as follows:

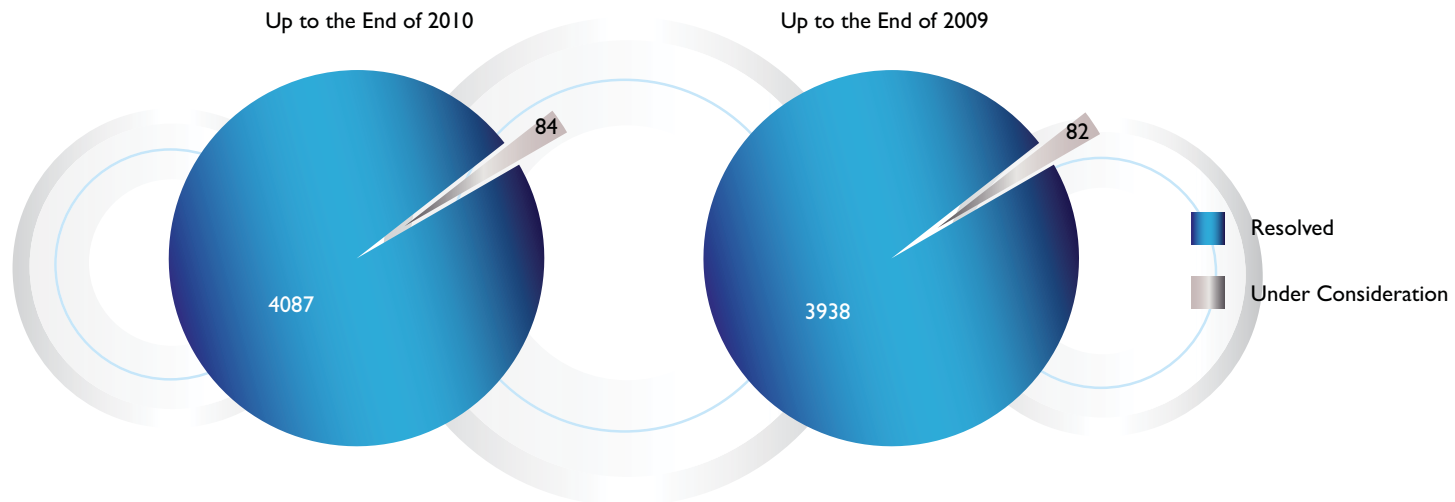
- A total of 4,171 complaints about subscription applications were received by the CMA up to the end of 2010.
- A total of 4,087 complaints about subscription applications were resolved, while 84 are still under consideration.



Table (7): Number of Complaints Pertaining to Subscription Applications up to the End of 2009 and 2010

Complaint Status	2009		2010	
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
Recieved	4,020	100%	4,171	100%
Resolved	3,938	98.0%	4,087	98.0%
Under Consideration	82	2.0%	84	2.0%

Chart (9): Number of Complaints Pertaining to Subscription Applications up to the End of 2009 and 2010



(2) Performance of the Stock Market at a Glance

Table (8) demonstrates the most salient features of the stock market's performance in 2010 against 2009. Its significant indicators can be summarized in the following:

- Tadawul All-Share Index (TASI) rose by 8.2% to 6,620.8 points in 2010 compared to 6,121.8 points in 2009.
- In 2010, the number of companies listed on the stock market rose by 9% compared to that of 2009, taking the number of listed companies to 146.
- The number of company shares issued in 2010 stood at around 39.6 billion compared to 41.2 billion in 2009.
- The number of company shares traded in 2010 declined by 41.5% to 33.5 billion compared to 2009.
- In 2010, the market capitalization of issued shares went up by 10.9% to SR 1,325.4 billion compared to 2009.
- The value of shares traded in 2010 amounted to SR 759.2 billion, decreasing by 39.9% over 2009, with a daily average of SR 3.0 billion.
- In 2010, the number of executed transactions went down by 46.4% from about 36.5 million to 19.5 million as compared to 2009.





Table (8): Stock Market Trading Statistics in 2010 vs. 2009

Trading Information	2009	2010	Change (%)
Number of Listed Companies	134	146	9.0%
Number of Executed Transactions	36,458,326	19,536,143	-46.4%
Number of Issued Shares (Billion)	41.2	39.6	-3.9%
Market Capitalization of Issued Shares (Billion)	1,195.5	1,325.4	10.9%
Number of Traded Shares (Billion)	57.3	33.5	-41.5%
Value of Traded Shares (SR Billion)	1,264.0	759.2	-39.9%
Number of Trading Days	250	249	-
Average Daily Executed Transactions	145,833	78,458	-46.2%
Average Daily Traded Shares	228,517,025	132,557,931	-42.0%
Average Daily Value of Traded Shares (SR Million)	5,056.1	3048.9	-39.7%
Tadawul All-Shares Index (Points)	6,121.8	6,620.8	8.2%

(3) Debt Instruments

As part of its continuous endeavors to provide new investment vehicles and funding channels, and pursuant to Article Five of the CML, a market for trading Sukuk and bonds was launched in 2009. The CMA offered various real-time automated services in that area which can be carried out through the authorized persons, such as listing Sukuk and bonds, routing orders, executing transactions, settlement, price data dissemination, custody and registration, etc...

Sukuk and bonds are traded through the authorized persons on the market via investment portfolios designated for share trading. Trading hours start from 11:30 a.m. to 3:00 p.m., Saturday through Wednesday. Orders for listed Sukuk and bonds can be placed and executed during those times, with transactions settled two business days after the execution date (T+2).

Table (9) illustrates the volume of issued debt instruments by issuer in 2009 and 2010. Table (10) shows the number of issued debt instruments by issuer, issue date, number of executed transactions, trading volume, issue volume and dates of issue and maturity in 2009 and 2010. The most important indicators of these two tables can be summarized as follows:

- During 2010, only one company “the Saudi Electricity Co.” issued Sukuk with SR 7 billion, rendering the value of total issued Sukuk SR 35.7 billion up to the end of 2010.
- In 2009, two companies offered Sukuk: “the Saudi Electricity Co.” with a total amount of SR 7 billion, and “the Saudi Hollandi Bank” with a total amount of SR 725 million.
- Sukuk total traded volume stood at SR 461 million in 2009 and 2010, and the number of executed transactions amounted to 125.
- The Sukuk of the Saudi Electricity Co. “Saudi Electricity 1” came first in terms of the number of executed transactions (58) and a trading value of SR 325.6 million.

Table (9): Volume of Issued Debt Instruments (SR Million) by Issuer, Issue Name and Type in 2009 and 2010

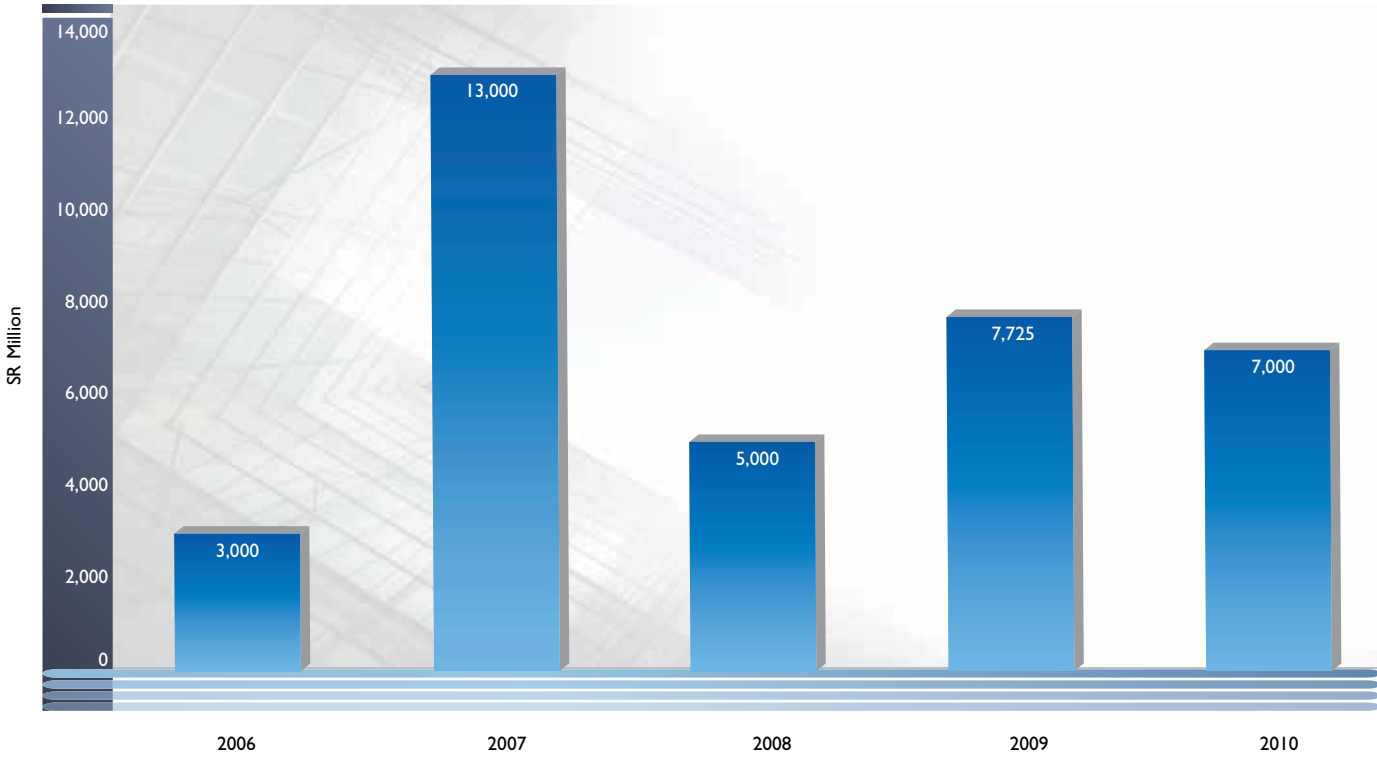
Issuer	Sukuk/Bonds	Type of Debt Instrument	Issue Volume (SR Million)			
			2009	Percentage out of Total (%)	2010	Percentage out of Total (%)
Saudi Electricity Co. (SEC)	Saudi Electricity 2	Sukuk	7,000	90.6%	-	-
Saudi Hollandi Bank	SHB Sukuk 2	Sukuk	725	9.4%	-	-
Saudi Electricity Co. (SEC)	Saudi Electricity 3	Sukuk	-	-	7,000	100%
Total			7,725	100%	7,000	100%



Table (10): Number of Issued Debt Instruments by Issuer, Issue Volume, Number of Executed Transactions, Trading Volume, and Dates of Sukuk's Issue and Maturity since the Beginning of Trading on 13/6/2009 up to the End of 2010

Issuer	Sukuk/Bonds	Issue Date	Type Sukuk/ Bonds	Issue Volume (SR Million)	Number of Executed Transactions	Trading Volume (SR Million)	Nominal Value	Maturity Date
SABIC	SABIC 1	29/7/2006	Sukuk	3,000	32	49.6	50,000	15/7/2026
	SABIC 2	6/8/2007	Sukuk	8,000	12	56.9	10,000	15/7/2027
	SABIC 3	26/5/2008	Sukuk	5,000	13	12.5	10,000	15/2/2028
Saudi Electricity Co. (SEC)	Saudi Electricity 1	23/7/2007	Sukuk	5,000	58	325.6	500,000	15/7/2027
	Saudi Electricity 2	6/7/2009	Sukuk	7,000	9	15.2	100,000	6/7/2029
	Saudi Electricity 3	10/5/2010	Sukuk	7,000	0	0	10,000	10/5/2030
Saudi Hollandi Bank	SHB Sukuk 2	30/12/2009	Sukuk	725	1	1.2	100,000	31/12/2019
Total				35,725	125	461.0		

Chart (10):Volume of Issued Sukuk (SR Million) during 2006-2010





(4) Swap Agreements

In implementation of Article Five of the CML, the CMA issued a resolution in 2008 that permits authorized persons to enter into swap agreements with non-resident foreign investors, be they financial institutions or individuals. The CMA aims at achieving two primary goals:

1. To further deepen the capital market and promote its efficiency.
2. To strengthen the Saudi capital market's openness indicator for foreign direct investments by encouraging foreign investors to engage in the Saudi capital market.

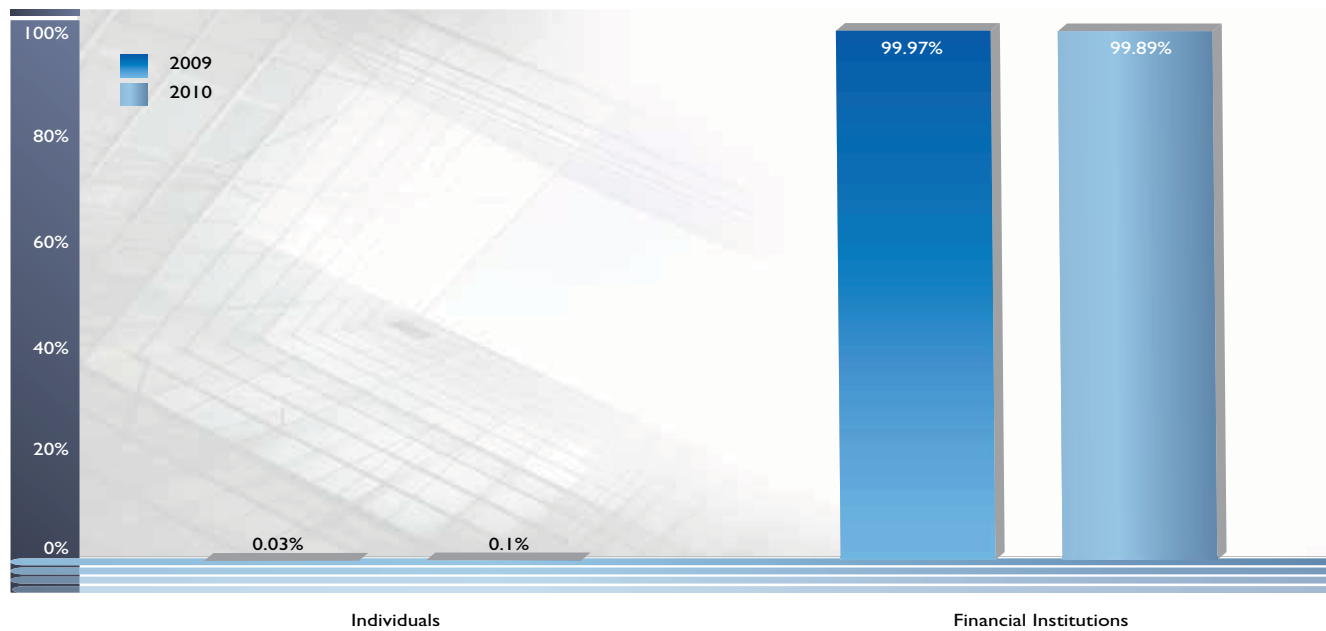
Table (11) reflects the volume of swap agreements classified by type of investor (individuals/financial institutions) in 2009 and 2010. Most salient features of this table can be demonstrated as follows:

- In 2010, the total volume of swap agreements increased by 26% to SR 24.8 billion as compared to 2009.
- The percentage of investments made by financial institutions accounted for 99.89% of total swap agreements in 2010 compared to 99.97% in 2009.

Table (11): Volume of Swap Agreements (SR Million) Classified by Investor Type in 2009 and 2010

Investor Type	2009		2010		Change (%)
	Volume (SR Million)	Percentage out of Total (%)	Volume (SR Million)	Percentage out of Total (%)	
Individuals	5.4	0.03%	24.8	0.1%	359.3%
Financial Institutions	19,650.6	99.97%	24,750.76	99.89%	25.95%
Total	19,656.0	100%	24,775.56	100%	26.0%

Chart (11): Percentage of Swap Agreements (SR Million) Classified by Investor Type in 2009 and 2010



2.1.3 Investment Funds

According to Article Six of the CML, the CMA has established the standards and conditions governing the activities of investment funds, and based on Article Thirty Nine of the CML, the CMA shall assume the power to regulate the activities of investment funds, set the regulations, rules and instructions required for their establishment, offering and managing units, and applying disclosure and transparency rules thereto. Accordingly, the CMA has issued two regulations:

1. Investment Funds Regulations.
2. Real Estate Investment Funds Regulations.

I. CMA-Approved Investment Funds Offered in 2010

Believing in the necessity of expanding and diversifying investment channels, the CMA has encouraged the offering of all types of investment fund units; 2010 saw the offering of 26 investment funds: 16 in equities, 3 real estate funds, 3 in money markets, 3 capital protected funds, and one debt instruments fund. Table (12) presents a list of those investment funds, classified by type of investment, fund's name, manager, and currency.



Table (12): Investment Funds Approved by the CMA in 2010

Type of Investment	No.	Fund Name	Fund Manager	Currency
Equities	1	Alassas Egyptian Equity Fund	Al Tawfeek Group	USD
	2	Khalijia Invest Saudi Equity Fund	Khalijia Invest	SR
	3	Arbah IPO Fund	Arbah Capital	SR
	4	Khalijia Invest S&P Saudi Equity Index Fund	Khalijia Invest	SR
	5	FALCOM Arab Markets Fund	FALCOM Financial Services	USD
	6	Alinma Saudi Equity Fund	Alinma Investment	SR
	7	HSBC Amanah Saudi Freestyle Equity Fund	HSBC Saudi Arabia Limited	SR
	8	Al Yuser Global Equity Fund	Saudi Hollandi Capital	USD
	9	Al Yuser Emerging Markets Equity Fund	Saudi Hollandi Capital	USD
	10	Emerging Markets Equity Fund	Saudi Hollandi Capital	USD
	11	Global Equity Fund	Saudi Hollandi Capital	USD
	12	Al Rajhi Dividend Growth Fund	Al Rajhi Capital	SR
	13	Oman Premier Fund	Muscat Capital	SR
	14	Al-Khabeer GCC Equity Fund	Al-Khabeer Capital	SR
	15	Al Rajhi Global Real Estate Securities Opportunity Fund	Al Rajhi Capital	USD
	16	Global Property Fund	Saudi Hollandi Capital	USD

Type of Investment	No.	Fund Name	Fund Manager	Currency
Debt Instrument	17	SAIB Sukuk Fund	SAIB BNP Paribas Aset Management	SR
Money Markets	18	Alinma Saudi Riyal Liquidity Fund	Alinma Investment	SR
	19	MEFIC Saudi Riyal Murabaha Fund	Middle East Financial Investment Company	SR
	20	Al-Khabeer Liquidity Fund (Hassen)	Al-Khabeer Capital	SR
Real Estate	21	The Investor Multi Projects Real Estate Fund	The Investor for Securities	SR
	22	ALAWWAL Real Estate Fund	ALAWWAL Financial Services Co.	SR
	23	Riyadh Real Estate Fund - Burj Rafal	Riyadh Capital	SR
Capital Protected	24	Al Rajhi GCC Shares Capital Protected Fund (90%)	Al Rajhi Capital	SR
	25	Al Rajhi International Shares Capital Protected Fund (95%)	Al Rajhi Capital	SR
	26	Al Rajhi Local Shares Capital Protected Fund (90%)	Al Rajhi Capital	SR

2. Number of Investment Funds

Table (13) indicates the number of investment funds by type of investment up to the end of 2009 and 2010; key developments in the number of investment funds are highlighted in the following:

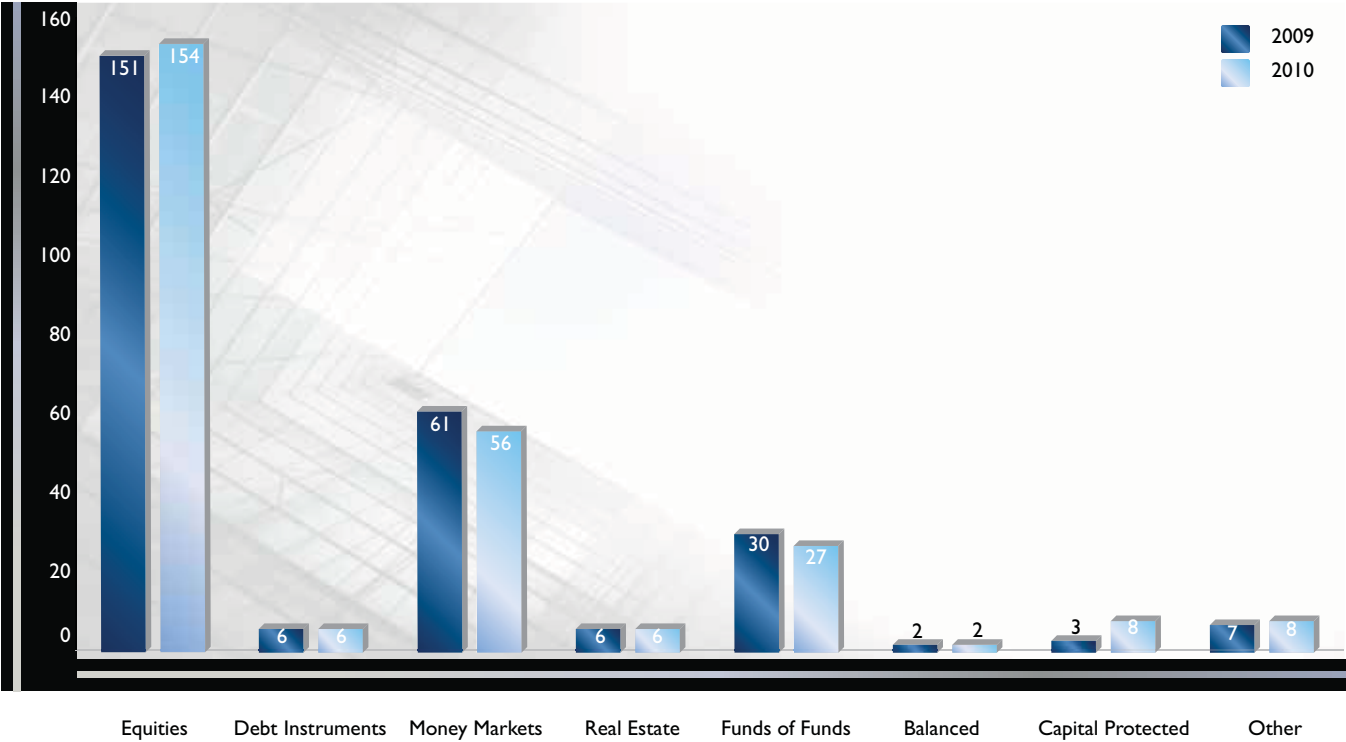
- The number of investment funds at the end of 2010 increased by one (0.4%) to 267 compared to 2009.
- The number of investment funds in “capital protected funds” constituted the largest jump with an increase of 166.7% from three funds in 2009 to eight funds at the end of 2010.
- The number of funds investing in “equities” in 2010 rose by 2% to 154 compared to 2009, accounting for the largest percentage in investment funds with 57.7% of total investment funds in 2010.
- The number of “money market funds” and “funds of funds” declined by 8.2% and 10% respectively.



Table (13): Number of Investment Funds by Type of Investment up to the End of 2009 and 2010

Investment Type	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Equities	151	56.8%	154	57.7%	2.0%
Debt Instruments	6	2.3%	6	2.2%	0.0%
Money Markets	61	22.9%	56	21.0%	-8.2%
Real Estate	6	2.3%	6	2.2%	0.0%
Funds of Funds	30	11.3%	27	10.1%	-10.0%
Balanced	2	0.8%	2	0.7%	0.0%
Capital Protected	3	1.1%	8	3.0%	166.7%
Other	7	2.6%	8	3.0%	14.3%
Total	266	100%	267	100%	0.4%

Chart (12): Number of Investment Funds by Type of Investment up to the End of 2009 and 2010





3. Volume of Investment Fund assets under management (AUM)

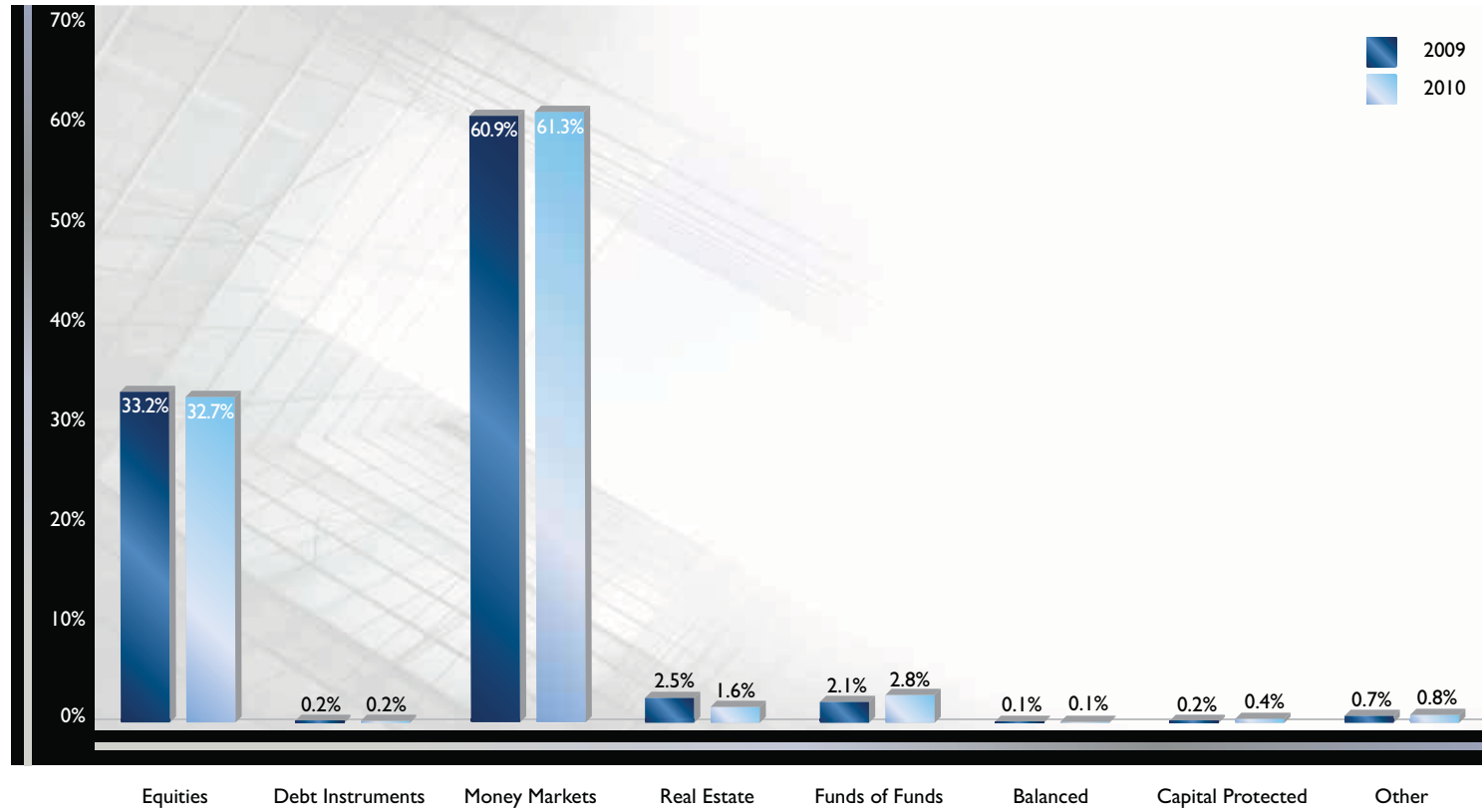
Table (14) shows the volume of investment fund assets under management in 2010 against 2009. The most important highlights of the table can be summarized as follows:

- The volume of all investment fund assets under management in 2010 rose by SR 5.1 billion (5.7%) to about SR 94.7 billion, compared to SR 89.6 billion in 2009.
- The volume of assets under management of “money market funds” went up by SR 3.5 billion (6.4%) to SR 58 billion at the end of 2010, accounting for the largest portion of total assets under management with 61.3%.
- The volume of assets under management in “equity funds” increased by 4.2% (SR 1.3 billion) to SR 31 billion at the end of 2010, constituting 32.7% of total assets under management.
- The volume of the assets of “real estate funds” and “balanced funds” saw a decline of 30.4% and 20.9% respectively in 2010 compared to 2009.

