

هيئة السوق المالية  
Capital Market Authority



رؤية  
VISION  
2030  
المملكة العربية السعودية  
KINGDOM OF SAUDI ARABIA

# Annual Report 2016





بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



The Custodian of the Two Holy Mosques  
**King Salman Bin Abdulaziz Al Saud**  
President of the Council of Ministers





His Royal Highness

**Prince Mohammad Bin Nayef Bin Abdulaziz Al Saud**

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







His Royal Highness

**Prince Mohamed Bin Salman Bin Abdulaziz Al Saud**

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

# CMA Board

Pursuant to paragraph (b) of Article 7 of the CML, High Order No.A/239, dated 18/11/1437H, was issued to recompose the CMA Board as follows:

- |  |               |
|--|---------------|
| 1. HE Mohammed Bin Abdullah Al-Jadaan <sup>1</sup> | Chairman      |
| 2. Mohammed Bin Abdullah El-Kuwaiz                 | Vice Chairman |
| 3. Dr. Abdulrahman Bin Mohammed Al-Barrak          | Member        |
| 4. Dr. Tariq Bin Abdullah Al-Nuaim                 | Member        |
| 5. Dr. Wa'il Bin Mohammed Al-Kahtany               | Member        |

The new composition of the CMA Board includes three new members: Mr. Mohammed El-Kuwaiz, Dr. Tariq Al-Nuaim and Dr. Wa'il Al-Kahtany, replacing the Vice Chairman Abdulrahman Bin Mohamed Al-Rashed and the two members, Dr. Adnan Bin Abdulfattah Soufi and Dr. Najem Bin Abdullah Al-Zaid.



## **Mohammed Bin Abdullah El-Kuwaiz**

Vice Chairman of the CMA Board

### **Academic Qualifications:**

- MBA, Leonard N. Stern School of Business, New York University, USA, 2003.
- Bachelor of Law, King Saudi University, KSA, 1998.

### **Professional Experience:**

- Broker in international equities and precious metals, Arab National Bank, KSA, 1996 – 1998.
- Senior Manager of Investment Banking and Corporate Finance, Samba Financial Group, KSA, 1999 – 2004.
- Management Consultant, McKinsey & Company, UAE, 2004 – 2006.
- CEO, Derayah Financial, KSA, 2008 – 2016.
- Vice Chairman, CMA, KSA, 1 September 2016 to current date Present.
- Member of Board of Trustees, Oqal Group.
- Former Board member, Public Pension Agency.
- Former Board member, Al-Yamamah Steel Industries Company.
- Former Board member, Bank Al-Bilad.
- Former member, Investment and Securities Committee, Riyadh Chamber of Commerce and Industry.
- Former member, Committee of Young Businessmen, Riyadh Chamber of Commerce and Industry.
- Former member, National Committee, Riyadh Chamber of Commerce and Industry.
- Former member, Investment Committee of King Faisal Foundation.
- Former member, Investment Committee of Awqaf Sulaiman Bin Abdulaziz Al-Rajhi Company.

1) Royal Order No.A/9 was issued on 30/11/1438H (31/10/2016), for the appointment of His Excellency Mr. Mohammed Bin Abdullah Al-Jadaan as Minister of Finance.



### **Dr. Abdulrahman Bin Mohammad Al-Barrak**

CMA Board Member

#### **Academic Qualifications:**

- PhD in Finance, University of Newcastle Upon Tyne, UK, 2005.
- MSc in Finance, University of Colorado, USA, 2001.
- Bachelor of Accounting, King Faisal University, KSA, 1997.
- Associate Professor of Finance.

#### **Professional Experience:**

- He was assigned several academic and administrative tasks at King Faisal University, the last of which was the Dean of Faculty and Staff Affairs (2005 – 2009).
- Associate professor of finance, Head of Finance Department, King Faisal University 2007 – 2009
- CMA Board member, 14/5/2009 to current date.
- Chaired several CMA Board committees such as: the Audit Committee and the Human Resources Development Committee
- Represented CMA in meetings of international and regional financial markets authorities.
- SOCPA Board member (as a representative of CMA). Chairman of the Audit Committee, April 2014 – November 2016
- Member of the Advisory Development Committee of the Governorate of Makkah Province.



### **Dr. Wa'il Bin Mohammed Al-Kahtany**

CMA Board Member

#### **Academic Qualifications:**

- PhD in Law, Moritz College of Law, Ohio State University, USA, 2003.
- Master of Electrical Engineering, Fairleigh Dickinson University, USA, 1996.
- Bachelor of Electrical Engineering, Fairleigh Dickinson University, USA, 1995.

#### **Professional Experience:**

- Communications and Computer Networks Engineer, Saudi Aramco, KSA, 1996 - 2000.
- Visiting Legal Advisor, White & Case LLP, USA, New York, 2004.
- Legal Consultant, Saudi Aramco, KSA, 2004 - 2008.
- Legal Consultant, Baker McKenzie Law Firm, KSA, 2008 - 2010.
- General Counsel and Secretary of the Board of Directors, Saudi Arabian Investment Company (Sanabil), KSA, 2010-2016.
- Member of the Washington Bar Association, Washington DC, USA.
- Member of the Bar Association of California, USA.
- CMA Board Member, KSA, 1 September 2016 to current date.



### **Dr. Tariq Bin Abdullah Al-Nuaim**

CMA Board Member


#### **Academic Qualifications:**

- PhD in Information Systems, University of New South Wales, Australia, 2006.
- Master of Computer Sciences, King Saud University, 2002.
- Bachelor of Computer Sciences, King Saud University, 1996.

#### **Professional Experience:**

- Payment Systems Officer (Logica), London, UK, 1996 – 1997.
- Payment Systems Officer, Saudi Arabian Monetary Agency (SAMA), 1997 – 2002.
- Director of Asset Services Division, Saudi Stock Exchange Company (Tadawul), 2007 – 2012.
- General Manager of the Strategy Group, Al-Rajhi Bank, 2012 – 2014.
- Deputy Minister for Internal Trade, Ministry of Commerce and Investment, 2014 – 2016.
- CMA Board Member, KSA, 1 September 2016 to current date.
- Former Board Chairman, Small & Medium Enterprises Loan Guarantee Program (Kafalah).
- Former Board member, Saudi Organization for Certified Public Accountants (SOCPA).
- Former Board member, Saudi Institute of Internal Auditors.
- Former Board member, Bayan Credit Bureau.
- Former Privatization Committee member, Supreme Economic Council.
- Former Board member, Saudi Commission for Tourism and National Heritage.
- Former member, CMA Advisory Committee.
- Former faculty member, Prince Sultan University.





This report was prepared to demonstrate CMA's compliance with the highest standards of transparency and to inform the public about the business it conducted during the past year, pursuant to the requirements of Article Sixteen of the Capital Market Law (CML) which states: "The Chairman of the Board shall submit to the President of the Council of Ministers an annual report on the Authority's activities and its financial position during the preceding year, within ninety days from the end of the year".

The presentation and content of the document fulfill all the requirements and rules relating to the production of annual reports as mandated for ministries and public agencies, including universities and other government entities, pursuant to Article Twenty Nine of the Council of Ministers' Law.

## Continuing Development

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

## Excellence

CMA is known for its competent employees. It seeks the development of their skills and expertise to achieve the highest levels of quality, efficiency and professional conduct and provide the best services to participants in the Capital Market.

## Responsibility

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

# Values

## Communication and Consultation

Promoting professional cooperation, consultation and communication as a work team, which carries itself with the highest levels of conduct when handling Capital Market participants, within and outside CMA.

## Social Responsibility and Staff Care

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

# Vision

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

# Mission

A Capital Market that facilitates funding, encourages investment, promotes confidence and builds capacities.

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# Introduction

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## Chairman's Statement

This year welcomed the Kingdom of Saudi Arabia's Vision 2030, which motivated us at the Capital Market Authority (CMA) to concentrate on meeting the expectations of our leaders as well as that of Saudi citizens. Accordingly, CMA amended its Strategic Plan and designed a comprehensive program to cover the period from 2017 to 2020 to achieve the objectives outlined in the Saudi Vision 2030.

CMA's updated Strategic Plan revolves around two programs: Organizational Excellence Program and Financial Leadership 2020 Program, which was previously submitted to the Council of Economic and Development Affairs and aims to align the CMA's objectives with the Saudi Vision 2030. The Program incorporates the following key themes:

1. Facilitating funding through the promotion of the role of the Capital Market in securing financing sources for the national economy.
2. Encouraging investment through increasing market attractiveness to investors and facilitating ways of investment.
3. Enhancing confidence through the development of the regulatory environment as well as improving governance and transparency.
4. Building knowledge and technical capacities of market participants.

The Financial Leadership 2020 Program's key objective is to transform the Saudi Capital Market into the leading market in the Middle East and one of the top ten markets world-wide. The Program also aims to create an attractive environment for local and foreign investors. Accomplishing these objectives will ensure the Market plays a pivotal role in developing the economy and diversifying sources of income.

Furthermore, the Program aims to deepen the Capital Market, develop sukuk and debt instrument markets, and enhance the role of investment funds in financing the national economy, as well as supporting the asset management industry, encouraging institutional investment, diversifying investment products and attracting all types of investors. Additionally, the Program seeks to improve the market's infrastructure and stability, as well as enhancing governance and transparency at CMA. It also aspires to raise awareness and propagate the investment culture among market participants. Moreover, the Program seeks to make financial and economic data and information accessible to help those market participants make well-informed investment decisions.

Financial Leadership 2020 also seeks to develop the regulatory and supervisory environment at the Saudi Capital Market to enhance fairness and ensure investor protection. In addition, the Program aims to maintain the commitment to the international standards of Capital Markets for the purpose of creating an attractive and competitive atmosphere. Of course, one of the main objectives of the Program lies in investing in our national human capital through training and development to enable them to fulfil their responsibilities.

As we look forward to the future, we – at CMA – are proud of our achievements, especially the accomplishments of 2016. These accomplishments are considered the foundation upon which we pave the road to the future. On behalf of myself, my colleagues the members of the CMA Board and the CMA staff, it is with great pleasure that I present you with CMA's Annual Report 2016. The Report includes our accomplishments in 2016 with a comprehensive and detailed presentation of our achievements in

the areas of regulation, supervision, and monitoring. The Report also highlights CMA's role in developing the Capital Market and increasing its contribution to financing economic activity, in addition to its role in encouraging local and foreign investors to make use of the opportunities available to them.

CMA played a central role in 2016 by issuing and approving new regulations, rules, and regulatory guides, including the Investment Accounts Instructions, the Instructions of the Book Building Process and Allocations Method in IPOs, the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies, the Guidance Note to the Regulatory Rules and Procedures issued pursuant to the Companies Law, the Real Estate Investment Traded Funds Instructions, and the Parallel Market Listing Rules. Moreover, CMA carried out necessary amendments to existing Implementing Regulations. Nine Implementing Regulations underwent significant modifications and CMA is currently working on four new implementing regulations.

Despite the economic challenges of 2016, the value of publicly-offered and privately-placed shares was calculated at SR 7.2 billion; three IPOs were conducted with a total value of SR 2.8 billion in offered shares and 1.6 million subscribers. The value of privately-placed sukuk and debt instruments also increased in 2016 by 0.2% to SR 21.4 billion, and 11 companies listed in the Saudi Stock Exchange (Tadawul) raised their capital, thereby increasing the number of their issued shares from 3.0 billion to 4.0 billion shares.

The asset management sector witnessed the public offering of 14 investment funds; six of which invest in equities, three in money markets, two in multiple assets, and one in real estate, in addition to

two real estate investment traded funds (REITS). CMA also received 55 notifications for successful private placements of investment funds. In 2016, the asset value of public and private investment funds grew by 19.8% year-on-year, reaching a total value of SR 215.9 billion.

As regards investor protection, monitoring operations of the Market increased by 19.9% in 2016 compared to the previous year, while CML violations decreased from 432 cases in 2015 to 253 cases in 2016. CMA also stepped up its efforts to finalize the cases filed. Accordingly, 194 cases out of the 253 cases filed in 2016 were resolved, which represents 76.7% of the total number of cases of suspected CML violations. Furthermore, 59 cases are still being processed.

Foreign investors have become increasingly interested in our Capital Market. The number of foreign financial institutions qualified for investment in the local stock market soared from 17 at the end of 2015 to 47 institutions by the end of 2016, with a leap of 176.5%.

Finally, I would like to extend my deepest appreciation and gratitude to the Custodian of the Two Holy Mosques, HRH the Crown Prince, and HRH the Deputy Crown Prince for their unwavering support of CMA. My thanks and appreciation are also extended to the members of the CMA Board and the CMA staff for their significant efforts that have made these remarkable accomplishments possible, and I am more than confident that our past and future achievements will lead us to a bright Capital Market future.

**Mohammed Bin Abdullah El-Kuwaiz**  
**Vice Chairman of the Capital Market Authority**

## (2) Establishment

The Capital Market Authority was established under the “Capital Market Law (CML)”, promulgated by Royal Decree No. (M/30) dated 2/6/1424H (31/7/2003), to assume the supervisory and regulatory role over the parties falling under its authority. CMA is a government entity that enjoys financial and administrative autonomy and reports directly to the President of the Council of Ministers. CMA is vested with the regulation and development of the Saudi Capital Market, and issuance of regulations, rules and instructions essential to applying the provisions of the Capital Market Law (CML).

## (3) Main Functions

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

1. Regulate and develop the Capital Market, seek to develop and improve the practices of entities trading in securities, and develop procedures that reduce the risks related to securities transactions.
2. Regulate and monitor the issuance of and dealing in securities.
3. Regulate and monitor business activities of parties subject to CMA's supervision.
4. Regulate and monitor the full disclosure of information regarding securities and their issuers, the dealings of informed persons, major shareholders and investors, and specify and provide the information that should be disclosed by participants in the market to shareholders and the public.
5. Regulate proxy and purchase requests and public offers of shares.
6. License the establishment of a Special Purpose Entity (SPE), and regulate and control its business, uses, issuance of securities, the registration in its registry established by CMA and the provisions of its articles of incorporation, and regulate the provisions of the registration of funds transferred to it, including documentation of the rights thereof and its legal standing against others, and the issuance of relevant regulatory rules.
7. Protect citizens and investors in securities from unfair and unsound practices, or acts involving fraud, deception, cheating, or manipulation.
8. Seek to achieve fairness, efficiency and transparency in securities transactions.

## (4) Organizational Structure

On 9/3/1437H (20/12/2015), CMA issued Resolution No. (I-103-2015), adopting the new organizational structure, such that – in addition to its already existing divisions – CMA shall have five primary deputies, each with functions described as follows:

### I. Deputy of Legal Affairs and Enforcement

- Drafting, amending and developing the Implementing Regulations and statutory provisions of CMA as instructed by the CMA Board.
- Providing internal legal advice and services that enable CMA to achieve its strategic goals and policies.
- Drafting and overseeing all legal and administrative documents that are to be utilized by CMA, including contracts, agreements, memorandums of understanding, etc.
- Adopting a risk-based approach to ensure the proper and thorough investigation of grave violations to the CML and its Implementing Regulations.
- Handling all legal proceedings brought against CMA and protecting it from all types of legal risks.
- Leading all legal proceedings brought by CMA against violators.
- Enforcing decisions and penalties issued by CMA and the judiciary, and following up on the execution thereof with relevant agencies.
- Handling and mediating complaints made by different parties, ensuring they are resolved in a timely and orderly manner.
- Contributing to the identification and management of potential internal and external risks to the policies of CMA, and escalating if necessary.
- Reporting – periodically – on the activities and achievements of the Deputy and the status of decisions issued by the CMA Board.
- Advising the CMA Board on its decisions regarding the functions of the Deputy.
- Gathering and analyzing information for the development of policies, and proposing improvements to the Regulatory Policy Development Department.

## 2. Deputy of Strategy and International Affairs

- Coordinating the development, improvement and drafting of regulatory policies designed to achieve the objectives of CMA while ensuring the contribution of the core supervisory functions to the process.
- Leading the development of the strategic plans of CMA, including its risk mitigation strategies, and coordinating with the core supervisory functions of the authority to ensure their inclusion in the core plan.
- Translating the broad lines of CMA strategic plans into actionable, measurable tasks, initiatives and indicators to ensure the ability of CMA to fulfil its strategic objectives.
- Assessing the performance levels of deputies, divisions, departments and units through predefined performance management indicators.
- Ensuring proper oversight, governance and management of internal projects across CMA, in addition to timely, budgeted delivery, and the identification of obstacles, issues, challenges and key risks, reporting them and recommending potential solutions.
- Conducting specialized research to provide the departments of CMA and its external stakeholders with analytics and insights to increase awareness and enable decision-making.
- Coordinating with international organizations and authorities to contribute to the global Capital Market regulatory community.
- Contributing to the identification and management of internal and external risks to the policies of CMA, and escalating if necessary.
- Reporting – periodically – on the activities and achievements of the Deputy and the status of decisions issued by the CMA Board.
- Advising the CMA Board on its decisions regarding the functions of the Deputy.

## 3. Deputy of Market Institutions

- Contributing to the development of the regulatory standards of market institutions and trading operations.
- Reviewing all license and registration applications of market institutions.
- Ensuring the compliance of applications/applicants with the provisions of the CML and its Implementing Regulations.

- Setting the inspection plan and timetable, and identifying the priorities of resource distribution based on potential risks.
- Supervising market institutions to ensure their compliance with the CML and its Implementing Regulations.
- Escalating sustained noncompliance to the Enforcement Department for appropriate action.
- Monitoring and analyzing all market trading activities.
- Identifying potential misconduct – insider trading, market manipulation, etc. – based on market analytics, and escalating such cases to the Enforcement Department for appropriate action.
- Strengthening communication tools between market institutions.
- Contributing to the identification and management of internal and external risks to the policies of CMA, and escalating if necessary.
- Reporting – periodically – on the activities and achievements of the Deputy and the status of decisions issued by the CMA Board.
- Advising the Board on its decisions regarding the functions of the Deputy.
- Gathering and analyzing information for the development of policies, and proposing improvements to the Regulatory Policy Development Department.

## 4. Deputy of Listed Companies and Investment Products

- Contributing to the creation and enablement of a regulatory environment for the development of securities markets.
- Contributing to the formulation, development and implementation of an effective regulatory framework for investment products and collective investment schemes in the Kingdom of Saudi Arabia.
- Contributing to the development of securities offering regulations.
- Managing all securities offering applications submitted to CMA.
- Managing all merger and acquisition applications submitted by companies.

- Managing all applications for launching investment products and collective investment schemes in the Saudi market, in line with the CML and its Implementing Regulations.
- Supervising the governance, disclosures and announcements of listed companies, and following up on their compliance with the CML and its Implementing Regulations.
- Supervising the activities of investment products and collective investment schemes, and following up on their compliance with the CML and its Implementing Regulations.
- Reporting – periodically – on the activities and achievements of the Deputy and the status of decisions issued by the CMA Board.
- Advising – when necessary – on the frameworks of investment products compliant with the provisions of the Islamic Sharia.
- Advising the CMA Board on its decisions regarding the functions of the Deputy.
- Contributing to the identification and management of internal and external risks to the policies of CMA, and escalating if necessary.
- Gathering and analyzing information for the development of policies, and proposing improvements to the Regulatory Policy Development Department.

## 5. Deputy of Corporate Resources

- Ensuring that human resources are carefully selected, trained and enabled in accordance with high quality standards.
- Supervising the finances of CMA, including preparation of budgets and financial reports, management of accounts, and ensuring compliance with the approved accounting standards and relevant laws.
- Supervising the management of CMA facilities and services, and ensuring their high quality to achieve efficiency within CMA departments.
- Supervising the functions relating to procurement and contracting, and ensuring commitment to contractual obligations and service level agreements.
- Ensuring the fulfilment of logistic requirements for ceremonies and guest hosting procedures, and providing employees with the necessary support during field missions.
- Managing the archiving and storage of documents related to all the activities of CMA.

- Ensuring the adequacy of CMA's internal governance mechanisms and the efficiency of internal processes across all CMA activities.
- Providing IT support as needed to meet task requirements, and ensuring that activities related to IT security, applications, infrastructure and data comply with CMA standards.
- Contributing to the identification and management of internal and external risks to the policies of CMA, and escalating if necessary.
- Reporting – periodically – on the activities and achievements of the Deputy and the status of decisions issued by the CMA Board.
- Advising the CMA Board on its decisions regarding the functions of the Deputy.
- Gathering and analyzing information for the development of policies, and proposing improvements to the Regulatory Policy Development Department.

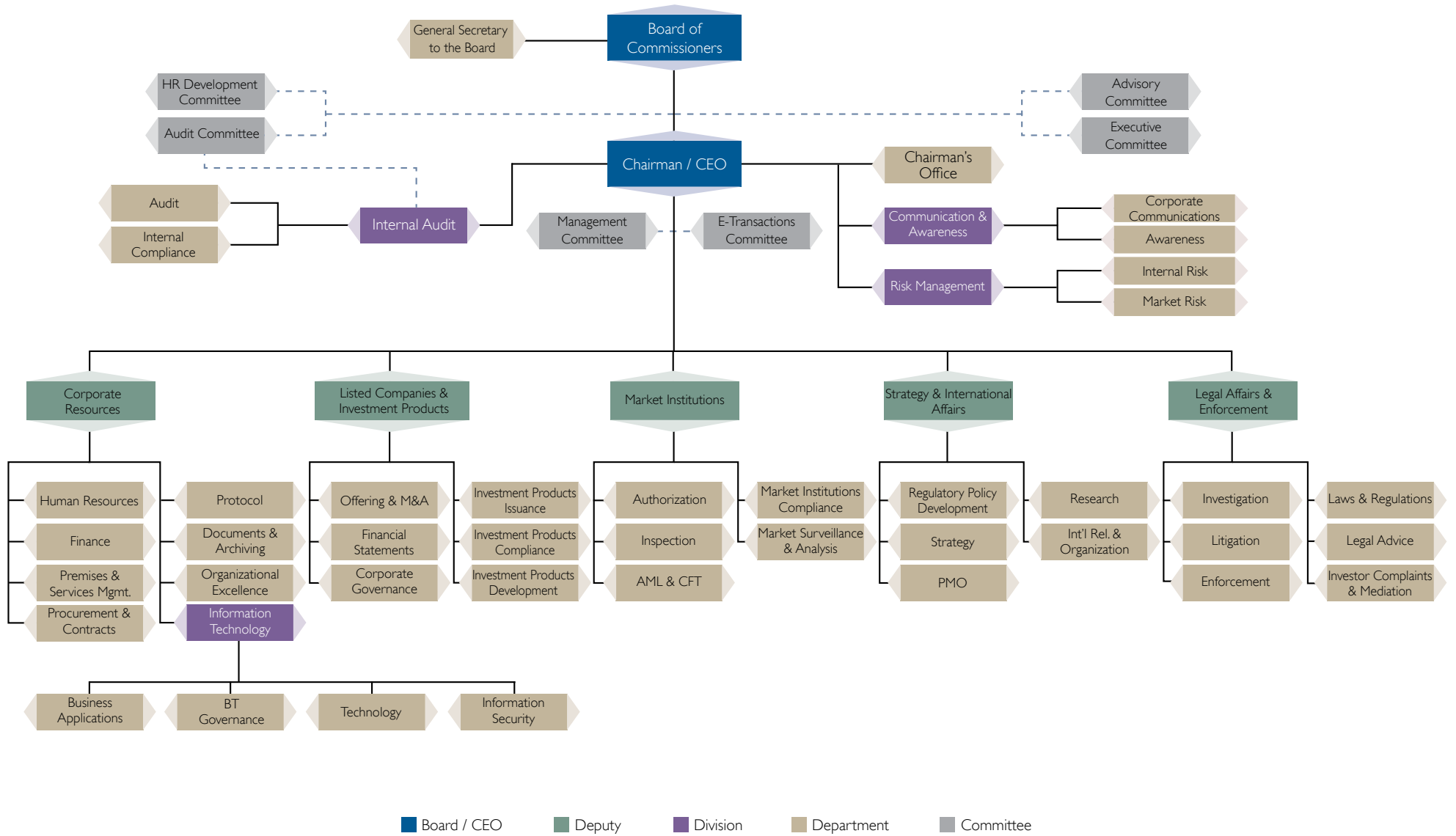
## (5) Parties Supervised by CMA

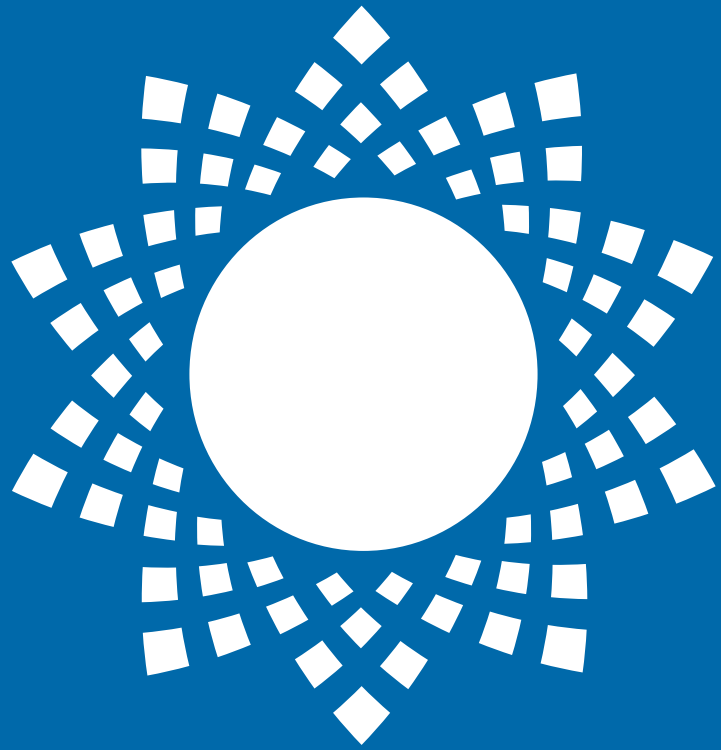
The following parties are subject to CMA's supervision:

- (1) The Saudi Stock Exchange Co. (Tadawul).
- (2) Authorized Persons (APs).
- (3) Listed companies.
- (4) Capital Market dealers/participants.
- (5) Special Purpose Entities (SPEs).
- (6) Credit rating agencies and companies.
- (7) Investment products in the Capital Market.




# Organizational Structure





# Chapter One

CMA Strategic Plan

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- (1) Achievements of the Strategic Plan in 2016
  - (2) “Financial Leadership 2020” Program
  - (3) Main Challenges Faced by CMA in the Implementation of the Strategic Plan in 2016

## (I) Achievements of the Strategic Plan in 2016

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

As part of its efforts to implement its strategic plan that was launched in 2015, CMA has continued implementing 63 of its 69 initiatives included in the strategic plan, of which nine were completed in 2016, bringing the total of completed initiatives up to 12 since the start of the implementation of the strategic plan two years ago. Below are the aforementioned completed initiatives:

No.	Initiative	Most Important Outcomes
1.2.4	Enhance Competency and Eligibility of Registered Persons and Instill Continuous Professional Education Culture	A special unit was established for making policies regarding the efficiency and qualifications of registered persons and continuous professional education. Furthermore, the minimum training hours required of each registered person were identified.
1.6.1	Increase the Efficiency of Corporate Offering and Listing Procedures on the Capital Market	CMA conducted a study examining methods to improve and develop the procedures for reviewing IPO filings (applications). Recommendations made by the study towards introducing changes to the procedure manual of the concerned department, as well as amending the relevant regulations, thus increasing the efficiency of the reviewing process.
1.6.4	Assess the Feasibility of Establishing a Second-Tier Market	A study was conducted regarding the feasibility of establishing a parallel Capital Market, and the recommendations were approved by the CMA Board Resolution No. (10-43-2016) dated 4/7/1437H (11/4/2016).
2.1.3	Improve Disclosure of Investment Funds	A resolution was issued by the CMA Board approving the amended Investment Funds Regulations.
2.1.4	Improve Disclosure of Saudi Stock Exchange (Tadawul)	A resolution was issued by the CMA Board requiring the Saudi Stock Exchange (Tadawul) to continue implementing the ownership disclosure mechanism for listed companies, provided for in Board Resolution No. (1-24-2008) dated 26/6/1429H (30/6/2008). Through Tadawul's website, ownership disclosures of board members, CEOs (or the highest executive position), and CFOs of listed companies shall be announced on a daily basis. Additionally, Tadawul shall, through its website, disclose the percentages of equity ownership of shareholders subject – as per the prospectus – to lock-up periods, until CMA approves lifting such lock-up.
2.1.7	Raise the Level of Governance in Listed Companies	CMA has commenced its work with institutional investors to strengthen sound governance practices of listed companies and their effective contribution to general assemblies. A number of interactive workshops were held to demonstrate the significant role of institutional investors in promoting the concept of governance in listed companies. These workshops targeted managers of investment funds, as well as the funds of the Public Pension Agency (PPA) and the General Organization for Social Insurance (GOSI).
3.2.2	Sign Memorandums of Understanding (MOUs) between CMA and Government Entities Concerned with the Financial Sector	A memorandum of understanding was signed between the Ministry of Commerce and Investment and CMA for the implementation of the provisions of the Companies Law.
4.1.1	Apply a Unified Framework of Internal Policies and Procedures	A framework unifying CMA policies and procedures was adopted, and work is now underway on the implementation thereof.
4.2.1	Develop CMA's Organizational Roles and Responsibilities	CMA has implemented all the phases of this initiative, which focused on reviewing and updating several organizational aspects within CMA.

## (2) “Financial Leadership 2020” Program

CMA updated its Strategic Plan to 2017-2020 from 2015-2019 to become part of an independent program that aims to fulfill the objectives of the Saudi Vision 2030. The updated strategic plan includes two programs: “Organizational Excellence” and “Financial Leadership 2020”, the latter of which has already been submitted to the Council of Economic and Development Affairs to ensure its alignment with the goals pertaining to the Capital Market under the Saudi Vision 2030. Through this program, CMA seeks to make the Saudi Capital Market the leading market in the Middle East and one of the top ten Capital Markets in the world and to be a developed market capable of attracting local and foreign investments, thus, playing a pivotal role in stimulating the economy’s growth and diversifying its sources of income.

“Financial Leadership 2020” is built upon four themes:

- 1- Facilitating funding through the promotion of the role of the Capital Market in securing financing sources for the national economy.
- 2- Encouraging investment through increasing market attractiveness to investors and facilitating ways of investment.
- 3- Enhancing confidence through the development of the regulatory environment and improving governance and transparency.
- 4- Building knowledge and technical capacities of market participants.

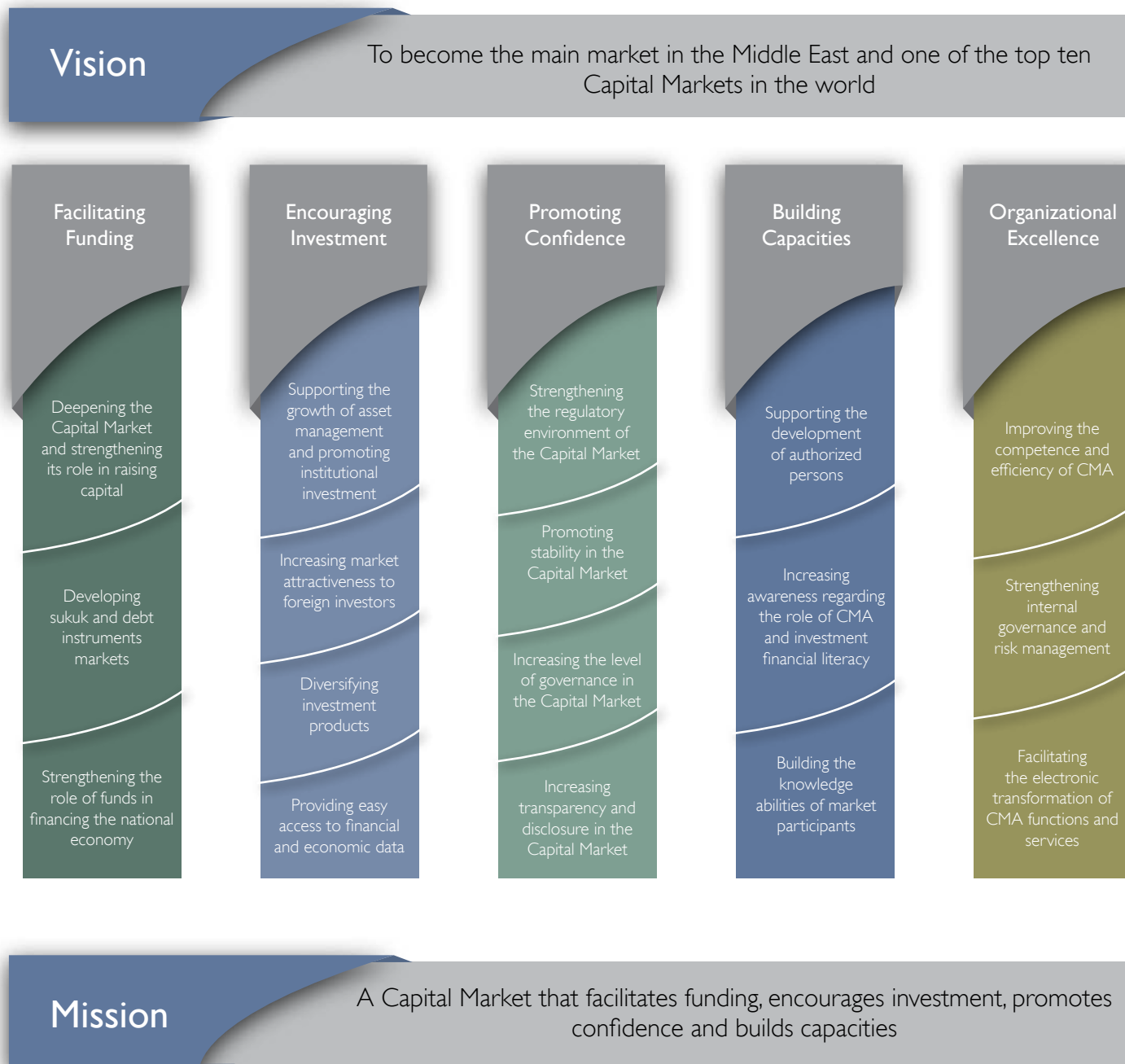
Furthermore, the “Financial Leadership 2020” Program aims to achieve the aspirations of Saudi Vision 2030 regarding deepening the Capital Market and developing the sukuk and debt instruments market, as well as promoting the role of funds in financing the national economy. Further objectives include: supporting the growth of the asset management industry and promoting institutional investment; increasing market attractiveness to investors; diversifying investment products; encouraging and facilitating investment among investors; promoting the role of the Saudi Capital Market in funding and capital formation; in addition to the development of infrastructures, enhancing market stability and improving Capital Market governance and transparency. It also seeks to raise the awareness and investment literacy of market participants and provide them with easy access to financial and economic data and information, thus positively influencing their investment decisions.

The “Financial Leadership 2020” Program is also keen on the development of the regulatory and supervisory environment of Saudi Capital Markets, to promote fairness, ensure the protection of traders, and strengthen compliance with the international standards of financial markets to increase attractiveness and foster healthy

competition. It also seeks to enable the development of national human resources of market participants and trains them towards fulfilling their assigned roles.

As for the “Organizational Excellence” Program, CMA aims to continue and strengthen its organizational excellence as a regulator of a vital economic activity. Through its initiatives, it will fulfill the objectives of the Saudi Vision 2030, which seeks to improve the performance of government bodies, increase the quality of services, support communication channels between citizens and the business community, develop the e-government and strengthen transparency. Given the size and scope of this responsibility, CMA stresses the importance of organizational excellence and increasing operational efficiency to carry out its tasks and duties successfully. Accordingly, the Organizational Excellence Program seeks to improve the competence and efficiency of CMA, while also strengthening governance and risk management, as well as facilitating the electronic transformation of CMA functions and services in order to reach new levels of excellence that serve to increase the ability to achieve its ambitious goals for the Capital Market, as set in the Financial Leadership 2020 Program. That focuses on the development of the Capital Market through its various themes, objectives and initiatives. CMA has begun developing a comprehensive governance framework to ensure the institutionalization and increased effectiveness of work and facilitate the coordination of efforts among relevant bodies, thus, enabling it to effectively follow up on all relevant tasks. The governance framework encompasses several bilateral and joint committees, to ensure coordination between executive bodies, overcoming obstacles and addressing challenges in the course of implementing the program’s joint initiatives.

Figure (I) Themes and Objectives of the Updated 2017-2020 Strategic Plan



### (3) Main Challenges Faced by CMA in the Implementation of the Strategic Plan in 2016

As a result of updating the “Financial Leadership 2020” Program and including it in the updated 2017-2020 Strategic Plan, changes occurred to the implementation plans of some initiatives in the

previous strategic plan resulting in the postponement of the initiatives below, which were expected to start or be completed during 2016. They are as follows:

#	No.	Initiative
1	1.2.5	Improve CMA Qualification Exams for Registered Persons
2	1.4.1	Develop a Strategic National Direction for the Sukuk and Debt Instruments Market
3	2.1.5	Support SOCPA Efforts in Conversion into IFRS and Improve Professional Performance Quality Control
4	2.3.4	Activate Settlement in Civil Suits
5	1.4.5	Develop Regulatory Infrastructure to Support Securitization
6	4.3.1	Establish and Activate Enterprise Architecture Office

In general, achieving the strategic objectives was affected by several factors, many of which were beyond CMA’s control. Some examples include economic changes, the confidence and preferences of

investors, changes in issuer preferences, in addition to the fact that the success of many objectives relies heavily on the cooperation and responsiveness of other parties.



## Chapter Two

Current Status of CMA





## Section I: CMA Internal Environment

- (1) Actions Taken to Implement High Orders and Council of Ministers' Resolutions
- (2) CMA Board Meetings and Resolutions
- (3) Human Resources and Development Programs
- (4) Savings Plan and Housing Finance Program
- (5) Owned and Rented Buildings

## (I) Actions Taken to Implement High Orders and Council of Ministers' Resolutions

CMA has implemented many procedures in response to the high orders and Council of Ministers' resolutions it received in 2016. Such procedures can be summarized as follows:

- **High Order No. (28339) dated 12/6/1437H, requiring the implementation of Paragraph (3) of High Order No. (45211), dated 6/10/1433H, which provided for CMA to intensify its efforts to encourage inexperienced individuals – wishing to invest in listed shares and initial public offerings – to invest through investment funds instead of doing so directly, and identify the best solutions to reach and educate such individuals.**

CMA sought to implement the aforementioned High Order from its date of issuance through a number of initiatives and procedures that expand institutional investment in the Capital Market and encourage inexperienced individuals to invest through investment funds instead of doing so directly. Such initiatives include: studying and examining current mechanisms for the allocation of initial public offerings; increasing the investment fund allocation to 70% or more of the shares allocated to institutional investors; establishing a committee for fund managers; supporting the distribution channels of investment funds; developing relevant regulations; launching educational and awareness programs for all investors, particularly inexperienced investors. Given the time required to achieve the desired results due to the nature of these initiatives and their significant reliance on altering the investment culture of individuals, CMA proceeded to establish and implement relevant initiatives as follows:

First: Approving the amended Investment Funds Regulations, as per the CMA Board Resolution dated 16/8/1437H.

Second: Launching a platform by CMA and Tadawul for listing income-generating real estate investment trusts.

Third: Under its 2015-2019 Strategic Plan, CMA will gradually increase the allocation percentage for institutional investors over the course of these five years until it reaches 90% of total publicly offered shares, provided that the investment funds share is 90% of the institutional investor allocation by 2019.

Fourth: CMA will adopt a number of strategic initiatives to be implemented in the upcoming years. They are aimed at expanding institutional investment in the Capital Market and boosting confidence in it, as well as supporting the asset management industry. In this context, CMA is implementing a number of initiatives, including supporting the diversification

of investment products' distribution channels, updating the relevant implementing regulations, increasing the protection of client assets, and supporting the professional training of persons working in asset management.

Fifth: Increasing awareness initiatives directed at retail investors, particularly inexperienced ones, to strengthen their knowledge and awareness regarding investment funds. These initiatives include:

- Publishing a set of informative press releases through more than 100 media outlets, including printed/electronic newspapers and TV channels, while also uploading them regularly to the CMA website.
- Broadcasting over 600 informative messages on institutional investment (60 per month), explaining its goals and benefits to the Capital Market and investors.
- Preparing and publishing brochures on the goals of institutional investment, and posting the same periodically on websites visited frequently by investors, particularly inexperienced ones.
- Implementing an electronic awareness campaign under the hashtag "#استثمر\_بوعي" (investing insightfully), targeted at retail investors, particularly inexperienced ones, to increase their knowledge and raise their awareness regarding institutional investment, through posting informative messages on the biggest and most reputable finance and economy websites.
- Collaborating with newspapers, writers and opinion makers to constantly illustrate the importance of institutional investment and the benefits of investing in funds, in order to raise awareness among investors, particularly inexperienced ones, regarding the advantages and benefits of investment funds.
- Posting messages on social media accounts to raise awareness regarding the rights of unitholders in investment funds.
- Constantly posting the "Know Your Rights" leaflet of investment funds on the CMA's website and social media accounts, while also distributing the same during the economic events and conferences which CMA participates in.
- Continuing the distribution of the "Investment Funds" booklet among the set of educational booklets published by CMA, through CMA's participation in the Book Fair, Global Money Week and the Outreach Seminar for the Authorized Persons, and its visits to universities, schools, ministries and other government bodies.

Sixth: Launching an awareness project for investors in coordination with the Saudi Stock Exchange Company (Tadawul).

- **High Order No. (28277), dated 12/6/1437H, which provided under Clause “First,” paragraph (8) thereof the establishment of internal auditing units within government bodies and activation of those already established.**

CMA established the Internal Audit Department within its organizational structure, and approved the policies, tasks and functions thereof. It also formed the Audit Committee for improving and developing the auditing function. It should be noted that the Department is already active and performing its role in auditing the tasks carried out by CMA's various divisions/departments.

- **High Order No. (31986), dated 04/07/1437H, approving a mechanism for preparing government procedures' manuals.**

CMA carried out the following steps:

- Nominating a principal member and an alternative member for the membership of the taskforce formed for this purpose.
- Providing the committee formed by Order No. 3250, dated 17/1/1437H, with the adopted organizational structure and a sample of its policy and procedure manuals.
- Satisfying the instructions provided under the High Order.
- **High Order No. (31986), dated 04/07/1437H, providing for the disposal of documents in accordance with the Document Disposal Regulations issued by Order No. 1379, dated 21/7/1416H.**

CMA issued and circulated the Documents and Archives Regulations, which clarify the nature and procedures of the documents disposal process, in addition to the functions of the Document Disposal Committee.

- **High Order No. (35183), dated 20/7/1437H, requiring all government bodies issuing legal documents to abide by Article (3.4) of the Document and Archive Accessing and Sharing Regulations.**

In accordance with the High Order, CMA provided the National Center for Documents and Archives with a compact disc containing English and Arabic soft copies (MS-Word) of its issued Implementing Regulations. CMA notified the Center that it has a standard procedure – upon drafting or amendment of any of its Implementing Regulations – to submit copies to the National Center

of Documents and Archives, and that CMA is currently preparing and updating a number of regulations, which it will provide to the Center once issued.

- **Royal Court's Telegram No. (44601), dispatched on 15/09/1437H regarding Council of Ministers' Resolution No. (308), dated 18/07/1437H, providing for the approval of the Saudi Vision 2030, and Resolution (No. 4-33/37/R) dated 28/07/1437H of the Council of Economic and Development Affairs, stipulating that CMA initiatives shall have an independent program geared towards achieving the Saudi Vision 2030.**

After taking into account the observations on its Program made in the Council of Economic and Development Affairs' meeting on 6/3/1438H (5/12/2016), CMA submitted its “Program to Achieve the Saudi Vision 2030” to the Chief of the Royal Court on 21/03/1438H (20/12/2006).

- **Royal Court's Telegram No. (45220), dispatched on 18/09/1437H regarding Council of Ministers' Resolution No. (391), dated 15/09/1437H, which approved the Physical Workplace Environment Guidelines for Government Bodies.**

CMA carried out the following:

1. Reviewing the guidelines and breaking them down to three categories:
    - Elements adopted by CMA.
    - Elements that can be improved in CMA.
    - Elements not applicable to CMA.
  2. Implementing the guidelines that suit and apply to CMA, through the design phase of CMA's building No. (2) at King Abdulaziz Center for National Dialogue.
- **High Order No. (39734), dated 16/08/1437H, requiring all government bodies to provide the Ministry of Economy and Planning with soft copies of the strategies and plans prepared by them in the past seven fiscal years.**

CMA provided the Ministry of Economy and Planning with soft copies of its 2010-2015 and 2015-2019 strategic plans.

- **High Order No. (52607), dated 01/11/1437H, approving CMA's membership to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).**

CMA Board issued Resolution No. (14-111-2016), dated 21/11/1437H (24/8/2016), providing for commencing the procedures for CMA's membership to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

- **High Order No. (58781), dated 06/12/1437H, providing for the preservation and protection of documents, and disposal of the same in accordance with the Law of Documents and Archives and its regulations.**

CMA issued and circulated the Documents and Archives Regulations within CMA, which include instructions on handling all kinds of documents, as well as the nature and procedures of document disposal and the functions of the Document Disposal Committee.

- **High Order No. (921), dated 05/01/1438H, requiring government bodies to use computer systems in all financial and accounting operations, and migrate from traditional methods employed in record-keeping, preparing accounts and financials into electronic means, and submit their data on CDs – for auditing purposes – instead of paper-based documents.**

Since its establishment, CMA has been using computers to conduct all its financial and accounting operations. Final accounts and financial data are prepared electronically, and all financial data and statements are submitted on CDs for auditing.

- **High Order No. (5992), dated 03/02/1438H, requiring all public and government undeveloped lands, used and unused buildings, and facilities to be counted in accordance with the formula concluded by Memorandum No. (1203), dated 28/12/1437H, of the Bureau of Experts at the Council of Ministers.**

CMA compiled all data related to its headquarters in accordance with the Law of the Ministry of Economy and Planning, except for the "site survey plan and coordinates" which are issued by Riyadh Municipality. CMA is currently following up with the Land and Survey Administration of Riyadh Municipality, to acquire the "site survey plan and coordinates" for its headquarters' building.

## (2) CMA Board Meetings and Resolutions

Paragraph (a) of Article Ten of the CML states: "The Board shall hold its meetings at the request of its chairman. Meetings should be attended by at least three of its members, including the chairman or vice chairman. Its decisions shall be made upon a vote of a majority of the members attending the meeting. In case of equal votes, the chairman of the meeting will have a casting vote".

The CMA Board adopted the deliverables of the Project "Improving Efficiency and Governance of the Board", which aims to improve the performance of its fundamental regulatory and supervisory functions, increase its decision-making efficiency and promote the utilization of its members' expertise in the key functions of CMA. These include handling internal and external risks, making policies, identifying and developing strategies, monitoring performance, expanding participation in international affairs and missions, and communicating effectively with all relevant parties.

Towards the implementation of the best governance practices in its regulatory and supervisory functions, CMA adopted a number of governance regulations, including the CMA Board Regulations, the Executive Committee Regulations, the E-Transactions Committee Regulations, the Management Committee Regulations, the Audit Committee Regulations, the Human Resources Development Committee Regulations, the Authority Delegation Policy and the Authority Matrix.

During 2016, CMA Board held 155 meetings compared to 108 in 2015. Table (1) indicates the number of CMA Board meetings classified by the number of members in attendance. Table (2) reflects the number of CMA Board meetings by member attendance/non-attendance in 2016.