Table (14): Investment Funds’ Assets Under Management (AUM) (SR Million) by Type of Investment in 2009 and 2010

Investment Type	2009		2010		Change (%)
	Assets Volume (SR Million)	Percentage out of Total (%)	Assets Volume (SR Million)	Percentage out of Total (%)	
Equities	29,719.0	33.2%	30,974.0	32.7%	4.2%
Debt Instruments	205.00	0.2%	218.9	0.2%	6.8%
Money Markets	54,518.0	60.9%	58,015.7	61.3%	6.4%
Real Estate	2,237.0	2.5%	1,557.4	1.6%	-30.4%
Funds of Funds	1,913.0	2.1%	2,677.3	2.8%	40%
Balanced	115.3	0.1%	91.2	0.1%	-20.9%
Capital Protected	217.5	0.2%	358.1	0.4%	64.6%
Other	635.1	0.7%	773.5	0.8%	21.8%
Total	89,559.9	100%	94,666.1	100%	5.7%

Chart (13): Percentages of Investment Funds' Assets Under Management by Type in 2009 and 2010





As to the volume of “equity funds” investments in 2010 compared to 2009, table (15) reflects the volume of investments made by these funds in various international and local equities, by geographical scope. The most important points of this table can be highlighted in the following:

- Most investments of “equity funds” were concentrated in the “local equity funds” which constituted the largest portion in terms of assets volume with 61.6% and a value of SR 19.1 billion at the end of 2010 compared to SR 18.5 billion at the end of 2009.
- The volume of investment in the “other international equities funds” rose by 10.2% to SR 5.2 billion, comprising 16.9% of total assets of “equity funds” in 2010.
- The volume of assets in “GCC equities funds”, “Asian equities funds”, “US equities funds” and “European equities funds” witnessed increases of 9.1%, 2.2%, 8.3% and 5.8% respectively in 2010.

Table (16) unveils more details on the breakdown of the assets volume of “local equity funds” in the capital market sectors in 2010 against 2009:

- Most investments of “local equity funds” were concentrated in two sectors “Petrochemical Industries” and “Banks and Financial Services” with SR 5.6 billion (29.3%) and SR 4.7 billion (24.7%) respectively.
- The “Hotels and Tourism” sector came last in terms of the investments volume of “local equity funds” in the local equity market’s sectors with 0.0002%.
- The assets volume in the “Energy and Utilities” sector accounted for the highest increase of 305.8% in 2010 compared to 2009.

Table (15): Volume of Investment Funds Assets (AUM) (SR Million) in “Equity Funds” Classified Geographically in 2009 and 2010

Geographical Scope	2009		2010		Change (%)
	Volume (SR Million)	Percentage out of Total (%)	Volume (SR Million)	Percentage out of Total (%)	
Local Equities	18,541.8	62.4%	19,074.1	61.6%	2.9%
GCC Equities	1,780.4	6.0%	1,942.1	6.3%	9.1%
Arab Equities	405.4	1.4%	246.3	0.8%	-39.2%
Asian Equities	1,092.8	3.7%	1,116.8	3.6%	2.2%
US Equities	1,072.8	3.6%	1,162.2	3.8%	8.3%
European Equities	2,089.5	7.0%	2,211.3	7.1%	5.8%
Other International Equities	4,736.3	15.9%	5,221.2	16.9%	10.2%
Total	29,719.0	100%	30,974.0	100%	4.2%



Chart (14): Percentage Change of Investment Funds' Assets Under Management (AUM) in Equities Classified Geographically between 2009 and 2010

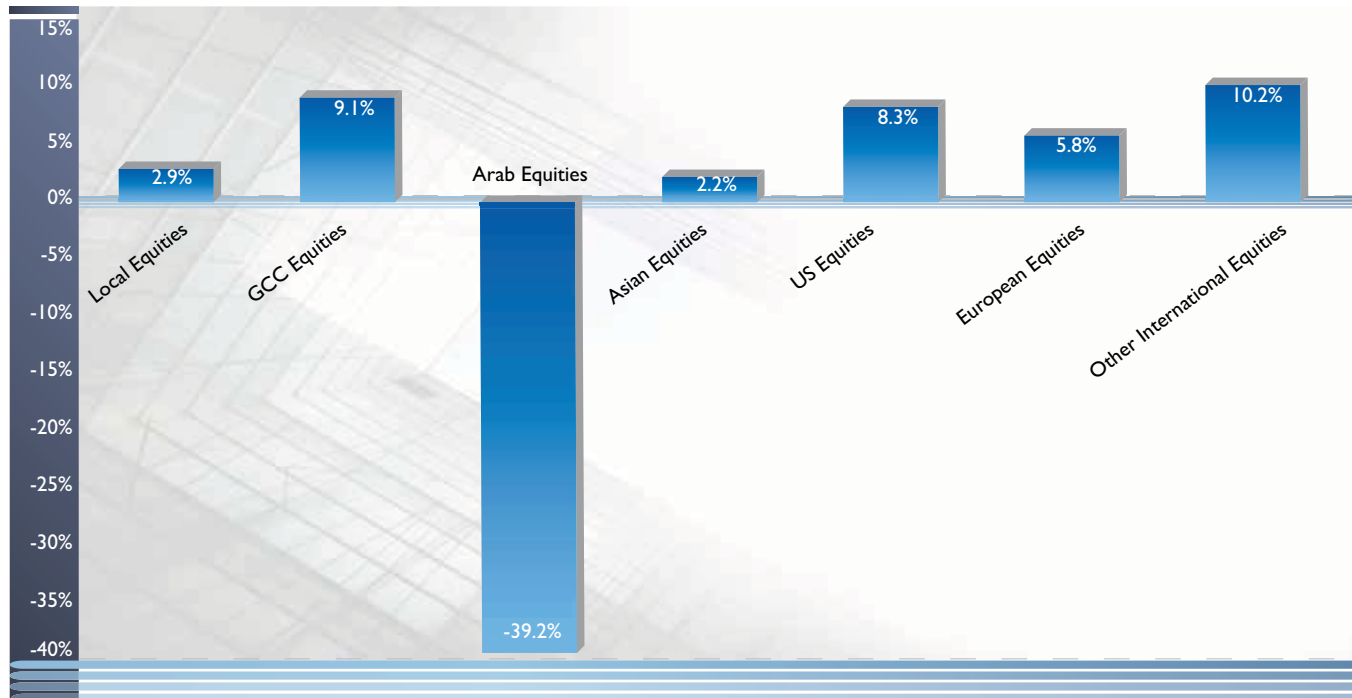


Table (16): Local Equity Funds' Assets Under Management (AUM) (SR Million) in the Saudi Stock Exchange Sectors in 2009 and 2010

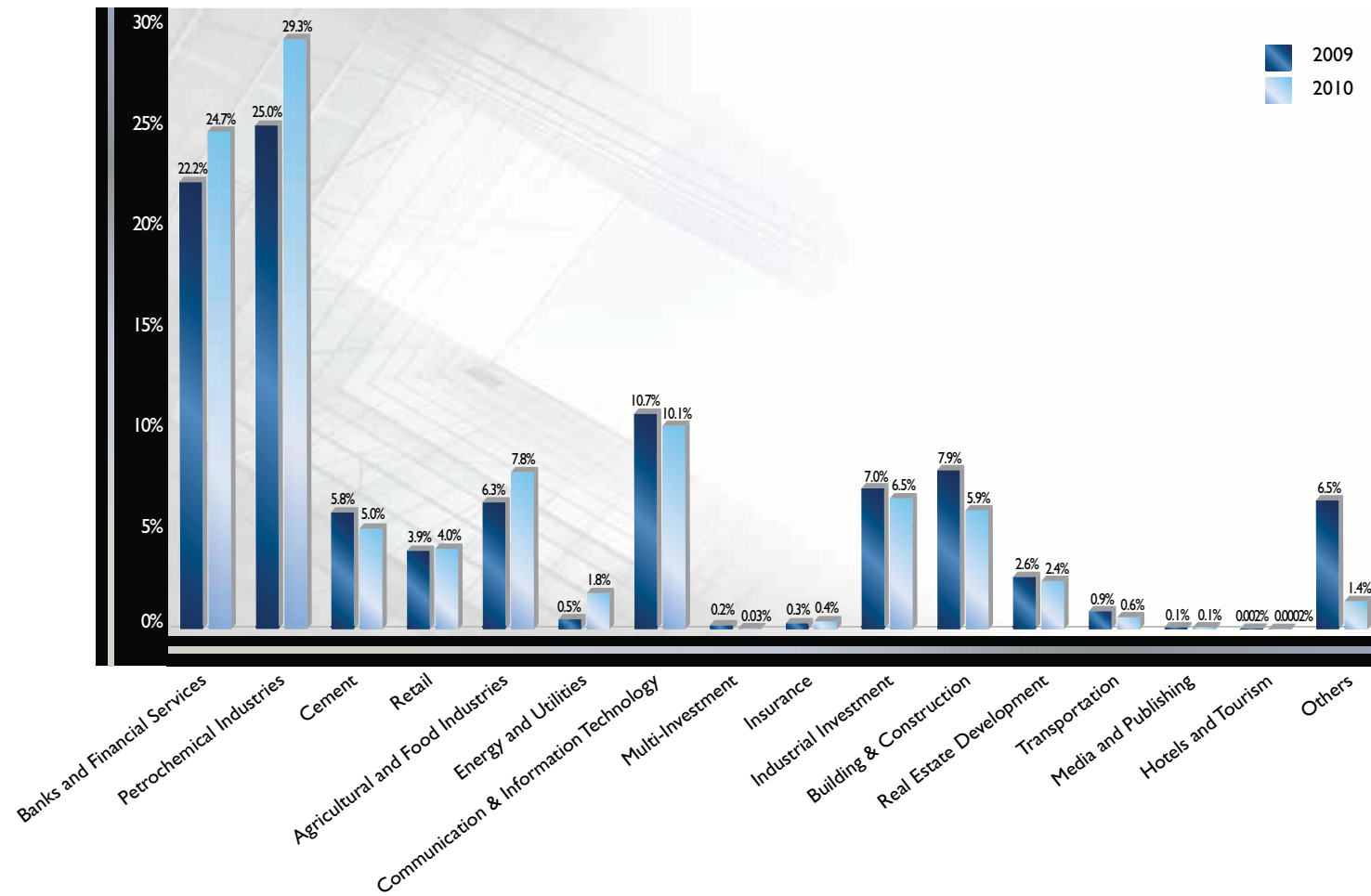
Sector	2009		2010		Change (%)
	Volume (SR Million)	Percentage out of Total (%)	Volume (SR Million)	Percentage out of Total (%)	
Banks and Financial Services	4,118.9	22.2%	4,707.9	24.7%	14.3 %
Petrochemical Industries	4,640.0	25.0%	5,592.8	29.3%	20.5 %
Cement	1,067.0	5.8%	950.6	5.0%	-10.9 %
Retail	725.0	3.9%	766.4	4.0%	5.7 %
Agriculture and Food Industries	1,166.9	6.3%	1,491.8	7.8%	27.8 %
Energy and Utilities	84.0	0.5%	340.9	1.8%	305.8 %
Telecommunication & Information Technology	1,981.0	10.7%	1,921.6	10.1%	-3.0 %
Multi-Investment	45.0	0.2%	5.4	0.03%	-88.0 %
Insurance	64.0	0.3%	70.5	0.4%	10.2%
Industrial Investment	1,303.8	7.0%	1,248.8	6.5%	-4.2 %



Sector	2009		2010		Change (%)
	Volume (SR Million)	Percentage out of Total (%)	Volume (SR Million)	Percentage out of Total (%)	
Building & Construction	1,467.0	7.9%	1,123.1	5.9%	-23.4 %
Real Estate Development	489.0	2.6%	460.1	2.4%	-5.9 %
Transportation	173.0	0.9%	105.6	0.6%	-39.0 %
Media and Publishing	21.0	0.1%	15.3	0.1%	-27.1 %
Hotels and Tourism	0.4	0.002%	0.04	0.0002%	-90.0 %
Other ¹⁰	1,195.8	6.5%	273.3	1.4%	-77.1 %
Total	18,541.8	100%	19,074.1	100%	2.9%

10. Including cash and money markets.

Chart (15): Local Equity Funds' Assets (AUM) Percentage Breakdown by Exchange Sectors in 2009 and 2010





4. Number of Investors in Investment Funds

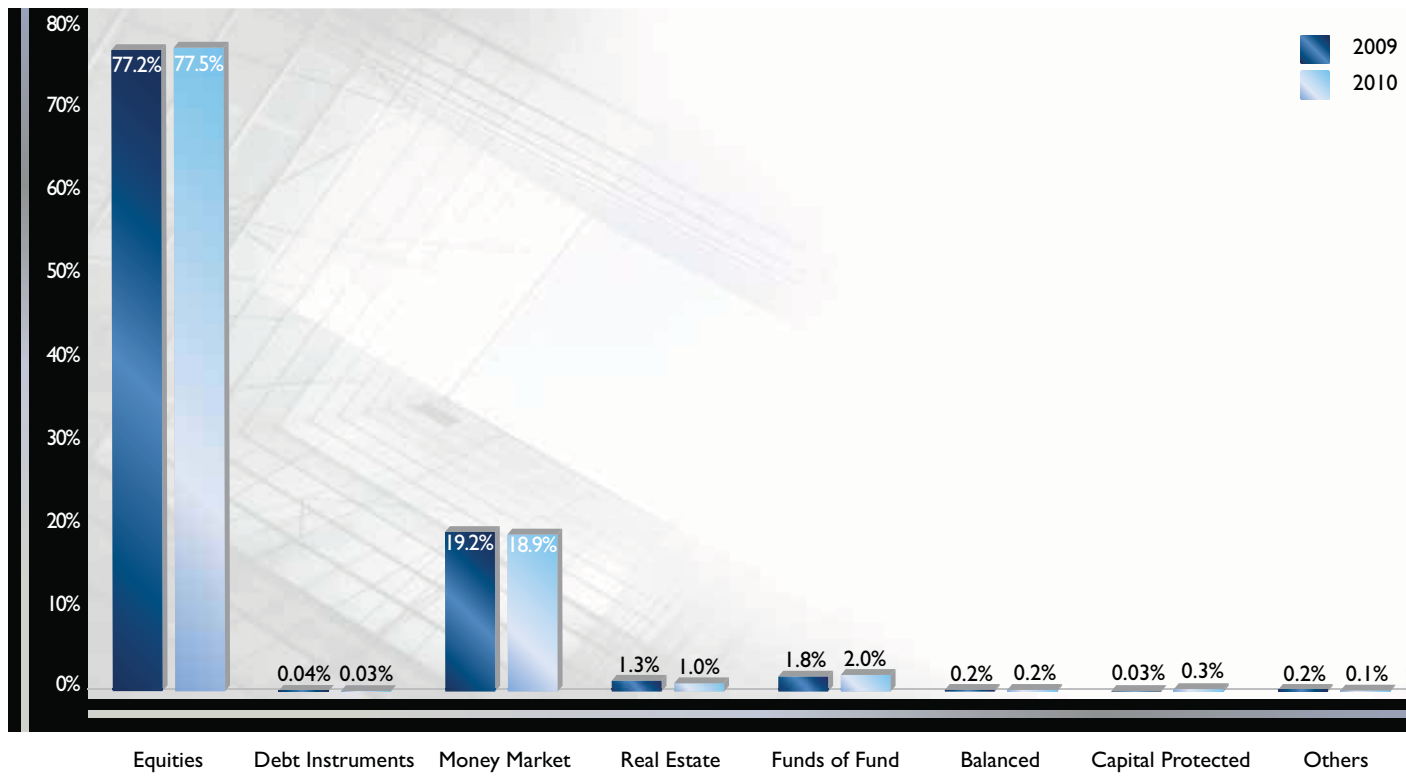
Total number of investors went down by 10.2% in 2010 compared to 2009 as it stood at 319,823. Table (17) illustrates the most significant developments in the number of investors in 2010 against 2009 by type of investment as follows:

- The number of investors in “equity funds” declined by 9.9% to 247,771 in 2010 compared to 2009, constituting the largest portion of total investors in investment funds with 77.5%.
- The highest drop in the number of investors was in “other funds” with 48.3% compared to 2009.
- The only increase in the number of investors was in “capital protected funds”, by 658.1% to 940 investors at the end of 2010 compared to 124 in 2009.

Table (17): Number of Investors in Investment Funds in 2009 and 2010 by Type of Investment

Investment Type	2009		2010		Change (%)
	Number of Investors	Percentage out of Total (%)	Number of Investors	Percentage out of Total (%)	
Equities	275,062	77.2%	247,771	77.5%	- 9.9%
Debt Instruments	137	0.04%	94	0.03%	- 31.4%
Money Markets	68,398	19.2%	60,306	18.9%	- 11.8%
Real Estate Fund	4,484	1.3%	3,199	1.0%	- 28.7%
Fund of Funds	6,523	1.8%	6,430	2.0%	- 1.4%
Balanced	757	0.2%	646	0.2%	- 14.7%
Capital Protected	124	0.03%	940	0.3%	658.1%
Others	846	0.2%	437	0.1%	- 48.3%
Total	356,331	100%	319,823	100%	- 10.2%

Chart (16): Percentages of Investors in Investment Funds in 2009 and 2010 by Type of Investment





2.1.4 Exchange Traded Funds (ETFs)

In a crucial step to develop the capital market by offering investors more financial products that sustain market diversity, the CMA Board issued Resolution No.(4-10-2010) dated 30/3/1431H (16/3/2010) to approve the mechanism of exchange traded funds (ETFs), allowing non-resident foreign investors to trade their units on the Saudi Stock Exchange (Tadawul). On Sunday 12/4/1431H corresponding to 28/3/2010, the first ETF was listed and traded under the ETFs market segment.

I. ETFs Approved by the CMA in 2010

In 2010, the CMA approved two Falcom-managed ETFs to be offered and traded on the Saudi Stock Exchange, namely: “Falcom Saudi Equity ETF” and “Falcom Petrochemical ETF”. Table (18) gives a description of these two funds by fund’s name, manager and currency.

Table (18): Exchange Traded Funds (ETFs) Approved by the CMA and Traded in 2010

No.	Fund Name	Fund Manager	Currency
1	Falcom Saudi Equity ETF	Falcom Financial Services	SR
2	Falcom Petrochemical ETF	Falcom Financial Services	SR

2. Volume of Assets and Number of Investors in ETFs

Table (19) indicates the results associated with the volume of assets and number of investors in ETFs for 2010:

The volume of assets in the two ETFs stood at SR 74.2 million, as “Falcom Saudi Equity ETF” accounted for the largest portion with SR 51.4 million (69.3%) of total assets volume.

Total number of investors in ETFs amounted to 592, as “Falcom Saudi Equity ETF” constituted the highest percentage of 92.7% or 549.

Table (19): Volume of Assets (SR Million) and Number of Investors in Exchange Traded Funds (ETFs) at the End of 2010

Fund Name	Fund Manager	Volume of Assets (SR Million)	Percentage out of Total (%)	Number of Investors	Percentage out of Total (%)
Falcom Saudi Equity ETF	Falcom Financial Services	51.4	69.3%	549	92.7%
Falcom Petrochemical ETF	Falcom Financial Services	22.8	30.7%	43	7.3%
Total		74.2	100%	592	100%

3. ETFs Trading Activity

ETFs saw remarkable activity in 2010 compared to their novelty and recent launch. Table (20) highlights the major results in ETFs trading activity in terms of the volume and value of traded units and number of executed transactions.

The ETFs segment witnessed the trading of 31.5 million units with a total value of SR 655.3 million generated by 19,265 transactions.

Table (20): Trading Activity of Exchange Traded Funds' (ETFs) Units in 2010

Fund Name	Fund Manager	Volume of Trade Units	Value of Traded Units (SR Million)	Number of Executed Transactions
Falcom Saudi Equity ETF	Falcom Financial Services	29,393,476	610.3	17,763
Falcom Petrochemical ETF	Falcom Financial Services	2,076,847	45.0	1,502
Total		31,470,323	655.3	19,265



2.1.5 Monitoring Securities Transactions

Articles Five and Six of the CML stipulate that the CMA seeks to develop the procedures that would reduce the risks related to securities transactions and to monitor securities trading to protect investors from unfair or unsound practices, involving fraud, deceit or manipulation. Moreover, Articles Forty Nine and Fifty of the CML further set out the practices and actions that constitute a violation of the provisions of the CML. The CMA monitors the trading of:

- Shares
- Sukuk and bonds
- ETFs

The CMA continues to strengthen its supervisory and surveillance performance over trading by intensifying close monitoring of all trading transactions to ensure the compliance of market participants with the CML and its Implementing Regulations.

Trading Surveillance Mechanism

The process of trading surveillance is carried out as follows:

1. The electronic surveillance system (SMARTS) generates alerts on any practices or trades that might be suspected of violating the CML and its Implementing Regulations.
2. Intensive scanning is conducted on all trades and deals by analyzing market data and reviewing executed orders and transactions.
3. Reports are then produced on any suspected violation of the CML and its Implementing Regulations to be forwarded to the concerned division/ department for further investigation and necessary action.

4. A surveillance inquiry (soft enforcement) is made on any behavior or practices suspected of violating the CML and its Implementing Regulations.

Reports on Trading Surveillance Activities

Daily reports are produced on market activity to describe daily trading. Table (21) illustrates the number of reports produced on trading surveillance activities, number of trading days, and daily average reports in 2009 and 2010. The most important highlights of this table can be summarized as follows:

- The number of reports produced on trading surveillance activities rose by 13.1% to 2,536 in 2010 as compared to 2009.
- The average daily reports produced on trading surveillance activities stood at 10 reports in 2010.

Table (21): Number of Reports Produced on Trading Surveillance Activities, Number of Trading Days, and Average Daily Reports in 2009 and 2010

Category	2009	2010
Number of Trading Surveillance Activities Reports	2,242	2,536
Number of Trading Days	250	249
Average Daily Reports	9	10

Chart (17): Number of Reports Produced on Trading Surveillance Activities, Number of Trading Days, and Average Daily Reports in 2009 and 2010

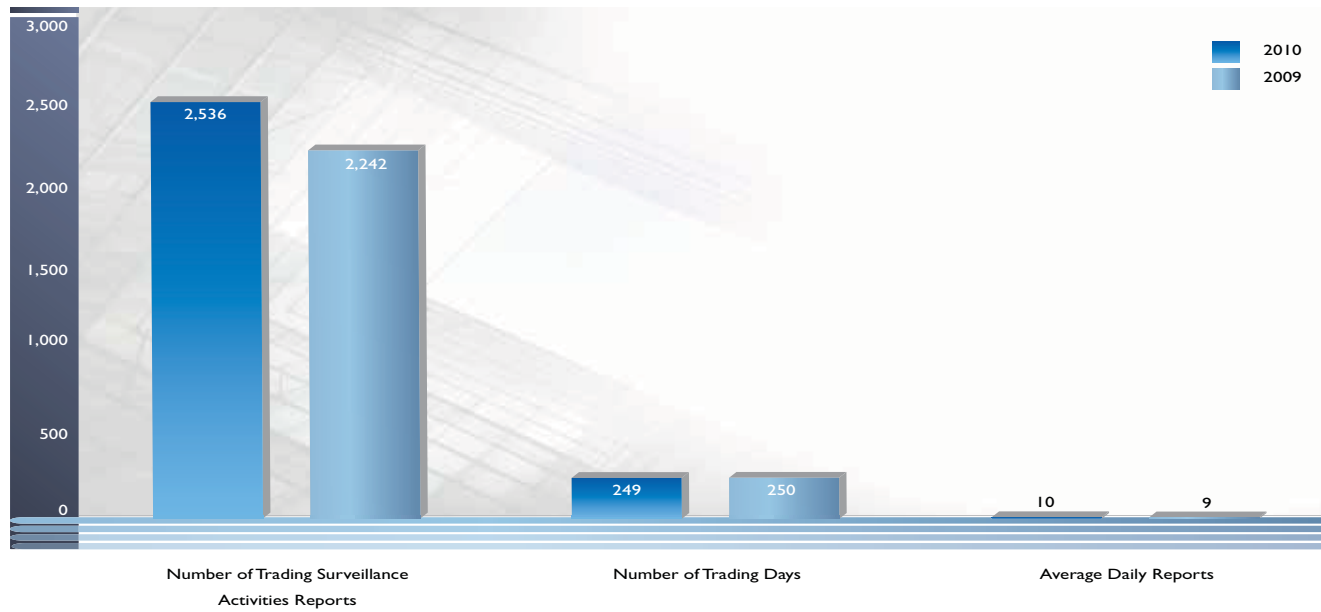




Table (22) indicates the number of “SMARTS” alerts that were examined and analyzed in 2009 and 2010. The salient features of this table can be pointed out in the following:

■ The number of “SMARTS” alerts declined in 2010 to 20,722, decreasing by 18.3% compared to 2009

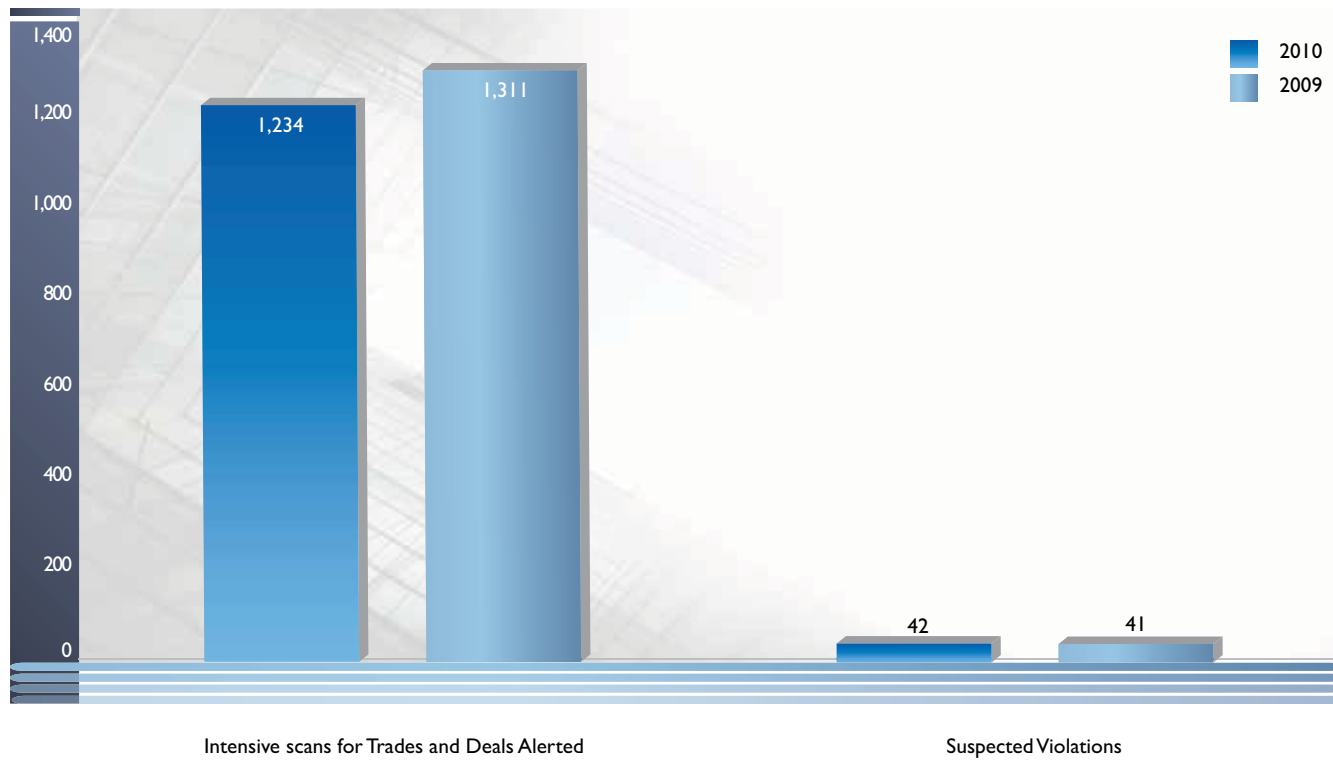
■ In 2010, the number of intensive scans for alerted trades and deals declined to 1,234, going down by 5.9% compared to 2009.