Table (1): CMA Board Meetings Classified by the Number of Attendees

Number of Attendees	Number	
	2015	2016
All-Member Meeting	70	63
Four-Member Meeting	21	60
Three-Member Meeting	17	32
<b>Total</b>	<b>108</b>	<b>155</b>

Table (2): CMA Board Meetings Classified by Member Attendance/Non-Attendance in 2016<sup>2</sup>

CMA Board Members	Number of CMA Board Meetings		
	Attendance	Non-Attendance	Attendance (%)
H.E. CMA Board Former Chairman <sup>3</sup>	112	21	84.2%
H.E. CMA Board Former Vice Chairman <sup>4</sup>	104	10	91.2%
CMA Board Vice Chairman	41	0	100%
Board Member/ Dr. Abdulrahman Al-Barrak	124	31	80.0%
Board Member/ Dr. Wael Al-Qahtani	41	0	100%
Board Member/ Dr. Tariq Al-Nuaem	39	2	95.1%
Former Board Member/ Dr. Adnan Soufi	91	23	79.8%
Former Board Member/ Dr. Najem Al-Zaid	100	14	87.7%

2) Royal Order No. A/239, dated 18/11/1437H, was issued for the re-composition of the CMA Board as follows:

- |   |               |
|---|---------------|
| 1- H.E. Mr. Mohammed Bin Abdullah Al Jadaan | Chairman      |
| 2- Mr. Mohammed Bin Abdullah El-Kuwaiz      | Vice Chairman |
| 3- Dr. Abdulrahman Bin Mohammed Al-Barrak   | Member        |
| 4- Dr. Tariq Bin Abdullah Al-Nuaim          | Member        |
| 5- Dr. Wa'il Bin Mohammed Al-Kahtany        | Member        |

3) Royal Order No. A/9, dated 30/11/1438H (31/10/2016), was issued for the appointment of His Excellency Mr. Mohammed Bin Abdullah Al-Jaadan as Minister of Finance.

4) His Excellency Mr. Abdulrahman Bin Mohammad Al-Rashid.

In 2016, the CMA Board issued 717 resolutions, compared with 775 in 2015. Chart (1) illustrates these resolutions classified by subject, for 2015 and 2016.

Chart (1): Number of CMA Board Resolutions Classified by Subject



The CMA Board made 502 resolutions regarding the implementation of CMA's Strategic Plan (70% of its total resolutions in 2016). 64.5% of these resolutions addressed the "Promote Investor Protection" theme, whereas 13.9% dealt with the "Foster Capital Market

Development" theme. The "Improve the Regulatory Environment" theme and the "Enhance CMA's Organizational Excellence" theme comprised 12.5% and 9.0% of the resolutions, respectively (Table (3)).

Table (3): CMA Board Resolutions on the Implementation of the Strategic Plan Classified by Theme

Theme	2015		2016	
	Number	Out of Total (%)	Number	Out of Total (%)
Foster Capital Market Development	152	27.1%	70	13.9%
Promote Investor Protection	362	64.6%	324	64.5%
Improve the Regulatory Environment	23	4.1%	63	12.6%
Enhance CMA's Organizational Excellence	23	4.1%	45	9.0%
<b>Total</b>	<b>560</b>	<b>100%</b>	<b>502</b>	<b>100%</b>

### (3) Human Resources and Development Programs

CMA aims to create a stimulating, positive and highly productive environment that achieves the objectives it was established for, and thusly has sought to attract talents with the necessary qualifications and skills. In 2016, CMA expanded its human resources by 43

employees, while 29 resigned, bringing the total of its staff to 652, an increase of 2.2% from 2015. It is worth noting that Saudization rates reached 99.1%, whereas female employees accounted for 13.5% of the total workforce (Table (4)).

Table (4): Distribution of Human Resources

Year	Nationality				Total
	Saudi		Non-Saudi		
	Male	Female	Male	Female	
2015	545	88	5	-	638
2016	558	88	6	-	652

CMA employees possess high academic qualifications, with more than 77.7% holding a bachelor's degree or higher (Table (5)).

Table (5): Academic Qualifications of CMA Employees in 2015 and 2016

Qualifications	2015		2016		Change (%)
	Number	Out of Total (%)	Number	Out of Total (%)	
High School (or Below)	77	12.1%	74	11.3%	-3.9%
Diploma	66	10.3%	72	11.0%	9.1%
Bachelor's	266	41.7%	269	41.3%	1.1%
High Diploma/ Master's	224	35.1%	232	35.6%	3.6%
Ph.D.	5	0.8%	5	0.8%	0.0%
<b>Total</b>	<b>638</b>	<b>100%</b>	<b>652</b>	<b>100%</b>	<b>2.2%</b>

To enhance the qualifications of its human resources in all areas related to its functions, CMA continued to provide development programs to its employees, while also giving them the opportunity to pursue their education within the Kingdom or abroad. It launched 10 in-house training programs in 2016, attended by 467 participants.

Furthermore, by the end of 2016, 427 of its employees had attended 451 external training programs and 192 had enrolled in universities abroad since the beginning of the scholarship program, of which 142 have already graduated with bachelor's or master's degrees (Table (6)).

Table (6): Human Resources Development Programs

Program	Number of Participants	
	2015	2016
In-house Training Programs	378	467
International Training Programs	696	427
Rotation Program	10	20
English Language Programs (Domestic)	8	7
English Language Programs (Abroad)	6	5
On-the-Job Training Programs at Peer International Organizations and Authorities	9	7
International Scholarships <sup>5</sup>	44	33

CMA offered several development opportunities to participants in the “High Potential Program” launched in 2015, enrolling them in development programs at reputable institutions in the fields of leadership and supervision, and enabling them to partake in the missions of CMA’s official delegations locally and internationally. The Program seeks to identify male and female employees who have leadership potential to sponsor them and hone their skills through various means, in order to qualify them for leadership positions in CMA’s various managerial levels.

Significant contributions have also been made to the society, namely through CMA’s on-the-job training for outstanding Saudi graduates

from various universities. In 2016, it launched the third version of “CMA Graduate Development Program”, which attracted 31 interns (10 females and 21 males) with bachelor’s and master’s degrees distributed among seven specializations: finance and investment, laws and legislations, management, inspection, compliance, international relations and research, technology and operations.

CMA has also contributed to the internship training program offered to the students enrolled in the Kingdom’s universities and colleges: 82 students joined the program in 2016 of which 11 students enrolled in the post-high school diploma program, whereas 71 registered in the bachelor’s program.

5) As indicated at the end of the period.



## (4) Savings Plan and Housing Finance Program

CMA offers its staff two incentive programs:

### 1. Savings Plan

Keen on promoting the culture of saving among its employees, CMA has implemented a program (Savings Plan) to encourage employees to save their income. It is a flexible long-term savings plan, under which CMA provides a financial contribution to supplement the contributions made by employees subscribed to the plan. At year-end 2016, the number of participants in the plan stood at 366 (56.1% of total CMA staff).

### 2. Housing Finance Program

To anchor its relationship with its employees and promote a sense of belonging, and in line with the Government's directives to improve

citizens' wellbeing and provide appropriate accommodation, CMA has fostered an "Employee Housing Finance" program in cooperation with local banks, where CMA bears the full Murabaha rate on finance. The program offers long-term financing with affordable installments. All CMA's Saudi employees may benefit from the program in accordance with the applicable terms and conditions. At year-end 2016, the number of beneficiaries stood at 115.

## (5) Owned and Rented Buildings

Table (7) illustrates the buildings owned and rented by CMA in 2016.

Table (7): Owned and Rented Buildings

Buildings	2016
Owned	CMA Headquarters – Riyadh
Rented	Al-Faisaliya Tower, Floors 10, 11, 12 & 19
	Al-Tawuniya Towers, Floors 8 – 13
	8 Floors in the Center for National Dialogue (Under Preparation)



## Chapter Two

Current Status of CMA



## Section 2: Committees

- (1) CMA Advisory Committee
- (2) Supreme Joint Committee to Separate the Functions and Jurisdictions of CMA and Tadawul
- (3) Audit Committee
- (4) Human Resources Development Committee
- (5) E-Transactions Committee
- (6) Ad-hoc Committees

## (I) CMA Advisory Committee

The Advisory Committee was formed in 2013 to activate communication between CMA and Capital Market participants and establish an organized mechanism for the same, with the aim of enhancing CMA's performance of its functions and achieving its objectives. Its tasks include:

- a. Provide recommendations and proposals on issues referred by the CMA Board.
- b. Discuss topics and proposals brought up by Capital Market participants, and gauge their reactions towards any changes and new policies CMA wishes to adopt.
- c. Express opinions and recommendations on all matters contributing to the development of the market and the protection of investors in securities.

The Committee operates in its capacity as a consultative body to the CMA Board. In its third term, its membership included part-time persons ranging from market participants and experts to qualified specialists and academics:

- 1- Mr. Ayman Bin Muhammad Al-Sayari<sup>6</sup>
- 2- Mr. Khaled Bin Abdullah Al-Husan
- 3- Mr. Ziad Bin Muhammad Al-Tunisi
- 4- Mr. Salman Bin Muteb Al-Sudairi
- 5- Dr. Abdullah Bin Abdul Rahman Al-Shuweir
- 6- Mr. Fawaz Bin Hamad Al-Fawaz
- 7- Mr. Hassan Bin Shakib Al-Jaberi
- 8- Mr. Khalil Bin Ibrahim Al-Sudais
- 9- Mr. Ziad Bin Muhammad Al-Shaiha
- 10- Mr. Suhail Bin Muhammad Abanmi<sup>7</sup>
- 11- Mr. Fahd Bin Abdullah Al-Qassem
- 12- Mr. Fawaz Bin Muhammad Al-Fawaz

Throughout its third term in 2016, the Committee held eight meetings, during which it discussed a set of studies and submitted its recommendations regarding them to the CMA Board. These topics included:

- Sukuk and other debt instruments market in the Kingdom of Saudi Arabia.
- Conversion of listed companies into the International Financial Reporting Standards (IFRS).
- Activating the role of independent members in corporate boards of directors.
- Convergence of portfolio management interests between investors and investment managers.
- Sector and market information and disclosures, particularly in annual reports.
- Best practices applied in auditing firms that audit listed companies.
- Creating an energy market.

It also discussed and made observations on several other topics, including:

- The regulatory rules for Special-Purpose Entities and the draft articles of association for the Special-Purpose Entity.
- CMA's Program to Achieve Saudi Vision 2030.
- Second Market Listing Rules.
- Fourth-quarter financial statements of listed companies.

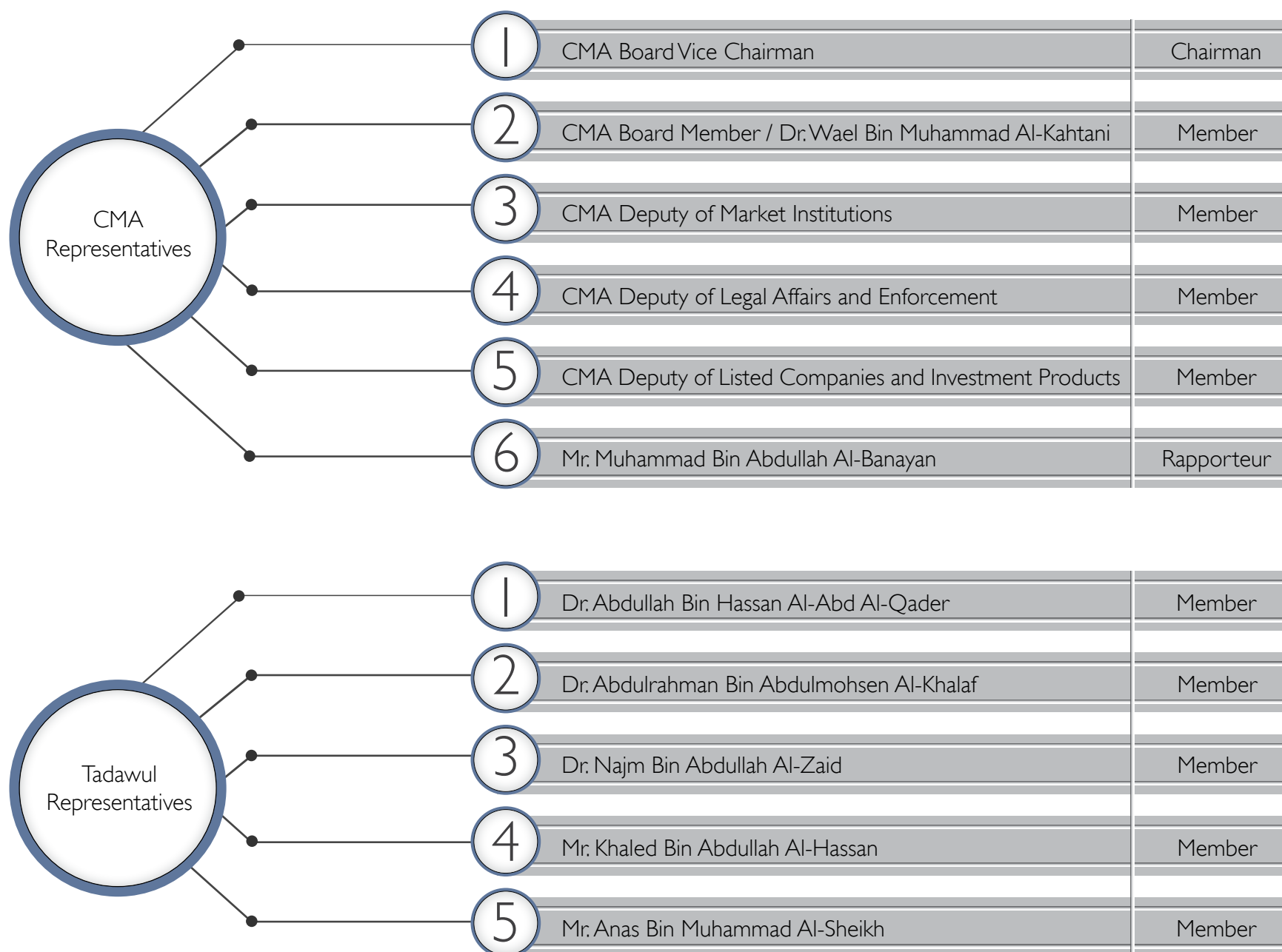
6) Replacing H.E. Dr. Ahmed Abdulkarim Alkholifey who, pursuant to Royal Order No. A/156 dated 30/7/1437H, was appointed as Governor of the Saudi Arabian Monetary Authority at the rank of minister.

7) Replacing Dr. Tariq Bin Abdullah Al-Nuaim, who was appointed as a CMA Board member, pursuant to Royal Order No. A/239, dated 18/11/1437H.

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

The Supreme Joint Committee to Separate the Functions and Jurisdictions of CMA and the Saudi Stock Exchange (Tadawul) was formed in 2013, to serve its named purpose in accordance with the requirements of the CML and activate the functions and jurisdictions

of Tadawul as per said law. The committee was re-formed in 2016 with the membership of 11 persons, six of whom represent CMA and five represent Tadawul.



As of mid-2013, CMA and Tadawul have been collaborating on a joint project to separate their functions and jurisdictions under the supervision of a joint supreme committee. The functions and jurisdictions of both bodies were identified in accordance with the provisions of CML, and the memorandum identifying the same was adopted during the meeting of the Supreme Committee held in September 2014. Consequently, the relevant draft regulations were developed in both English and Arabic.

In 2016, the Committee held nine meetings during which it discussed several topics and made recommendations regarding the same, notably:

- Reviewing and amending the regulations and rules on both corporate finance and issuance, and the Capital Market institutions:

### **Corporate Finance and Issuance Regulations:**

1. Listing Regulations
2. Regulations for Offering and Ongoing Obligations

### **Capital Market Institutions Regulations:**

1. Intermediaries Regulations
2. Prudential Rules for Intermediaries
3. Investment Advisors and Portfolio Managers Regulations
4. Prudential Rules for Investment Advisors and Portfolio Managers
5. Intermediary Licensing Regulations
6. Securities Business Regulations
7. Market Conduct Regulations

- Adding a new phase to explore expert observations and reviews on the above regulations and rules, including those of the members of the Advisory Committee, experts among committees for authorized persons, as well as market professionals, and accordingly amend such regulations and rules before publishing them for public consultation.

The Supreme Joint Committee is currently studying the proposed amendments for some sections of the draft law (agreed upon in the memorandum identifying jurisdictions and functions) to ensure the alignment of the project with the Saudi Vision 2030 and the National Transformation Program 2020.

In addition to the main work teams (the Corporate Finance and Issuance team and the Capital Market Institutions team), three more teams from CMA and Tadawul are also participating in the project, each with designated functions and responsibilities:

- Media Team: in charge of the project's media plan and methods of interacting with the public regarding the stages and outputs of the project, in accordance with a timetable approved by the Committee.
- IT Team: in charge of studying and evaluating the current IT systems of CMA and Tadawul, and proposing the necessary upgrades, or adding new systems that meet the needs of both parties and contribute to the activation of the project's outcomes (processes and procedures).
- Quality Team: in charge of studying and evaluating joint work procedures between CMA and Tadawul, and proposing appropriate updates to current procedures, or adding new procedures that would help achieve higher levels of efficiency and quality.

## **(3) Audit Committee**

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

1. Follow up on the tasks of the Internal Audit Division of CMA, to verify its efficiency in carrying out its tasks and functions.
2. Examine any restraints placed on the Internal Audit Division that may impede its ability to carry out its tasks and functions, and make proposals and recommendations for resolving them.
3. Examine the Internal Audit System in CMA and prepare a report with its relevant proposals and recommendations.
4. Examine internal auditing reports and follow up on the implementation of corrective procedures indicated in such reports.
5. Advise the CMA Board regarding the efficiency of the General Director of the Internal Audit Division and provide recommendations regarding the performance appraisal thereof.
6. Ensure the suitability and adequacy of the arrangements taken by CMA regarding the concerns voiced by its employees on any violations or irregular practices within CMA.
7. Provide recommendations to the CMA Board regarding the appointment, remuneration and termination of the external auditor, given that he may not be employed for a period exceeding five consecutive years, following which there must be a period of two years before he can be reinstated.

8. Examine the external auditor plan for external auditing.
9. Follow up on the tasks of the external auditor and examine the observations thereof and the difficulties faced by them, while also following up on the same, providing relevant suggestions and recommendations, and convening with the external auditor at least once a year.
10. Review reports submitted by the Finance Department regarding budget performance and analyze deviations between the actual expenses and the adopted estimated budget.
11. Review the CMA financial statements and final accounts of CMA and submit recommendations to the Board regarding the approval of the same.
12. Issue the Audit Committee report and enclose it with the financial statement of CMA.
13. Examine the CMA Annual Internal Auditing Plan and ensure its adequacy.
14. Examine accounting policies adopted in preparing CMA financial statements and final accounts, and make observations regarding the same to the CMA Board if necessary.

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

The Audit Committee comprises:



In accordance with CMA Board Resolution No. (10-52-2016), dated 20/7/1437H (27/4/2016), the Committee was re-formed as follows:



The Committee held nine meetings in 2016, during which it discussed several items on its agenda and made proper recommendations thereon.

#### (4) Human Resources Development Committee

The Human Resources Development Committee oversees human resources development programs and operates in accordance with the authority matrix. Pursuant to CMA Board Resolution No. (2-28-2016), dated 26/5/1437H (6/3/2016), the Committee was re-formed as follows:



The Committee was re-formed again in accordance with CMA Board Resolution No. (4-124-2016), dated 9/1/1438H (10/10/2016):



The functions of the Committee, as provided in Article Five of its regulations, amended by CMA Board Resolution No. (2-69-2016), dated 3/9/1437H (8/6/2016), include the following:

- Set up the overall policy of human resources development, including building cooperative relationships with educational and training institutions.
- Validate the plan and budget of human resources development and have it approved by the Chairman.
- Develop the rules governing human resources development programs at CMA such as the rules related to the educational programs, targeted specializations, comparison standards between candidates and recommended universities as well as the rules governing part-time enrollment programs in educational institutions, attachment program at international organizations, specialized programs, in-house training programs, professional certificates, technical tests, English language programs and the high potential (HiPo) program.
- Validate nominations for education programs in terms of applicant's eligibility requirements and suitability of the targeted degree, as well as have them approved by the competent employee.
- Consider requests related to the attachment program at international organizations and validate them for approval by the competent employee.
- Study and make recommendations with regard to the special cases related to employees enrolled in educational and training programs which are flagged for attention by the Human Resources Department. The cases referenced may include requests for study/

training extension, termination or temporary stop, as well as field study trips.

- Review educational and training program reports and provide recommendations.
- Validate the programs dedicated to fresh graduates and seek the Chairman's approval.

The Committee held 22 meetings in 2016, during which it addressed many items on its agenda, regarding the tasks of the Department of Human Resources, and made recommendations.

## (5) E-Transactions Committee

In implementation of High Order No. MB/8189 dated 19/6/1426H regarding formation of a committee at every government agency under the name "E-Transactions Committee" which reports directly to the top official at that agency or his designee and which shall be concerned with all matters pertaining to e-transactions, determining respective implementation requirements in coordination with the E-Government Program "YESSER" at the MCIT and other government agencies; and in accordance with the CMA Board Resolution No. 2-69-2016, dated 3/9/1437H (8/6/2016), and the CML issued by Royal Decree No. M/30, dated 2/6/1424H, the E-Transactions Committee Regulations were approved. They provide for the establishment and functions of the Committee, given that it was entrusted with the preparation, adoption and supervision of the implementation of the CMA E-Transactions Plan in accordance with the National Communications and IT Plan, while also coordinating with the E-Government Program "Yesser" developed by the Ministry of Communications and Information Technology (MCIT) and other relevant government bodies. It will also review and adopt e-projects, and follow up on potential threats and risks to the e-services and systems of CMA.



The Committee comprises:



The Committee held six meetings in 2016, during which it discussed several items on its agenda, including:

- Information Center Unification Project.
- Projects approved by the E-Transactions Committee and the future road map.
- Analysis of the 2016 technological projects.
- The performance indicator of the “Facilitating E-Transformation of CMA Functions and Services” strategic objective.
- Assessing CMA business technology.
- Information Security within CMA and best relevant practices in securities markets.
- Reviewing updates related to the e-transformation plan of the Information Technology Division.
- Outcomes of the e-transformation plan of the Information Technology Division.
- Meeting with the National 7th e-Transformation Measurement Team.

The Committee made the following recommendations:

- Approve the replacement and unification of the infrastructure of the CMA Data Center.

- Approve the analysis of several technological projects to be implemented in 2016, confirming their readiness and identifying implementation requirements.
- Approve the recommendations in the “Information Technology Division Current Status Assessment” project study.
- Adopt the comprehensive plan for the automation of CMA services and functions.
- Activate connectivity between government bodies through the E-Transaction Transformation Initiative and the automation of CMA functions.
- Approve the implementation of the following technical projects in 2016:
  - ✧ E-System for Improving CMA Functions.
  - ✧ E-System for Performance Management.
  - ✧ E-System for Project Management.
- Approve the inclusion of several projects under the project budget for 2017.
- Adopt the outcomes of the Information Technology Division Transformation project.

The Committee took suitable decisions accordingly.

### ■ Yesser Program

In light of the ongoing constructive cooperation between CMA and the e-Government Program “Yesser”, the National e-Transformation Measurement Team of the Ministry of Communications and Information Technology visited CMA during December of 2016 and met with the members of the CMA E-Transactions Committee. It is worth noting that the National Team oversees the 7th Transformation Measurement, as well as the readiness of government bodies towards the implementation of e-transactions. The tasks of the Team include reviewing, assessing and giving recommendations regarding the 7th Transformation Measurement Survey, in order to prepare a detailed report thereon.

It is worth noting that CMA participated in the 6th Transformation Measurement of Yesser, and recorded a general completion rate of 54.25% for the period of 1436/1437H in the “E-Services Availability Phase”, thus completing 46.7% of the whole transformation process (cumulative index).

## ■ Government Services Observatory

The e-Government Transactions Implementation Rules, issued in accordance with Council of Ministers Resolution No. 40, dated 27/02/1427H, namely Rule 9 stipulates that “all government bodies shall determine the services offered and the requirements for benefitting from such services, in addition to creating electronic forms for this purpose as per the guidelines to be established by the Program”. Accordingly, the e-Transactions Program “Yesser” launched the “Government Services Observatory” which enables government bodies to specify and determine their services and establish a road map for the e-transformation, while also enhancing their electronic maturity. The government agencies are then required to publish information on such services on the National e-Government Services Portal (Saudi). These steps occur across several phases adopted by the e-Transactions Program “Yesser”. CMA has already published a number of its e-services via the “Government Services Observatory” system.

## ■ E-Systems:

Through the E-Transaction Transformation Plan adopted in 2016, CMA seeks to improve the services provided to beneficiaries and increase efficiency in implementing adopted procedures. Accordingly, it launched 11 electronic systems:

- Nafith System.
- Credit Rating Agencies Project.
- Investor Complaint System.
- Foreign Investor Qualification Portal.
- General Assembly System.
- Daily and Weekly Disclosures and Obligations of Investment Funds System.
- A unified and joint database for recording precedents of suspected violations.
- A system for following up on lifting lock-ups off founding shareholders.
- A system for monitoring the investments of joint-stock companies in listed shares.
- Development of CMA official website (Phase I).
- Power Delegation System.

## (6) Ad-hoc Committees

### (1) Executive Committee

Without prejudice to the powers and functions of the CMA Board, as indicated in the CML and its Implementing Regulations and by-laws, and in accordance with Article Three of the Executive Committee Regulations adopted under CMA Board Resolution No. (2-69-2016), dated 3/9/1437H (8/6/2016), the Committee shall examine and make decisions and recommendations regarding any matter that may increase the efficiency of the internal functions of CMA that are related to financial affairs, procurements and contracts, human resources (with the exception of matters handled by the Human Resources Development Committee), organizational excellence, protocols, premises and services, and documents and archives. It shall carry out its tasks in accordance with the powers identified in the authority matrix. The Committee shall comprise:



In accordance with the CMA Board Resolution No. (5-90-2016), dated 8/10/1437H (13/7/2016), the Committee was re-formed as follows:

CMA Board Chairman	1	Chairman
CMA Board Vice Chairman	2	Vice Chairman
CMA Deputy of Corporate Resources	3	Member
Muhammad Bin Rashid Aba Al-Khail	4	Member
Farah Bint Hassan Al-Ruwaili	5	Member

The Committee held eight meetings in 2016, during which it discussed several items on its agenda and made appropriate recommendations.

## (2) Management Committee

The Management Committee Regulations were adopted in accordance with CMA Board Resolution No (2-69-2016), dated 3/9/1437H (8/6/2016). Without prejudice to the jurisdiction and functions of the Board indicated in the CML, its Implementing Regulations and by-laws, the Committee provides administrative and regulatory advice to the Chairman of the CMA Board to aid in making appropriate decisions, as well as properly managing CMA and achieving its objectives. The Committee coordinates with the various CMA deputies and divisions with regard to their adopted annual plans and performance indicators, and discusses the updates and developments related to their tasks. The members of the Committee may make recommendations that serve to increase productivity levels, develop the internal work environment, and make optimum use of human and financial resources. The Committee may also bring up any matter that serves towards achieving the goal it was created for. The Committee comprises the following members:

CMA Board Chairman	1	Chairman
CMA Board Vice Chairman	2	Member
CMA Deputy of Listed Companies and Investment Products	3	Member
CMA Deputy of Strategy and International Affairs	4	Member
CMA Deputy of Legal Affairs and Enforcement	5	Member
CMA Deputy of Corporate Resources	6	Member
CMA Deputy of Market Institutions	7	Member
Director of Communication and Awareness	8	Member
Director of Risk Management	9	Member
Director of Internal Audit	10	Member
Director of Information Technology	11	Member
General Secretary to the Board	12	Member
Manager of the Chairman's Office	13	Member

The Committee held 17 meetings in 2016, during which it addressed several items on its agenda and made appropriate recommendations.



## **Chapter Two**

Current Status of CMA



## Section 3: Communication and International Relations

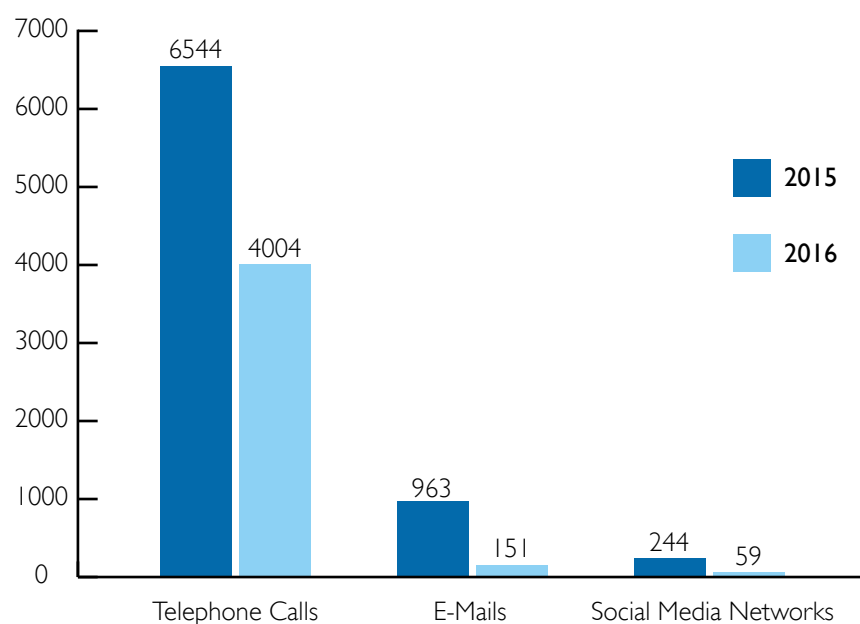
(1) Contact Center

(2) International Relations and  
Organizations

## (1) Contact Center

In 2016, CMA's Contact Center received 4,214 communications, of which 4,004 were telephone calls, 151 emails and 59 social media inquiries (Chart (2)). 1,667 of these communications were regarding investment portfolios, whereas 714 and 31 were about employment and investor reporting market violations, respectively.

Chart (2): Incoming Communications to the Contact Center Classified by Contact Method for 2015 and 2016



## (2) International Relations and Organizations

CMA has continued to develop and strengthen its regional and international relations with the organizations, authorities and institutions involved in regulating and monitoring Capital Markets while making use of the best international experiences and practices in related areas. In order to gain and exchange experiences, corroborate bilateral and multi-lateral relations, and open channels for joint cooperation, CMA collaborated with a number of regulators in related fields. In addition, during 2016, CMA participated in international programs, forums and conferences related to the development and oversight of Capital Markets as follows:

### First: International Organization of Securities Commissions (IOSCO)

The International Organization of Securities Commissions (IOSCO) is recognized as the global standard setter for the securities sector. It collaborates with its members to reach the highest regulatory levels to maintain efficient and proper securities transactions, exchange information and experience to support and develop Capital Markets and consolidate efforts to achieve an effective control of securities transactions. CMA became a member of IOSCO in its 35th Annual Conference in Montreal in 2010 and also joined several of the policies committees under the IOSCO Board, namely the Committees of Retail Investors; Investment Management; Issuer Accounting, Audit and Disclosure; Regulation of Secondary Markets; Regulation of Market Intermediaries; Commodities and Derivatives Markets; and Emerging Risks (as an observer). CMA was re-elected as a member of the IOSCO Board for the 2016 - 2018 term.

IOSCO has several key committees including:

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

In 2016, CMA participated in the meetings of IOSCO and its committees, discussing a variety of issues, most notably:

- The regulation of securities markets and common challenges faced by IOSCO member states.
- International securities markets performance developments and emerging risks.
- Report on Corporate Governance in Emerging Markets.
- Latest developments on the IOSCO-sponsored Regional Training Hub to be established in Malaysia.
- Increasing the performance of the members of regulators through developing IOSCO's online research and training portal.
- The importance of international cooperation with regards to information exchange among securities market regulators, given its significant impact on facilitating the implementation of laws and regulations and promoting investor protection in securities markets.

- IOSCO's current projects for the regulation of securities markets in cooperation with the Financial Stability Board (FSB), such as the regulation of asset management and securities market conduct, given that they are receiving the special attention of the G20.
- The role of IOSCO in the International Accounting Standards Board (IASB).

## Second: Gulf Cooperation Council (GCC) Countries

CMA participated in the GCC Capital Market Integration Project with the Secretariat General of the Gulf Cooperation Council. It also participated in the meetings of the Ministerial Committee of Board Chairpersons of the GCC Capital Markets Regulators and the GCC Heads of Capital Markets Authorities' (or their equivalents) Committee, during which several matters were discussed, notably:

- Vision of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz, in terms of strengthening the integration among GCC States.
- Economic resolutions of the GCC Supreme Council's 36th Session.
- Holding annual workshops on trading surveillance to exchange expertise among member states.
- Developing a website for GCC Capital Markets regulators containing information on training programs and any work papers prepared and published by GCC Capital Markets regulators.
- Topics related to the integration of Capital Markets in the GCC, including a project for a strategic study and mechanisms for achieving integration of GCC Capital Markets, and the recommendations of the Committee of heads of Capital Markets authorities (or their equivalents) in the GCC States.
- The latest developments on the Capital Markets of Member States.

## Third: Union of Arab Securities Authorities (UASA)

The Union of Arab Securities Authorities (UASA) was established in 2007, and CMA is one of its founders. UASA includes 15 active members, three associate members and one observer member. UASA seeks to raise the performance of Arab financial markets, consolidate efforts to reach effective levels of oversight on transactions in Arab financial markets, and exchange information, technical assistance and expertise. It also encourages cooperation and coordination to set up standards to ensure the efficiency and integrity of financial markets' transactions, and coordination on related laws and regulations so as to achieve maximum harmony and consistency. CMA participated in the meetings of UASA in 2016, during which several topics were discussed, including:

- UASA's five-year strategic plan, beginning in 2016.
- The latest developments, events and future projects.
- The 2015 Annual Report of UASA and its 2016 Action Plan.
- The panel discussion on investment funds and fixed income securities organized by the UASA in affiliation with Bloomberg.

CMA also made several contributions to international relationships and joint cooperation, which can be summarized as follows:

- Accession to the membership of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- Organizing cross-border visitations with peer authorities and relevant international organizations, and responding to questionnaires and inquiries regarding the Capital Market.
- Coordinating joint initiatives between CMA and relevant bodies.
- Contributing to the project concerned with nurturing competition in the Kingdom's investment environment, in cooperation with competent government bodies, for example, the annual "Doing Business" report issued by the World Bank Group, and the Global Competitiveness Report issued by the World Economic Forum.
- Contributing annually to the organization of international delegation visits to the Kingdom, in coordination with the relevant government bodies, including the visits made by global credit rating agencies for the assessment of the financial sector in the Kingdom.
- Activating and developing its bilateral relationships with peer bodies with regards to the exchange of information and expertise.
- Strengthening its contribution to international conferences, programs and events related to Capital Markets development and surveillance, and participating in the organization of national conferences with international participation.
- Participating in the 2016 Financial Sector Assessment Program in the Kingdom.



# Chapter Three

Regulating the Capital Market



- 
- (1) New Implementing Regulations
  - (2) Amended Implementing Regulations
  - (3) Implementing Regulations under Development

CMA undertakes the responsibility of drafting and enacting the regulations and rules governing the Capital Market, issuing instructions according to the provisions of the CML and applying the provisions of the CML to implement the functions stated in Articles Five and Six of the CML.

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

## (I) New Implementing Regulations

CMA issued the following regulations and instructions in 2016:

### 1. Investment Accounts Instructions

The Investment Accounts Instructions were issued by CMA Board Resolution No. (4-39-2016) dated 25/6/1437H (3/4/2016). The Instructions regulate the opening and operation of investment accounts held by persons authorized to engage in dealing, managing, or custody activities. They also define the supervisory rules and controls associated with investment accounts. In order to ensure the clarity and consistency of CMA's requirements and provisions, the above-mentioned Resolution also included the annulment of Resolution No. (1-95-2005) dated 30/8/2005 related to special and general powers of attorney, as well as relieving Authorized Persons from certain requirements.

### 2. Instructions of Book Building Process and Allocation in Initial Public Offerings (IPOs)

The Instructions of Book Building Process and Allocation Method in Initial Public Offerings (IPOs) were issued by CMA Board Resolution No. (2-94-2016) dated 15/10/1437H (20/7/2016). The Instructions regulate book building and IPO share allocation.

### 3. Regulatory Rules and Procedures Issued Pursuant to the Companies Law Relating to Listed Joint Stock Companies

The Regulatory Rules and Procedures issued pursuant to the

Companies Law relating to Listed Joint Stock Companies were issued by CMA Board Resolution No. 8-127-2016 dated 16/1/1438H (17/10/2016). These Rules and Procedures are based on the authorities granted to the Ministry of Commerce and Investment and CMA, by virtue of the new Companies Law, for the purpose of controlling a number of dynamic issues, observing flexibility, and keeping up with developments by issuing efficient provisions through which the performance of joint stock companies is enhanced and the interests of shareholders are protected. They also regulate several important aspects concerned with the performance of joint stock companies listed in the Saudi Stock Exchange, including remuneration of board members, holding shareholders' special and general assemblies with the participation of shareholders using modern technology, the company's share buy-back, issuing preferred shares, as well as the controls and procedures for pledging shares and dividend payouts. The Rules and Procedures were the product of the joint efforts of CMA and the Ministry of Commerce and Investment in light of the CMA's initiatives in developing the Saudi Capital Market.

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

The Guidance Note to the Regulatory Rules and Procedures issued pursuant to the Companies Law was issued by CMA Board Resolution No. (8-127-2016) dated 16/1/1438H (17/10/2016). Its purpose is to assist joint stock companies listed in the Saudi Stock Exchange, their boards of directors, shareholders, and stakeholders in the implementation of some of the regulations and procedures issued by the CMA's Board, as well as providing assistance to the abovementioned parties in observing CMA's requirements. Therefore, the main purpose of issuing the Guide is to further clarify some of the requirements and provide relevant examples.

### 5. Real Estate Investment Trusts Instructions

The Real Estate Investment Trusts (REITs) Instructions were issued by CMA Board Resolution No. (6-130-2016) dated 23/1/1438H (24/10/2016). These Instructions are in line with the CMA's 2015-2019 Strategic Plan and the Saudi Vision 2030. They also correspond to the CMA's role in regulating and developing the Capital Market and issuing new investment tools, as well as creating a more stable environment in the Capital Market. The Instructions regulate the offering of real estate investment trusts, which primarily aim to invest in developed real estate with regular return rates and specified cash dividend payouts of the net profit to unitholders.

## 6. Parallel Market Listing Rules

The Parallel Market Listing Rules were issued by CMA Board Resolution No. (3-151-2016) dated 22/3/1438H (21/12/2016). These Rules regulate the offering, registration, and approval of the listing of shares in the Parallel Market by determining the requirements of offering and registration, the investor classes eligible for participation, and the continuous obligations on the companies listed in the Parallel Market, under the condition that the daily volatility range in the Parallel Market is limited to 20%. The above-mentioned CMA Board Resolution also approved the amendment of the Offers of Securities Regulations to include provisions concerned with the offering of shares to be listed in the Parallel Market.

## (2) Amended Implementing Regulations

CMA has constantly aimed to achieve the highest levels of efficiency and excellence in regulating and developing the Capital Market, and improving its legislative procedures. In 2016, CMA amended a number of its Implementing Regulations including the following:

### I. Investment Funds Regulations

The Investment Funds Regulations were issued by CMA Board Resolution No. (1-219-2006) dated 3/12/1427H (24/12/2006), and amended by CMA Board Resolution No. (1-61-2016) dated 16/8/1437H (23/5/2016). They regulate the establishment of investment funds, their registration, offering of units, management, operations, and supervision of all related activities in Saudi Arabia. The Regulations include several provisions that contribute to developing the regulatory framework under which investment funds operate. Such a framework also regulates the relationship between the funds and their managers, and investors in such funds, which creates a favorable environment for diverse investment options as well as encouraging institutional investment. The most significant of these provisions is improving disclosure levels to investors (unitholders), such as the regular reports fund managers need to provide investors (unitholders) with. The Regulations include further details regarding investors (unitholders) participation in voting on certain types of procedures and/or decisions carried out by the fund manager, in addition to some provisions that guarantee that the assets and money of investors are handled in a manner that ensures the best interest of unitholders. The Regulations also stipulate that public fund managers shall disclose voting procedures in the general assemblies of listed companies in which they invest. On the other hand, the Regulations adopted clear-cut provisions governing fund managers, including the independence of custodians from fund managers, and determining the periods and procedures for approving the

establishment of public funds, as well as setting the frameworks that govern the units offered in private real estate funds.

### 2. Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority (Amended)

It was issued by CMA Board Resolution No. (4-22-2004) dated 20/8/1425H (4/10/2004), and amended by CMA Board Resolution No. (61-1-2016) dated 16/8/1437H (23/5/2016). The Glossary includes approximately 200 definitions of the terms used in the CMA's Regulations and amended rules to facilitate their understanding in the context of Implementing Regulations. It is noteworthy that the Glossary has been amended in line with the amendments of the CMA's Implementing Regulations.

### 3. Rules for Qualified Foreign Financial Institutions Investment in Listed Securities

The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities were issued by CMA Board Resolution No. (1-42-2015) dated 15/7/1436H (4/5/2015), and amended by Resolution No. (3-104-2016) dated 5/11/1437H (8/8/2016). The Rules were updated to develop the Saudi Capital Market, expand institutional investment base and realize the Saudi Vision 2030.

Through these Rules, CMA aims to transfer knowledge and expertise to local financial institutions and investors. It also seeks to enhance the performance of listed companies, promote the Saudi Capital Market, and improve the standards of relevant research, studies, and assessments. This helps in providing more accurate information and fairer evaluation of securities. The procedures, requirements, and conditions for registering Qualified Foreign Investors (QFIs) with CMA for investing in listed securities were also established. The obligations of QFIs and APs were defined as well. The Rules were amended later on to relax some of the restrictions that were previously enforced on the registration of potential foreign investors, such as decreasing the required minimum limit of asset value managed by the financial institution applying for registration from SR 18.75 billion to SR 3.75 billion; expanding the categories of QFIs to include government entities, institutions affiliated with government entities, university endowments, and any other financial institutions CMA deems eligible; and, finally, eliminating the approved QFI Client concept.

#### **4. Procedures and Instructions of Listed Companies whose Accumulative Losses are 50% or more of their Capitals**

The Procedures and Instructions of Listed Companies whose Accumulative Losses are 50% or more of their Capitals were issued by CMA Board Resolution No. (4-48-2013) dated 15/1/1435H (18/1/2013). The purpose of the Procedures and Instructions is regulating transactions with listed companies whose accumulative losses are 50% or more of their capitals.

CMA Board Resolution No. (1-130-2016) dated 23/1/1438H (24/10/2016) was issued for the purpose of developing the Saudi Capital Market, enhancing investor protection, and establishing procedures that limit risk in securities transactions. The above-mentioned Resolution amended the procedures and instructions of listed companies whose accumulative losses are 50% or more of their capitals under the Companies Law issued by Royal Decree No. M/3 dated 28/1/1437H. The Regulations have been renamed into the Procedures and Instructions of Listed Companies whose Accumulative Losses are 20% or more of their Capitals, provided that they enter into force on 25/7/1438H (22/4/2017).

#### **5. Market Conduct Regulations**

The Market Conduct Regulations were issued by CMA Board Resolution No. (1-11-2004) dated 20/8/1425H (4/10/2004), and amended by Resolution No. (3-3-2016) dated 27/3/1437H corresponding to 7/1/2016. Article 12 of the Regulations was amended to outline CMA's responsibility in protecting citizens and investors in securities from any unfair or unsound practices, in addition to maintaining impartiality, efficiency, and transparency in securities transactions. The Article is concerned with clients priority and front running trades, since in its previous version, client priority was only provided for in a general stipulation that deals with priority in execution. After amendment, the Article now contains eight detailed paragraphs dealing with the following aspects:

- Priority in client order execution.
- Trading on the basis of prior knowledge of other orders.
- Disclosure of information related to client orders.
- Trading of securities based on client order information with the purpose of benefitting from the potential material effect of such orders.

#### **6. Listing Rules**

The Listing Rules were issued by CMA Board Resolution No. (3-11-2004) dated 20/8/1425H (4/10/2004), and amended by Resolution No. (1-64-2016) dated 19/8/1437H (26/5/2016). The Rules regulate securities public offering, registration, and admission for listing in Saudi Arabia. In accordance with the Saudi Organization for Certified Public Accountants' (SCOPA) decision to apply international accounting standards in listed companies as of 1/1/2017, and due to the difficulties and challenges that may face such companies in their conversion into international accounting standards, CMA amended paragraph (d) of Article 42 of the Listing Rules to: "The issuer must provide the Authority and announce to the shareholders its interim financial statements as soon as they have been approved and within a period not exceeding 30 days after the end of the financial period included in such financial statements". CMA also amended paragraph (e) into: "The issuer must provide the Authority and announce to the shareholders its annual financial statements as soon as they have been approved and within a period not exceeding three months after the end of the annual financial period included in such financial statements".

#### **7. Anti-Money Laundering and Counter-Terrorist Financing Rules**

The Anti-Money Laundering and Counter-Terrorist Financing Rules were issued by CMA Resolution No. (1-39-2008) dated 3/12/1429H (1/12/2008), and paragraph (1) of Article 20 was amended by Resolution No. (5-53-2016) dated 25/7/1437H (2/5/2016). The Rules are designed to ensure the commitment of authorized and registered persons to the procedures and regulations issued by CMA to guarantee the following:

- a) Implementing the Anti-Money Laundering Law issued by Royal Decree No. (M/31) dated 11/5/1433H, and its Implementing Regulations, as well as the FATF 40 Recommendations on anti-money laundering and nine Special Recommendations on Terrorist Financing, the International Convention for the Suppression of the Financing of Terrorism (New York, 1999), the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna, 1988), the United Nations Convention against Transnational Organized Crime (Palermo, 2000), Security Council Resolutions No. 1267 and 1373, and any relevant resolutions related to counter-terrorist financing.
- b) Enhancing the Capital Market's integrity and credibility.
- c) Protecting APs and their clients from illegal activities that may

involve money laundering, financing terrorism, or any other criminal activities. Accordingly, the CMA's Board approved the amendment of paragraph (1) of Article 20 of the Anti-Money Laundering and Counter-Terrorist Financing Rules to ensure the protection of investors as well as developing the Saudi Capital Market.

## 8. The Resolution of Securities Disputes Proceedings Regulations

The Resolution of Securities Disputes Proceedings Regulations were issued by CMA Board Resolution No. (1-4-2011) dated 19/2/1432H (23/1/2011), and amended by Resolution No. (1-92-2016) dated 9/10/1437H (14/7/2016). They regulate the procedures for settling disputes concerning securities before the Committee for the Resolution of Securities Disputes (CRSD) and the Appeal Committee for the Resolution of Disputes, to ensure that the rights of those involved are observed. CMA amended Articles (10), (13), (32), (34), and (35) of the Regulations in an effort to update the Saudi Capital Market's legislative procedures, encourage impartiality and transparency in securities transactions, and accelerate legal proceedings. The amendments involved the following areas:

- The quorum and minutes of hearings.
- The issuance, contents, and service of decisions.
- Possibility of creating multiple committees to consider claims filed with the CRSD.

## 9. Offers of Securities Regulations

The Offers of Securities Regulations were issued by CMA Board Resolution No. (2-11-2004) dated 20/8/1425H (4/10/2004), and amended by Resolution No. (3-151-2016) dated 22/3/1438H (21/12/2016). The Regulations shed light on the provisions of offering securities in Saudi Arabia including the types and requirements of public offerings, offerings in the Parallel Market, and private placements. The amendments are in line with CMA Resolution No. (3-151-2016) dated 22/3/1438H (21/12/2016) concerning approving the Parallel Market Listing Rules.

## (3) Implementing Regulations under Development

CMA is currently working on developing some Implementing Regulations, including the following:

### I. Corporate Governance Regulations

The Ministry of Commerce and Investment and CMA invited experts and stakeholders to share their views and suggestions concerning the draft of the Corporate Governance Regulations in an attempt to enforce transparency and encourage the involvement of relevant parties. The draft is currently in its final stages. The Regulations emphasize:

- 1) Empowering the role of investors and facilitating the exercise of their rights.
- 2) Defining the terms of reference and responsibilities of boards of directors and executive administration.
- 3) Empowering the role of boards of directors and committees, and developing and increasing their efficiency to enhance decision-making procedures in joint stock companies.

### 2. Merger and Acquisition Regulations

The Merger and Acquisition Regulations were issued by CMA Resolution No. (1-50-2007) dated 21/9/1428H (3/10/2007), and amended by Resolution No. (2-4-2012) dated 28/2/1433H (22/1/2012). They apply to the restricted purchasing or offering of shares in listed companies. It is worth noting that a team is currently working on the initial draft of the updated Regulations which will be available on CMA's website for the feedback of stakeholders and experts. Then it will be finalized and published.