■ The number of suspected violations of the CML and its Implementing Regulations during 2010 stood at 42 compared to 41 in 2009.

Table (22): Number of “SMARTS” Alerts, Number of Intensive Scans for Trades and Deals Alerted by “SMARTS”, and Suspected Violations of the CML and its Implementing Regulations in 2009 and 2010

Incident	Number		Change (%)
	2009	2010	
Number of “SMART” Alerts	25,374	20,722	-18.3%
Intensive Scans for Trades and Deals Alerted	1,311	1,234	-5.9%
Suspected Violations	41	42	2.4%

Chart (18): Number of Intensive Scans for Trades and Deals Alerted by "SMARTS", and Suspected Violations of the CML and its Implementing Regulations in 2009 and 2010





Electronic Surveillance

The CMA has adopted the latest surveillance systems and methods to monitor media channels and internet websites to ensure that there exists no practices violating the CML and its Implementing Regulations by unauthorized persons who raise funds for the purpose of investment in securities business including investment portfolios management, promotion of securities such as shares and debt instruments, and advertisement of such products; carrying out financial brokerage, providing consultations, or making recommendations without having the CMA's permission.

Electronic surveillance is carried out through an electronic surveillance system that identifies capital market's or listed companies' topics and news released and broadcasted on various local and Arab mass media or websites. Once

detected, the system generates alerts thereof. Alerts are then analyzed and examined to identify any suspected case of violating the CML and its Implementing Regulations. Daily and weekly reports are later produced about those alerts.

Table (23) indicates the number of E-Surveillance system alerts and suspected violations of the CML and its Implementing Regulations in 2010. Total system alerts stood at 3,371 and the total number of suspected violations of the CML and its Implementing Regulations amounted to 22 cases.

Table (23): Number of E-Surveillance System Alerts, Number of Intensive Scans for Trades and Deals Alerted, and Suspected Violations of the CML and its Implementing Regulations in 2010

Incident	2010
Number of "E-Surveillance" Alerts	3,371
Intensive Scans for Trades and Deals Alerted	65
Suspected Violations	22

2.1.6 Disclosure of Listed Companies

Disclosure and provision of information to investors are essential factors to ensure the efficiency and integrity of any capital market. According to Article Five of the CML, the CMA regulates and monitors full disclosure of information associated with securities and their issuers and the dealings of informed persons (insiders), major shareholders and investors, in addition to defining and making available information which participants in the market should provide and disclose to shareholders and the public. Article Six of the Law gave the CMA the power to issue the resolutions, instructions and procedures necessary for regulating and monitoring the disclosure process.

The CMA regulates and monitors two types of disclosure:

(1) Initial Disclosure:

It refers to disclosing preliminary relevant information of any company whose shares are to be offered on the market for public subscription in accordance with the Offers of Securities Regulations and the Listing Rules. Such information shall be disclosed through a prospectus which must contain the following:

- An adequate description of the issuer, its business, the individuals in charge of its management, including members of the board of directors, executive officers and senior officials, and major shareholders.
- An adequate description of the securities to be issued or offered, in terms of their volume, price, relevant rights, privileges and priorities 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 those concerned with the issue.
- A clear statement of the financial position of the issuer and any relevant 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.

The CMA reviewed and published 9 prospectuses in 2010.

(2) Continuous Disclosure:

It refers to disclosure of information and data concerning participants in securities, the most important of which are:

- Annual financial statements and reports.
- Quarterly interim financial statements.
- Significant developments and events (material information) about listed companies that can be of importance to investors, and might affect the price of a company's securities.
- Any developments or events related to capital increase or decrease.
- Any changes in the details of members of the board of directors, senior executives and their relatives.
- Any changes as to the company's articles of association, headquarters or auditor.

The CMA also performs the following:

- Reviewing the annual and quarterly financial statements of listed companies to ensure their compliance with the disclosure requirements stated in the CML and its Implementing Regulations.
- Monitoring corporate investments in the shares of listed companies.
- Reviewing listed companies' announcements of financial results, material developments or events to ensure their compliance with the CML and its Implementing Regulations and all relevant instructions issued by the CMA.



- Monitoring notifications related to the substantial ownership of shares by major shareholders, members of boards of directors and senior executives to ensure their compliance with the CML and its Implementing Regulations.
 - Monitoring listed companies' announcements of agreements and memoranda of understanding signed with unlisted company/companies concerning share acquisition or capital increases.
 - Monitoring lift of share lock-ups on founders in listed companies.
 - Making supervisory visits to listed companies to ensure their compliance with the CML and its Implementing Regulations.
- The number of condensed financial statements that were reviewed after posting on Tadawul website in 2010 rose by 8.3% to 676 compared to 2009. Also, the number of detailed financial statements that were reviewed and posted on Tadawul website in 2010 increased by 9.7% to 665 as compared to 2009.
 - The number of reviewed annual financial statements with unqualified audit reports rose to 97 in 2010, increasing by 12.8% compared to 2009. On the other hand, the number of reviewed annual financial statements with qualified audit reports declined by 12.2% in 2010 compared to 2009.
 - The number of quarterly financial statements with unqualified opinions went up by 4.3% to 98 in 2010 compared to 2009.

Review of Annual and Quarterly Financial Statements

The CMA reviews the detailed and condensed annual and quarterly financial statements of listed companies which are posted on the website of the Saudi Stock Exchange (Tadawul) to ensure that they meet all disclosure requirements according the CML and its Implementing Regulations. Tables (24), (25) and (26) reveal the results of the review as follows:

Table (24): Condensed and Detailed Financial Statements that were Reviewed and Posted on Tadawul Website in 2009 and 2010

Category	Number		Change (%)
	2009	2010	
Condensed Financial Statements	624	676	8.3%
Detailed Financial Statements	606	665	9.7%

Table (25): Reviewed Annual Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports During 2009 and 2010

Category	2009		2010		Change (%)
	Number of Companies	Percentage out of Total (%)	Number of Companies	Percentage out of Total (%)	
Financial Statements with Unqualified Audit Reports for the Preceding Year	86	67.7%	97	72.9%	12.8%
Financial Statements with Qualified Audit Reports for the Preceding Year	41	32.3%	36	27.1%	-12.2%
Total	127	100%	133	100%	4.7%

Chart (19): Reviewed Annual Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports During 2009 and 2010

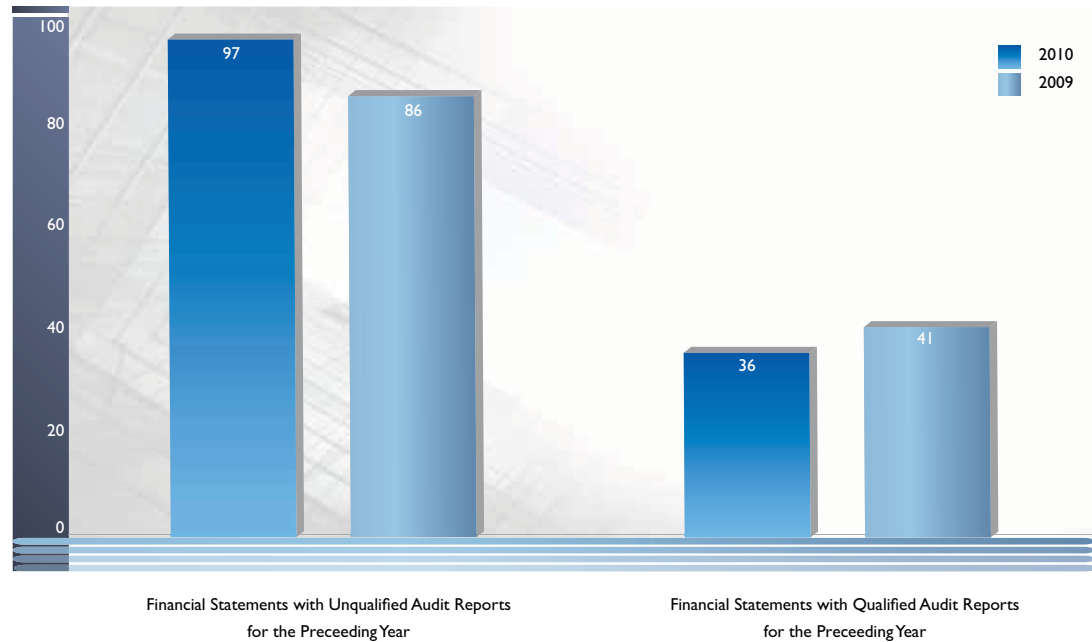
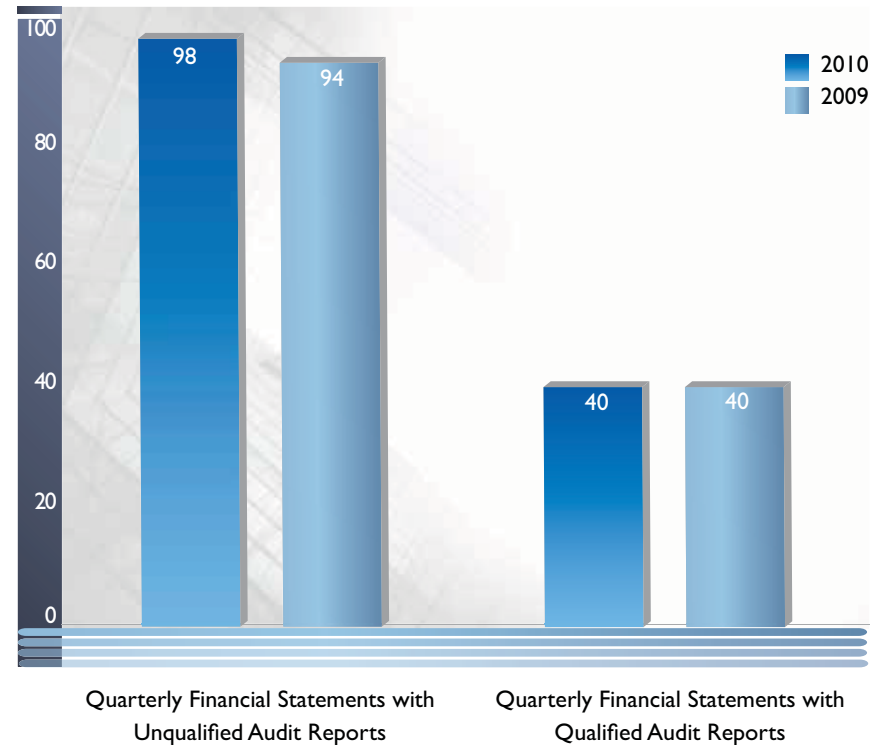




Table (26): Quarterly Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports in 2009 and 2010

Statement	2009		2010		Change (%)
	Number of Companies	Percentage out of Total (%)	Number of Companies	Percentage out of Total (%)	
Quarterly Financial Statements with Unqualified Audit Reports	94	70.1%	98	71.0%	4.3%
Quarterly Financial Statements with Qualified Audit Reports	40	29.9%	40	29.0%	-
Total	134	100%	138	100%	3.0%

Chart (20): Quarterly Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports in 2009 and 2010



Listed Company Disclosure

The CMA ensures the compliance of listed companies with the disclosure of any material information that can be of significance to participants in securities. All material information shall be announced on the website of the Saudi Stock Exchange (Tadawul) pursuant to the CMA's prescribed instructions and requirements as to timing and content. Table (27) Indicates the number of announcements posted on Tadawul website, classified by type. The most important elements of this table can be summarized as follows:

- The total number of announcements posted on Tadawul website in 2010 stood at 2,554 compared to 2,052 in 2009, denoting an increase of 24.5%.
- The announcements of "financial results" constituted the highest percentage of all types of announcements in 2010 with 30% of total announcements, up by 2.8% over 2009.
- Corporate announcements of "invitation to attend general assemblies, and the announcements related to their outcomes" came in the second place by number of announcements in 2010 with 25.1% of the total.
- The number of boards of directors' announcements recommending capital increases through rights issues amounted to 9 in 2010 compared to 2 in 2009, increasing by 350%.
- The number of boards of directors' announcements recommending capital increases through bonus shares amounted to 4 in 2010 compared to 17 in 2009.

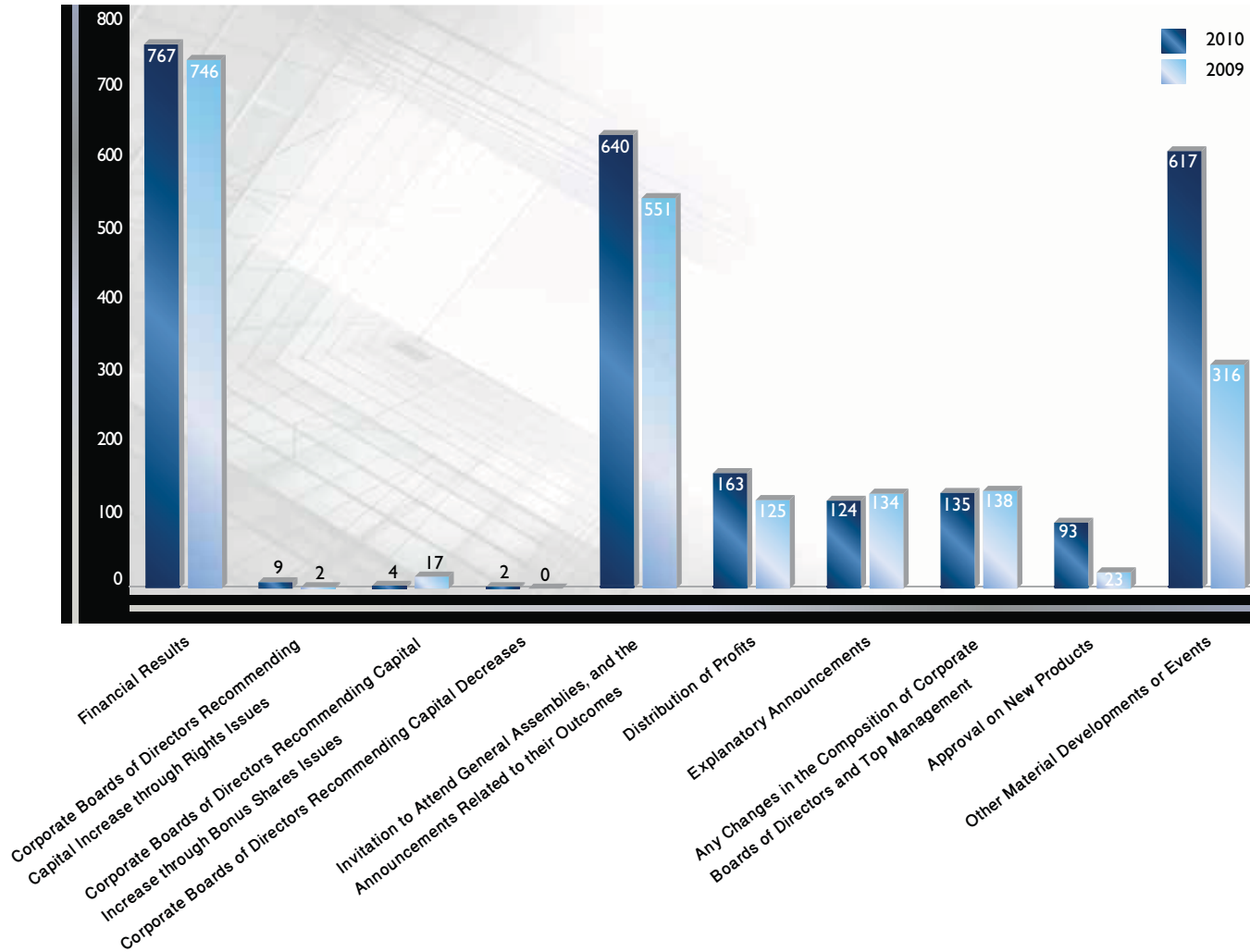




Table (27): Number of Announcements Posted on Tadawul Website Classified by Type in 2009 and 2010

Type of Announcement	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Financial Results	746	36.4%	767	30%	2.8%
Corporate Boards of Directors Recommending Capital Increase through Rights Issue	2	0.1%	9	0.4%	350%
Corporate Boards of Directors Recommending Capital Increase through Bonus Shares Issue	17	0.8%	4	0.2%	-76.5%
Corporate Boards of Directors Recommending Capital Decrease	0	0%	2	0.1%	--
Invitation to Attend General Assemblies, and the Announcements Related to their Outcomes	551	26.9%	640	25.1%	16.2%
Distribution of Profits	125	6.1%	163	6.4%	30.4%
Explanatory Announcement	134	6.5%	124	4.9%	-7.5%
Any Change in the Composition of Corporate Boards of Directors and Top Management	138	6.7%	135	5.3%	-2.2%
Approval on New Products	23	1.1%	93	3.6%	304.3%
Other Material Developments or Events	316	15.4%	617	24.2%	95.3%
Total	2,052	100%	2,554	100%	24.5%

Chart (21): Number of Announcements Posted on Tadawul Website Classified by Type in 2009 and 2010





Notifications of Substantial Share Ownership in Listed Companies

Notification of substantial shareholdings (5% or more) or share ownership by a board member or a senior executive in the same company, and notification of any change to the percentage of such ownership, are among the disclosures mandated by the CMA.

Table (28) shows the number of notifications of shareholdings sent to the CMA by type in 2009 and 2010. The contents of this table can be summarized as follows:

- The total number of shareholding notifications rose from 319 in 2009 to 522 in 2010, recording an increase of 63.6%.
- The number of shareholding notifications of “board members and senior executives” increased by 112.2% to 486 in 2010 compared to 2009.
- The number of shareholding notifications of “major shareholders” stood at 36 in 2010, declining by 60% compared to 2009.

Table (28): Number of Shareholding Notifications Sent to the CMA by Type in 2009 and 2010

Type of Shareholding Notification	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Major Shareholders	90	33%	36	6.9%	- 60%
Board Members and Senior Executives	229	18%	486	93.1%	112.2%
Total	319	100%	522	100%	63.6%

(3) Corporate Governance:

Since the issuance of the CMA Board's Resolution No.1-212-2006 dated 21/10/1427H, corresponding to 12/11/2006, passing the "Corporate Governance Regulations", which sets forth the standards and rules governing the management of companies listed on the capital market in order to ensure compliance with the best corporate governance practices, hence protecting the rights of shareholders and stakeholders, the CMA has been keen to achieve several goals that will help in applying the best practices of governance in listed companies such as, but not limited to, the following:

- Increasing the awareness of listed companies with the Corporate Governance Regulations and the proper practices of sound governance, and encouraging the adoption of the concept of sound governance in the companies listed on the capital market.
- Strengthening the concepts of transparency, responsibility, and fairness, in addition to increasing investor awareness with respect to sound governance.
- Bolstering communication with professional international and domestic institutions concerned with corporate governance in addition to institutional investors in order to introduce the best practices of corporate governance in the Kingdom given the vital contribution of such communication to developing the practices of corporate governance in the Kingdom.
- Developing clear and effective procedures for managing and supervising the practices of corporate governance in listed companies which secure protection for investors in the capital market.
- Promoting self adoption of sound practices of corporate governance, and fostering the concept of governance within listed companies via ongoing communication with those companies.
- Developing and employing appropriate instruments to ensure an effective implementation of the regulatory requirements of corporate governance.

Moreover, the CMA monitors the compliance of listed companies with the articles of the Corporate Governance Regulations through the following:

- Examining the reports of boards of directors of listed companies to verify full disclosure in accordance with regulatory requirements.
- Monitoring the compliance of listed companies with the implementation of mandatory provisions of the Corporate Governance Regulations, and disclosure of implemented provisions and the ones that have not been implemented along with the reasons for not implementing them, as per the requirements of the Corporate Governance Regulations.
- Tracking any changes in the details/profiles of members of the boards of directors, senior executives and their relatives in listed companies.
- Attending general assemblies of listed companies to ensure the implementation of best corporate governance practices.

Mandatory Articles of the Corporate Governance Regulations

The Board of the CMA issued Resolution No. (1-36-2008) dated 12/11/1429H corresponding to 10/11/2008 making the following Articles of the Corporate Governance Regulations mandatory:

- Article Nine: Disclosure in the Board of Directors' Report.
- Article Twelve which contains two mandatory paragraphs: (c) the majority of the members of the board of directors shall be non-executives members; (e) the independent members of the board of directors shall not be less than two members, or one-third of the members, whichever is greater.
- Article Fourteen which stipulates setting up an audit committee, issuing rules for appointing the members of the audit committee, defining the term of their office and the procedure to be followed by the committee, and determining its duties and responsibilities.



On 30/3/1431H (16/3/2010), the Board of the CMA issued Resolution No. (1-10-2010) making Article Fifteen of the Corporate Governance Regulations on the Nomination and Remuneration Committee mandatory on all companies listed on the Saudi Stock Exchange, effective from 1/1/2011.

Board Members of Listed Companies: Classification

Article Twelve of the Corporate Governance Regulations stated the requirements with regard to the board of directors formation such as:

1. The articles of association of the company shall specify the number of the board of directors' members, provided that such number shall not be less than three and not more than eleven.
2. The majority of the members of the board of directors shall be non-executive members.
3. The independent members of the board of directors shall not be less than two members, or one-third of the members, whichever is greater.

According to the Corporate Governance Regulations:

A non-executive member: is a member of the board of directors who does not have a full-time management position at the company, or does not receive a monthly or yearly salary.

An independent member: is a member of the Board of Directors who enjoys complete independence. By way of example, the following shall constitute an infringement of such independence:

1. He/she holds a five percent (5%) or more of the issued shares of the company or any of its group.
2. Being a representative of a legal person that holds a five percent (5%) or more of the issued shares of the company or any of its group.

3. He/she, during the preceding two years, has been a senior executive of the company or of any other company within that company's group.
4. He/she is a first-degree relative of any board member of the company or of any other company within that company's group.
5. He/she is first-degree relative of any of senior executives of the company or of any other company within that company's group.
6. He/she is a board member of any company within the group of the company which he is nominated to be a member of its board.
7. If he/she, during the preceding two years, has been an employee with an affiliate of the company or an affiliate of any company of its group, such as external auditors or main suppliers; or if he/she, during the preceding two years, had a controlling interest in any such party.

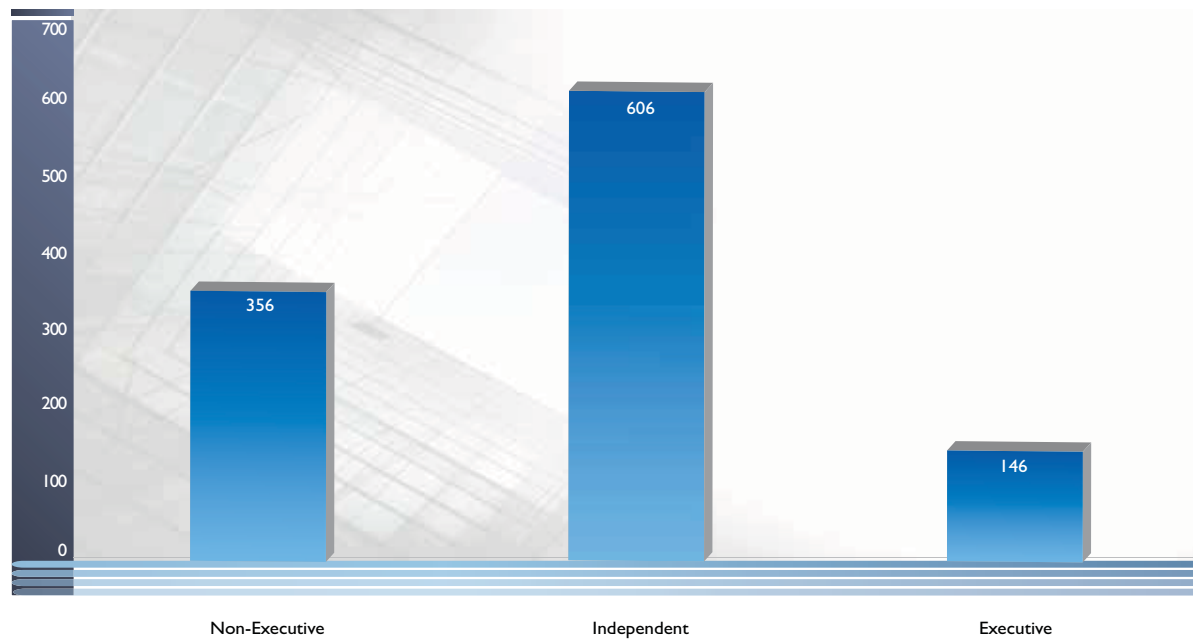
Table (29) demonstrates the number of boards' seats in listed companies by membership type as in the boards of directors' reports for 2009. The most significant points of this table are:

- The total number of seats in the boards of directors of listed companies amounted to 1,108.
- The seats of "independent members" constituted the vast majority of total boards' seats in listed companies with 54.7%.

Table (29): Number of Boards' Seats in Listed Companies by Membership Type as in Boards of Directors' Reports for 2009

Membership Type	Number	Number
Non-Executive	356	32.1%
Independent	606	54.7%
Executive	146	13.2%
Total	1,108	100%

Chart (22): Number of Boards' Seats in Listed Companies by Membership Type as in Boards of Directors' Reports for 2009





Meetings of Boards of Directors in Listed Companies

Article Sixteen of the Corporate Governance Regulations has provided instructions to board members on several matters such as: dedicating ample time for performing their responsibilities, including the preparation for the meetings of the board and the permanent and ad hoc committees, and shall endeavor to attend such meetings. The board shall convene its ordinary meetings regularly upon a request by the chairman; he should consult the other members of the board and the CEO when preparing a specified agenda to be presented to the board. Table (30) indicates the number of boards' meetings in listed companies by sector as in the boards of directors' reports for 2009:

- The number of boards' meetings in listed companies stood at 651, averaging 5 meetings per company.
- The average number of the meetings of "Energy and Utilities" companies came first with 9 meetings per company.
- The average number of the meetings of "Insurance" companies, the largest sector in terms of number of companies, was 5 meetings per company.

Table (30): Number of Boards' Meetings in Listed Companies by Sector as in Boards of Directors' Reports for 2009

Sector	Number of Meetings	Number of Companies ¹¹	Average Meetings per Company
Banks and Financial Services	57	11	5
Petrochemical Industries	59	14	4
Cement	42	8	5
Retail	34	9	4
Energy & Utilities	18	2	9
Agriculture and Food Industries	81	14	6
Telecommunication & Information Technology	20	4	5
Insurance	96	21	5
Multi-Investment	34	7	5
Industrial Investment	60	12	5

11. Six companies were not included in boards' review of the compliance level with the requirements of the Corporate Governance Regulations; two companies listed in the first quarter of 2010 were included.

Sector	Number of Meetings	Number of Companies ¹¹	Average Meetings per Company
Building & Construction	67	13	5
Real Estate Development	39	7	6
Transportation	21	4	5
Hotels and Tourism	12	2	6
Media and Publishing	11	3	4
Total	651	131	5

Board of Directors' Main Committees

Audit Committees

Article Fourteen of the Corporate Governance Regulations came into effect on 1/1/2009; it stipulated that the board of directors should set up an audit committee, issue rules for appointing the members of that committee, define its work procedure, and identify duties and responsibilities thereof. The Article also stated that the committee's members should not be less than three, including a specialist in financial and accounting matters; executive board members are not eligible for audit committee membership.

Table (31) reflects the number of audit committees' seats in listed companies by membership type in 2010:

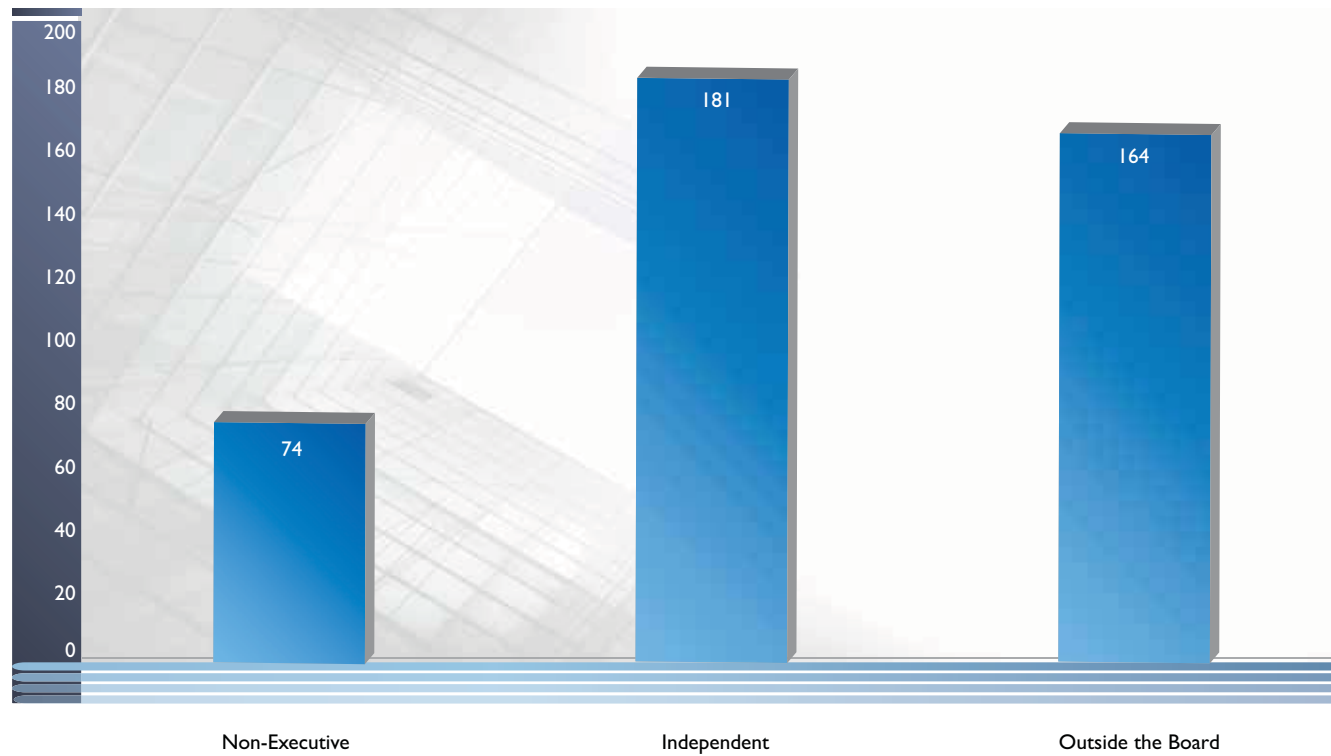
- Total number of audit committees' seats in listed companies amounted to 419.
- The number of seats for "independent" members ranked first, followed by the seats for members "outside the board", and the seats for "non-executive" members with 43.2%, 39.1% and 17.7% respectively.

Table (31): Number of Audit Committees' Seats in Listed Companies by Membership Type as in Board Reports for 2009

Membership Type	Number	Percentage out of Total (%)
Non-Executive	74	17.7%
Independent	181	43.2%
Outside the Board	164	39.1%
Total	419	100%



Chart (23): Number of Audit Committees' Seats in Listed Companies by Membership Type as in Board Reports for 2009



Nomination and Remuneration Committees

The CMA made Article Fifteen (Nomination and Remuneration Committee) of the Corporate Governance Regulations mandatory on all listed companies, effective from 1/1/2011, pursuant to the CMA Board's Resolution No. (1-10-2010) dated 16/3/2010. Table (32) presents the number of the companies that have nomination and remuneration committees as in the boards of directors' reports for 2009; Companies that have nomination and remuneration committees totaled 95, constituting 72.5%.

Table (32): Number of Listed Companies Having Nomination and Remuneration Committees as in Board Reports for 2009

Category	No.	Percentage out of Total (%)
Companies with Nomination and Remuneration Committees	95	72.5%
Companies with no Nomination and Remuneration Committees	36	27.5%
Total Listed Companies	131	100%

Enhancing the Level of Compliance with Corporate Governance

To enhance the level of compliance with corporate governance among dealers in securities and market participants, the CMA has:

1. Developed Corporate Governance Forms:

The CMA has developed tools and forms that are relevant to governance rules such as:

- The definition of the independent member.
- Listed companies compliance disclosure form.

- Resume form for listed company board membership nominees.

- Internal forms to monitor listed companies compliance with corporate governance.

2. Conducted a Survey to Solicit the Views of Corporate Officials and Investors on Corporate Governance and Compliance

Given the significance of disclosure in creating an investment environment marked with transparency and fairness, the CMA conducted a survey in 2010 to solicit the views of listed companies' officials and investors on areas concerning corporate governance. The survey aimed at developing legislative and regulatory aspects of corporate governance, both in the short and long terms.

The survey sought to find out the following:

1. Investors' understanding of the corporate governance concept.
2. The familiarity of board members and senior executives with the aspects related to corporate governance.
3. Investors' views on corporate governance practices which are adopted and applied by the companies listed on the Saudi Stock Exchange.
4. Market participants' remarks on the importance of corporate governance compliance.
5. Market participants' feedback on the appropriate methods to boost the level of company compliance with the "Corporate Governance Regulations".
6. Evaluation of the CMA's role with respect to corporate governance.
7. Market participants' views on listed companies' compliance with the "Corporate Governance Regulations".
8. The views of board members and senior executives on the reasons and obstacles limiting compliance with the "Corporate Governance Regulations".



2.1.7 Violations and Investor Complaints

The CMA attaches paramount importance to the protection of investors against unfair or unsound practices that may involve fraud, deceit, swindling or market manipulation. Therefore, the CMA:

- Handles investor complaints.
- Monitors violations of the CML and its Implementing Regulations.
- Investigates cases suspected of violating the CML and its Implementing Regulations.
- Takes legal action before the Committee for the Resolution of Securities Disputes (CRSD) against those violations.
- Enforces the resolutions and verdicts issued by the CMA Board and the two committees for the resolution and appeal of securities disputes.

(1) Investor Complaints

Channels for Lodging Complaints

The CMA has opened many channels for lodging and handling investors' complaints. They can be lodged at the CMA's Department of Investor Complaints, or can be sent via the CMA's website, fax or postal service. The CMA examines and reviews each complaint and ensures that it has jurisdiction for further investigation.

Classification of Complaints

The complaints handled by the CMA were classified into several types based on their nature and manner of processing. In 2009 and 2010, the CMA received different types of complaints through various channels. Table (33) indicates the chief points of such complains in the following:

- The total number of complaints received in 2010 through various channels went up by 16.4% to 405 complaints compared to 2009 .
- Complaints related to the execution of transactions declined by 21.5% in 2010 as compared to 2009.
- Complaints related to facilities and Murabaha contracts held the lowest figures in 2009 and 2010 comprising 4% and 3.2% of all complaints respectively.

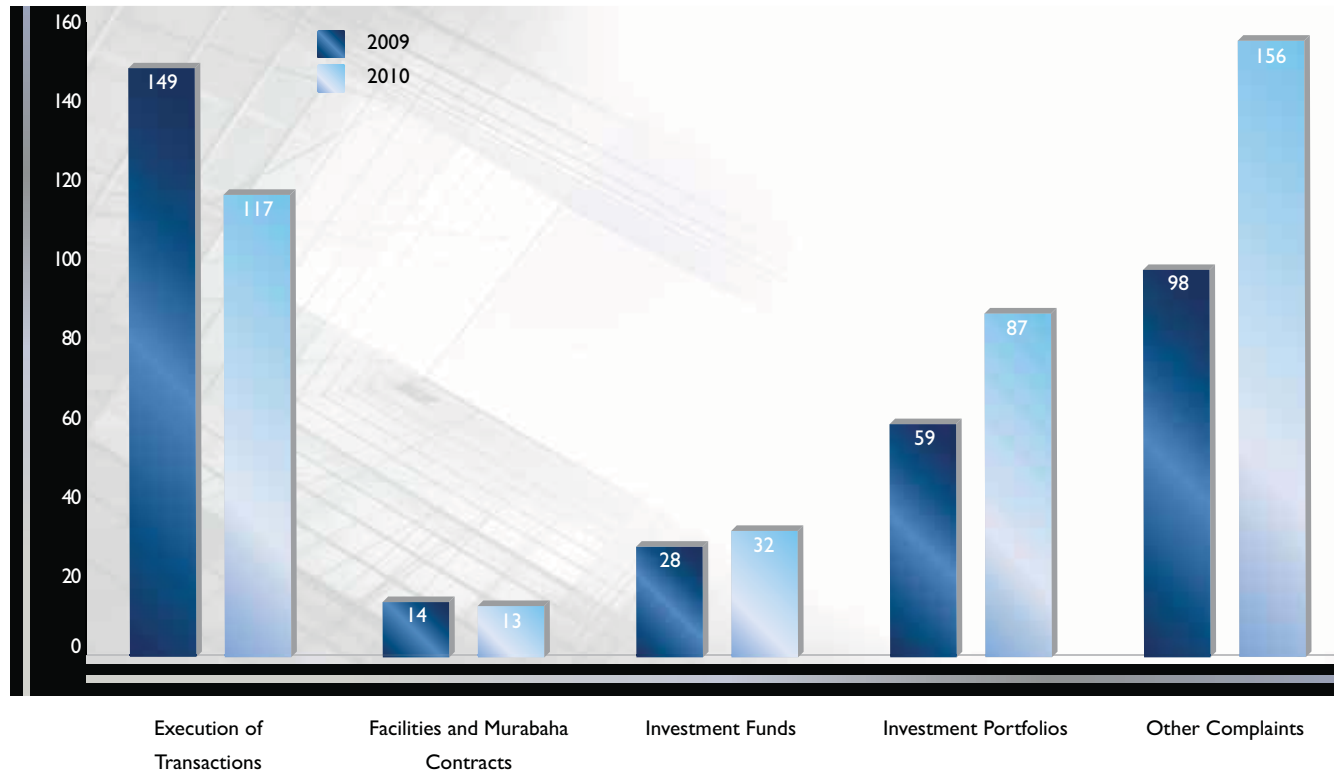
Table (33): Number of Complaints Received by the CMA in 2009 and 2010 Classified by Type

Category	2009		2010		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Execution of Transactions	149	42.8%	117	28.9%	-21.5%
Facilities and Murabaha Contracts	14	4%	13	3.2%	-7.1%
Investment Funds	28	8%	32	7.9%	14.3%
Investment Portfolios	59	17%	87	21.5%	47.5%
Other Complaints ¹²	98	28.2%	156	38.5%	59.2%
Total	348	100%	405	100%	16.4%

¹². Including complaints about subscriptions, services and violators who had decisions issued by the CRSD or ACRSC ... etc.



Chart (24): Number of Complaints Received by the CMA in 2009 and 2010 Classified by Type



Handling Investor Complaints

Paragraph (e) of Article Twenty Five of the CML stated that “No complaint or statement of claim may be filed with the Committee without being filed first with the Authority, and a 90-day period has passed from the filing date, unless the Authority notifies the grievant otherwise of the permissibility of submitting before the expiration of this period”. In the event that no amicable settlement could be reached between the conflicting parties, and 90 days from filing of the complaint has passed, a notice shall be given to the complainant. The complainant may then file a case with the Committee for the Resolution of Securities Disputes (CRSD) to look into it. As such, the CMA issues notices and notifications to complainants when it receives any complaint in an attempt to reach a settlement between the concerned parties. Below are the definitions of notices and notifications:

Notice: is a receipt served to a complainant after 90 days have passed from the original filing of the case with the CMA to allow the complainant to file his/her case with the CRSD.

Notification: a document that 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.

Tables (34) and (35) indicate the status of complaints received by the CMA at the end of 2009 and 2010 as follows:

- In 2010, 215 complaints (53.1%), out of a total of 405, were resolved.
- The number of complaints under examination in 2010 stood at 64 (15.8%). Work is underway to have them processed.
- Out of the 126 CMA-prepared notifications/notices (served or not served) for complainants in 2010:
 - The number of served notifications/notices amounted to 69 in 2010 compared to 90 in 2009.
 - The percentage of notifications/notices not served to complainants in 2010 accounted for 45.2% of the total.

Table (34): Status of Complaints Received by the CMA at the End of 2009 and 2010

Category	At the End of 2009		At the End of 2010 ¹³	
	Number	Percentage (%)	Number	Percentage (%)
Under Examination	32	9.2%	64	15.8%
Resolved	205	58.9%	215	53.1%
Notifications/Notices Prepared	111	31.9%	126	31.1%
Total	348	100%	405	100%

13. All cases under consideration at the end of 2009 were finalized at the end of 2010 as 15 complaints were resolved and 17 notifications/notices were prepared.



Chart (25): Status of Complaints Received by the CMA at the End of 2009 and 2010 (Percentages)

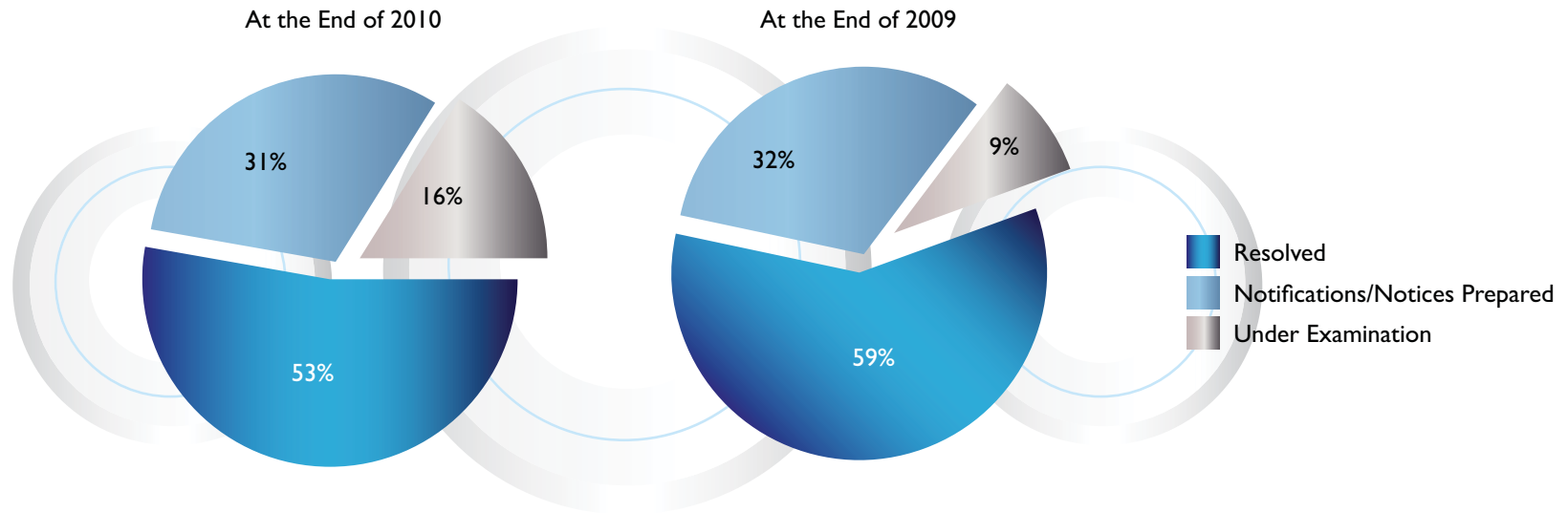
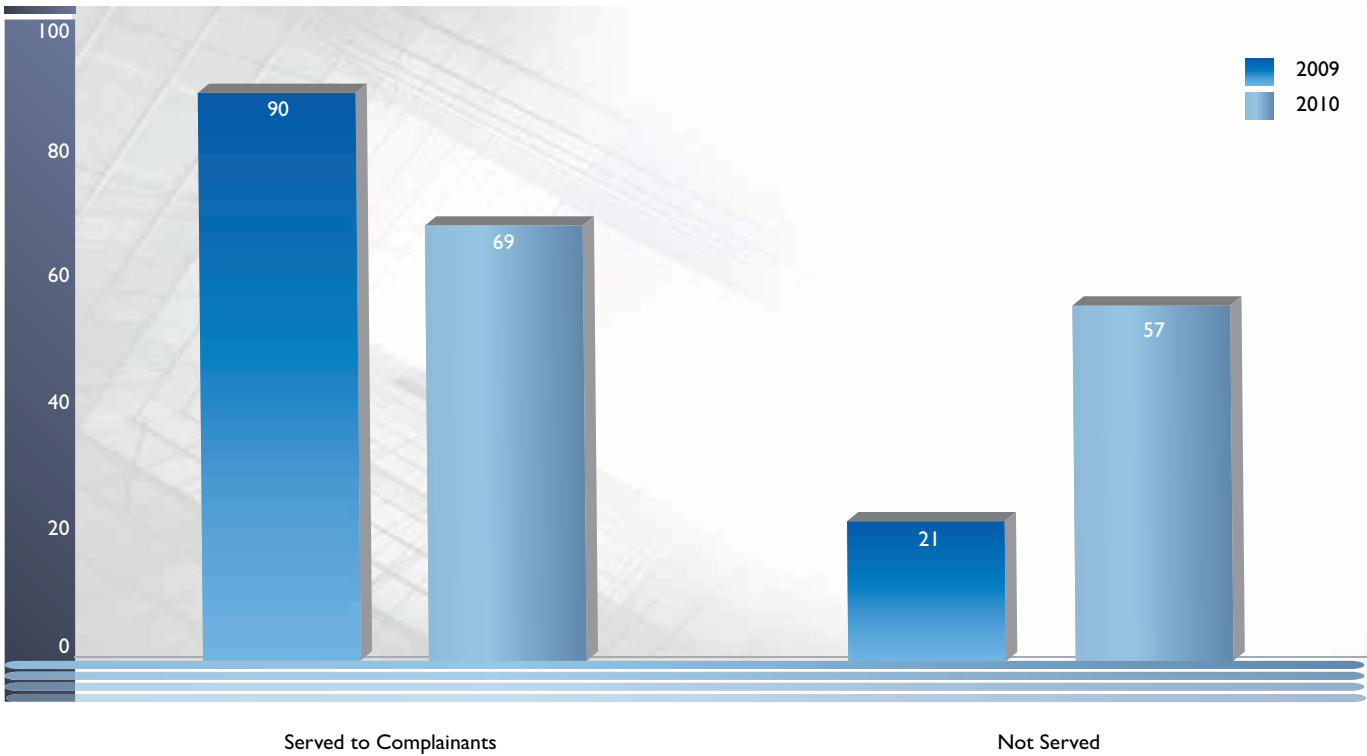


Table (35): Status of Notifications/Notices Prepared by the CMA to Complainants at the End of 2009 and 2010

Status of Notification Services	2009		2010	
	Number	Percentage (%)	Number	Percentage (%)
Served to Complainants	90	81.1%	69	54.8%
Not Served	21	18.9%	57	45.2%
Total	111	100%	126	100%

Chart (26): Status of Notifications/Notices Prepared by the CMA to Complainants at the End of 2009 and 2010





(2) Investigation into Violations of the CML

Pursuant to Paragraph (c) of Article Five of the CML, “For the purpose of conducting all investigations which, in the opinion of the Board, are necessary for the enforcement of the provisions of this Law and other regulations and rules issued pursuant to this Law, the members of the Authority and its employees designated by the Board are empowered to subpoena witnesses, take evidence, and require the production of any records, papers, or other documents which the Authority deems relevant or material to its investigation. The Authority shall have the power to carry out inspections of the records or any other materials, whoever the holder may be, to determine whether the person concerned has violated, or is about to violate any provision of this Law, the Implementing Regulations or the rules issued by the Authority”. As such, the CMA investigates into the violations of the CML through a number stages that can be summed up in the following:

I. Conducting investigation procedures and gathering relevant data and information.

2. Examining and analyzing investigation cases.

3. Subpoenaing and interrogating violators after obtaining the CMA Board’s approval on such procedure.

Table (36) points out the number of investigation cases into suspected violations of the CML, by stage of investigation, in 2009 and 2010. The indicators of the table can be summarized as follows:

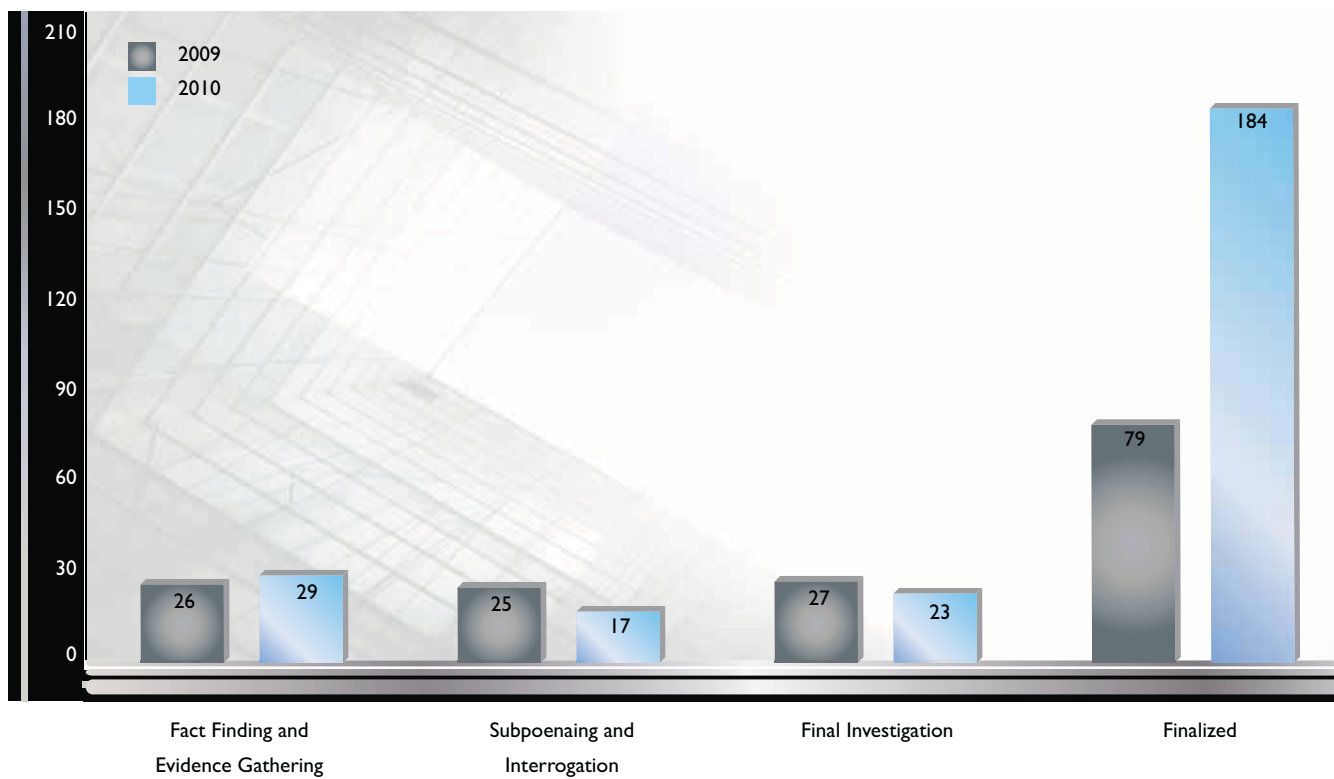
■ The total number of investigation cases into suspected violations of the CML rose by 61.1% to 253 in 2010 compared to 157 in 2009.

■ 184 cases (72.7%) of total cases filed in 2010 were finalized against 79 cases (50.3%) at the end of 2009.

Table (36): Number of Investigation Cases into Suspected Violations of the CML at the End of 2009 and 2010 by Stage of Investigation

No.	Stage	At the End of 2009		At the End of 2010	
		Number	Percentage (%)	Number	Percentage (%)
1	Fact Finding and Evidence Gathering	26	16.6%	29	11.5%
2	Subpoenaing and Interrogation	25	15.9%	17	6.7
3	Final Investigation	27	17.2%	23	9.1%
4	Investigation Finalized	79	50.3%	184	72.7%
Total		157	100%	253	100%

Chart (27): Number of Investigation Cases into Suspected Violations of the CML at the End of 2009 and 2010 by Stage of Investigation





Filed/Finalized Investigation Cases into Suspected Violations of the CML

Table (37) shows the number of filed and finalized investigation cases into suspected violations of the CML at the end of 2009 and 2010. It indicates that:

- All legal procedures of 220 cases of total outstanding investigation cases with the CMA were finalized in 2010.
- 253 cases requiring investigation into suspected violations of the CML were filed at the end of 2010.