### 3. Rules for Special Purpose Entities

The Rules for Special Purpose Entities concern the establishment, licensing, and issuing of securities for Special Purpose Entities. They also define supervision rules and controls of such entities. CMA posted the draft of the Rules on its website for the feedback of stakeholders and experts. The team working on the draft will consider this feedback before making any necessary amendments to the final draft.

### 4. Implementing Regulations' Guidance Notes and Frequently Asked Questions (FAQs)

Work is currently underway to prepare the Implementing Regulations' guidance notes and FAQs to help Market participants, in addition to facilitating the application of the provisions stipulated therein. This project is in its final stages.



## Chapter Four

Offerings, Corporate Actions and Investment Products



## Section I: Securities Offering and Corporate Actions

- (1) Public Offering and Private Placement of Shares
- (2) Public Offering and Private Placement of Sukuk and Debt Instruments
- (3) Corporate Actions

Since its establishment, CMA has been keen to create an environment that attracts and encourages investment in securities by regulating the issuance of securities, approving their offering, promoting the actions regulating their issuance, monitoring and dealing, as well as supervising the full disclosure of relevant information and issuing entities.

## (I) Public Offering and Private Placement of Shares

The total number of public offering applications approved and private placement notifications received by CMA in 2016 was 164 applications/notifications, of which 96.3% were private placement notifications. This increase is due to the 21.5% growth in private placement notifications compared to the previous year (Table (8)).

Table (8): Public Offering Applications Approved and Private Placement Notifications Received by CMA

Operation Type	Number	
	2015	2016
Initial Public Offering	5	3
Share Private Placement	130	158
Rights Issue	4	3
<b>Total</b>	<b>139</b>	<b>164</b>

The total values of share offering fell by 19.8% to SR 7.2 billion in 2016 compared to the previous year. This is due to the decrease in

the value of public offerings of shares and rights issues by 32.8% and 62.4% respectively compared to 2015 (Table (9)).

Table (9): Share Offerings by Type

Type	2015		2016		Change (%)
	Value (SR Million)	Number	Value (SR Million)	Number	
Initial Public Offerings	4,152.0	4	2,793.3	3	-32.8%
Share Private Placements	2,517.7	33	3,544.5	58	41.0%
Rights Issues	2,325.0	12	875	3	-62.4%
<b>Total</b>	<b>8,994.7</b>	<b>49</b>	<b>7,212.8</b>	<b>64</b>	<b>-19.8%</b>



- Initial Public Offerings of Shares

In 2016, the shares of three companies were partially offered to the public. The total value of offered shares was SR 2.8 billion with 1.6 million subscribers (Table (10)).

Table (10): Companies that Offered Part of their Shares for Public Subscription in 2016

Company Name	Offering Value (SR Million)	Ratio of Offered to Issued Shares	Over-Subscriptions (Times)		Number of Individual Subscribers
			Individuals <sup>8</sup>	Institutions <sup>9</sup>	
Middle East Healthcare Company	1,767.2	30.0%	2.7	5.9	405,963
Al-Yamamah Steel Industries Company	548.8	30.0%	4.8	6.8	806,979
L'azurde Company for Jewelry	477.3	30.0%	2.9	8.6	385,395
<b>Total</b>	<b>2,793.3</b>				<b>1,598,337</b>

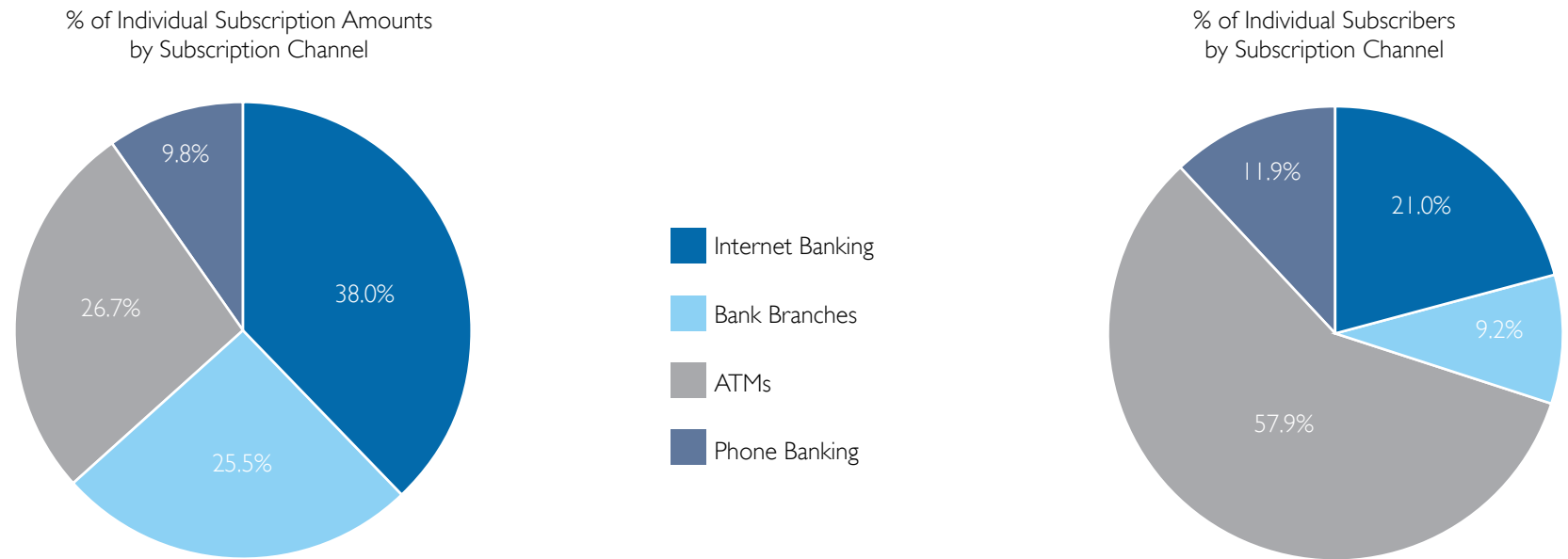
Total individual subscription amounts (before returning over-subscribed amounts) through different subscription channels in 2016 stood at SR 2.7 billion, 64.7 % of which was collected via internet

banking and ATMs. There were 1.6 million subscribers in total, with nearly 926 thousand of them choosing to subscribe through ATMs (Chart (3)).

8) Oversubscription was calculated by dividing the number of shares subscribed by individuals by the number of shares allocated to them.

9) Oversubscription was calculated by dividing the number of shares subscribed by institutions by the number of shares allocated to them.

Chart (3): Individual Subscriptions Classified by Subscription Channels in 2016



## (2) Public Offering and Private Placement of Sukuk and Debt Instruments

Public offering requests approved by CMA for sukuk and debt instruments and private placement notifications submitted for the

same decreased in 2016 by 27.5%, all of which were sukuk and debt instruments private placement notifications (Table (11)).

Table (11): Public Offering Requests Approved and Private Placement Notifications Received by CMA (Sukuk and Debt Instruments)

Type	2015	2016
Public Offering of Sukuk and Debt Instruments	1	0
Private Placement of Sukuk and Debt Instruments	68	50
<b>Total</b>	<b>69</b>	<b>50</b>

The value of sukuk and debt instruments private placements increased in 2016 by 0.2%, while the value of sukuk and debt instruments offerings decreased in 2016 by 15.5% to SR 21.4 billion

compared to the previous year. This is due to the fact that no sukuk and debt instruments public offerings were conducted in 2016 (Table (12)).

Table (12): Offered Sukuk and Debt Instruments by Type

Type	2015		2016		Change (%) in Offering Value
	Offerings Value (SR Million)	No.	Offerings Value (SR Million)	No.	
Public Offerings of Sukuk and Debt Instruments	3,900.0	1	0.0	0	-100.0%
Private Placements of Sukuk and Debt Instruments	2,1304.4	32	21,354.8	31	0.2%
<b>Total</b>	<b>25,204.4</b>	<b>33</b>	<b>21,354.8</b>	<b>31</b>	<b>-15.5%</b>

### (3) Corporate Actions

CMA approved 16 corporate action applications submitted by listed companies in 2016, including five capital reduction applications, one acquisition application, and 10 bonus share issue applications (Table (13)).

Table (13): Number of Corporate Actions

Type	2015	2016
Acquisition	0	1
Capital Reduction	1	5
Bonus Shares Issue	20	10
<b>Total</b>	<b>21</b>	<b>16</b>

In 2016, 11 companies listed in the Saudi Stock Exchange (Tadawul) increased their capital, thereby increasing their issued shares from 3.0 billion shares to 4.0 billion shares, while two companies reduced

their capital and accordingly their shares from 80 million to 46.5 million (Table (14)).

Table (14): Listed Companies that Altered their Capital During 2016

Method of Capital Alteration	Number of Companies	Total Number of Shares (Million)		Change (%)
		Prior to Capital Alteration	Post-Capital Alteration	
Bonus Shares	10	2,719.5	3,710.3	36.4%
Rights Issues	2	80	46.5	41.9%
Acquisition	1	200.0	209.6	4.8%
<b>Total</b>	<b>13</b>	<b>2,999.5</b>	<b>3,963.3</b>	<b>32.13</b>



## Chapter Four

Offerings, Corporate Actions and Investment Products



## Section 2: Assets under Management

- (1) Issuing Investment Products
- (2) Investment Funds
- (3) Discretionary Portfolios

## (1) Issuing Investment Products

In 2016, CMA approved the public offering of the units of 15 investment funds, including eight equity funds, three money market funds, two multi-asset funds, one real estate fund and one real estate investment trust (REIT) fund. CMA also processed 664 applications for the amendment of the material information of investment funds, in addition to receiving 55 notifications for private placement of investment funds.

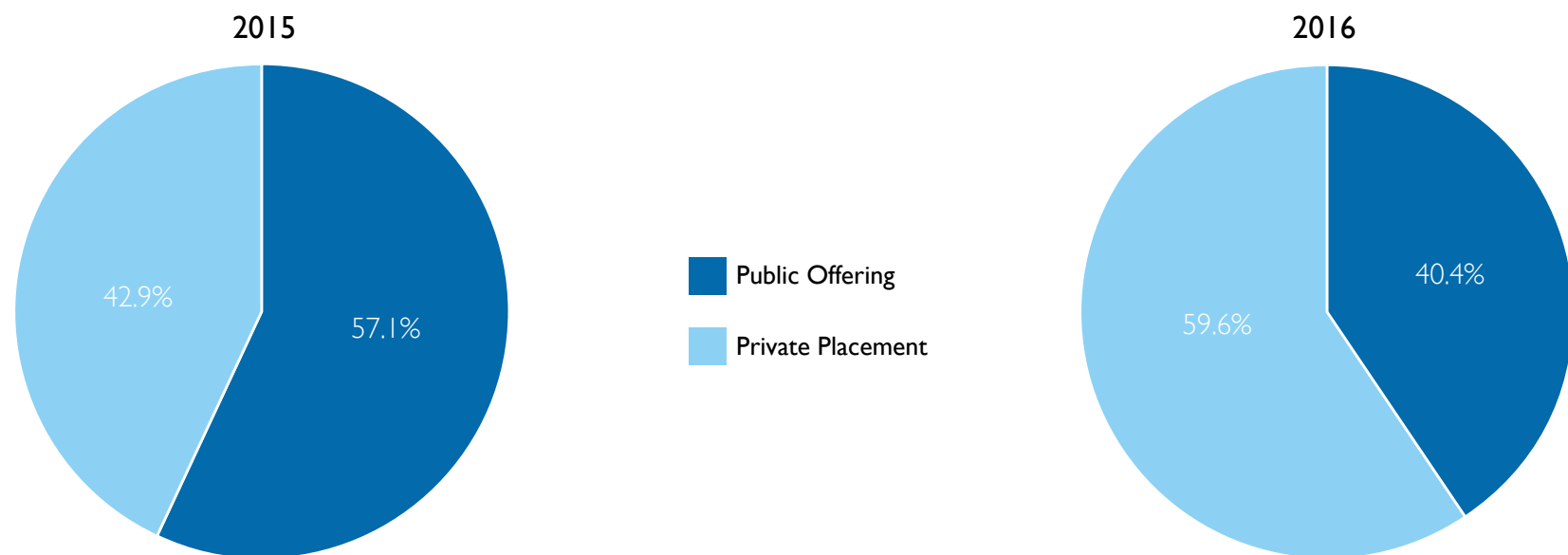
## (2) Investment Funds

In 2016, the investment funds sector grew by 19.8% over the preceding year, reaching SR 215.9 billion in total investment funds assets. This rise was due to the increase of the values of the private funds assets by 66.2% (Table (15) and Chart (4)).

Table (15): Indicators of Investment Funds Sector

Item	2015			2016			Change (%)
	Public	Private	Total	Public	Private	Total	
Number of Funds	267	274	541	271	219	490	-9.4%
Number of Subscribers	236,728	3,476	240,204	222,662	3,521	226,183	-5.8%
Value of Assets (SR Million)	102,862.8	77,394.5	180,257.3	87,244.2	128,665.6	215,909.8	19.8%
Value of Assets Average per Fund (SR Million)	385.3	282.5	333.2	321.9	587.5	440.6	32.3%

Chart (4): Breakdown of Assets in Public and Private Investment Funds for 2015 and 2016



## (A) Public Funds

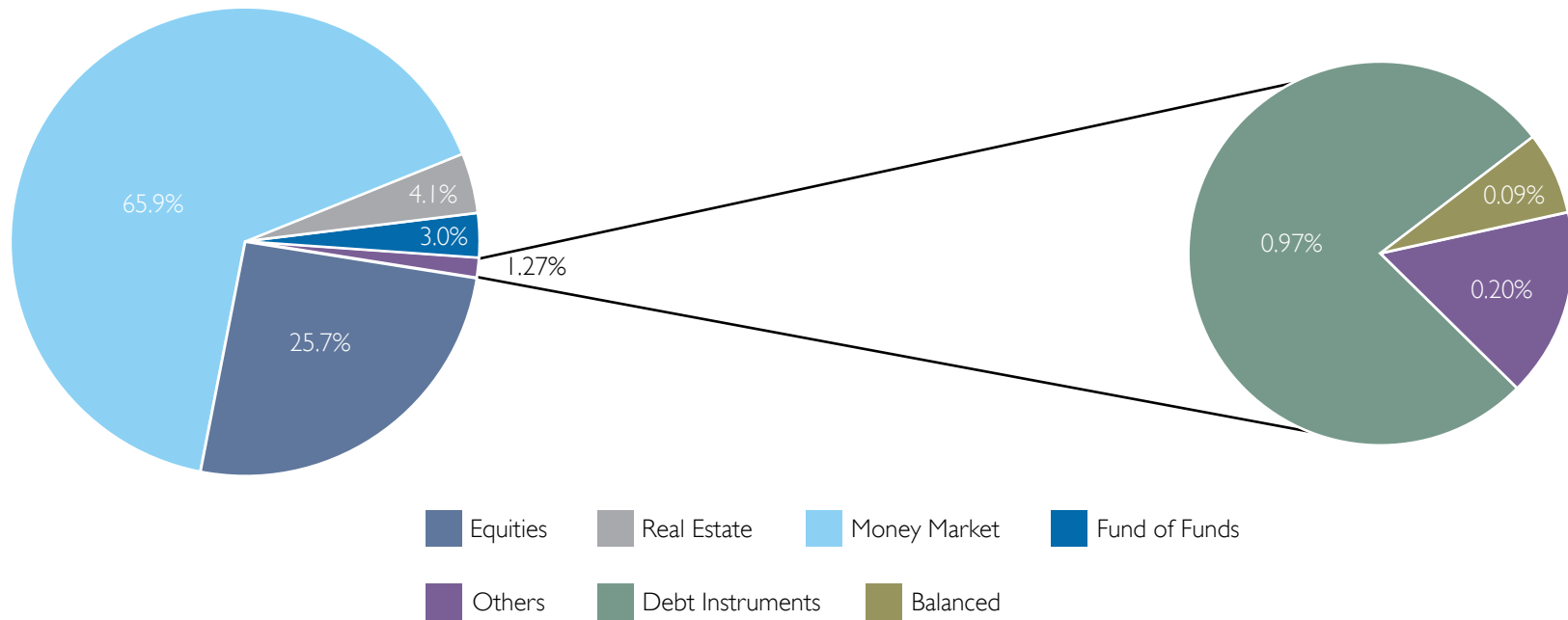
At the end of 2016, asset values of public investment funds (which offer their units to the public) accounted for 40.4% of total (public and private) funds' asset values, and their asset values decreased at the end of 2016 by 15.2% compared to the previous year, totaling SR 87.2 billion. This decrease coincided with a decline in the number of subscribers by 5.9% to 222.7 thousand subscribers, despite a 1.5% rise in the number of funds (Table (16)). Lower asset values of public funds are attributed to diminished asset values of equity

and money market investment funds (combined value of both is 91.6% of total public funds asset values) by SR 10.6 billion and SR 4.2 billion respectively, compared to last year (Chart (5)). Most of the decrease in the number of subscribers to public funds is reflected by reduced participation in equity investment funds from 182.0 thousand subscribers at the end of 2015 to 172.3 thousand subscribers at the end of 2016.

Table (16): Indicators of Public Investment Funds by Type of Investment

Investment Type	Number of Funds			Number of Subscribers			Value of Assets (SR Million)		
	2015	2016	Change (%)	2015	2016	Change (%)	2015	2016	Change (%)
Equities	169	168	-0.6%	181,997	172,315	-5.3%	33,011.6	22,444.0	-32.0%
Debt Instruments	9	8	-11.1%	207	185	-10.6%	831.3	848.7	2.1%
Money Markets	44	44	0.0%	43,430	39,747	-8.5%	61,713.3	57,497.6	-6.8%
Real Estate	10	12	20.0%	5,455	5,140	-5.8%	4,430.5	3,610.3	-18.5%
Fund of Funds	30	32	6.7%	4,996	4,656	-6.8%	2,727.0	2,584.9	-5.2%
Balanced	2	2	0.0%	377	351	-6.9%	91.9	82.5	-10.2%
Capital Protected	0	0	-	0	0	-	0	0	-
Others	3	5	66.7%	266	268	0.8%	57.4	176.2	206.9%
<b>Total</b>	<b>267</b>	<b>271</b>	<b>1.5%</b>	<b>236,728</b>	<b>222,662</b>	<b>-5.9%</b>	<b>102,863.0</b>	<b>87,244.2</b>	<b>-15.2%</b>

Chart (5): Percentages of Public Investment Funds Assets by Type of Investment for 2016



• Public Funds Investing in Equities

Asset values of public funds investing in equities declined at the end of 2016 by SR 10.6 billion, 32.0% less than 2015 (Table (17)).

Table (17): Indicators of Public Investment Funds in Equities Classified Geographically

Geographical Scope	Number of Funds			Number of Subscribers			Value of Assets (SR Million)		
	2015	2016	Change (%)	2015	2016	Change (%)	2015	2016	Change (%)
Local Equities	89	96	7.9%	164,087	157,552	-4.0%	20,024.5	16,703.8	-16.6%
GCC Equities	28	27	-3.6%	12,264	11,199	-8.7%	3,014.3	2,476.1	-17.9%
Arab Equities	6	6	0.0%	403	360	-10.7%	306.9	189.8	-38.2%
Asian Equities	10	9	-10.0%	1,172	1,015	-13.4%	856.0	690.0	-19.4%
US Equities	4	4	0.0%	235	209	-11.1%	2,003.6	668.3	-66.6%
European Equities	6	5	-16.7%	266	233	-12.4%	2,747.9	475.0	-82.7%
Other International Equities	26	21	-19.2%	3,570	1,747	-51.1%	4,058.5	1,241.0	-69.4%
<b>Total</b>	<b>169</b>	<b>168</b>	<b>-0.6%</b>	<b>181,997</b>	<b>172,315</b>	<b>-5.3%</b>	<b>33,011.7</b>	<b>22,444.0</b>	<b>-32.0%</b>



## (B) Private Funds

Asset values of private funds (units of these funds were privately placed) rose by 66.2% to SR 128.7 billion at the end of 2016. This was accompanied by a year-on-year increase of 1.3% in the number of subscribers, despite the decline in the number of funds by 20.1%

to 219 funds. 75.7% of the rise in the asset values of private funds is attributable to the sizable increase in the assets of equity funds by SR 38.8 billion (Table (18)).

Table (18): Indicators of Private Funds Classified by Type of Investment

Investment Type	Number of Funds			Number of Subscribers			Value of Assets (SR Million)		
	2015	2016	Change (%)	2015	2016	Change (%)	2015	2016	Change (%)
Equities	109	85	-22.0%	1,077	1,226	13.8%	23,499.2	62,300.5	165.1%
Debt Instruments	9	7	-22.2%	16	15	-6.3%	3,085.0	2,801.3	-9.2%
Money Markets	9	9	0.0%	40	32	-20.0%	1,725.3	1,412.7	-18.1%
Real Estate	112	106	-5.4%	2,027	2,209	9.0%	45,466.8	54,960.1	20.9%
Commodities	1	1	0.0%	2	3	50.0%	252.2	325.5	29.1%
Multi Asset	13	6	-53.8%	121	26	-78.5%	1,145.8	6,207.3	441.7%
Hedging and Derivatives	21	5	-76.2%	193	10	-94.8%	2,220.2	658.2	-70.4%
<b>Total</b>	<b>274</b>	<b>219</b>	<b>-20.1%</b>	<b>3,476</b>	<b>3,521</b>	<b>1.3%</b>	<b>77,394.5</b>	<b>128,665.6</b>	<b>66.2%</b>

### (C) Exchange Traded Funds (ETFs) and Real Estate Investment Trusts (REITs)

The value of ETF assets increased by 3.4% to SR 36.5 million by the end of 2016. This involved a 17.3% increase in the number of subscribers compared to the previous year (Table (19)). In 2016, the

first REIT "Riyad REIT" was listed with an asset value of SR 555.0 million and a total of 1,457 subscribers by the end of the year.

Table (19): Exchange Traded Funds (ETFs)

ETF Name	Asset Value (SR Million)			Number of Subscribers		
	2015	2016	Change (%)	2015	2016	Change (%)
Falcom Saudi Equity	22.4	20.9	-6.7%	132	170	28.8%
Falcom Petrochemical	6.1	7.8	27.9%	59	66	11.9%
HSBC Saudi 20	6.8	7.8	14.7%	58	56	-3.4%
<b>Total</b>	<b>35.3</b>	<b>36.5</b>	<b>3.4%</b>	<b>249</b>	<b>292</b>	<b>17.3%</b>

### (3) Discretionary Portfolios

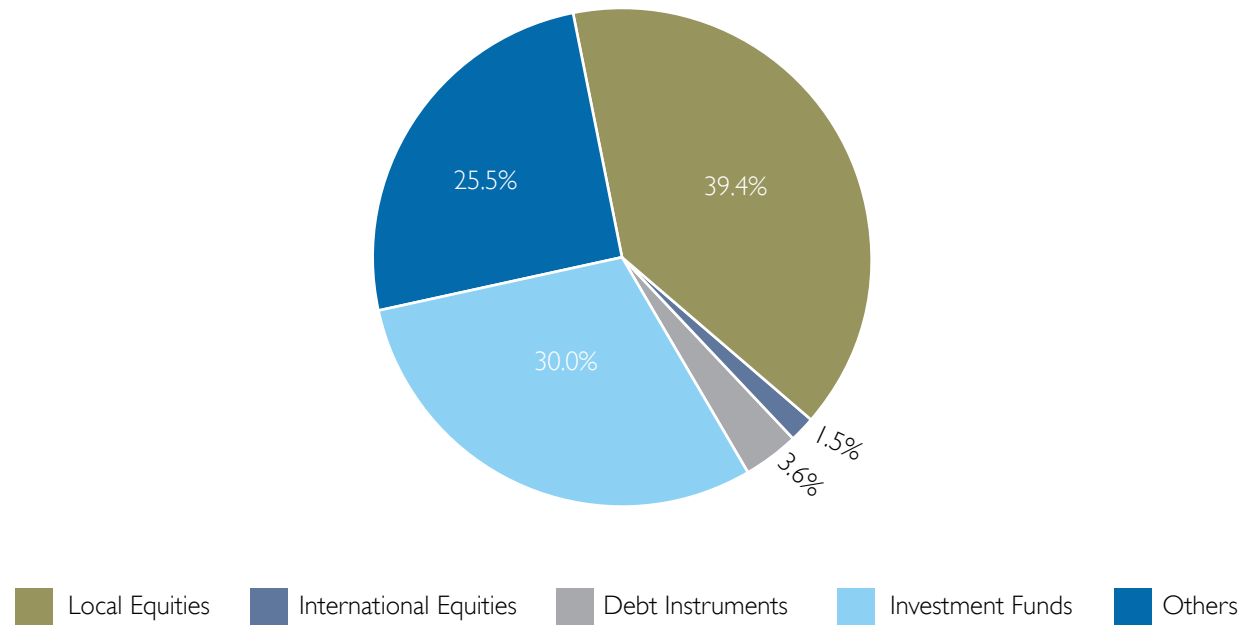
The number of discretionarily managed portfolios fell from 993 at the end of 2015 to 988 by the end of 2016. However, the value of discretionary portfolio assets increased slightly by 0.2% to SR148.4

billion, of which local equities represented the largest portion of their investment at 39.4% with a value of SR 58.5 billion (Table (20) and Chart (6)).