Table (37): Number of Filed and Finalized Investigation Cases into Suspected Violations of the CML up to the End of 2009 and 2010

Category	Number		Change (%)
	Up to the End of 2009	Up to the End of 2010	
Filed Investigation Cases	157	253	61.1%
Finalized Investigation Cases	157 ¹⁴	220 ¹⁵	40.1%

14. Including cases of 2004, 2005, 2006, 2007, 2008 and 2009.

15. Including cases of 2004, 2005, 2006, 2007, 2008, 2009 and 2010.

Chart (28): Number of Filed and Finalized Investigation Cases into Suspected Violations of the CML up to the End of 2009 and 2010

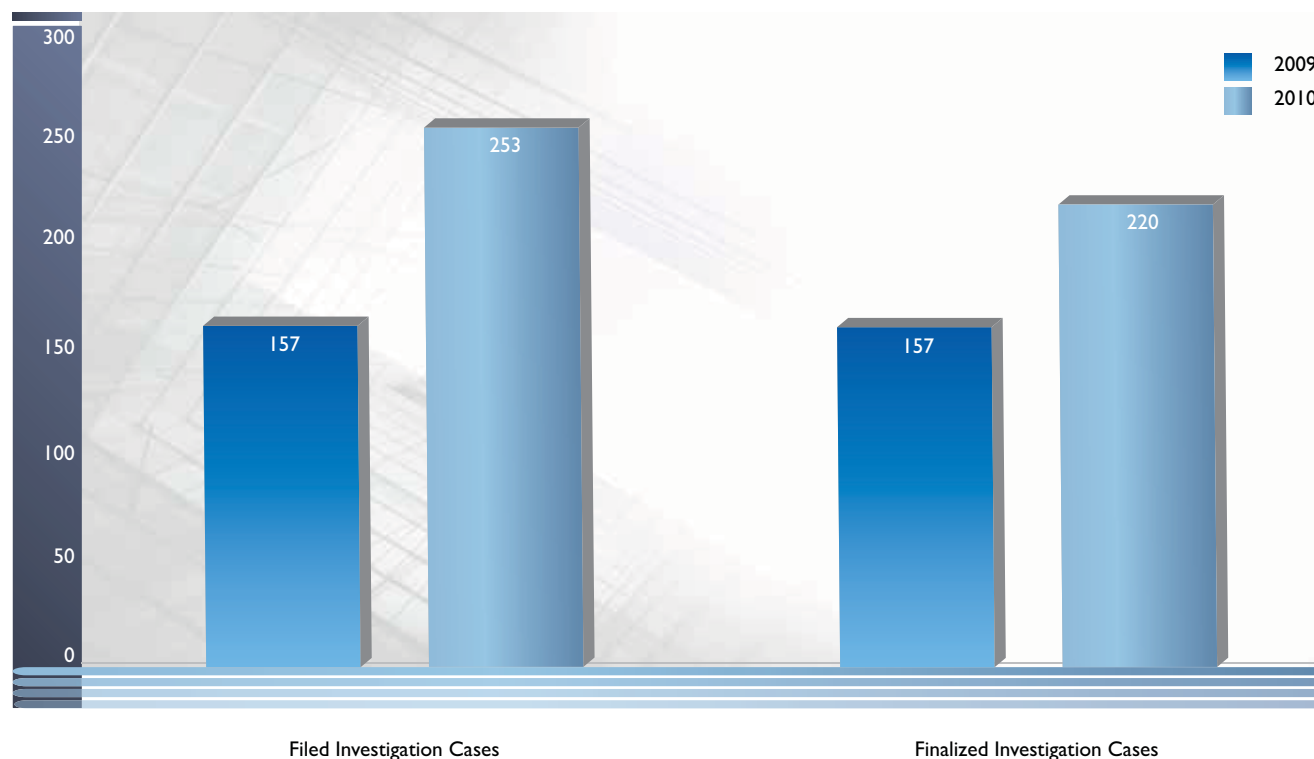


Table (38) illustrates the number of investigation cases into suspected violations of the CML by type of violation in 2009 and 2010. Its most important indicators are the following:

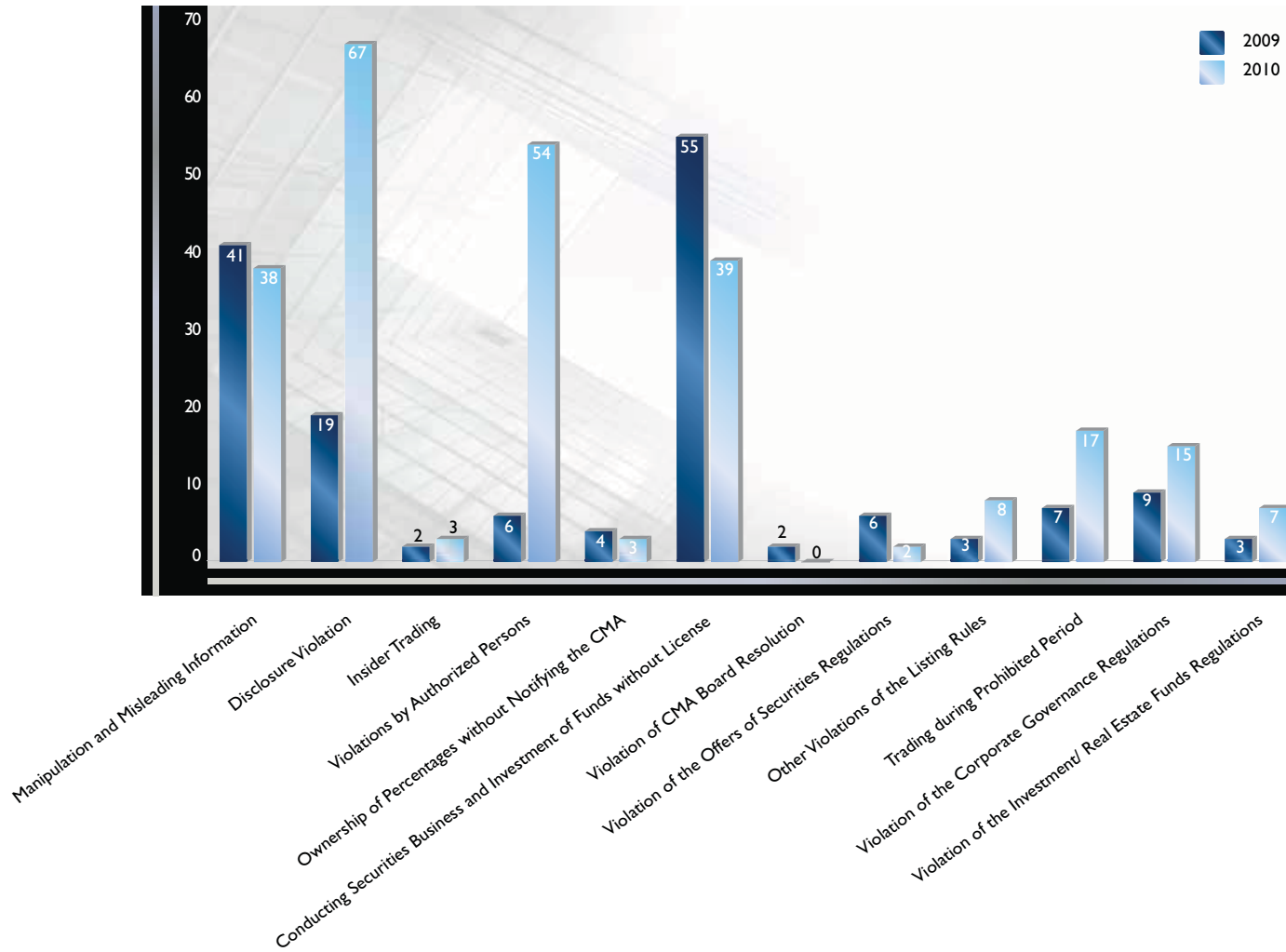
- The number of investigation cases related to “disclosure violation” ranked first in 2010 with 26.5%, while those related to “violation of the CMA Board resolutions” came last with no violations.
- The number of investigation cases related to “violations by authorized persons” increased by 800% to 54 in 2010 compared to 2009.
- The number of investigation cases related to “violation of the Offers of Securities Regulations” decreased by 66.7% to two cases compared to 2009.
- The number of investigation cases related to “conducting securities business and investment of funds without license” declined by 29.1% to 39 as compared to 2009.



Table (38): Number of Investigation Cases into Suspected Violations of the CML by Type at the End of 2009 and 2010

Violation Type	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Manipulation and Misleading Information	41	26.1%	38	15%	- 7.3%
Disclosure Violation	19	12.1%	67	26.5%	252.6%
Insider Trading	2	1.3%	3	1.2%	50%
Violations by Authorized Persons	6	3.8%	54	21.3%	800%
Ownership of Percentages without Notifying the CMA	4	2.5%	3	1.2%	- 25%
Conducting Securities Business and Investment of Funds without License	55	35%	39	15.4%	- 29.1%
Violation of the CMA Board Resolutions	2	1.3%	0	0	0%
Violation of the Offers of Securities Regulations	6	3.8%	2	0.8%	- 66.7%
Other Violations of the Listing Rules	3	1.9%	8	3.2%	166.7%
Trading during Prohibited Period	7	4.5%	17	6.7%	142.9%
Violation of the Corporate Governance Regulations	9	5.7%	15	5.9%	66.7%
Violation of the Investment/Real Estate Funds Regulations	3	1.9%	7	2.8%	133.3%
Total	157	100%	253	100%	61.1%

Chart (29): Number of Investigation Cases into Suspected Violations of the CML by Type at the End of 2009 and 2010





Finalized Violation Cases of the CML

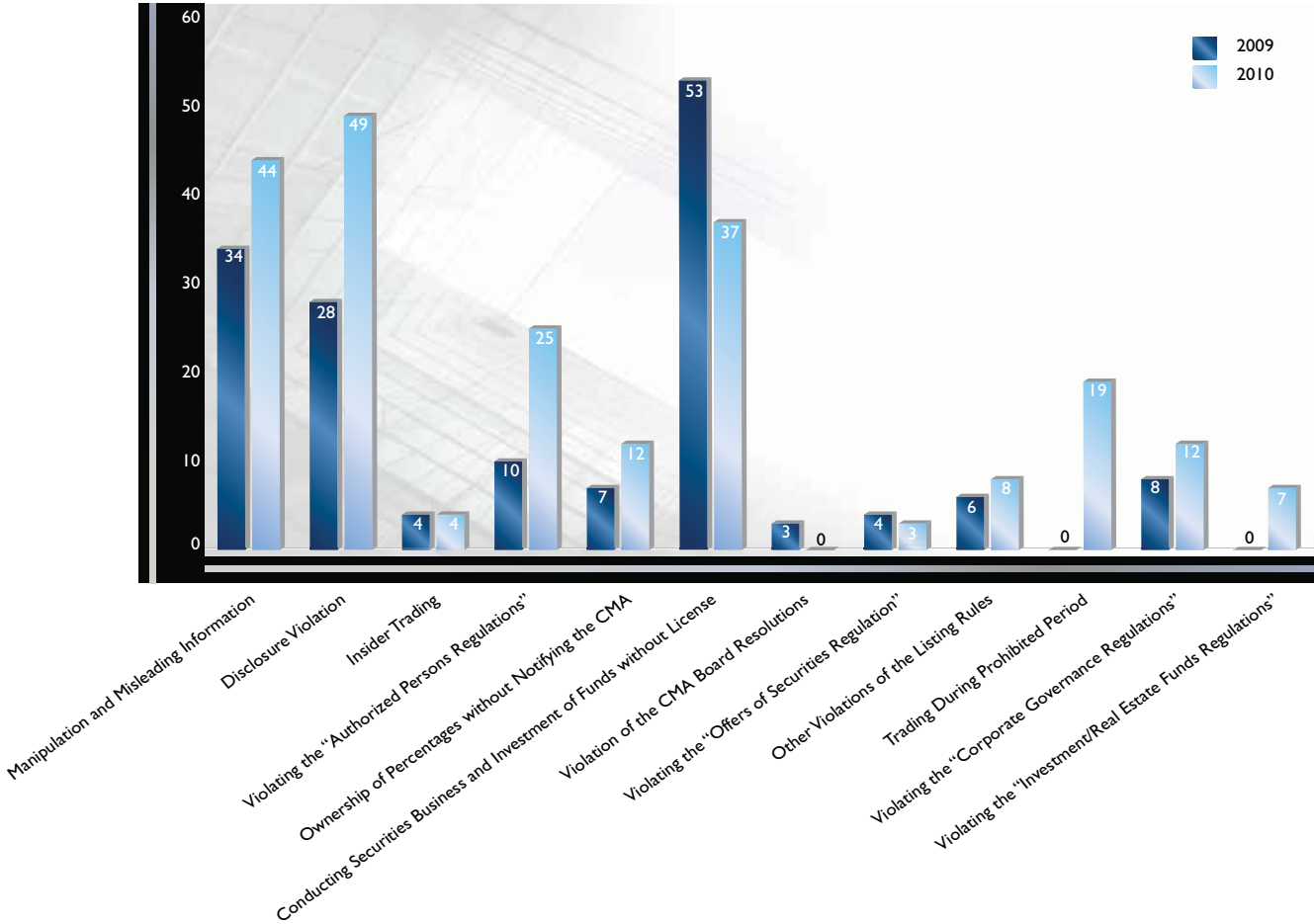
Table (39) indicates the number of finalized violation cases, classified by type, at the end of 2009 and 2010. Most significant highlights of this table are:

- In 2010, the number of finalized violation cases related to “disclosure” ranked first with 22.3%.
- In 2010, the number of investigation cases related to “violating the Authorized Persons Regulations” rose by 150% while that related to “conducting securities business and investment of funds without license” declined by 30.2% compared to 2009.
- The number of investigation cases related to “ownership of percentages without notifying the CMA”, “other violations of the Listing Rules” and “insider trading” in 2010 amounted to 12 (5.4%), 8 (3.6%), and 4 (1.8%) respectively.
- Finalized violation cases of the CML related to “violation of the Offers of Securities Regulations” and “violation of the CMA Board resolutions” held the lowest figures with 1.4% and 0% respectively.

Table (39): Number of Finalized Violation Cases of the CML Classified by Type at the End of 2009 and 2010

Violation	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Manipulation and Misleading Information	34	21.7%	44	20.0%	29.4%
Disclosure Violation	28	17.8%	49	22.3%	75.0%
Insider Trading	4	2.5%	4	1.8%	0%
Violating the “Authorized Persons Regulations”	10	6.4%	25	11.4%	150.0%
Ownership of Percentages without Notifying the CMA	7	4.5%	12	5.4%	71.4%
Conducting Securities Business and Investment of Funds without License	53	33.8%	37	16.8%	-30.2%
Violation of the CMA Board Resolutions	3	1.9%	0	-	-
Violating the “Offers of Securities Regulation”	4	2.5%	3	1.4%	-25.0%
Other Violations of the Listing Rules	6	3.8%	8	3.6%	33.3%
Trading During Prohibited Period	0	-	19	8.6%	-
Violating the “Corporate Governance Regulations”	8	5.1%	12	5.5%	50.0%
Violating the “Investment/Real Estate Funds Regulations”	0	-	7	3.2%	-
Total	157	100.0%	220	100.0%	40.1%

Chart (30): Number of Finalized Violation Cases of the CML Classified by Type at the End of 2009 and 2010





(3) Investigation into Violations of the CML (Using Technological Means)

To protect investors against all forms of deception, misrepresentation or fraud, and to keep up with the vast development in information and telecommunication technologies, the CMA monitors websites, internet forums and audio-visual media as well as the recommendations of individuals or groups related to the capital market. Legal actions are taken to address those violations, including Subpoenaing and interrogating violators, who eventually undertake to cease such violations immediately, shut down their websites and refrain from committing similar acts in the future.

Stages of Investigation into Electronic Violations of the CML and Implementing Regulations

Investigation into electronic violations of the CML undergoes several stages from fact-finding, data/information gathering, analysis and examination of all relevant materials to subpoenaing and interrogating violators. Table (40) reflects the number of electronic

violations of the CML and Implementing Regulations, by stage of investigation, in 2009 and 2010. Moreover, table (41) indicates the number of filed and finalized electronic violation cases in 2009 and 2010. Significant indicators can be summarized in the following:

- Total electronic violation cases filed in 2010 stood at 20, 16 of which were finalized while 4 are still in the stage of subpoenaing and interrogation.
- Investigation into 41 cases, out of a total of 50 electronic violation cases filed in 2009 and 2010, was finalized by the end of 2010.

Table (40): Number of Electronic Violation Cases of the CML and Implementing Regulations by Stage of Investigation in 2009 and 2010

No.	Investigation Stage	2009		2010	
		Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
1	Under Examination	0	-	0	0%
2	Subpoenaing and Interrogation	0	-	4	20.0%
3	Finalized	30	100.0%	16	80.0%
Total		30	100%	20	100%

Table (41): Number of Filed/Finalized Electronic Violation Cases in 2009 and 2010

Category	Number		Change (%)
	2009	2010	
Filed Electronic Violation Cases	30	20	-33.3%
Finalized Electronic Violation Cases	21	41 ¹⁶	95.2%

Investigation Cases into Finalized Electronic Violations by Violation Source

Table (42) shows the number of investigation cases into electronic violation classified by violation source (websites and internet forums, individuals or groups “cell-phone recommendations” and audio-visual media) in 2009 and 2010. The most important points of the table can be summarized as follows:

- The number of investigation cases into the electronic violations of “websites and internet forums” ranked first in 2010 with 90.7%, denoting a decrease of 4.9% compared to 2009.
- The number of investigation cases into the electronic violations of “individuals or groups (cell-phone recommendations)” rose to 3 in 2010 compared to one case in 2009.

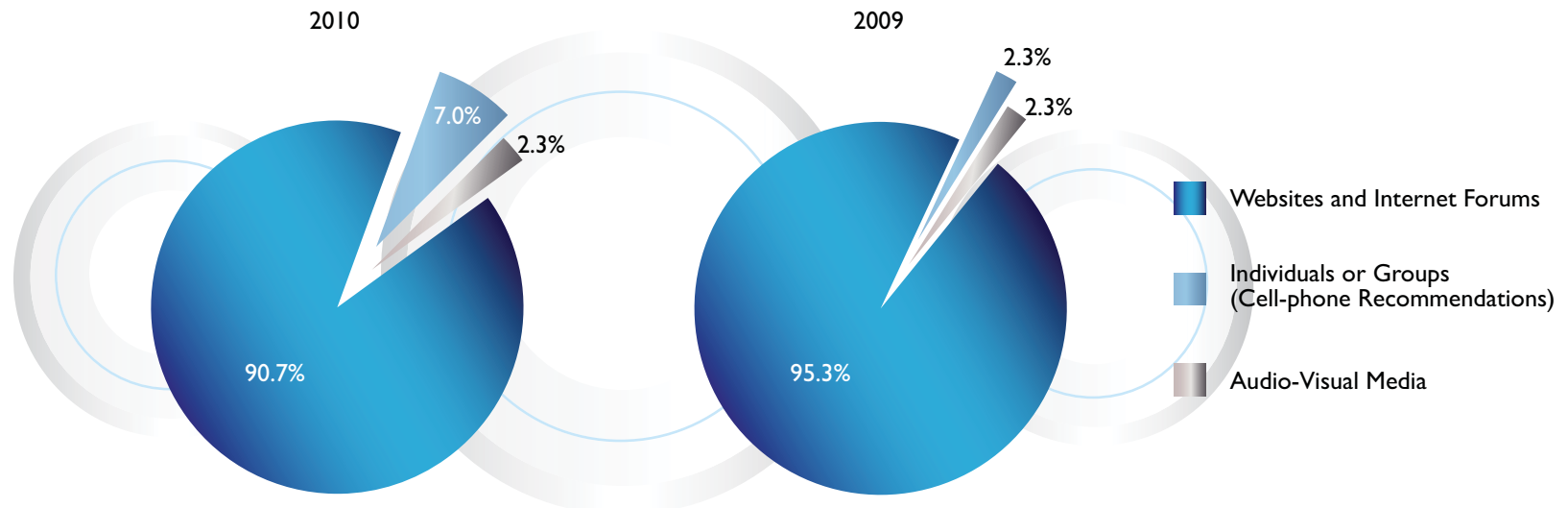
¹⁶ Including electronic violation cases filed in 2009 and 2010.



Table (42): Number of Investigation Cases into Electronic Violations Classified by Violation Source in 2009 and 2010

Violation Source	2009		2010		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Websites and Internet Forums	41	95.3%	39	90.7%	-4.9%
Individuals or Groups (Cell-phone Recommendations)	1	2.3%	3	7.0%	200.0%
Audio-visual Media	1	2.3%	1	2.3%	-
Total	43	100%	43	100%	-2.3%

Chart (31): Percentages of Investigation Cases into Electronic Violations Classified by Violation Source in 2009 and 2010



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

After gathering evidence on any violation of the CML or its Implementing Regulations, the CMA prepares indictments and files lawsuits against violators before the CRSD through several stages that can be summarized in the following:

1. Examining cases and conducting relevant studies and research.
2. Contacting competent parties to obtain information that serves existing cases.
3. Issuing Board's decision to file cases with the CRSD.
4. Preparing indictments containing all presumptions, evidence and supporting documents.
5. Appearing in prosecution sessions and responding to reply memos.
6. Writing notices of appeal in the event that the CMA Board issues its decision to appeal.

Table (43) indicates the cases on which indictments were prepared and brought before the CRSD and grievances in 2009 and 2010. The main points of this table can be summarized as follows:

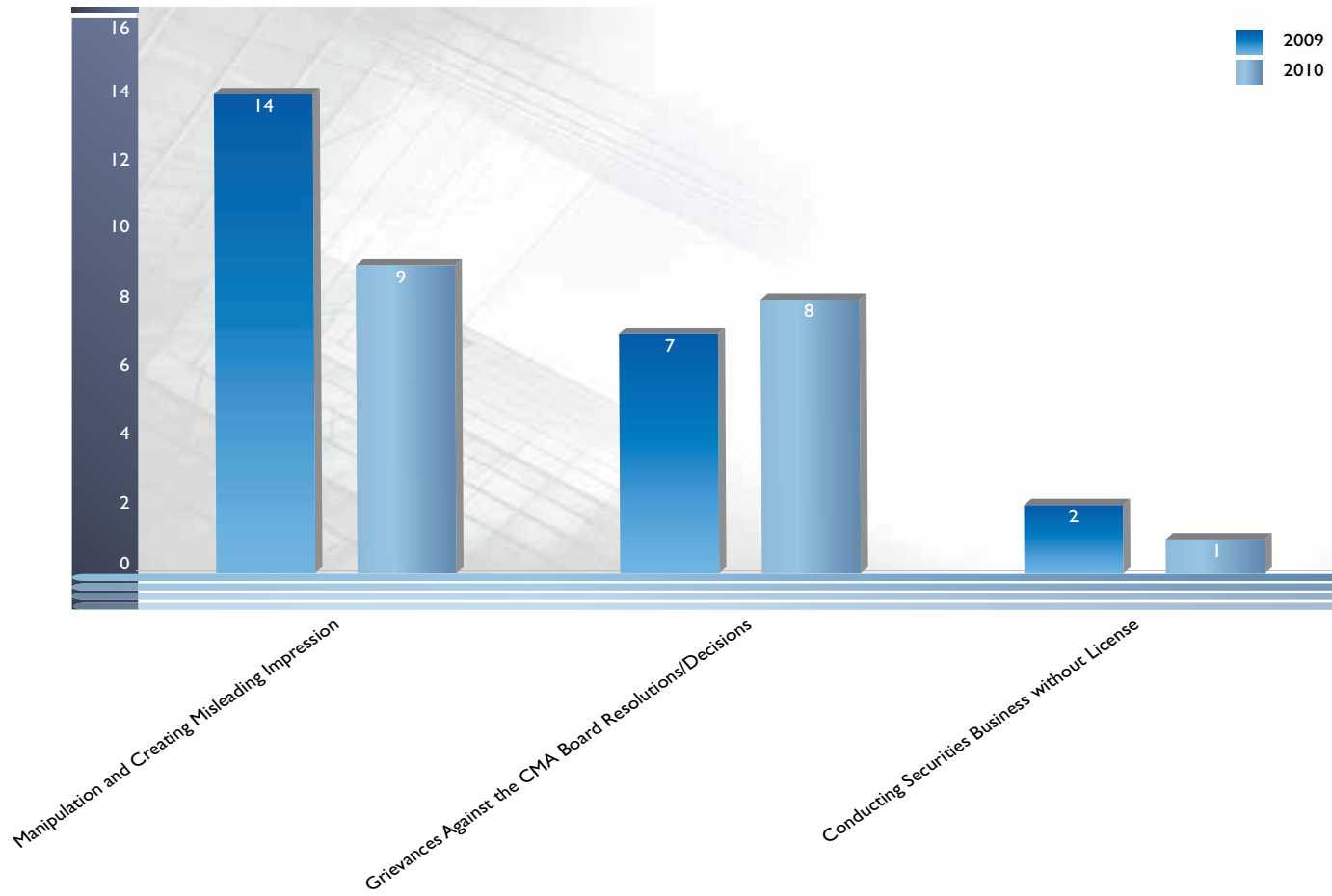
- 10 indictments were prepared on violation cases of the CML or its Implementing Regulation and were brought before the CRSD in 2010 compared to 16 in 2009.
- In 2010, the number of grievances against resolutions/decisions stood at 8 (44.4%) compared to 7 (30.4%) in 2009.
- Cases related to “manipulation and creating misleading impression” came in the first place in 2010 with 50% of total cases.

Table (43): Cases on Which Indictments were Prepared and Brought Before the CRSD and Grievances in 2009 and 2010

Case Type	2009		2010	
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
Manipulation and Creating Misleading Impression	14	60.9%	9	50%
Grievances Against the CMA Board Resolutions/Decisions	7	30.4%	8	44.4%
Conducting Securities Business without License	2	8.7%	1	5.6%
Total	23	100%	18	100%



Chart (32): Cases on Which Indictments were Prepared and Brought Before the CRSD and Grievances in 2009 and 2010



(5) Following up the Enforcement of Decisions

The CMA enforces the decisions issued by the CMA Board, the temporal decisions of imposing/lifting provisional seizure issued by the CRSD, and the final decisions issued by the CRSD and ACRSC by:

1. Reviewing the decisions of sanctions issued by the CMA Board, CRSD and ACRSC.
2. Preparing notification letters of enforcing the sanctions issued against the violators of the CML and its Implementing Regulations.
3. Ensuring the collection of sanctions' amounts and monitoring the procedures of bank guarantees presented by violators.
4. Coordinating with government agencies engaged in enforcing the decisions of provisional seizure and final decisions.

Table (44) presents the number of decisions issued by the CMA Board, temporal decisions of imposing/lifting provisional seizure issued by the CRSD, and the final decisions issued by the CRSD and ACRSC in 2009 and 2010. The table indicates the following:

- The total number of decisions issued in 2010 went up by 107% to 178.
- The decisions issued by the CMA Board constituted the largest share in 2010 with 85.4% compared to those issued by the CRSD and ACRSC.

Table (44): Total Number of Decisions Issued by the CMA Board, Temporal Decisions of Imposing/Lifting Provisional Seizure Issued by the CRSD, and the Final Decisions Issued by the CRSD and ACRSC in 2009 and 2010

Issuer of Decision	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
CMA Board	58	67.4%	152	85.4%	162.1%
CRSD and ACRSC ¹⁷	28	32.6%	26	14.6%	-7.1%
Total	86	100%	178	100%	107.0%

17. Including decisions convicting violators and decisions imposing or lifting a provisional seizure of violators' property, and banning travelling; penalties and disgorgements; excluding the appealed decisions that are still with the Appeal Committee.



Chart (33): Percentages of Decisions Issued by the CMA Board, Temporal Decisions of Imposing/Lifting Provisional Seizure Issued by the CRSD, and the Final Decisions Issued by the CRSD and ACRSC in 2009 and 2010

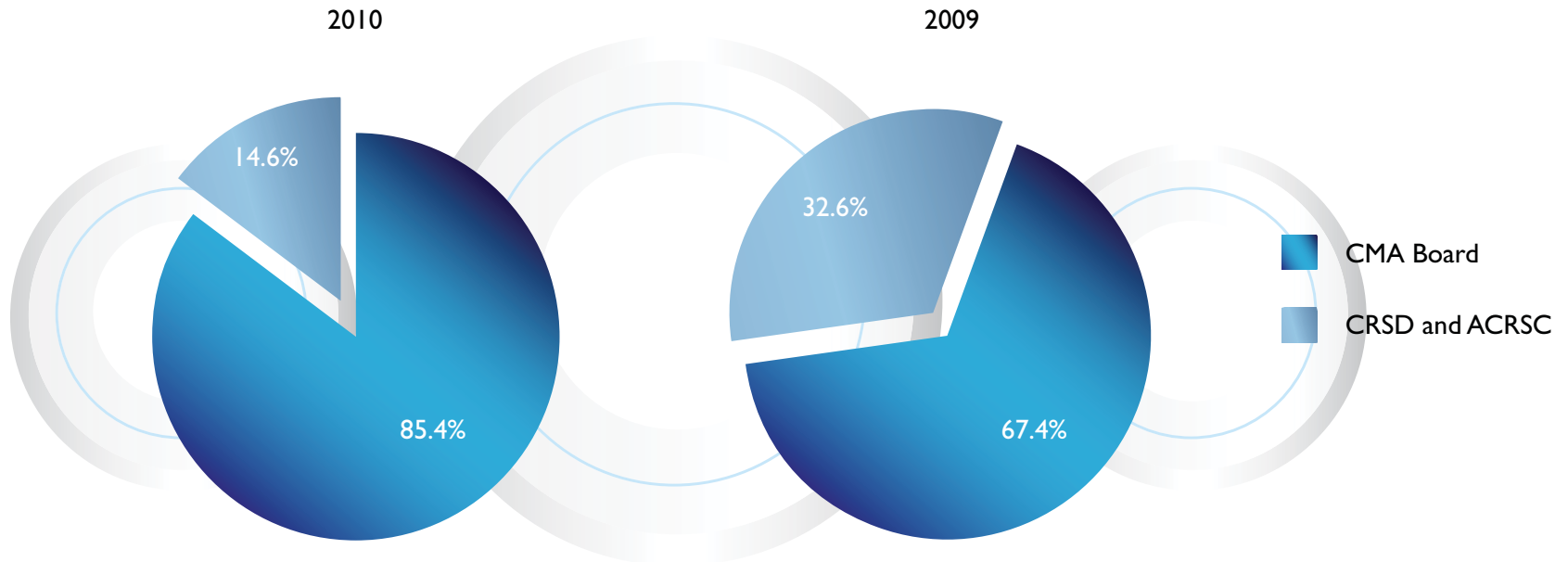


Table (45) shows the results of following up the enforcement of the decisions issued by the CMA Board or the final decisions issued by the CRSD and ACRSC, by type of case (capital market or unlicensed investment of funds) and issuer of decision in 2010. The most important features of this table can be summarized as follows:

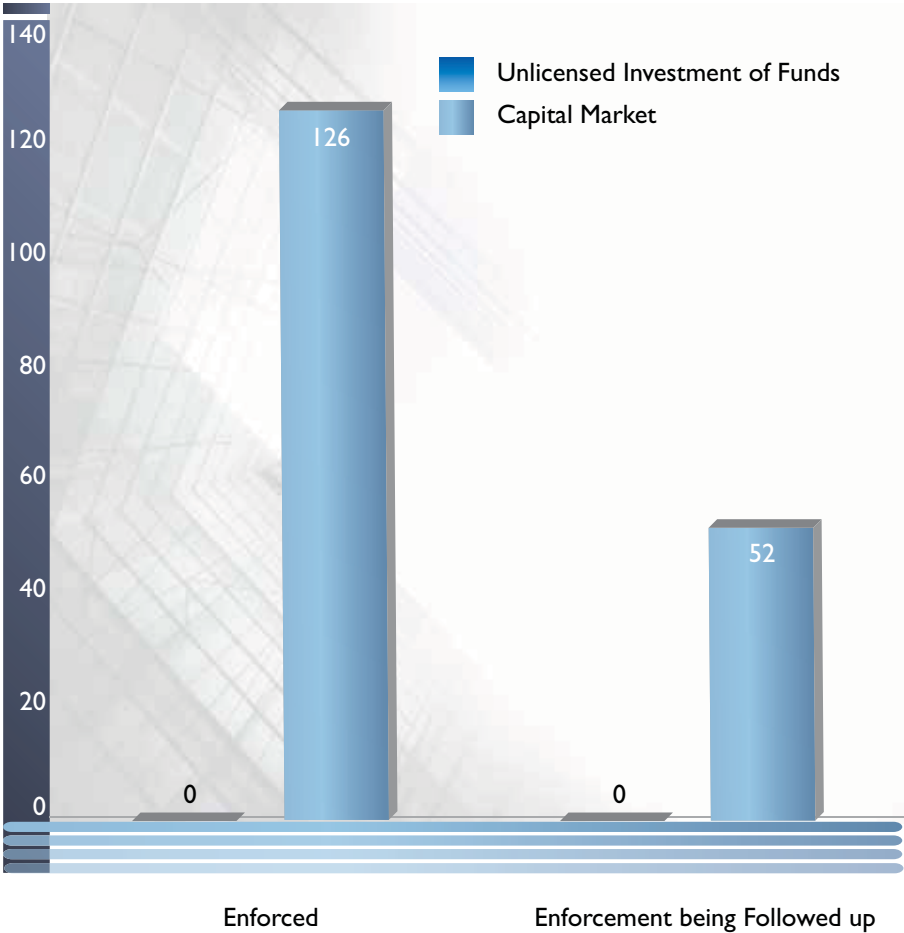
- The total number of enforced decisions issued by the CMA Board and the CRSD and ACRSC relating to capital market cases stood at 126 (70.8%) while 52 are being followed up.
- 70.4% of the decisions issued by the CMA Board and 73.1% of the decisions issued by the CRSD and ACRSC were executed.

Table (45): Following up the Enforcement of the Decisions Issued by the CMA Board and the Final Decisions Issued by the CRSD and ACRSC by Type of Case in 2010

Issuer of Decision	Type of Case	Total Decisions	Enforced		Enforcement being Followed up	
			Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
CMA Board	Capital Market	152	107	70.4%	45	29.6%
	Unlicensed Investment of Funds	0	0	0%	0	0%
CRSD and ACRSC	Capital Market	26	19	73.1%	7	26.9%
	Unlicensed Investment of Funds	0	0	0%	0	0%
Total	Capital Market	178	126	70.8%	52	29.2%
	Unlicensed Investment of Funds	0	0	0%	0	0%



Chart (34): Following up the Enforcement of the Decisions Issued by the CMA Board and the Final Decisions Issued by the CRSD and ACRSC by Type of Case in 2010



2.1.8 Persons Authorized to Conduct Securities Business Activities (Authorized Persons)

(1) Authorizations

Pursuant to Chapter Five (Brokers Regulation) of the CML, the CMA shall protect investors and improve the quality of services rendered by the authorized persons by ensuring the enforcement of the CMA's rules and regulations issued to that end, namely:

1. Securities Business Regulations.
2. Authorized Persons Regulations.
3. Anti-Money Laundering and Counter-Terrorist Financing Rules.

These rules and regulations constitute the main pillars for regulating the securities business activities.

Authorization Mechanism

According to Article Six of the "Authorized Persons Regulations" which sets out the requirements for authorization, and Article Seven which sets out the CMA's powers and procedures for processing applications for authorization, an authorization for conducting securities business is issued after completing four stages:

- Stage One: Pre-application phase.
- Stage Two: Receiving the application and preliminary review.
- Stage Three: Intensive review and assessment of the application.
- Stage Four: Preparing recommendations and making decision.

I. Authorization Decisions

During 2010, the CMA Board issued 34 decisions pertaining to licenses of authorized persons to conduct securities business as compared to 28 decisions in 2009. Those decisions varied from the granting of new licenses, amendment to a license (by addition and/or omission of a particular activity), to the revocation or cancellation of a license. Table (46) reflects the number of issued decisions by type. Table highlights can be summarized in the following:

- In 2010, the CMA Board issued 4 decisions approving the authorization for new companies and firms to conduct securities business; 13 licenses were amended by either adding or omitting one of the five activities of securities business.
- The CMA Board issued 17 decisions in 2010 for revoking or cancelling licenses.

Table (46): Number of Licensing Decisions by Type in 2009 and 2010

Decision Type	2009		2010	
	Number	Percentage (%)	Number	Percentage (%)
New License Issued	12	42.9%	4	11.8%
Amendment to License	4	14.3%	13	38.2%
Revocation or Cancellation of License	12	42.9%	17	50.0%
Total	28	100%	34	100%



Chart (35): Number of Licensing Decisions by Type in 2009 and 2010

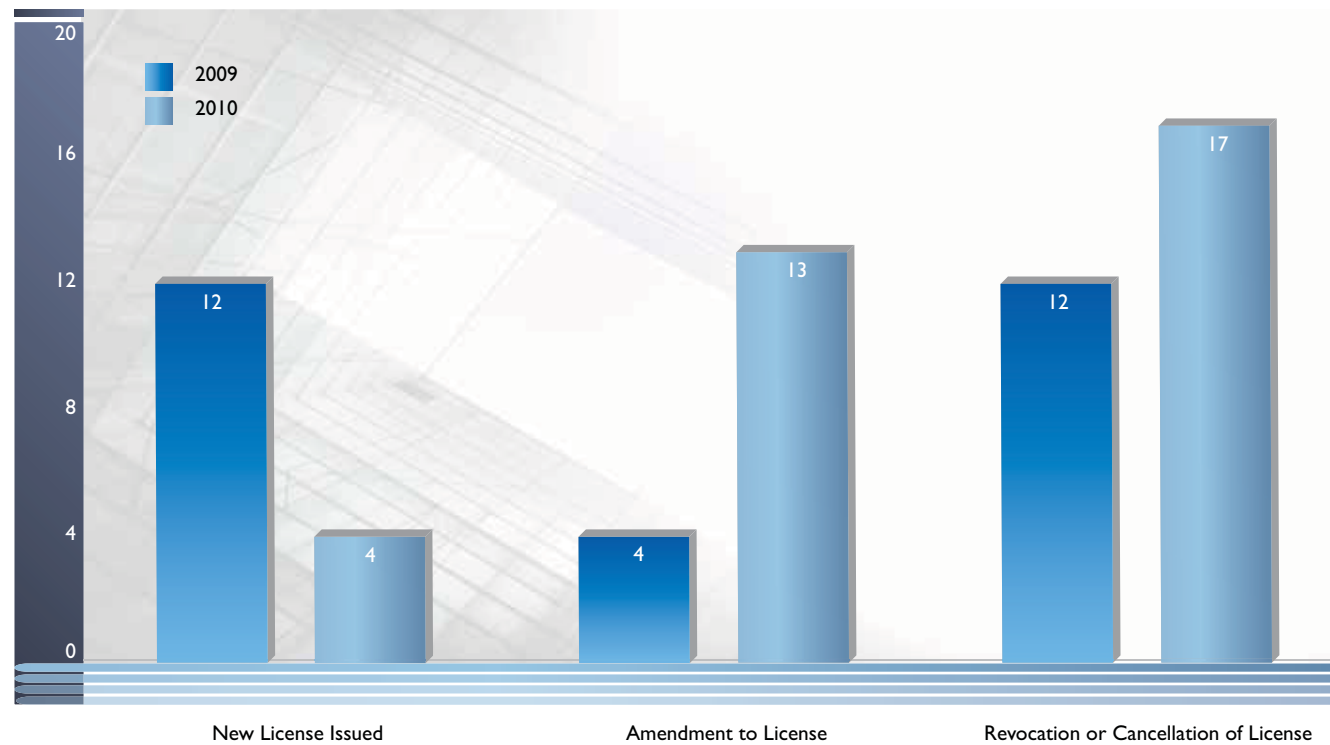


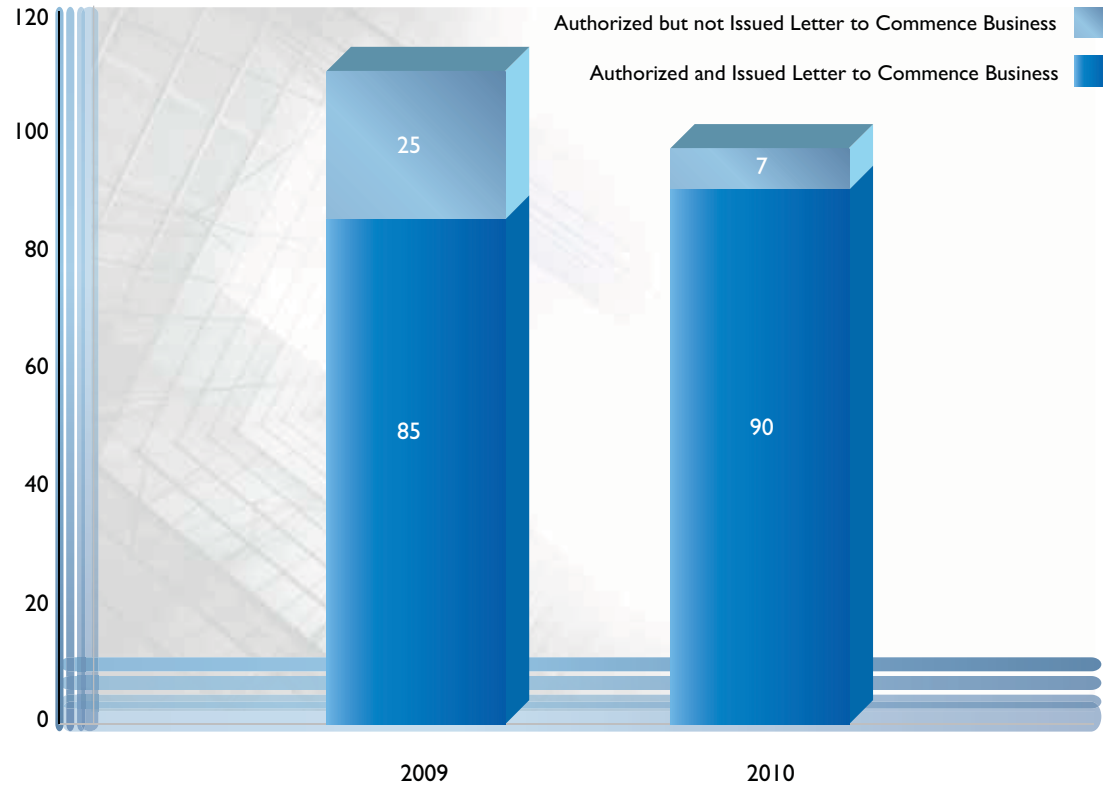
Table (47) classifies the authorized persons by letters to commence business as follows:

- The percentage of authorized persons with letters to commence business comprised 92.8% at the end of 2010 compared to 77.3% at the end of 2009.
- The number of authorized persons stood at 97 at the end of 2010; seven of which did not obtain letters to commence business.

Table (47): Number of Authorized Persons by Business Commencement Letter in 2009 and 2010

Category	Number of Authorized Persons				
	2009	Percentage out of Total (%)	2010	Percentage out of Total (%)	Change (%)
Authorized and Issued Letter to Commence Business	85	77.3%	90	92.8%	5.9%
Authorized but not Issued Letter to Commence Business	25	22.7%	7	7.2%	-72.0%
Total Authorized Persons	110	100%	97	100%	-11.8%

Chart (36): Number of Authorized Persons by Business Commencement Letter in 2009 and 2010





2. Licenses of Securities Business Activities

Table (48) shows the number of licenses of securities business activities by business commencement status at the end of 2009 and 2010 as follows:

- The total number of licenses for various securities business activities declined by 5.4% to 385 in 2010; the biggest drop (11.1%) was seen in the licenses for “advising” activity, followed by “arranging” licenses (9.5%) and “dealing” licenses (3%), while the number of licenses for “managing” and “custody” remained at 2009 levels.
- The number of licenses for various securities business activities of operating authorized persons amounted to 365 at the end of 2010 compared to 322 in 2009.
- The number of licenses for “advising” accounted for the largest percentage with 22.9% of total licenses for carrying out securities activities at the end of 2010. This was followed by “arranging” licenses with 22.3%, “custody” with 19.5%, “managing” with 18.4% and finally “dealing” with 16.9%.

Table (48): Number of Valid Licenses of Securities Business Activities by Commencement Status in 2009 and 2010

Type of Securities Activity	Number of Licenses							
	2009				2010			
	Commenced ¹⁸	Not Commenced	Total	Percentage out of Total (%)	Commenced ¹⁸	Not Commenced	Total	Percentage out of Total (%)
Dealing	57	10	67	16.5%	63	2	65	16.9%
Managing	55	16	71	17.4%	68	3	71	18.4%
Arranging	74	21	95	23.3%	80	6	86	22.3%
Advising	78	21	99	24.3%	82	6	88	22.9%
Custody	58	17	75	18.4%	72	3	75	19.5%
Total	322	85	407	100%	365	20	385	100%

18. Letters for commencing securities business are issued only after fulfilling all authorization requirements, within a period not less than 12 months from the date of the authorization decision.

Chart (37): Number of Valid Licenses of Securities Business Activities in 2009 and 2010

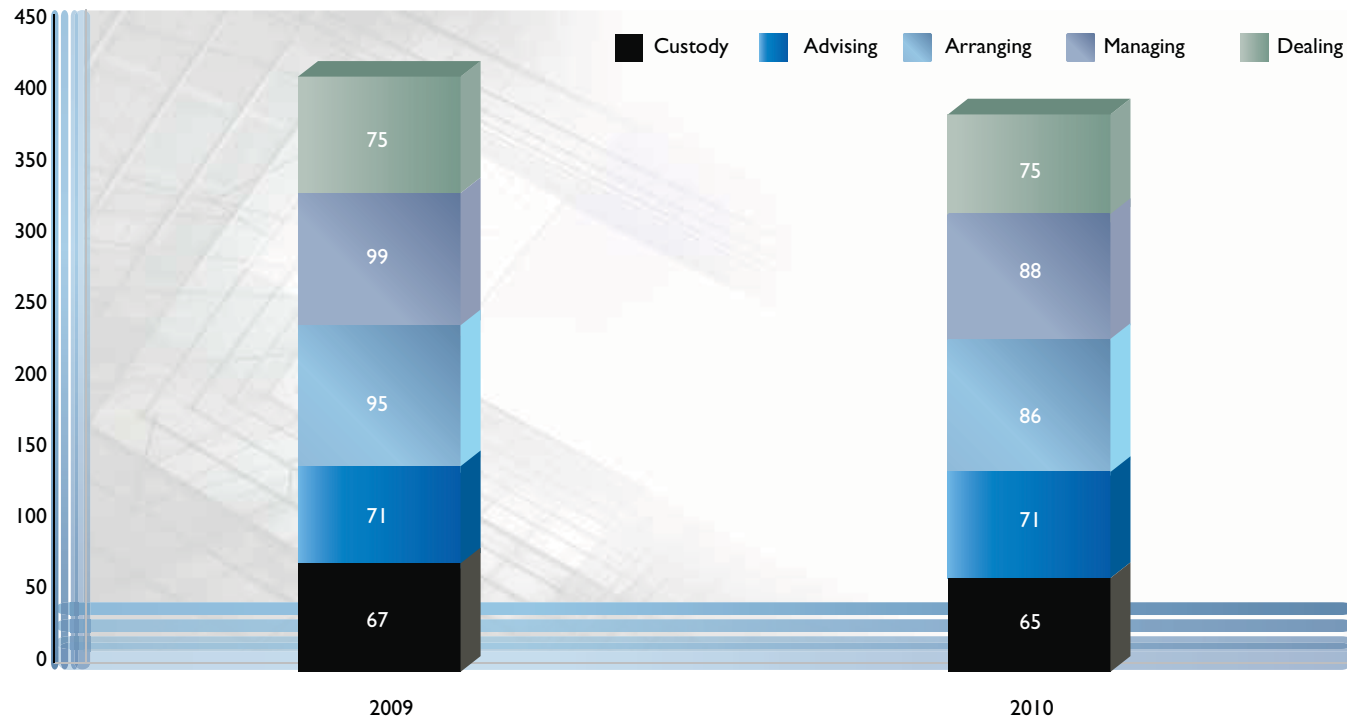


Table (49) indicates the number of authorized persons based on the number of securities business activities they are licensed to conduct at the end of 2009 and 2010. Table (50) shows a list of authorized persons and their respective licensed securities business activities at the end of 2010. Key developments of these tables can be summarized as follows:

- The number of persons authorized to conduct four (out of five) activities rose at the end of 2010 to 10 compared to 9 at the end of 2009.
- The number of persons authorized to conduct one, two, or three activities went down by 25%, 35.3%, and 12.5% respectively.



Table (49): Number of Authorized Persons, Classified by Number of Licensed Securities Business Activities at the End of 2009 and 2010

Number of Securities Activities	Number of Licenses				
	At the end of 2009	Percentage out of Total (%)	At the End of 2010	Percentage out of Total (%)	Change (%)
One Activity	4	3.6%	3	3.1%	-25.0%
Two Activities	34	30.9%	22	22.7%	-35.3%
Three Activities	8	7.3%	7	7.2%	-12.5%
Four Activities	9	8.2%	10	10.3%	11.1%
All Activities	55	50.0%	55	56.7	0.0%
Total	110	100.0%	97	100.0%	-11.8%

Chart (38): Number of Authorized Persons, Classified by Number of Licensed Securities Business Activities at the End of 2009 and 2010

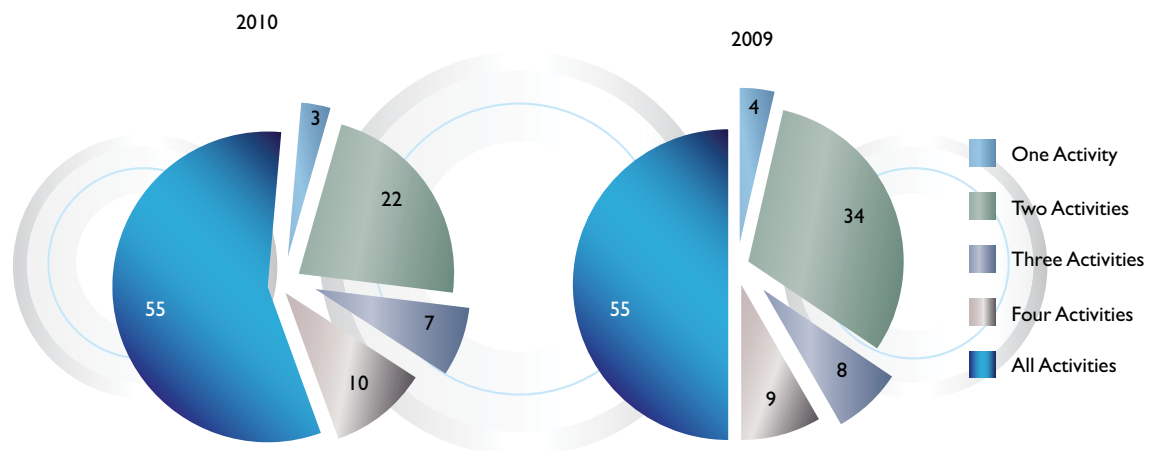


Table (50): List of Authorized Persons and Their Respective Licensed Securities Business Activities at the End of 2010

No.	AP Name	Type of License				
		Dealing	Managing	Arranging	Advising	Custody
1	Morgan Stanley Saudi Arabia Company	√	√	√	√	√
2	BMG Financial Group			√	√	
3	Financial Transaction House			√	√	
4	Al-Dukhei 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	√	√	√	√	
11	Bakheet Investment Group		√		√	√
12	Abdulaziz Al-Rebdi Financial Consulting Office			√	√	
13	EFG-Hermes KSA	√	√	√	√	√
14	Audi Capital Saudi Arabia Company	√	√	√	√	√
15	Al-Tawfeek Financial Group	√	√	√	√	√
16	FALCOM Financial Services	√	√	√	√	√



No.	AP Name	Type of License				
		Dealing	Managing	Arranging	Advising	Custody
17	Al-Awwal Financial Services Company		√	√	√	√
18	Al-Khabeer Capital Company	√	√	√	√	√
19	Al Mal Capital Saudi Company	√	√	√	√	√
20	Capital Advisory Group Company			√	√	
21	Gulf One Capital Company		√	√	√	√
22	Middle East Financial Investment Company	√	√	√	√	√
23	KSB Capital Group	√	√	√	√	√
24	Amwal for Security Ltd.			√	√	
25	Jadwa Investment Company	√	√	√	√	√
26	Al Wasatah Al MAliah Company	√	√	√	√	√
27	Rasmala Investment Saudi Arabia Company	√	√	√	√	√
28	Assets Financial House			√	√	
29	House of Investment & Financial Capital			√	√	
30	Ithraa Capital Company	√	√	√	√	√
31	Watan Investment and Securities Company	√	√	√	√	√
32	Aloula Geojit Brokerage Company	√	√	√	√	√

No.	AP Name	Type of License				
		Dealing	Managing	Arranging	Advising	Custody
33	NCB Capital Company	√	√	√	√	√
34	The Investor Company for Securities	√	√	√	√	√
35	Khalijia Invest Company	√	√	√	√	√
36	Fransi Tadawul Company	√				√
37	Shuaa Capital Saudi Arabia Company	√	√	√	√	√
38	Watheeqa Capital Company	√	√	√	√	√
39	CAAM Saudi Fransi Company		√		√	√
40	SAIB BNP Paribas Asset Management Company		√		√	√
41	Alistithmar Capital Company	√		√		√
42	House of National Consulting Company			√	√	
43	SaudiMed Investment Company	√	√	√	√	√
44	Global Investment House KSA	√	√	√	√	√
45	Merrill Lynch KSA Company	√	√	√	√	√
46	SAMBA Capital & Investment Management Company	√	√	√	√	√
47	Riyad Capital Company	√	√	√	√	√
48	Al Rajhi Capital	√	√	√	√	√
49	SABB Securities Limited Company	√				√
50	ANB Invest	√	√	√	√	√



No.	AP Name	Type of License				
		Dealing	Managing	Arranging	Advising	Custody
51	Deutsche Securities Saudi Arabia LLC Company	√	√	√	√	√
52	AlJazira Capital Company	√	√	√	√	√
53	GIB Financial Services Company	√	√	√	√	√
54	Saudi Hollandi Capital Company	√	√	√	√	√
55	JP Morgan Saudi Arabia Ltd. Company	√		√	√	√
56	AlBilad Investment Company	√	√	√	√	√
57	Al Nefae Investment Group	√	√	√	√	√
58	Arbah Capital Company	√	√	√	√	√
59	Haykalah Financial Consulting Company			√	√	
60	Emirates NBD Capital KSA LLC	√	√	√	√	√
61	Calyon Saudi Fransi Limited Company	√		√		
62	Investcorp Saudi Arabia Financial Investment Company		√	√	√	√
63	Gulf Advisors Financial Consulting Company			√	√	
64	Goldman Sachs Saudi Arabia Company	√	√	√	√	√
65	Professional Financial Consulting Company			√	√	
66	Blominvest Saudi Arabia Company	√	√	√	√	√
67	Muscat Capital LLC	√	√	√	√	√
68	The National Investor Saudi Arabia Company	√	√	√	√	√

No.	AP Name	Type of License				
		Dealing	Managing	Arranging	Advising	Custody
69	Nomura Saudi Arabia Company	√	√	√	√	√
70	Ebanah Financial Company			√	√	
71	Derayah Financial Corp.	√	√		√	√
72	Adeem Financial Company		√			√
73	Ajeej Capital Limited Company				√	
74	UBS Saudi Arabia Company	√	√	√	√	√
75	BNP Pariba Investment Company KSA	√		√		√
76	Sidra Capital Company	√	√	√	√	√
77	United Financial House Company	√	√			√
78	Vision Capital Group			√	√	
79	Unicorn Capital Saudi Arabia Company	√	√	√	√	√
80	Mizuho Saudi Arabia Company	√	√	√	√	√
81	Bait Al Mal Al Khaleeji Company		√	√	√	√
82	Saudi Kuwaiti Finance House Company	√	√	√	√	√
83	Arab Experts Capital LLC			√	√	
84	MaCeem Capital	√	√	√	√	√
85	Alinma Investment Company	√	√	√	√	√
86	SEDCO Capital Company		√	√	√	√



No.	AP Name	Type of License				
		Dealing	Managing	Arranging	Advising	Custody
87	Malaz Capital Company		√	√	√	√
88	Saudi Venture Capital Investment Company		√	√	√	√
89	Anfaal Capital Company		√	√	√	√
90	Barclays Saudi Arabia	√	√	√	√	√
91	Societe Generale Saudi Arabia	√	√	√	√	√
92	Integration Capital for Financial Papers Company			√	√	
93	Standard Chartered Capital Saudi Arabia	√	√	√	√	√
94	Lazard Saudi Arabia Limited Company			√		
95	Gulf Investors Asset Management Company	√	√	√	√	√
96	Enmaa Western Financial Services Company			√	√	
97	Jarir Capital Company				√	

3. Paid-up Capital of Authorized Persons

Table (51) shows the number of authorized persons and their paid-up capital at the end of 2009 and 2010. It indicates a decline of 11.8%, from 110 authorized persons at the end of 2009 to 97 authorized persons at the end of 2010. Total

paid-up capital of authorized persons increased by 6.1% to SR 14.4 billion at the end of 2010 against SR 13.6 billion at the end of 2009.