Table (20): Asset Value in Discretionarily Managed Portfolios (SR Million)

Type	2015	2016	Change (%)
Local Equities	57,066	58,494	2.5%
International Equities	1,880	2,155	14.6%
Debt Instruments	11,442	5,401	-52.8%
Investment Funds	44,840	44,536	-0.7%
Other	32,938	37,841	14.9%
<b>Total</b>	<b>148,166</b>	<b>148,427</b>	<b>0.2%</b>

Chart (6): Breakdown of Assets in Discretionary Portfolios by Investment Type in 2016





# Chapter Five

Capital Market Disclosure and Governance

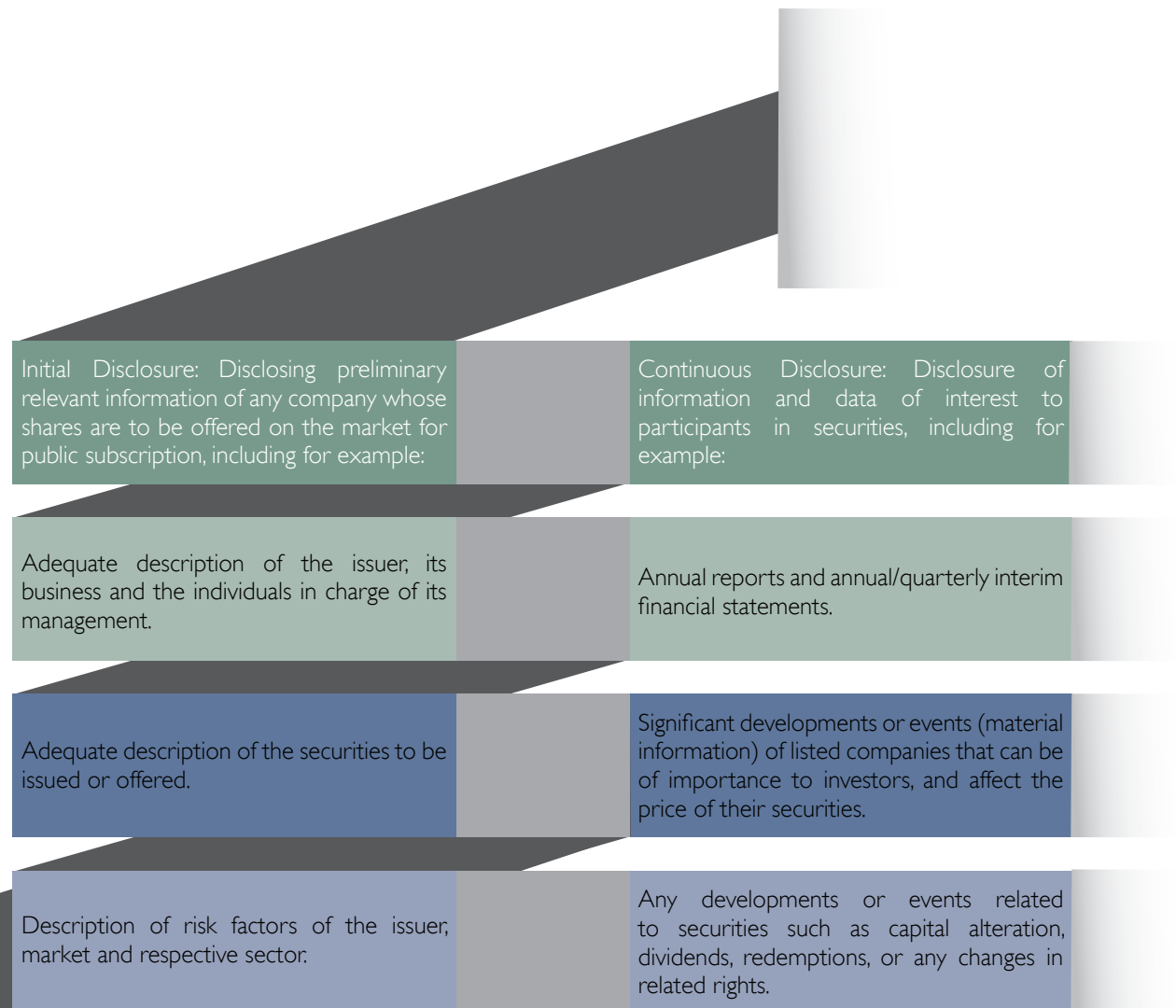


## Section I: Disclosure

- (1) Reviewing the Financial Statements of Listed Companies
- (2) Listed Companies' Announcements
- (3) Notifications of Ownership and Requests of Disposal
- (4) Improving Disclosure

Article Five of the CML empowers CMA to regulate and monitor full disclosure of information associated with securities and their issuers, and the dealings of informed persons (insiders), major shareholders and investors, in addition to defining and making available information that should be provided and disclosed by

market participants to shareholders and the public. In addition, Article Six of the CML grants CMA the power to issue the required resolutions, instructions and procedures for regulating and monitoring the disclosure process. Two types of disclosure are regulated and monitored by CMA:



## (I) Reviewing the Financial Statements of Listed Companies

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

disclosure requirements according to the CML and its Implementing Regulations. During 2016, CMA reviewed 862 condensed financial statements and 840 detailed financial statements (Table (21)).

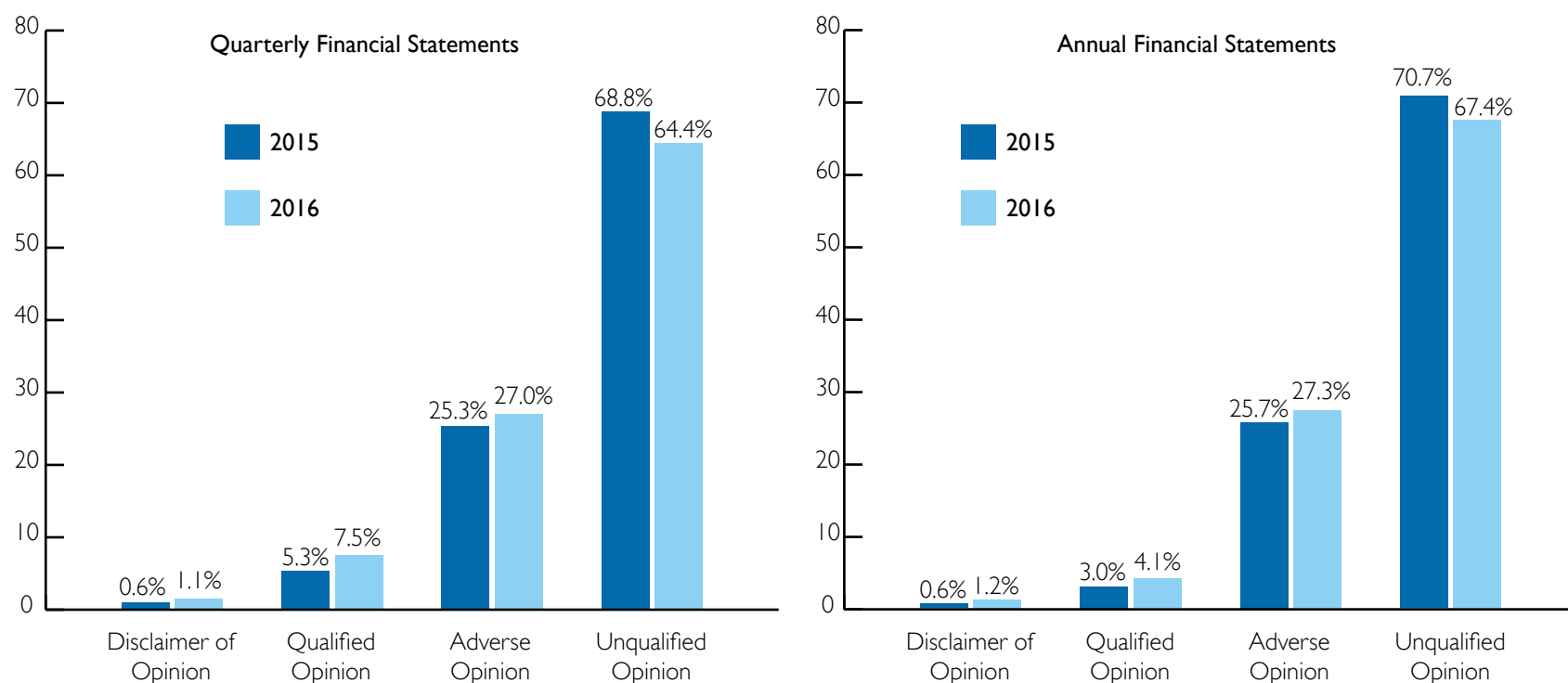
Table (21): Condensed and Detailed Financial Statements Reviewed and Posted on "Tadawul" Website

Category	Number		Change (%)
	2015	2016	
Condensed Financial Statements	841	862	2.5%
Detailed Financial Statements	833	840	0.8%

In 2016, reviews revealed that there were qualified audit opinions on the annual financial statements of 56 out of the 172 listed companies that were reviewed. In addition, 62 out of 174 listed

companies had qualified audit opinions on their quarterly financial statements (Chart (7)).

Chart (7): Percentage of Reviewed Annual and Quarterly Financial Statements of Listed Companies in 2016 Classified by Auditor's Opinion<sup>10</sup>



10) A "qualified auditor's opinion" is the total number of reports which include a disclaimer of opinion, qualified opinion, or adverse opinion.

## (2) Listed Companies' Announcements

CMA ensures the compliance of listed companies with CMA's requirements and company announcement instructions in the disclosure of any major developments that can be of significance to those engaging in securities. Accordingly, CMA monitors the content and timing of material development announcements.

The total number of announcements posted during 2016 increased by 4.2% to 4,283 compared to the preceding year. The number of

announcements related to other material developments increased by 1.1% compared to the preceding year. On the other hand, announcements regarding changes in the composition of the board of directors and top management declined by 4.2% compared to the previous year. Most posted announcements were related to capital reduction recommendations (Table (22)).

Table (22): Announcements Posted on Tadawul Website Classified by Type of Material Developments

Type of Announcement	Number		Change (%)
	2015	2016	
Financial Results	834	862	3.4%
Board of Directors' Recommendation to Increase Capital through Rights Issue	6	1	-83.3%
Board of Directors' Recommendation to Increase Capital through Bonus Shares Issue	18	9	-50.0%
Board of Directors' Recommendation to Decrease Capital	2	12	500.0%
Invitation to General Assemblies and Announcements of their Results	801	893	11.5%
Dividends	158	140	-11.4%
Explanatory Announcement	521	601	15.4%
Change in the Composition of Corporate Board of Directors and Top Management	236	226	-4.2%
Approval on New Product	99	89	-10.1%
Other Material Developments	1,434	1,450	1.1%
<b>Total</b>	<b>4,109</b>	<b>4,283</b>	<b>4.2%</b>

## (3) Notifications of Ownership and Requests of Disposal

Notification of substantial shareholdings (5% or more) of shares or convertible debt instruments, or of ownership of shares or convertible debt instruments by a board member or a senior executive in the same company, are among the disclosures mandated

by CMA under paragraphs (a/1), (a/2), (a/3) and (a/4) of Article Forty Five of the "Listing Rules".

By the end of 2016, the total number of shareholding notifications by major shareholders, board members, and senior executives



increased by 45.8%, while the number of announcements regarding ownership changes decreased by 17% compared to the previous year. By the end of 2016, the number of shareholding and ownership change notifications by major shareholders stood at 27 and 142

notifications respectively, while the number of shareholding and ownership change notifications by board members and senior executives amounted to 807 and 204 notifications respectively (Table (23)).

Table (23): Number of Notifications of Shareholding and Ownership Changes by Major Shareholders, Board Members and Senior Executives

Source of Notification	2015		2016	
	Ownership	Ownership Change	Ownership	Ownership Change
Major Shareholders	32	182	27	142
Board Members and Senior Executives	540	235	807	204
<b>Total</b>	<b>572</b>	<b>417</b>	<b>834</b>	<b>346</b>

Paragraph (f) of Article Forty Five of the Listing Rules states that “a person who has become an owner or stakeholders of 10% or more of any class of shares or convertible debt instruments of the issuer, must not dispose of the same without the approval of the

Authority. The Authority may impose certain restrictions on such a disposal and specify its method”. At the end of 2016, CMA received 47 disposal requests, down by 52.0% compared to the previous year (Table (24)).

Table (24): Disposal Requests of Owners or Stakeholders of 10% or More of any Class of Shares or Convertible Debt Instruments

Type of Disposal	Number		Change (%)
	2015	2016	
Sell	58	24	-58.6%
Transfer of Ownership	17	11	-35.3%
Pledge	23	12	-47.8%
<b>Total</b>	<b>98</b>	<b>47</b>	<b>-52.0%</b>

#### (4) Improving Disclosure

To achieve its goals in developing the procedures and principles of continuous disclosure of listed companies, CMA organized four workshops in Riyadh regarding the conversion into international

accounting standards in collaboration with experts in the field. Representatives of listed companies, grouped according to sector, attended these workshops.



# Chapter Five

Capital Market Disclosure and Governance



## Section 2: Governance

- (1) Board Composition of Listed Companies
- (2) Boards of Directors' Main Committees
- (3) Ordinary and Extraordinary General Assembly Meetings
- (4) Supervisory Visits
- (5) Enhancing Corporate Governance Compliance

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

- Reviewing disclosure in the reports of boards of directors
- Following up the implementation of mandatory and guidance provisions of the Corporate Governance Regulations
- Observing any changes in the details/profiles of board members, before and after nomination for board membership
- Attending general assemblies of listed companies to check corporate governance practices
- Making supervisory visits and providing recommendations
- Monitoring and identifying any changes in the board of directors or its related committees
- Raising the awareness of newly listed companies on corporate governance
- Assessing corporate governance compliance level in newly listed companies
- Responding to corporate inquiries about corporate governance

## (I) Board Composition of Listed Companies

Article Twelve of the Corporate Governance Regulations states the requirements with regard to the composition of the board of directors, which include:

1. The articles of association of the company shall specify the number of board of directors' members, provided that such number shall not be less than three and not more than 11.
2. The majority of members of the board of directors shall be non-executive members.
3. The independent members of the board of directors shall not be

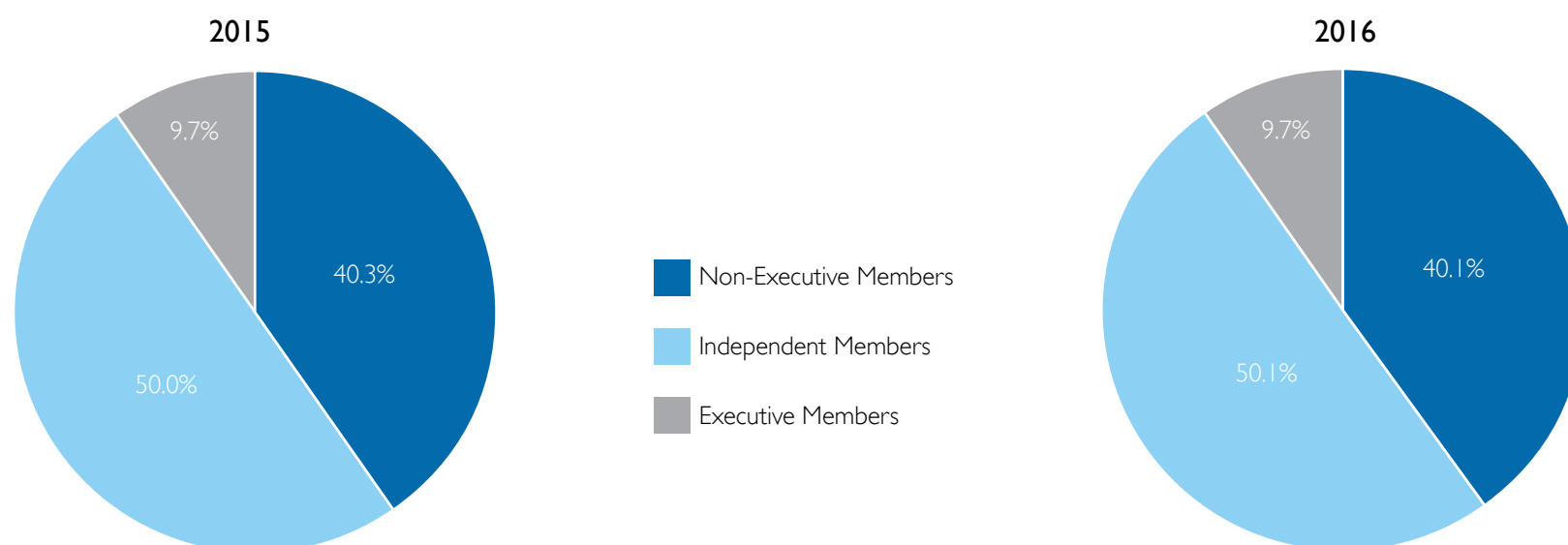
less than two members, or one-third of the members, whichever is greater.

The number of independent members' seats in listed companies' boards of directors increased by 0.4% in 2016 to 722 compared to the last year; also, the number of seats for executive members increased by 0.7% to reach 140 seats, while the number of seats for non-executive members declined by 0.2% to 578 compared to the last year. Both non-executive and independent members accounted for almost 90.3% of total seats in the boards of directors of listed companies in 2016 (Table (25), Chart (8)).

Table (25): Composition of Boards of Directors in Listed Companies by Membership Type

Membership Type	Number	Out of Total (%)	Number	Out of Total (%)	Change (%)
	2015		2016		
Non-Executive	579	40.3%	578	40.1%	-0.2%
Independent	719	50.0%	722	50.1%	0.4%
Executive	139	9.7%	140	9.7%	0.7%
<b>Total</b>	<b>1,437</b>	<b>100%</b>	<b>1,440</b>	<b>100%</b>	<b>0.2%</b>

Chart (8): Composition of Boards of Directors in Listed Companies by Membership Type



## (2) Boards of Directors' Main Committees

Corporate Governance Regulations require listed companies to form the following main committees:

### A. Audit Committees

Article 14 of the Corporate Governance Regulations stipulates that the board of directors shall establish an audit committee, issue rules for appointing members of said committee, define its work procedures, and determine the duties and responsibilities thereof.

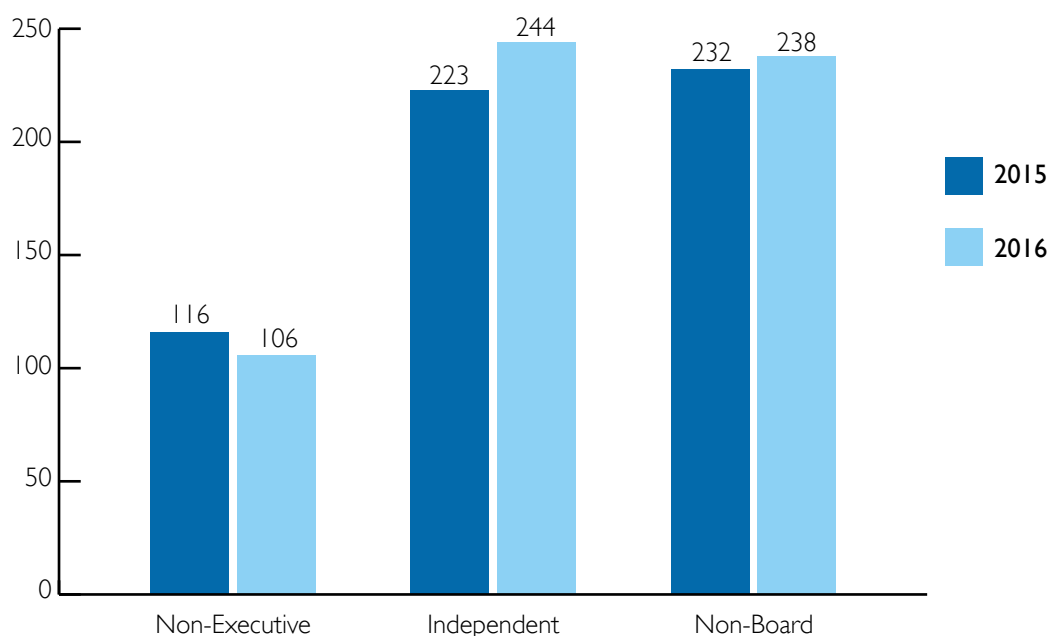
The Article also states that the committee shall be composed of no less than three members including an expert in finance and accounting. Furthermore, executive board members are not eligible for audit committee membership.

The number of audit committees' seats in listed companies rose by 3% to 588 in 2016, compared to 571 seats in 2015. The number of seats for non-board members accounted for 40.5% of total audit committees' seats (Table (26), Chart (9)).

Table (26): Seats of Audit Committees in Listed Companies Classified by Membership Type

Type	Number	Out of Total (%)	Number	Out of Total (%)	Change (%)
	2015		2016		
Non-Executive	116	20.3%	106	18.0%	-8.6%
Independent	223	39.1%	244	41.5%	9.4%
Non-Board	232	40.6%	238	40.5%	2.6%
<b>Total</b>	<b>571</b>	<b>100%</b>	<b>588</b>	<b>100%</b>	<b>3.0%</b>

Chart (9): Number of Seats of Audit Committees in Listed Companies Classified by Membership Type



The new Companies Law includes four articles related to the audit committee. The importance placed on the rules regulating the committee's work procedures stems from the vital role it plays in any company, since it is concerned with monitoring the company's business and reviewing its financial statements, independent auditor's reports and findings, and submitting its view thereon, if any. The committee is also responsible for preparing an assessment report of the adequacy of the company's internal control system.

The audit committee is an integral element to all of the company's components, such as the board of directors, external/internal auditors, shareholders, and stakeholders. Therefore, the Law states that its formation shall be pursuant to a general assembly resolution and it shall be composed of non-executive board members, whether shareholders or other members. Creating the committee in such a manner ensures the efficiency of corporate internal controls and enhances auditing quality.