Table (51): Number of Authorized Persons and their Paid-up Capital (SR Million) at the End of 2009 and 2010

Description	At the End of 2009	At the End of 2010	Change (%)
Number of APs	110	97	-11.8%
Total Paid-up Capital	13,619	14,446	6.1%

4. Development in the Number of Persons Registered with the CMA

Article Nineteen of the Authorized Persons Regulations prescribes the registrable functions. In addition, Articles Twenty One, Twenty Two, and Twenty Four have set forth the requirements for application for registration, the procedures and powers of the Authority in considering an application for registration, and the responsibilities of registered persons.

The number of persons registered with the CMA stood at 2,976 at the end of 2010 compared to 3,164 in 2009, decreasing by 6%.

(2) Inspection

According to the powers stated in Paragraph (c) of Article Five of the CML, the CMA carries out a number of inspection programs for monitoring the activities of authorized persons to ensure their compliance with the CML and its Implementing Regulations. This is done through three particular inspection programs:

1. Initial Inspection Programs

These programs are carried out for inspecting the authorized persons after they obtained letters for commencing business to ensure the soundness of their business and their compliance with the terms and conditions stated in the licenses issued for them by the CMA.

2. Cause Inspection Programs

These ad-hoc programs are conducted in response to complaints received from investors or employees of authorized persons, or any cases referred by entities associated with securities business, or whenever the CMA has just cause to do so.

3. Routine Inspection Programs

These programs are implemented at regular intervals based on the level of risks associated with the business of authorized persons. Risk profiles of all authorized persons are periodically assessed to determine the nature



and type of inspection visits. In a routine inspection program, a series of procedural reviews is conducted taking into account the potential risks of authorized persons' business. These risks fall under five main categories: financial, operational, compliance and legal, technological and clearing, and settlement risks.

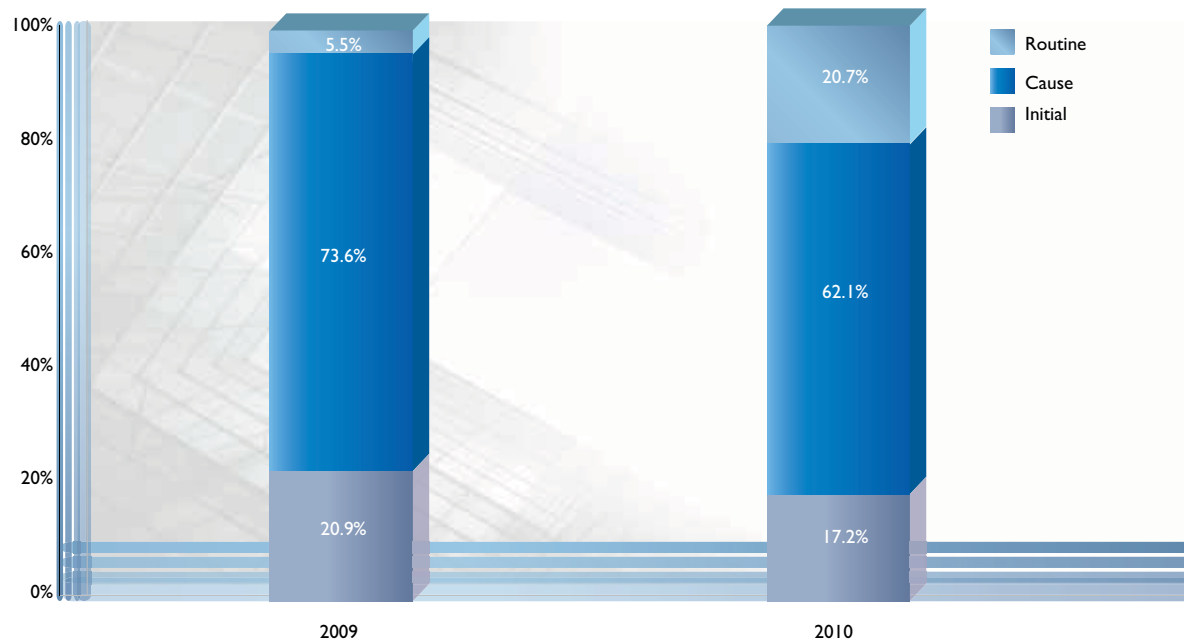
Table (52) shows the number of inspection visits, classified by type, that were carried out by the CMA in 2009 and 2010. It can be illustrated as follows:

- 87 inspection visits were made in 2010, including 15 initial inspection visits, 54 cause inspection visits, and 18 routine inspection visits compared to a total of 91 inspection visits in 2009.
- Cause inspection visits accounted for the majority of all visits with 73.6% and 62.1% in 2009 and 2010 respectively.
- In 2010, the number of inspection visits went down by 21.1% compared to 2009.

Table (52): Number of Inspection Visits Carried out by the CMA in 2009 and 2010 by Type

Type of Inspection Visit	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Initial	19	20.9%	15	17.2%	-21.1%
Cause	67	73.6%	54	62.1%	-19.4%
Routine	5	5.5%	18	20.7%	260.0%
Total	91	100%	87	100%	-4.4%

Chart (39): Percentages of Inspection Visits Carried out by the CMA in 2009 and 2010 by Type



Based on those visits, the CMA imposed appropriate penalties depending on the nature and magnitude of the violations.

Table (53) presents the number of cause inspection visits carried out in 2009 and 2010 as follows:

- In 2010, the number of cause inspection visits declined by 19.4% to 54 as compared to 2009.
- 15 cause inspection visits related to violations of the CML or its Implementing Regulations were carried out in 2010, representing 27.8% of total cause inspection visits.
- The number of cause inspection visits related to cases referred by other entities or investors' complaints amounted to 16 in 2010 accounting for 29.6% of total visits.
- 23 follow-up inspection visits were made in 2010 compared to 14 in 2009.



Table (53): Number of Cause Inspection Visits Made by the CMA in 2009 and 2010 Classified by Type of Case/Action

Type of Case/ Action	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Cases Referred by Other Entities or Investor Complaints	16	23.9%	16	29.6%	0.0%
Cases Related to Violations of the CML or its Implementing Regulations	37	55.2%	15	27.8%	-59.5%
Follow-up Inspection Visits	14	20.9%	23	42.6%	64.3%
Total	67	100%	54	100%	-19.4%

(3) Prudential

Paragraph (b) of Article Five of the Authorized Persons Regulations has stipulated that an authorized person must comply with the principle of financial prudence, by maintaining adequate financial resources in accordance with the Rules prescribed by the Authority. To ensure compliance, the CMA reviews the following:

1. Capital adequacy reports: monthly review of the capital adequacy reports of authorized persons to ensure they have sufficient liquid assets to meet all their obligations, and be able to liquidate in an orderly fashion with minimal effect on the capital market when the need arises.
2. Subordinated loan agreements: subordinated loans are often extended by shareholders to an authorized person, and repayable after any other claims on an authorized person have been paid. The use of subordinated loans is one of the available options for raising an authorized person's net capital. An authorized person is required to obtain the Authority's approval prior to having any subordinated loans.

3. Underwriting: when an authorized person enters into an underwriting agreement in a securities offering, the authorized person undertakes to buy up to a certain agreed amount of the issued securities that are left unsubscribed by the public; the CMA reviews the underwriting proposal to ensure that the authorized person has sufficient financial resources to underwrite a securities offering.

Table (54) reflects the number of financial reviews of authorized persons undertaken in 2009 and 2010. The key elements are as follows:

- In 2010, the total number of financial reviews of authorized persons amounted to 843 compared to 2009, denoting an increase of 15.8%.
- 809 periodical reviews of capital adequacy were undertaken in 2010, accounting for 96% of total reviews, marking a rise of 16.4%, compared to 695 in 2009.
- In 2010, there were six reviews of subordinated loan agreements, and 17 capital adequacy assessment reviews of APs underwriting a securities offering; 11 business plans submitted by APs to increase net capital beyond the minimum level were also reviewed.

Table (54): Categorization of the Numbers of Financial Reviews of Authorized Persons in 2009 and 2010

Type of Review	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Periodical Review of Capital Adequacy Report	695	95.5%	809	96.0%	16.4%
Capital Adequacy Assessment of APs Underwriting Offerings	18	2.5%	17	2.0%	-5.6%
Subordinated Loan Agreements	6	0.8%	6	0.7%	-
Business Plans to Raise Net Capital Beyond Minimum Level	9	1.2%	11	1.3%	22.2%
Total	728	100%	843	100%	15.8%

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

The CMA monitors the compliance of authorized persons with the Anti-Money Laundering and Counter-Terrorist Financing Rules and with other relevant laws by carrying out particular inspection programs. The CMA, in collaboration with the Financial Investigation Unit of the Ministry of the Interior and other competent authorities, works on coordinating all relevant matters. In addition, the CMA shoulders the responsibility of carrying out particular inspection programs on unauthorized persons (brokerage firms) that are suspected of being involved in conducting securities business.

Table (55) shows the number of cases and on-site visits conducted by the CMA with respect to compliance with the AML/CTF in 2009 and 2010. It can be summarized in the following:

- Total cases and on-site visits conducted by the CMA with respect to the compliance with the AML/CTF rules stood at 1,121 in 2010 against 522 in 2009, denoting an increase of 114.8%.
- Cases of AML/CTF topped the list of cases and on-site visits with 95.2% of the total.
- The number of on-site visits to authorized and unauthorized persons in 2010 amounted to 17 and 4 respectively.



Table (55): Cases and On-site Visits Conducted by the CMA with Respect to Compliance and Anti-Money Laundering in 2009 and 2010

Type of Case/ On-site Visit	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Processing Cases Related to AML/CTF	492	94.3%	1067	95.2%	116.9%
Processing Requests and Inquiries of Authorized Persons	18	3.4%	33	2.9%	83.3%
Onsite Visits to Authorized Persons	5	1.0%	17	1.5%	240.0%
Onsite Visits to Unauthorized Persons	7	1.3%	4	0.4%	-42.9%
Total	522	100%	1121	100%	114.8%

2.1.9 Investor Awareness

Since its inception, the CMA has fostered a pioneer role in educating market participants about the regulations, instructions and resolutions issued by the CMA Board, about the risks that might face market investors, or even the manipulative or misleading acts in the capital market. Thus, the CMA has opened many channels for raising the awareness of investors in the capital market by carrying out the following key activities:

First: Responding to complaints from capital market participants via telephone, fax, e-mail or personal meetings

Second: Receiving visitors and explaining the CMA's business and services to media representatives, citizens, and university students and officials

Third: Releasing informational materials that cover the news and resolutions issued by the CMA Board, or those explaining and interpreting them

To ensure that information is timely accessible to all investors, the CMA posts the news and resolutions released by the Board on its website. Moreover, the CMA and mass media cooperated to offer more than 229 informational materials that explain and interpret the news and resolutions issued by the CMA Board, including the steps taken to develop the Saudi capital market, increase transparency and unmask wrongdoings.

Fourth: Investor awareness programs

Stemming from its strategy towards investor awareness programs, the CMA carried out the following in 2010:

1. Publishing and Distributing Awareness Booklets

The CMA released the “Corporate Governance” booklet to join the collection of previously issued awareness booklets totaling 13. This booklet aims at promoting the culture of corporate governance among investors in the Saudi Stock Exchange, and introducing the general rights of shareholders. It explains the requirements of disclosure and transparency as two prime elements of governance in addition to the key functions of the board of directors. The CMA spread these booklets in its various participations.

The CMA also:

- Distributed more than 500,000 publications directly to target audience through various distribution channels and venues such as pavilions at conferences, symposia, airports, train stations; at summer, social and charitable centers, and government schools across the Kingdom.
- Published the second volume of “The Smart Investor”, a magazine dedicated to kids at primary grades. The magazine is intended to present some concepts of saving and investing in an amusing and simplified manner; around 44,000 copies were distributed.

Furthermore, the CMA updated and improved the following guidance manuals previously issued in 2009:

- Joint stock company obligations after offering and before listing.
- Ongoing obligations of listed companies.
- Share ownership obligations of Board members and senior executives.
- Major shareholders’ obligations as to share ownership notifications

2. Awareness Road Shows and International Fairs

The CMA carried out the Road Show Project in which it targeted 18 cities/provinces across the Kingdom. Several CMA pavilions were held in the malls of those cities and provinces through which it connected with visitors of all segments, be they Saudis or foreign residents, to raise the investment culture and awareness. Table (56) illustrates the number of investor awareness road shows organized in different cities/provinces in 2010. The most significant elements of this table can be summarized in the following:

- The total number of road shows organized in 2010 amounted to 24 over 132 days.
- These road shows witnessed remarkable attendance with more than 270,000 visitors.

Also, the CMA organized a number of awareness pavilions on several occasions:

- Riyadh International Book Fair, 2-12 March 2010; about 70,000 visitors.
- Universal Children’s Day, held in Riyadh (28/11 - 2/12/2010); around 4,000 visitors.

3. Adding an Appendix Entitled “Financial Investments and Stock Markets” to the Subject “Principles of Economy” for the Second Grade of High School, Stream of Administrative and Social Sciences

As part of the CMA’s efforts to reach different segments of audience, youth in particular, a content-rich appendix entitled “Financial Investments and Stock Markets” was added to the subject “Principles of Economy” for the second grade of high school, stream of administrative and social sciences, as of the academic year 2010-2011. This was arranged with officials at the Ministry of Education’s Department of Curriculums.



Table (56): Number of Investor Awareness Road Shows Organized in Different Cities/Provinces of the Kingdom in 2010

No.	City/Province	Road Shows Organized	Attendees	Days
1	Riyadh	3	66,000	27
2	Jeddah	4	51,935	25
3	Buraydah	1	6,000	3
4	Onaizah	1	7,000	3
5	Tabuk	1	4,000	3
6	Al-Majma'ah	1	3,100	3
7	Al-Rass	1	5,300	3
8	Khamis Mushayt	1	12,100	6
9	Ha'il	1	3,150	3
10	Al-Ahsa'	1	10,500	3
11	Najran	1	2,450	3
12	Hafr Al-Batin	1	3,950	3
13	Ta'if	1	4,400	3
14	Al-Khobar	2	37,350	13
15	Makkah	1	6,210	7
16	Madinah	1	24,100	7
17	Abha	1	19,250	14
18	Yanbu'	1	3,650	3
	Total	24	270,445	132

Fifth: Developing the CMA's Media Channels

To enable market participants to easily access information and to reach out to as many as possible, the CMA:

- Relunched its website with a new look.
- Created web pages on social networking websites (Facebook, YouTube and Twitter) to increase the channels of communication with all targeted segments, spread educational messages about the CML and its Implementing Regulations, offer browsers access to the awareness center to view seminars, investor awareness booklets along with other publications issued by the CMA.
- Expanded the scope of communication with different mass media to cover GCC countries by publishing the CMA's news and reports on their mass media.

Sixth: Holding and Sponsoring Training Courses, Symposia and Seminars

The CMA:

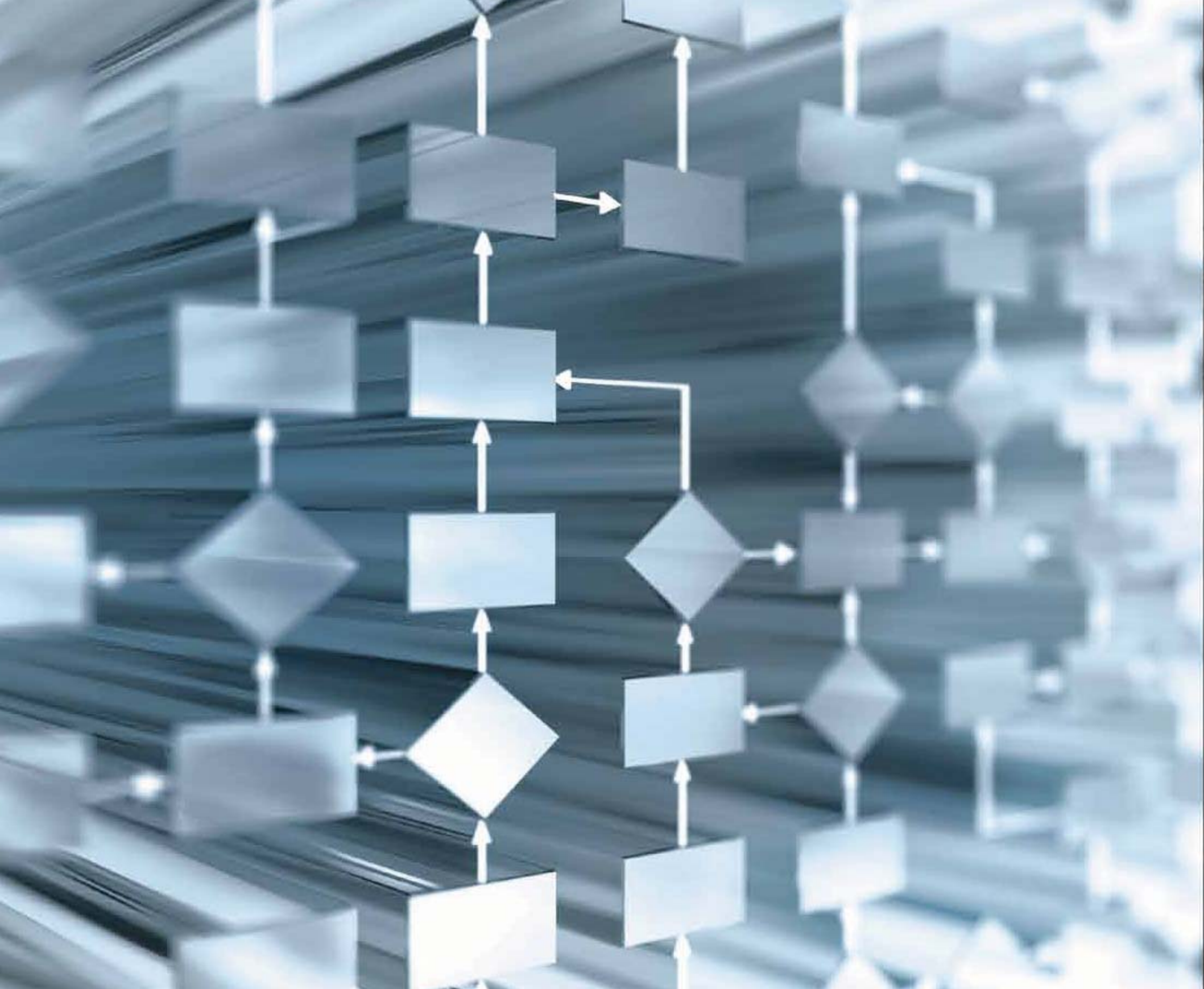
- Trained journalists and media representatives on financial report writing and economic analysis in several successive courses to deepen their economic and financial knowledge. It held four training courses in 2010 with an attendance of 35 media representatives.
- Organized a seminar in Riyadh from the 20th to the 23rd of March 2010, in cooperation with the Securities and Exchanges Commission (SEC), on some of the CMA's key functions. The event was attended by several officials from GCC securities commissions and authorities in addition to the CMA's employees. Seminar speakers touched upon many topics of interest to financial market regulators such as: insider trading, money laundering, market manipulation, financial accounting fraud, investigation and prosecuting persons involved in securities lawsuits and penalty systems. The CMA and its US peer shared experiences on different issues.

- Organized a symposium on "Corporate Governance" in cooperation with the Swedish Trade Council. From the Swedish side, a number of speakers, lecturers, experts, and representatives of family and joint stock companies took part in this event. Sweden is one of the top ranked countries worldwide when it comes to sound corporate governance practices, and is renowned for its excellent transparency record. The symposium aspired to educate stakeholders and those interested in corporate governance's best practices, and acquaint themselves with international professional remarkable experiences. The symposium gathered prominent business leaders from both Saudi Arabia and Sweden to discuss their views and best practices on corporate governance.
- Sponsored the "Future of Real Estate Funds in the Kingdom" symposium held in the Eastern Region. This symposium was organized by Arbah Capital at Asharqia Chamber headquarter where a great number of developers, specialists and people interested real estate investment discussed the feasibility of investing in the real estate sector and the future of these funds.

2.1.10 Accession to the International Organization of Securities Commissions (IOSCO)

The CMA became a full member of the IOSCO during the 35th Annual Conference, held in Montreal, Canada (6-10 June 2010). This membership came as a result of the CMA's regulatory and supervisory capabilities in the Saudi capital market which allowed it to be in the league of other international regulator, and in recognition of its efforts to develop the Saudi Stock Exchange, sustain its global status and apply the best standards; its constant work to establish the regulatory and institutional foundations of the Saudi Stock Exchange, and implement the highest standards of integrity, transparency and efficiency in its entire operational and regulatory processes. The membership will enable the CMA to actively exchange information and share experiences with peer bodies to contribute to building a more stable global economy.

The Madrid-based IOSCO embraces 114 ordinary members from international jurisdictions and financial market regulators. It assumes an effective role in regulating and developing the standards and principles governing securities markets.



Achievements of the CMA

2.2 Achievements in Regulating and Developing the Internal Environment

2.2.1 Human Resources Development and Administrative Organization

2.2.2 Shift to Electronic Government Transactions



2.2 Achievements in Regulating and Developing the Internal Environment

Pursuant to Article Six of the CML that emphasizes the CMA's responsibility for formulating and developing internal regulations, and Articles Nine and Ten of the same Law that deal with developing the CMA's business and achieving of its objectives, the CMA enhanced its internal environment in 2010 in five areas:

2.2.1 Human Resources Development and Administrative Organization

1) Recruitment/Cooperation with Advisors

- The CMA recruited 97 highly qualified employees, bringing the total number of CMA employees to 630, increasing by 18.2% compared to 2009.
- A very few number of specialists in capital markets were hired from overseas to fill some consulting and specialist positions in some CMA departments.

2) Human Resources Development

- 15 in-house training programs were held.
- CMA staff benefited from 752 offshore training programs.
- 12 employees joined the rotation program.
- 16 employees enrolled in English language programs, to join 12 employees who were previously enrolled in 2009. Also, 31 employees benefited from local English language programs.
- 101 employees joined continuing education programs through correspondence.
- On-job training was provided to 11 employees at peer international organizations and entities.
- 52 employees were sent on scholarships.

3) Strategic Development

In response to future challenges and changes in the financial and business environment, the CMA adopted the "Knowledge Management" system in 2010 to develop its internal work environment, which will contribute to:

- Building a comprehensive database for the CMA.
- Developing the applications of information systems (Data Management, Surveillance System, ERP Systems (Oracle) Enterprise Content Management System) and linking the deliverables of these applications to the CMA's data warehouse.
- Extracting and retrieving all sorts of reports as needed and determined by system users.
- Establishing an e-library to store all documents, studies and reports produced by the CMA's divisions/departments or those made for the CMA by external entities, to be accessible when needed.
- Connecting the Knowledge Management System easily to any specialized external data base, so it can be available for the CMA's different sectors according to need. It will also enable online subscription to professional periodicals and magazines and specialized websites.

The first phase of this project, which is setting the project's outline and deliverables, has been completed. A specialized company has been selected to execute the project.