## B. Nomination and Remuneration Committees

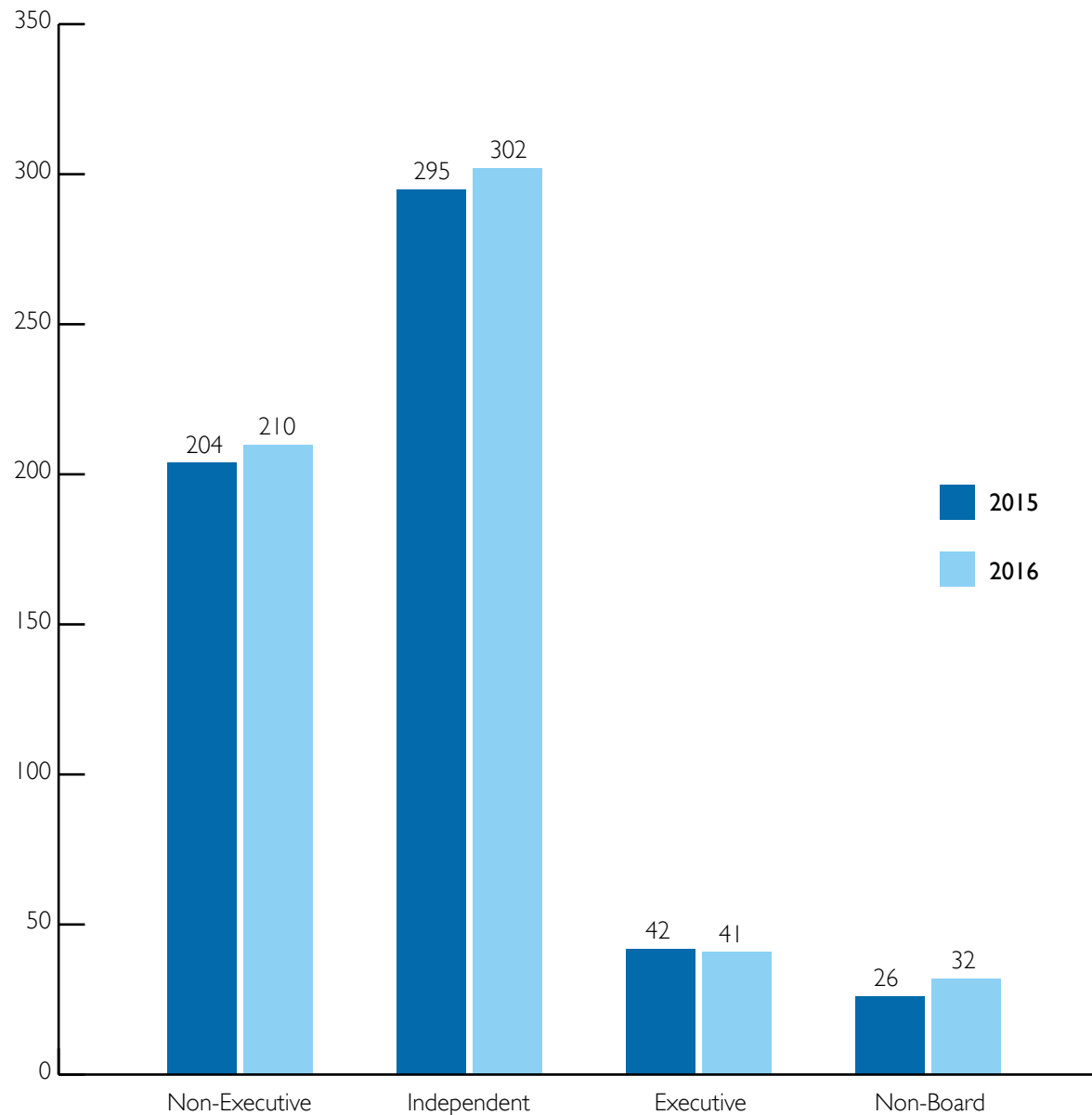
Listed companies must comply with Article 15 of the Corporate Governance Regulations which is related to nomination and remuneration committees. The Article states that "the company's general assembly shall, upon the board of directors' recommendation, issue the rules for appointing members of the nomination and remuneration committee, determine their membership term, and outline said committee's work procedures".

The number of seats of nomination and remuneration committees in listed companies increased to 585 at the end of 2016. Independent members occupied the greatest number of seats with 51.6% of total seats (Table (27), Chart (10)).

Table (27): Seats of Nomination and Remuneration Committees in Listed Companies Classified by Membership Type

Membership Type	2015		2016		Change (%)
	Number	Out of Total (%)	Number	Out of Total (%)	
Non-Executive	204	36.0%	210	35.9%	2.9%
Independent	295	52.0%	302	51.6%	2.4%
Executive	42	7.4%	41	7.0%	-2.4%
Non-Board	26	4.6%	32	5.5%	23.1%
<b>Total</b>	<b>567</b>	<b>100%</b>	<b>585</b>	<b>100%</b>	<b>3.2%</b>

Chart (10): Seats of Nomination and Remuneration Committees in Listed Companies Classified by Membership Type



### (3) Ordinary and Extraordinary General Assemblies

The new Companies Law was issued by Royal Decree No. M/3 dated 28/1/1437H. Article One of the Law stipulates that the competent authority responsible for enforcing the provisions of the Law is the Ministry of Commerce and Investment, but in case of joint-stock companies listed in the Capital Market, CMA shall be designated the competent authority. Therefore, CMA's jurisdiction includes supervising and attending general assemblies of joint-stock companies listed in the Saudi Stock Exchange (Tadawul) as of

2/5/2016. The first ordinary general assembly meeting shall not be deemed valid unless attended by shareholders representing at least 25% of the company's capital (except if the company's articles of association stipulate a higher quorum, provided that such quorum does not exceed 50%). If the quorum is not met, an invitation for a second meeting shall be extended, and the second meeting shall be valid irrespective of the percentage of shares represented. As for extraordinary general assemblies, the Law stipulates that the



first meeting shall be attended by shareholders representing at least 50% of the company's capital (except if the company's articles of association stipulate a higher quorum, provided that such quorum does not exceed two-thirds of the capital). If the quorum is not met, an invitation for a second meeting shall be extended, and the second meeting shall be valid only if attended by shareholders representing

at least 25% of the capital. If the quorum is not met for the second meeting, a third invitation shall be issued, and the third meeting shall be valid irrespective of shares represented.

In 2016, 103 ordinary general assemblies and 33 extraordinary general assemblies of listed companies convened (Table (28)).

Table (28): Ordinary and Extraordinary General Assemblies in 2016

Type of Assembly	No.
Ordinary general assembly convening from the first meeting	55
Ordinary general assembly convening from the second meeting	48
Extraordinary general assembly convening from the first meeting	20
Extraordinary general assembly convening from the second meeting	7
Extraordinary board meetings convening from the third meeting	6
<b>Total General Assemblies Held</b>	<b>136</b>

#### (4) Supervisory Visits

In 2016, CMA carried out two supervisory visits to two listed companies. Meetings with these companies were held later to discuss the observations relating to said visits. CMA carries out such visits when necessary to raise awareness and support communication with the boards of companies to achieve the highest level of compliance with the CML, its Implementing Regulations and other related regulations. This is done by examining the current status of companies, encouraging them to apply best practices and ensuring that the boards have in place adequate policies and procedures to achieve the highest level of compliance and the mechanisms to enforce them.

#### (5) Enhancing Corporate Governance Compliance

In order to attain the goals aiming to enhance compliance with the Corporate Governance Regulations, CMA participated in workshops that aim to raise awareness of the Regulations and develop the practices of listed companies and other parties related to the Capital Market. In 2016, the CMA organized 26 workshops as follows:

- 13 workshops for listed companies on the legal responsibilities and duties of board members (Riyadh, Jeddah, and Al-Khobar).
- A workshop for the Public Pension Agency (PPA) on the legal responsibilities and duties of board members (Riyadh).
- A workshop for the General Organization for Social Insurance (GOSI) on the legal responsibilities and duties of board members (Riyadh).
- A workshop for investment fund managers (Riyadh).
- A presentation for the GCC Board Directors Institute on Corporate Governance Regulations (Riyadh).
- Two workshops on the provisions of the draft Corporate Governance Regulations (Riyadh).
- Five workshops on eXtensible Business Reporting Language (XBRL) in collaboration with Tadawul (Riyadh, Jeddah, and Al-Khobar).
- Two workshops for the female students of Prince Sultan University (Riyadh).



## Chapter Six

Investor Protection



## Section I: Surveillance

- (1) Surveillance of Trades
- (2) Listed Companies with Accumulated Losses of 50% or more

Articles 5 and 6 of the CML assign CMA the responsibility of developing the procedures necessary to reduce the risks associated with securities transactions, in addition to keeping such transactions under surveillance to protect investors from unfair or unsound practices that may involve cheating, deception, or manipulation. CMA keeps transactions, websites, and electronic channels under constant surveillance in accordance with Articles 49 and 50 of the CML which are related to violations in securities transactions.

Based on the legal responsibility of APs towards the conduct of their clients as detailed in Article 11 of the Market Conduct Regulations,

CMA collaborates with APs to take any necessary and/or immediate actions to suspend the execution of clients' orders in the event such orders are in violation of the CML and its Implementing Regulations. Such actions help protect investors and persons dealing with securities from any illegal practices that involve fraud, cheating, deception, or manipulation.

## (I) Surveillance of Trades

Surveillance of trades is carried out as follows:



The number of Surveillance System alerts increased to 31,896 alerts by the end of 2016. A total of 2,028 intensive scans for trades suspected of being in violation of the CML and its Implementing Regulations were conducted. On the other hand, surveillance

inquiries dropped to 279 inquiries in 2016, while 51 cases of suspected violations were detected compared to 29 cases in the previous year (Table (29)).

Table (29): Developments in Surveillance of Trades and Deals

Incident	Number	
	2015	2016
Surveillance System Alerts	30,549	31,896
Intensive Scans for Trades Suspected of Violating the CML and its Implementing Regulations	1,707	2,028
Surveillance Inquiries	390	279
Suspected Violations	29	51

The source-based classification of intensive scans for suspected violations of the CML and its Implementing Regulations in 2016

shows that CMA conducted 1,165 intensive scans through market surveillance, and 863 through surveillance system alerts (Table (30)).

Table (30): Intensive Scans for Trades and Deals Suspected of Violating the CML and its Implementing Regulations by Source

Source of Intensive Scans	2015		2016		Change (%)
	Number	Out of Total (%)	Number	Out of Total (%)	
Market Surveillance <sup>11</sup>	1,047	61.3%	1,165	57.0%	19.9%
Alert <sup>12</sup>	660	38.7%	863	43.0%	48.0%
<b>Total</b>	<b>1,707</b>	<b>100%</b>	<b>2,028</b>	<b>100%</b>	<b>30.4%</b>

## (2) Listed Companies with Accumulated Losses of 50% or more

By the end of 2016, 13 listed companies incurred losses amounting to 50% or more of their capital, 4 of which incurred losses amounting to 100% or more of their capital (Table (31)).

Table (31): Listed Companies with Accumulated Losses of 50% or More

Percentage of Accumulated Losses	Number of Companies	
	2015	2016
Companies with Accumulated Losses of 50% or More, and Less than 75%	5	6
Companies with Accumulated Losses of 75% or More, and Less than 100%	1	3
Companies with Accumulated Losses of 100% or More	3	4
<b>Total</b>	<b>9</b>	<b>13</b>

Paragraph (1) of Article (150) of the Companies Law indicates “that if a joint stock company’s losses amount to 50% of the paid-up capital at any time during the fiscal year, the company’s board of directors shall call for an extraordinary general assembly’s meeting within 45 days from becoming aware of the same to decide whether to increase or reduce capital or dissolve the company prior to the date stated in the company’s articles of association.” Also, Paragraph (2) of the same Article indicates that the company shall be deemed terminated by force of law if the extraordinary general assembly fails to convene within the period specified in Paragraph (1) of said

Article, or if the general assembly convenes but no decision was reached on the matter; or if it decides to increase the capital, but the issued shares are not fully subscribed to within (90) days from issuance of the capital increase decision. It is noteworthy that the CMA Board has issued a resolution that requires listed companies whose accumulative losses amount to 50% or more of their paid-up capital to disclose their plans for the implementation of Article 150 of the Companies Law on Tadawul’s website before 24/7/1438H corresponding to 21/4/2017.

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

12) “Alert” means suspicious activities detected through signals issued by the SMARTS system when unusual trades occur.



## Chapter Six

Investor Protection

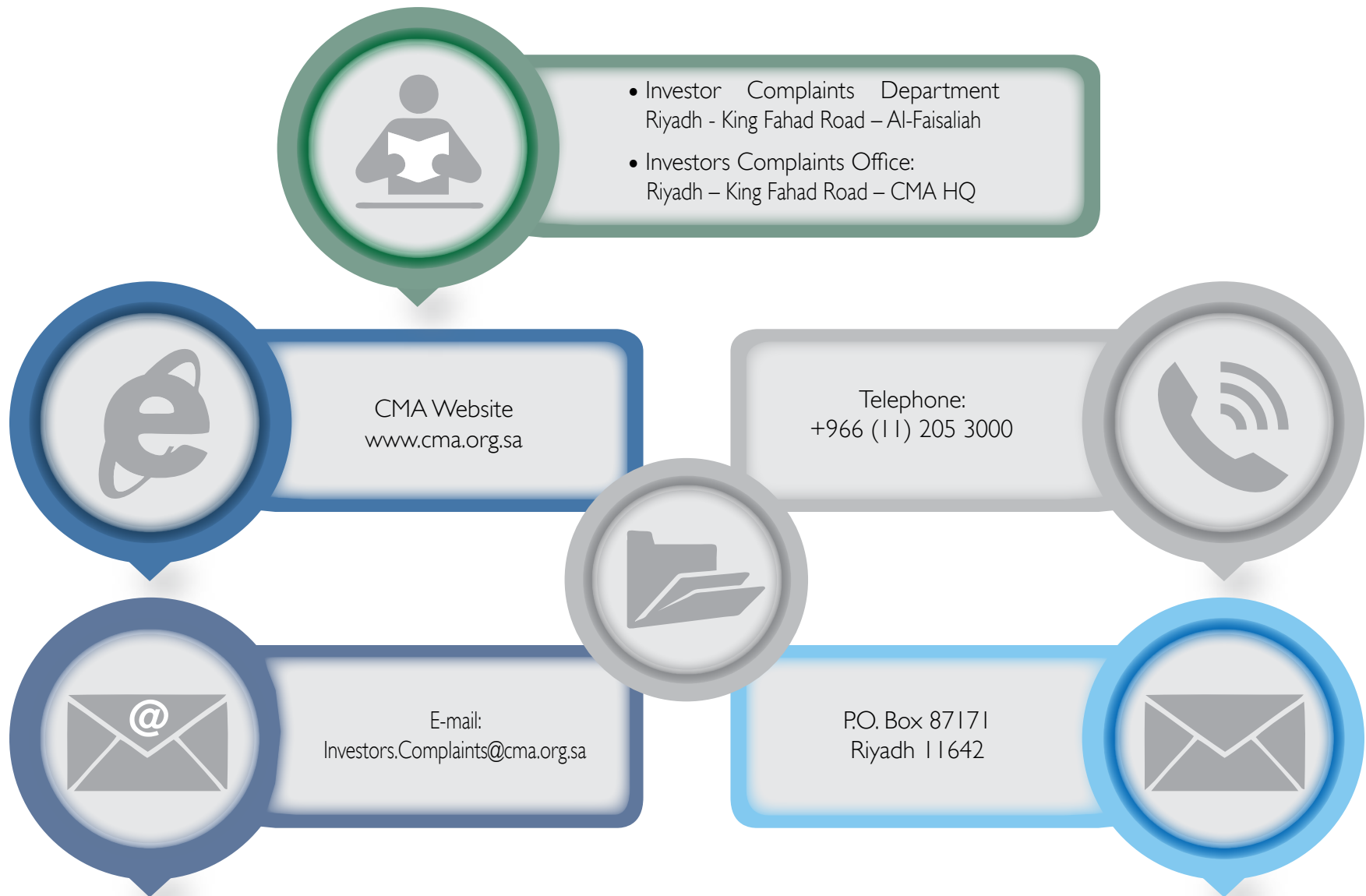


## Section 2: Investor Complaints and CML/Companies Law Violations

- (1) Investor Complaints
- (2) Handling Investor Complaints
- (3) Taking Actions Against CML and  
Companies Law Violations
- (4) Classification of CML and  
Companies Law Violation Cases

## (I) Investor Complaints

Since its establishment, CMA has ensured the efficient handling of any complaints by creating a variety of channels for receiving complaints as indicated in the following figure:



Complaints are classified by subject as indicated in Table (32) and Chart (11). The Table shows that a total of 854 complaints were received in 2016 with a 16.4% decline compared to the previous year. An overall decrease in the number of complaints is detected

irrespective of subject, with the exception of complaints “Against CMA” and those related to “Conducting Securities Business without a License” and “Investment Funds”.



Table (32): Complaints Classified by Subject

Subject of Complaint	Number	
	2015	2016
Investment Portfolios	100	73
Agreements and Contracts Between Investors and APs	27	23
IPO Subscriptions and Rights Purchase	81	58
Investment Funds	44	78
Services Provided by APs	54	43
Execution of Securities Transactions	37	21
Against the Saudi Stock Exchange Co. (Tadawul)	13	3
APs vs. Investors	1	0
Conducting Securities Business Without a License	25	79
Against Listed Companies <sup>13</sup>	360	190
Listed Companies Earnings	57	57
Against CMA	1	9
Reports, Inquiries, and Transactions	222	220
<b>Total</b>	<b>1,022</b>	<b>854</b>

<sup>13</sup>) Includes complaints made against board chairmen and members, executive administrations, external auditors, speculators and stock certificates.

On the other hand, classifying the complaints by respondent reveals that complaints against APs declined in 2016, while complaints against individuals increased (Table (33)). Complaints recorded against

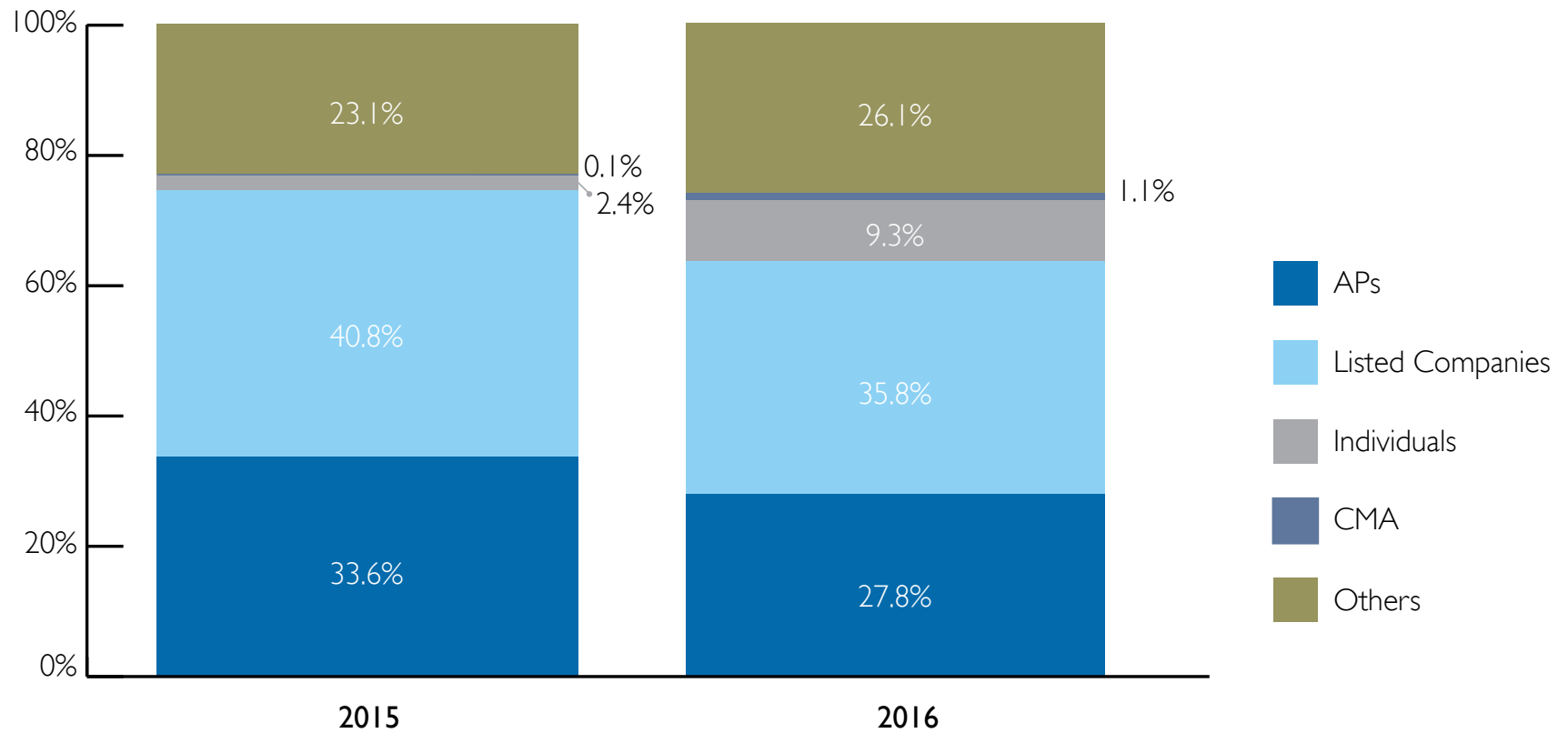
listed companies represent the largest category of complaints in 2016 with 35.8% (Chart (11)).

Table (33): Complaints Classified by Respondent

Respondent	Number	
	2015	2016
APs	343	237
Listed Companies	417	306
Individuals	25	79
CMA	1	9
Others <sup>14</sup>	236	223
<b>Total</b>	<b>1,022</b>	<b>854</b>

14) Including complaints filed against Tadawul, complaints filed by APs against investors; reports, inquiries, and transactions.

Chart (11): Complaints Classified by Respondent



## (2) Handling Investor Complaints

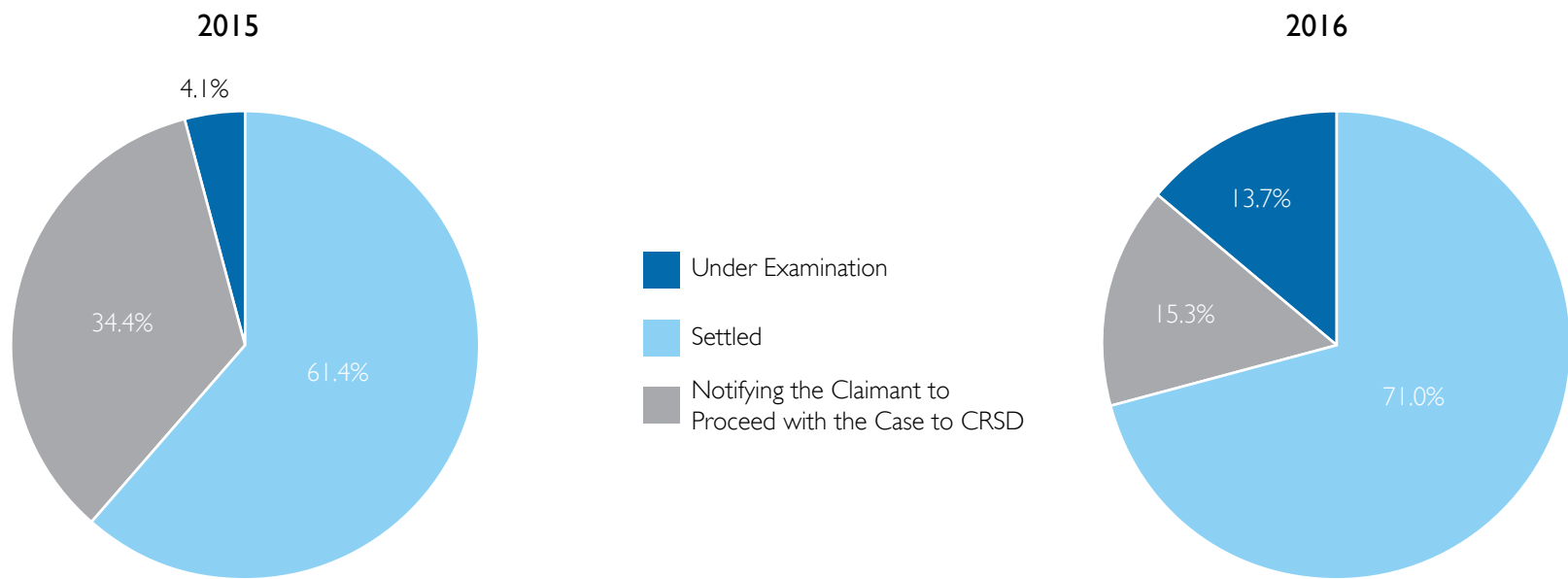
Paragraph (e) of Article 25 of the CML requires grievants to file their complaints with CMA first, as it stipulates that “No complaint or statement of claim may be filed with the Committee without being filed first with the Authority, and a 90-day period has passed from the filing date, unless the Authority notifies the grievant otherwise of the permissibility of submitting before the expiration of this period”. If an amicable settlement cannot be reached between the disputing parties, and 90 days have elapsed from the date of filing the complaint, the grievant is notified and is therefore entitled to file a complaint with the Committee for the Resolution of Securities Disputes (CRSD) for consideration.

In 2016, 606 complaints were settled, accounting for 71.0% of the total number of complaints lodged with CMA. The percentage of complaints under consideration remarkably surged to 117 complaints in 2016, denoting an increase of 178.6% compared to only 42 complaints in the previous year (Table (34) and Chart (12)).