4) Promoting the CMA's Social Role

- The CMA participated in four career day events over 17 days at a number of local and regional universities and academic institutions.
- Established the Scholarship Program for Fresh Graduates (SPFG) to obtain masters degrees in several majors that are directly related to the CMA's work; 36 graduates joined this program, 10 of which got the masters degree.

Recruited a number of distinctive university students to spend the co-operative training period with the CMA. The duration of cooperative training ranges from 8 weeks to 6 months based on the educational/academic entity. The number of cooperative training male/female students amounted to 36 in 2010.

5) Managing the CMA's HQ

The CMA directly oversees the execution works of its headquarters, designed by HOK International in partnership with Omrania & Associates (local designer), at King Abdullah Financial District. The HQ project is situated on an area of 5,962 square meters, with a built area of 185,000 square meters.

The following works were completed in 2010:

- Excavation and site mobilization.
- Building's concrete foundations, and starting the main structure works.
- Nearly 40% of the interior design for the CMA's offices.

2.2.2 Shift to Electronic Government Transactions

Believing in the necessity of implementing and enforcing e-transactions pursuant to Royal Order No.(8189/MB) dated 19/8/1426H, and the Council of Ministers' Resolution No.(252) dated 16/7/1431H confirming the enforcement of e-Government Implementation Regulations issued by Resolution No.(40) dated 27/2/1427H, to form a committee at each government agency named (e-Government Committee) to have strong communications with it and to have its role effectively activated in coordination with the e-Government Program "YESSER" provided that it should be presided by the highest official at each agency or whom he may authorize, the chairman of the CMA Board issued Resolution No.(21/RMS) dated 23/2/1431H (7/2/2010) to constitute an e-Government Committee made up of:

1. Vice Chairman of the CMA Board (Chairman)
2. Director of the Corporate Services Division (Member)

3. Director of the Strategy and Research Division (Member)
4. Manager of the Information and Technology Department (Member and Rapporteur)
5. Manager of the Human Resources Department (Member)

The Committee shall assume the responsibility of setting up plans, supervising the implementation of the CMA's internal and external e-transactions, and coordinating with other government agencies in this regard.

Major accomplishments made in this domain include:

- A new website for the CMA was re-launched using the latest technologies in designing and publishing web pages (MS SharePoint) that will increase communication and interaction with investors in the capital market to strengthen their investment and rights awareness. The new website will enable the browsers to instantly view the CMA's news and issued resolutions, along with all the Implementing Regulations and other CMA services and relevant electronic forms.
- An internal electronic portal was created to serve all the CMA's employees as they can freely choose the functions they need, and post and change the content directly without turning to technical support.
- Working on automating business processes of the CMA's different sectors and divisions by analyzing and developing application systems by development teams using Oracle and web latest technologies.
- Completing the first phase of the "Enterprise Content Management - Documentum" project, which is a turning point in the field of unstructured data technology. This platform is used to facilitate the automation of workflow creating an (paperless) environment less reliant on paper. It is strongly associated with organizations' core business documents such as letters, faxes, reports, conversations, meetings' agenda, voice recordings for investigations and sessions' proceedings. The most significant deliverables of this project are:



- Archiving, storing and categorizing documents electronically.
- Searching for and retrieving documents as per each employee's privileges while using barcode attribute.
- Taking part in working on documents without emailing them.
- Saving, copying and recovering documents, and creating multiple copies out one document; configuring the attribute of closing new copies.
- Converting paper copies into electronic ones while being able to identify their content.
- Creating e-forms to make information exchange in and out of the CMA easier.
- Archiving e-mails.

■ Frequent development and upgrading of Oracle ERP systems and providing self services to the CMA's employees.

■ Constant work on increasing information security and CMA e-information protection through the following:

- Activating anti-virus protection.
- Firewalls.
- Applying information security policy.
- Information categorization/classification.
- Information security awareness programs.
- Information and document protection mechanisms.
- Backup.
- Testing backups.

- Setting a plan for electronic services continuity and crisis management.
- Having a record for information assets.
- Having a record for the risks associated with information assets.
- Establishing a mechanism for change management to be applied on the CMA's information technology systems.
- Applying quality control standards on information technology services.

■ Monitoring data and machine centers around the clock.

■ Enhancing and adjusting information infrastructure including servers, network devices, storage equipment and backup systems to be catalyst factors in automating the CMA's services.

■ Providing cutting-edge telecommunication services such as IP Telephony and Voice Over Internet Protocol to all the CMA's centers.

■ Equipping data centers with top quality technology.

■ Implementing the newest technological measures in extending technical support to CMA staff.

■ Adopting some temporary technological solutions for the continuity of electronic services across the CMA's main buildings to keep information technology services running and minimize risks until a contingency plan is deployed.

■ Reducing the depletion of information storage sources with the CMA by applying technical solutions ensuring the preservation of such sources, which considerably lowered the costs to increase data storage capacity.



Pursuant to the Royal Order that each government agency shall measure the level of transition to e-government transactions biannually according to a mechanism and set of indicators specified by “YESSER” Program, the CMA was evaluated during the third measurement of e-transactions transforma-

tion covering 95 entities across the Kingdom. The measurement results were positive with a good overall indicator of electronic transformation of 74.6%, taking the CMA from the construction stage to the services availability stage as in table (57).

Table (57): Results of the CMA Evaluation by “YESSER” Program during the Third Measurement of E-Transactions Transformation of 95 Entities in the Kingdom

Perspective	CMA
Institutional Organization of E-Government	65.8%
Technological Infrastructure	85.2%
Information Environment	83.6%
E-Services	76.2%
Overall Indicator of Transition to E-Transactions	74.6%



Chapter Three

Achievements of the Committees for the Resolution of Securities Disputes

Committee for the Resolution of Securities Disputes (CRSD)

Appeal Committee for the Resolution of Securities Conflicts (ACRSC)



3.1 Committee for the Resolution of Securities Disputes (CRSD)

In fulfillment of Article Twenty Five of the CML that stipulated the establishment of a committee that consists of legal advisors specialized in the jurisprudence of financial transactions and capital markets, enjoying expertise in commercial and financial affairs and securities to settle the disputes that fall under the provisions of the CML and its Implementing Regulations, and their rules and instructions with respect to the public and private rights, the CMA Board passed Resolution No. 1-2-2005 dated 7/11/1425H to form the designated committee which embraces the following three members:

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

The Committee's scope of work is characterized by the following:

- Its jurisdiction stretches over all the Kingdom's regions covering all types of lawsuits, be they civil, penal or administrative, that fall within the provisions of the CML and Its Implementing Regulations as well as the rules and instructions issued by the CMA. It has jurisdiction over all disputes that arise between authorized persons and investors, and among investors themselves. It also settles the accusations/charges filed by the CMA against violators of the CML and its Implementing Regulations.
- It has the right to look into the grievances against the CMA's decisions and measures.
- Automated judicial work: An electronic system was designed and installed to reduce the reliance on paper work. It also enables members and advisors to examine filed suits and view all of their contents through their personal computers. This has resulted in speedy resolution of cases with precision and justice.

To achieve optimum communication with concerned parties, the Committee:

- Introduced the Short Message Service (SMS) to send notifications and session dates and times directly to the parties of litigation on their cell phone numbers recorded in the pleadings. The goal is to remind parties of their appointments and lawsuits with the CRSD.
- Launched a website for the CRSD and ACRSC at: www.crsd.org.sa.
- In 2010, the Committee held 377 meetings in which 136 decisions were made on all sorts of cases: civil, administrative and penal.

Table (58) shows the number of cases filed with the CRSD in 2009 and 2010.

Table (59) reflects the number of finalized cases in 2009 and 2010. Their most important indicators can be summarized in the following:

- In 2010, a total of 114 cases were filed with the CRSD compared to 140 cases in 2009, recording a decline of 18.6%.
- Civil cases constituted the highest percentage of all cases filed with CRSD, accounting for 81.6% in 2010 and 84.3% in 2009.
- In 2010, the CRSD finalized 15 cases out of what was filed within the same year compared to 48 cases in 2009.
- Civil cases accounted for 80% of total registered and finalized cases in 2010 compared to 54.2% of total registered and finalized cases in 2009.

Table (58): Number of Cases Filed with the CRSD in 2009 and 2010 by Type of Case

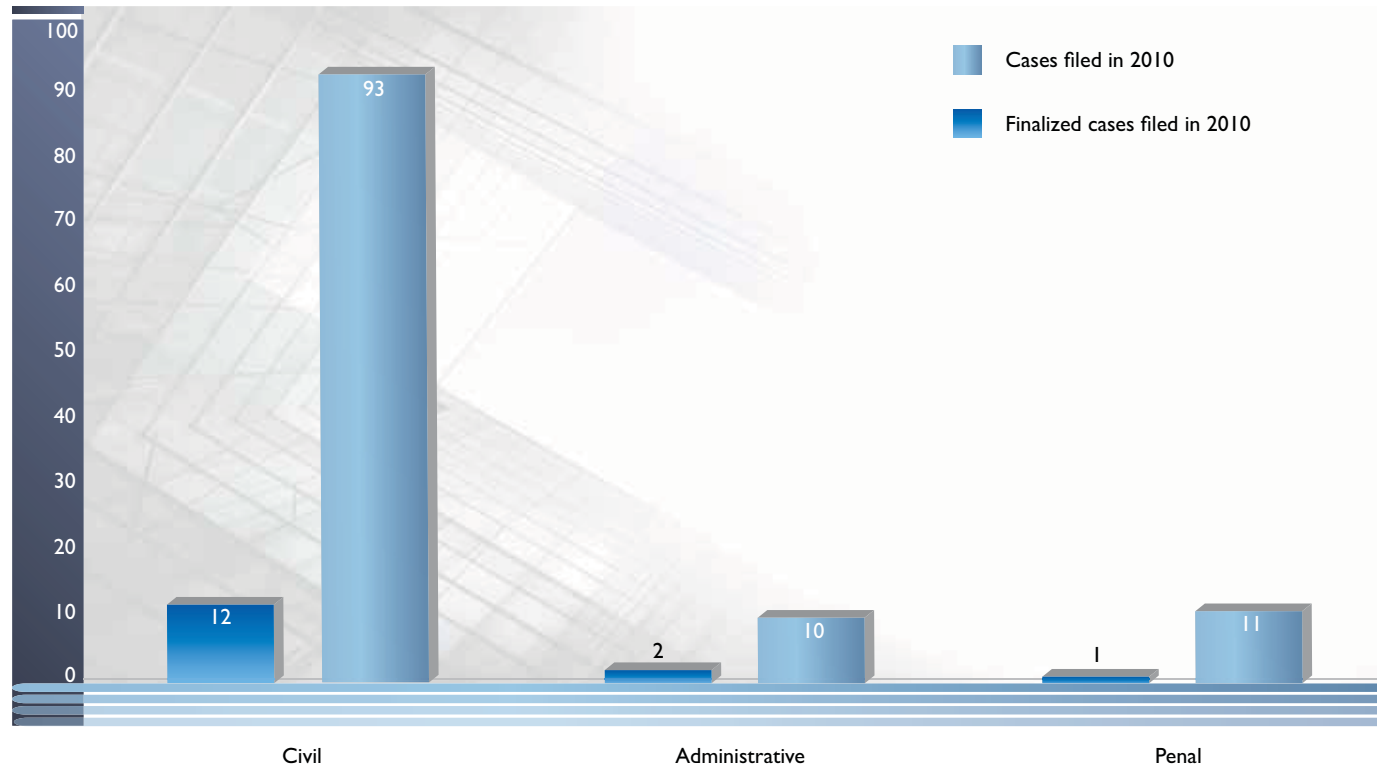
Case Type	2009		2010	
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
Civil	118	84.3%	93	81.6%
Administravtive	7	5.0%	10	8.8%
Penal	15	10.7%	11	9.6%
Total	140	100%	114	100%

Table (59): Number of Cases Finalized (Out of Filed Cases within the Same Year) in 2009 and 2010 by Type of Case

Case Type	2009		2010	
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
Civil	26	54.3%	12	80.0%
Administrative	2	4.2%	2	13.3%
Penal	20	41.7%	1	6.7%
Total	48	100%	15	100%



Chart (40): Number of Cases Filed with the CRSD in 2010 and Finalized by Type of Case



As to the decisions issued by the CRSD, table (60) shows the number of those decisions by type of case in 2009 and 2010 which can be summarized in the following:

■ The CRSD issued 136 decisions in 2010 compared to 264 decisions in 2009, recording a decrease of 48.5%.

■ Decisions issued on civil cases stood at 97, accounting for 71.3% of total decisions issued in 2010 against 85.6% in 2009.

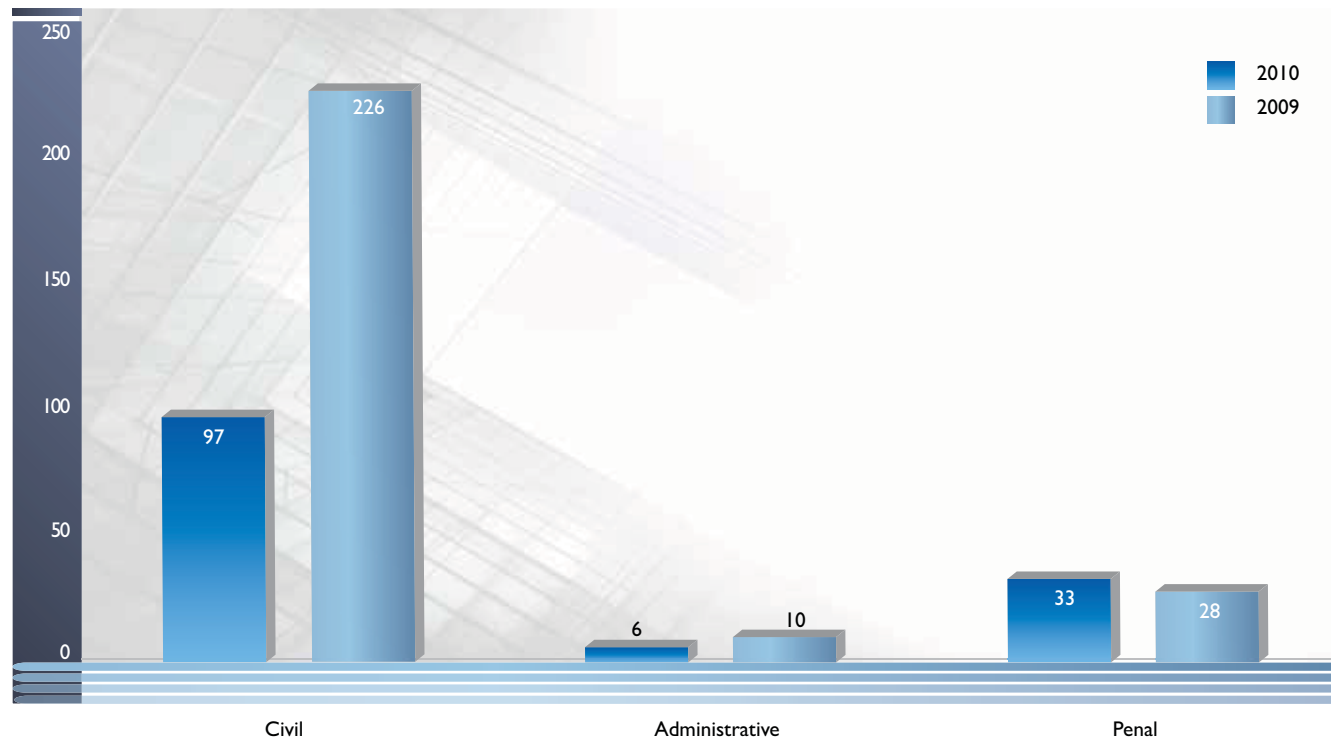
Table (60): Number of Decisions¹⁹ Issued by the CRSD in 2009 and 2010 by Type of Case

Case Type	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Civil	226	85.6%	97	71.3%	-57.1%
Administrative	10	3.8%	6	4.4%	-40.0%
Penal	28	10.6%	33	24.3%	17.9%
Total	264	100%	136	100%	-48.5%

19. The decisions issued in 2009 and 2010 include part of what was filed with the CRSD in these two years in addition to other preceding years.



Chart (41): Number of Decisions Issued by the CRSD in 2009 and 2010 by Type of Case



Penal decisions issued by the CRSD in 2010 included 11 imposed provisional seizures, 3 provisional seizures lifted, 2 travel bans, and 17 decisions of fines and disgorgements as illustrated by table (61).

Table (61): Number of Penal Decisions Issued by the CRSD in 2009 and 2010 by Type of Decision²⁰

Decision Type	2009		2010	
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
Provisional Seizure Imposed	10	35.7%	11	33.3%
Provisional Seizure Lifted	2	7.1%	3	9.1%
Travel Ban	1	3.6%	2	6.1%
Fines and Disgorgements	15	53.6%	17	51.5%
Total	28	100.0%	33	100.0%

20. These decisions include part of what was filed with CRSD in 2009 and 2010 in addition to other previous years.



3.2 Appeal Committee for the Resolution of Securities Conflicts (ACRSC)

Paragraph (g) of Article Twenty Five of the CML provided for the formation of an Appeal Committee for the Resolution of Securities Conflicts under a Council of Ministers' resolution. It shall have 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 shall look into the filed complaints or suits regarding the decisions issued by the CRSD. The Appeal Committee has the right, according to its own discretion, to refuse to look into the decisions issued by the CRSD, affirm such decisions, or undertake a de novo review of the legal action or complaint, and issue the decision it believes appropriate in the matter under question. The decisions of the Appeal Committee are final.

The Council of Ministers issued its Resolution No.(328) dated 5/11/1429H, for naming the members of the Appeal Committee:

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 and Industry)

The Committee held 151 meetings and made 108 decisions on various cases (civil, administrative and penal).

Tables (62) and (63) illustrate the number of cases appealed and decisions issued by the ACRSC in 2009 and 2010 by type. The results can be summarized in the following:

- The total number of appealed cases (filed with the ACRSC) stood at 75 in 2010 against a total of 187 in 2009, decreasing by 59.9%.
- Appealed civil cases accounted for the highest percentage of total cases filed with the ACRSC in 2009 and 2010 with 95.2% and 76% respectively.
- 108 decisions were issued in 2010 compared to 75 in 2009, going up by 44% .
- The decisions issued on civil cases comprised 94.4% of total decisions issued in 2010.

Table (62): Number of Cases Appealed (Filed) with the ACRSC in 2009 and 2010 by Type

Cases	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Civil	178	95.2%	57	76.0%	-68.0%
Administrative	4	2.1%	4	5.3%	0.0%
Penal	5	2.7%	14	18.7%	180.0%
Total	187	100%	75	100%	-59.9%

Chart (42): Number of Cases Appealed (Filed) with the ACRSC in 2009 and 2010 by Type

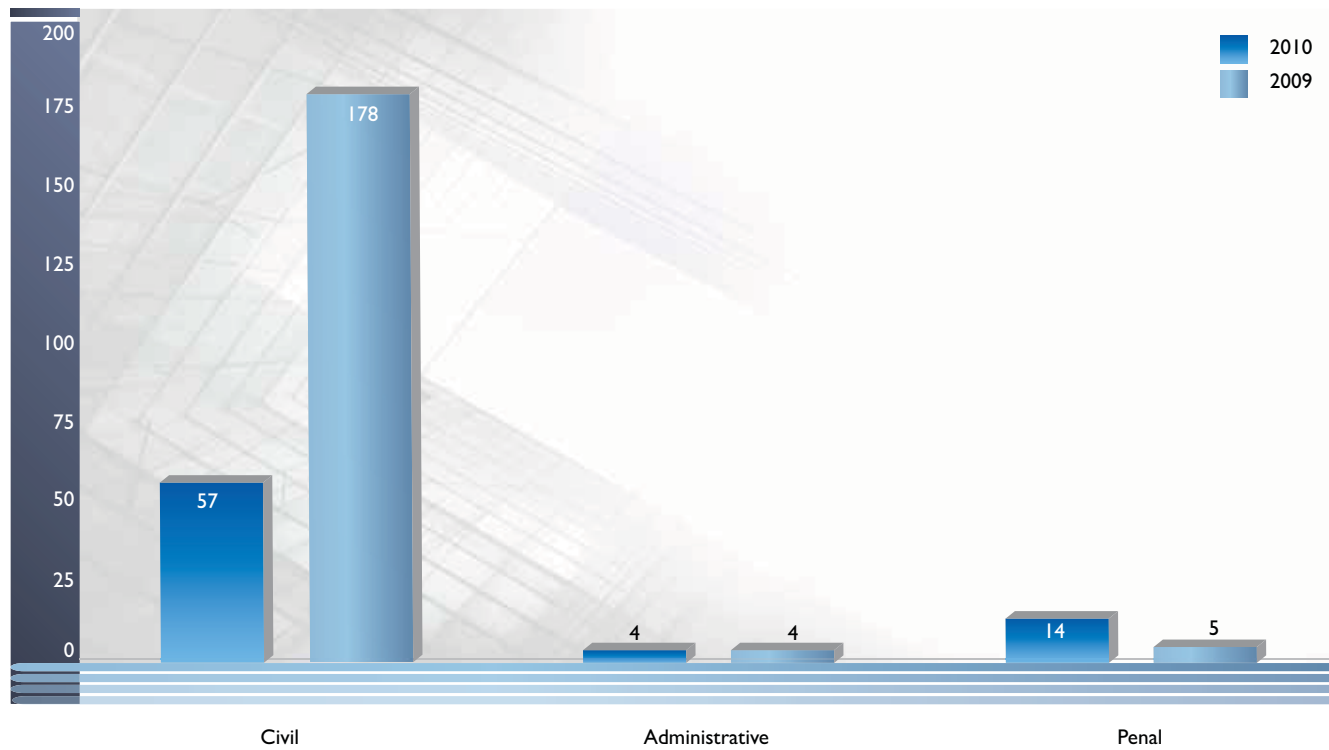
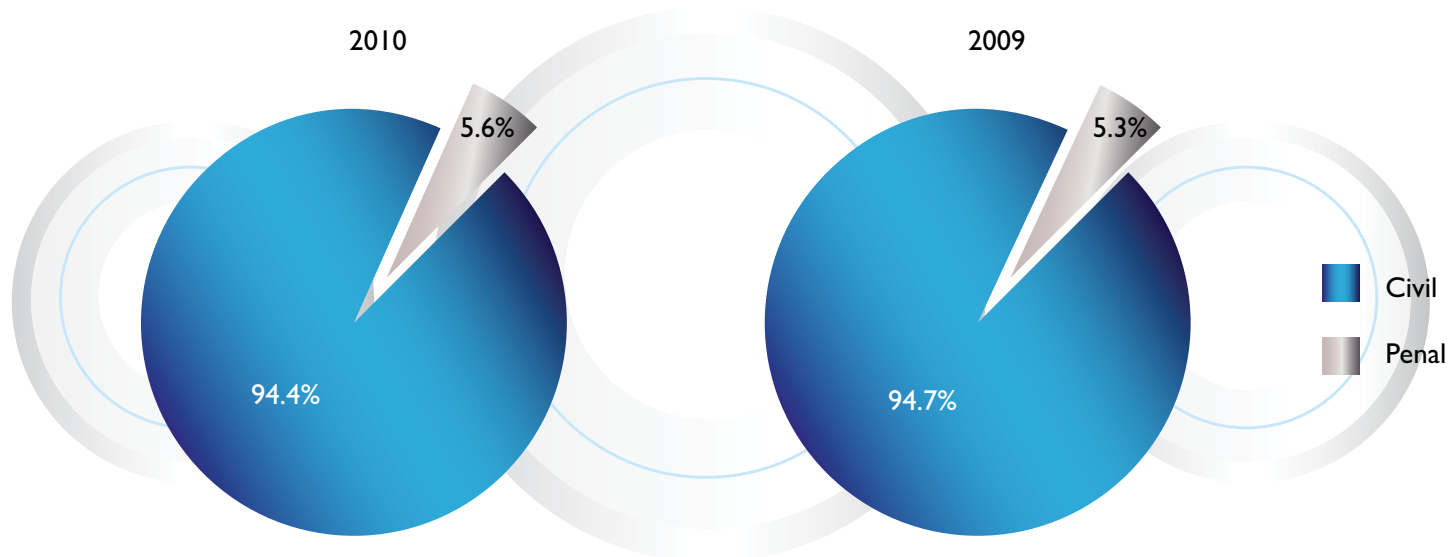




Table (63): Number of Decisions Issued by the ACRSC in 2009 and 2010 by Type

Case Type	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Civil	71	94.7%	102	94.4%	43.7%
Administrative	0	0.0%	0	0.0%	-
Penal	4	5.3%	6	5.6%	50.0%
Total	75	100%	108	100%	44.0%

Chart (43): Percentages of Decisions Issued by the ACRSC in 2009 and 2010 by Type



Chapter Four

The CMA's Aspirations for 2011



The CMA's Aspirations for 2011

The CMA continues to promote investment, develop the capital market, and apply sophisticated rules and procedures that contribute to raising the efficiency and transparency of the Saudi capital market. In 2011, the CMA is going to complete

what it has started since its inception in several areas of capital market development and regulation including, but not limited to, the following:

- Develop and update rules and regulations to keep up with the latest developments in the capital market sector in accordance with the best international practices and standards, such as the Listing Rules and the Investment Funds Regulations.
- Review the Merger and Acquisition Regulation and the Real Estate Investment Funds Regulations to determine the need for updating.
- Issue the following rules and regulations:
 - Regulating Procedures of the Resolution of Securities Disputes.
 - Capital Adequacy Rules.
 - Prudential Rules.
- Issue a regulation for rating agencies.
- Devise methods to trade rights issues on the Saudi Stock Exchange.
- Activate remote voting and electronic acceptance of mergers and acquisitions.

Legislative and Regulatory Aspect

Capital Market Development



Disclosure of Listed Companies

- Develop the mechanisms and tools of continuous disclosure to assist the CMA in boosting the level of market disclosure and transparency.
- Develop the instructions for listed company announcements on Tadawul's website.
- Hold specialized workshops on disclosure-related ongoing obligations and announcement requirements for companies listed on the Exchange.
- Increase the level of compliance with the Corporate Governance Regulations by using available tools and technologies.

Trading Surveillance

- Upgrade surveillance methods and detection patterns for trades and transactions on the Exchange.

Capital Market Decisions and Cases

- Upload all the final decisions issued by the Committees for the Resolution of Securities Disputes over the past years to their official website (www.crsd.org.sa) in Arabic and English.
- Communicate electronically with all people dealing with the Committees for the Resolution of Securities Disputes via the official website where parties of the litigation can read the case files and track any changes to them.

Authorized Persons

- Develop authorization and registration forms of brokers and capital market institutions.
- Develop the CMA's qualification examinations for the authorized persons.



Investor Awareness

- Intensify awareness visits and organize stands and pavilions targeting public schools and universities.
- Broadcast awareness programs.
- Publish weekly awareness pages on local newspapers.
- Construct websites specialized in educating young age groups.

The CMA continues to spare no effort to improve the capital market's efficiency, boost its competitiveness to become a leading market at the level of liquidity, performance, rules and regulations; increase market transparency and disclosure; and make an efficient supervisory and regulatory apparatus.

هيئة السوق المالية
Capital Market Authority



Investing confidence