Table (34): Status of Complaints Filed with CMA

Status of Complaint	Number		Change (%)
	2015	2016	
Under Consideration	42	117	178.6%
Settled	628	606	-3.5%
Grievant Notified to Proceed with the Complaint to CRSD	352	131	-62.8%
<b>Total</b>	<b>1,022</b>	<b>854</b>	<b>-16.4%</b>

Chart (12): Status of Complaints Filed with CMA



Notifications have been prepared for 131 of the complaints filed with CMA, so grievants may file their complaints before the CRSD.

82 of these complaints have been served, which represents 62.6% of the total number of notifications prepared by CMA (Table (35)).

Table (35): Status of the Notifications Prepared by CMA to Grievants to Proceed with their Complaints to CRSD

Status of Notifications	2015		2016	
	No.	Out of Total (%)	No.	Out of Total (%)
Served to Grievants	223	63.4%	82	62.6%
Not Served to Grievants	129	36.6%	49	37.4%
<b>Total</b>	<b>352</b>	<b>100%</b>	<b>131</b>	<b>100%</b>

### (3) Taking Actions against CML and Companies Law Violations

Paragraph (c) of Article 5 of the CML stipulates that “For the purpose of conducting all investigations which, in the opinion of the Board, are necessary for the enforcement of the provisions of this Law and other regulations and rules issued pursuant to this Law, the members of the Authority and its employees designated by the Board are empowered to subpoena witnesses, take evidence, and require the production of any books, papers, or other documents which the Authority deems relevant or material to its investigation. The Authority shall have the power to carry out inspections of the records or any other materials, whoever the holder may be, to determine whether the person concerned has violated, or is about to violate any provision of this Law, the Implementing Regulations or the rules issued by the Authority”.

For the purpose of implementing High Order No. (4690) dated 6/2/1435H, which transfers the powers of the bodies and committees responsible for investigation and public prosecution in criminal offenses to the Bureau of Investigation and Public Prosecution, CMA agreed with the Bureau to the “Minutes for Coordinating the Transfer of Powers between CMA and the Bureau” to implement the following:

First: Cases relevant to the abovementioned High Order that include the initial report of the violation, evidence, relevant procedures, and data, shall be referred to the Bureau of Investigation and Public Prosecution.

Second: When necessary, an expert from CMA shall be assigned according to the provisions of the Law of Criminal Procedures.

Third: CMA shall provide the Public Prosecutor with all violation-related documents.

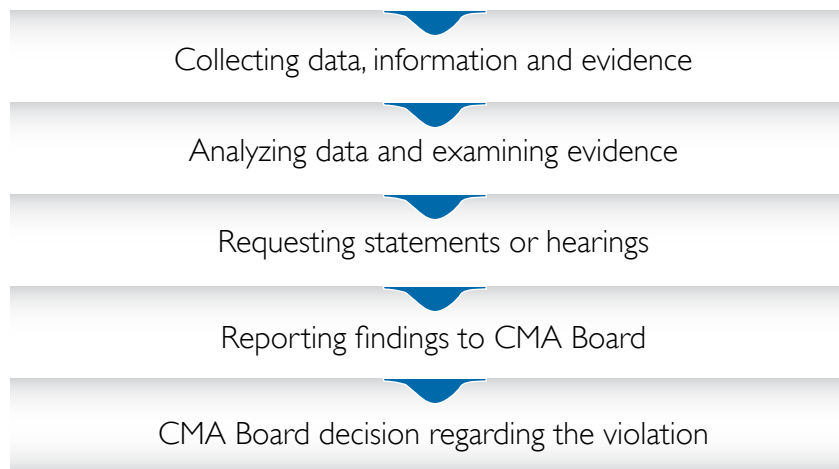
Fourth: CMA shall continue follow-up and litigation of cases filed with the CRSD prior to the date on which the Minutes entered into force (26/1/1436H).

Fifth: CMA and the Bureau shall coordinate in the event any obstacles present themselves (cooperation is ongoing between CMA and the Bureau through periodic meetings in some cases).

Sixth: Representatives from CMA and the Bureau shall coordinate regarding the implementation of any temporary emergency measures before an indictment is issued (e.g., travel bans or provisional attachments).

Seventh: The Bureau shall notify CMA with the results of investigations or trials in cases referred to by CMA.

CMA takes the necessary measures concerning violations of the CML or any relevant regulations and rules through a multi-stage process summarized as follows:



CMA finalized 194 out of the 253 cases filed in 2016. This represents 76.7% of the total number of cases in which CML violations were suspected. There are 59 cases currently under consideration. In general, the number of violations of the CML and its Implementing Regulations declined significantly from 432 cases in 2015 to 253 cases in 2016 (Table (36) and Chart (13)). This is due to the policies and procedures implemented by CMA to deal with violations of the CML and its Implementing Regulations. These policies and procedures increase efficiency among CMA divisions/ departments responsible for detecting violations, as well as ensuring optimal utilization of resources, speedy processing of Capital Market violations and enhanced efficiency.

Table (36): Actions Taken against CML Violation Cases

Status	No.	
	2015	2016
Under Consideration	249	59
Finalized	183	194
<b>Total</b>	<b>432</b>	<b>253</b>

Chart (13): Actions Taken against CML Violation Cases



#### (4) Classification of CML and Companies Law Violation Cases

##### A. Filed Violation Cases

The total number of violations of the CML and its Implementing

Regulations decreased by 41.4% in 2016 compared to the previous year. Cases related to violations of “Prudential Rules”, “Offers of

Securities Regulations”, and “AP Conduct/CMA Circulars” dropped by 100%. Furthermore, cases concerning “change in the ownership/disposal percentages without notifying CMA”, “Corporate Governance Regulations”, and “Disclosure” decreased by 93.5%, 86.7%, and 72.7% respectively compared to the previous year. On the other hand, cases related to “Listing Rules”, “Manipulation and Misleading Act /Market Conduct”, and “Insider Trading” increased noticeably in 2016 (Table (37)).

## B. Finalized Violation Cases

The total number of violations of the CML and its Implementing Regulations that have been finalized decreased by the end of 2016 by 24.5% compared to the previous year. The number of finalized cases related to “Prudential Rules” and “Investment/Real Estate Funds Regulations” declined by 88.6% and 83.9% respectively compared to the previous year, while the number of finalized cases related to “Listing Rules” and “Conducting securities transactions without a CMA license” increased (Table (37)).

Table (37): Filed and Finalized CML Violation Cases Classified by Type

Violation Type	Filed			Finalized <sup>15</sup>		
	2015	2016	Change (%)	2015	2016	Change (%)
Manipulation and Misleading Act/Market Conduct	10	23	130.0%	12	22	83.3%
Disclosure	99	27	-72.7%	210	98	-53.3%
Insider Trading	20	31	55.0%	25	28	12.0%
Authorized Persons Regulations <sup>16</sup>	89	81	-9.0%	89	112	25.8%
Change in the Ownership/Disposal Percentages Without Notifying CMA	31	2	-93.5%	24	28	16.7%
Conducting Securities Transactions Without CMA License	24	13	-45.8%	12	28	133.3%
CMA Board Resolutions	24	7	-70.8%	23	8	-65.2%
Offers of Securities Regulations	4	0	-100.0%	1	0	-100.0%
Listing Rules	2	21	950.0%	2	27	1,250.0%
Trading During Prohibited Periods	65	19	-70.8%	57	65	14.0%
Corporate Governance Regulations	30	4	-86.7%	26	24	-7.7%
Investment/Real Estate Funds Regulations	0	16	-	87	14	-83.9%
Prudential Rules	30	0	-100.0%	44	5	-88.6%
Merger and Acquisition Regulations	0	0	-	2	0	-100.0%
AP Conduct/CMA Circulars	4	0	-100.0%	2	2	0.0%
Companies Law	0	9	-	0	4	-
<b>Total</b>	<b>432</b>	<b>253</b>	<b>-41.4%</b>	<b>616</b>	<b>465</b>	<b>-24.5%</b>

15) Include cases from previous years.

16) Inspections imposed upon APs to ensure their abidance by the Authorized Persons Regulations and the Anti-Money Laundering and Counter-Terrorist Financing Rules, etc.



## Chapter Six

Investor Protection





## Section 3: Prosecution, Sanctions and Penal Verdicts on Violations

- (1) Cases Pending Before the Committees for the Resolution of Securities Disputes Filed Against/By CMA
- (2) Statements of Claim and Defense in Cases Filed Against/By CMA
- (3) Number of Final Judgements in Favor Of/ Against CMA
- (4) Following up Enforcement of Decisions
- (5) Classification of Sanction Decisions Filed by CMA Against Violators of the CML and its Implementing Regulations
- (6) Financial Penalties Against Violators of the CML and its Implementing Regulations

## (I) Cases Pending<sup>17</sup> before the Committees for the Resolution of Securities Disputes Filed Against/By CMA

CMA undertakes the litigation for violation cases of the CML and its Implementing Regulations before the CRSD, whether such violation cases are filed by or against CMA. It may appeal CRSD's decisions before the ACRSD. Decisions issued by the ACRSD are deemed final and enforceable. During 2016, the CMA's representative attended 65 sessions before the CRSD and competent judicial bodies, which represents a 62.5% increase compared to the previous year.

The number of cases pending with the CRSD filed against/by CMA declined to 32 cases by the end of 2016. Cases related to "Manipulation and Misleading Acts" and "Listing Rules" decreased

by 68.8% and 50.0% respectively. Furthermore, 10 appeals against CMA Board resolutions were filed before the CRSD in 2016 (Table (38)).

By the end of 2016, 16 appeals were considered by the ACRSD in cases filed against/by the CMA with a 46.7% decrease. The number of cases related to "Manipulation and Misleading Acts" violations also declined by 62.5% compared to the previous year, while only two appeals against CMA Board resolutions were brought before the ACRSD by the end of 2016 (Table (38)).

Table (38): Number of Cases Pending before the Committees for the Resolution of Securities Disputes Filed Against/By CMA

Case Type	CRSD			ACRSD		
	2015	2016	Change (%)	2015	2016	Change (%)
Manipulation and Misleading Acts	16	5	-68.8%	24	9	-62.5%
Insider Trading	1	1	0.0%	0	0	-
Conducting Securities Business without License	1	1	0.0%	3	0	-100.0%
Violation of Listing Rules	10	5	-50.0%	1	3	200.0%
Violation of Authorized Persons Regulations	5	7	40.0%	2	1	-50.0%
Violation of Corporate Governance Regulations	1	2	100.0%	0	0	-
Disclosure Violation	2	1	-50.0%	0	1	-
Other Violations of Market Conduct Regulations	1	0	-100.0%	0	0	-
Violation of Unlicensed Offering of Securities	0	0	-	0	0	-
Appeals against CMA Board Resolutions	0	10	-	0	2	-
<b>Total</b>	<b>37</b>	<b>32</b>	<b>-13.5%</b>	<b>30</b>	<b>16</b>	<b>-46.7%</b>

<sup>17</sup>) Cases that are still pending by the end of the year.

## (2) Statements of Claim and Defense in Cases Filed Against/By CMA

CMA assumes preparation of statements of claim, defense, and appeal in cases filed against/by CMA. The number of statements of claim and defense filed against/by CMA increased in 2016, while

the number of statements of appeals for CRSD decisions declined (Table (39)).

Table (39): Statements of Claim, Defense, and Appeal in Cases Filed Against/By CMA

Number of Statements of Claim/Defense	2015	2016
Statements of Claim and Defense in Cases Filed by CMA	48	69
Statements of Defense in Cases Filed Against CMA	11	35
Briefs of Appeal Against CRSD Decisions	33	17
<b>Total</b>	<b>92</b>	<b>121</b>

## (3) Number of Final Judgements in Favor Of/Against CMA

In 2016, 36 final judgments were issued in favor of CMA in cases brought by or against it, compared with 59 in 2015. On the other hand, three final judgments were issued against CMA in cases

brought by or against it, compared with only one case in 2015. Furthermore, two cases in 2016 were dismissed based on lack of jurisdiction, compared with only one case in 2015 (Table (40)).

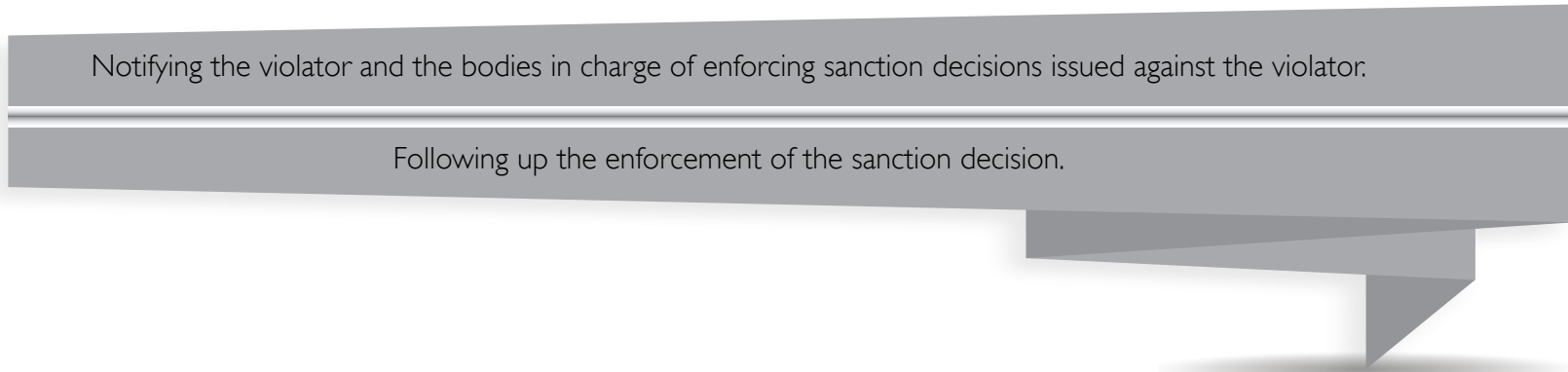
Table (40): Number of Final Judgments in Favor Of/Against CMA

Case Status	2015			2016		
	By CMA	Against CMA	Total	By CMA	Against CMA	Total
Final Judgment in Favor of CMA	57	2	59	28	8	36
Final Judgment Against CMA	1	0	1	2	1	3
Dismissal/Final Judgment for Lack of Subject-Matter Jurisdiction	1	0	1	1	1	2

## (4) Following up Enforcement of Decisions

CMA follows up the enforcement of resolutions issued by its Board, the interim decisions of imposing/lifting provisional attachment issued by CRSD and the final decisions issued by the Committees

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



In 2016, the CMA Board issued 195 sanction decisions, whereas the Committees for the Resolution of Securities Disputes issued 46, both registering a decrease from 2015 by 39.1% and 76.4%, respectively.

In this respect, CMA followed up the enforcement of the sanction decisions issued by both the CMA Board as well as the Committees for the Resolution of Securities Disputes; 97.9% and 67.4%, respectively, were enforced (Table (41) and Chart (14)).

Chart (14): Sanction Decisions Against Violators of the CML and its Implementing Regulations Classified by Decision Issuer

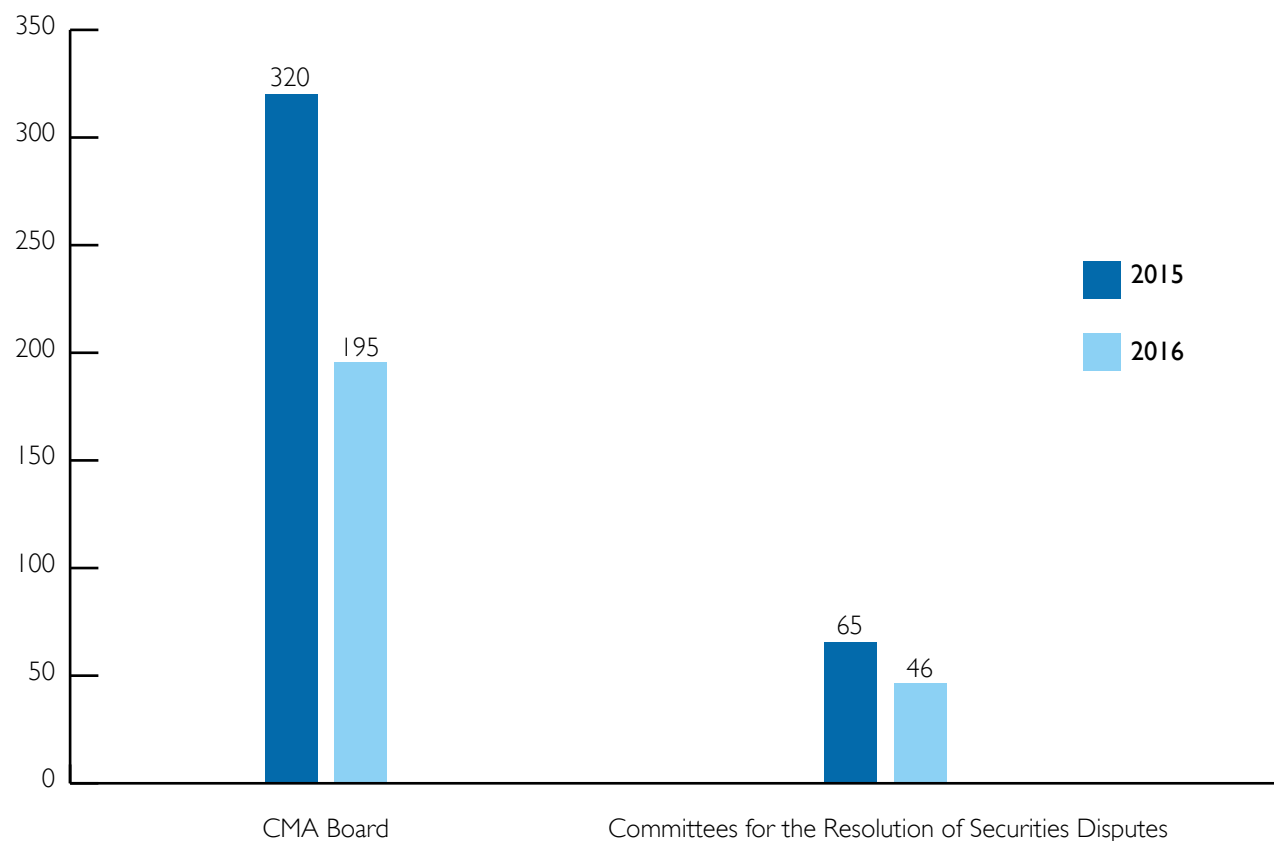


Table (41): Sanction Decisions Against Violators of the CML and its Implementing Regulations Classified by Issuer

Decision Issuer	No.	Enforced	Enforced (%)	Enforcement Follow-up	Enforcement Follow-up (%)
CMA Board	195	191	97.9%	4	2.1%
Committees for the Resolution of Securities Disputes	46	31	67.4%	15	32.6%
<b>Total</b>	<b>241</b>	<b>222</b>	<b>92.1%</b>	<b>19</b>	<b>7.9%</b>

### (5) Classification of Sanction Decisions Filed by CMA Against Violators of the CML and its Implementing Regulations

In 2016, the CMA Board and the Committees for the Resolution of Securities Disputes issued 241 sanction decisions; 102 of which were issued and enforced against listed companies/senior executives. On the other hand, 82 sanction decisions were issued against APs, and

57 decisions were issued against registered persons and investors; of which 95.1% and 73.7%, respectively, were enforced. The remaining decisions are under follow-up (Table (42)).

Table (42): Sanction Decisions Against Violators of the CML and its Implementing Regulations Classified by Violator Type in 2016

Type of Violator	No.	Enforced	Enforced (%)	Enforcement Followed up	Enforcement Followed up (%)
Investor	57	42	73.7%	15	26.3%
Authorized Person/Registered Person	82	78	95.1%	4	4.9%
Listed Company/ Senior Executive	102	102	100.0%	0	0.0%
<b>Total</b>	<b>241</b>	<b>222</b>	<b>92.1%</b>	<b>19</b>	<b>7.9%</b>

Table (43) illustrates the number of violations warranting sanctions against violators of the CML and its Implementing Regulations in 2016 classified by type of violation. It shows that 91.2% of total sanctions were enforced in 2016. Most sanction decisions were issued for "Manipulation and Misleading Acts" violations, which amounted to 143 violations, of which 81.8% were enforced and the

rest are pending. Violations of "Disclosure" and "Authorized Persons Regulations" ranked second and third place with 54 and 49 violations respectively. All sanction decisions issued for "Disclosure" violations were enforced, and 93.9% of those concerning "Authorized Persons Regulations" were enforced and the remaining decisions are pending.

Table (43): Sanction Decisions Against Violators of the CML and its Implementing Regulations Classified by Type of Violations in 2016

Type of Violation	No.	Enforced	Enforced (%)	Enforcement Followed up	Enforcement Followed up (%)
Manipulation and Misleading Acts	143	117	81.8%	26	18.2%
Disclosure	54	54	100.0%	0	0.0%
Insider Trading	8	8	100.0%	0	0.0%
Authorized Persons Regulations	49	46	93.9%	3	6.1%
Change in Ownership/Disposal Percentages without Notifying CMA	7	7	100.0%	0	0.0%
Conducting Securities Business Without CMA License	3	2	66.7%	1	33.3%
CMA Board Resolutions/Circulars	16	16	100.0%	0	0.0%
Offers of Securities Regulations	0	0	-	0	-
Listing Rules	11	11	100.0%	0	0.0%
Trading During Prohibited Period	31	31	100.0%	0	0.0%
Corporate Governance Regulations	15	15	100.0%	0	0.0%
Investment/Real Estate Funds Regulations	11	10	90.9%	1	9.1%
Prudential Rules	2	2	100.0%	0	0.0%
Anti-Money Laundering and Counter-Terrorist Financing Rules	3	3	100.0%	0	0.0%
<b>Total</b>	<b>353</b>	<b>322</b>	<b>91.2%</b>	<b>31</b>	<b>8.8%</b>

In 2016, financial penalties came first among the sanctions issued by CMA Board and the Committees for the Resolution of Securities

Disputes as they amounted to 279. It is noted that an imprisonment penalty was issued against one of the violators (Table (44)).

Table (44): Sanctions Issued by CMA Board and the Committees for the Resolution of Securities Disputes Classified by Type of Sanction

Sanction	Number	
	2015	2016
Financial Penalty	374	279
Banning from Brokerage Activity, Portfolio Management, Investment Advisory or any Registrable Function	7	17
Banning from Work in Listed Companies	5	18
Banning from Buying Shares of Listed Companies	11	18
Imprisonment	0	1
Others <sup>18</sup>	0	36
<b>Total</b>	<b>397</b>	<b>369</b>

## (6) Financial Penalties Against Violators of the CML and its Implementing Regulations

The total amounts of financial penalties issued by CMA and the Committees for the Resolution of Securities Disputes against violators of the CML and its Implementing Regulations in 2016 stood at SR 276.1 million; of which SR 81.9 million (29.6%) were collected. The financial penalties issued against the violations of manipulation and misleading acts ranked first as they amounted to

nearly SR 233.2 million accounting for about 84.4% of total financial penalties, of which SR 40.7 million were collected. Financial penalties issued against insider traders came second, reaching nearly SR 23.3 million and representing 8.4% approximately of total fines issued in 2016, all of which was collected in the same year (Table (45)).

<sup>18)</sup> Includes administrative and precautionary sanctions.

Table (45): Total Amounts of Penalties Issued by CMA and the Committees for the Resolution of Securities Disputes Against Violators of the CML and its Implementing Regulations Classified by Type of Violation in 2016

Type of Violation	Total Amounts of Financial Penalties Imposed (SR) 1/1/2016 – 31/12/2016	Total Amounts Collected (SR) 1/1/2016 – 31/12/2016	Percentage of Collected Amounts out of Total Penalty
Manipulation and Misleading Acts	233,204,197.57	40,744,719.05	17.5%
Disclosure	2,370,000.00	2,370,000.00	100.0%
Insider Trading	23,265,510.60	23,265,510.60	100.0%
Violation of Authorized Persons Regulations	8,770,000.00	6,970,000.00	79.5%
Change in Ownership/Disposal Percentages without Notifying CMA	1,000,000.00	1,000,000.00	100.0%
Conducting Securities Business without CMA License	240,000.00	220,036.83	91.7%
CMA Resolutions/Circulars	330,000.00	330,000.00	100.0%
Offers of Securities Regulations	0.00	0.00	0.0%
Listing Rules	600,000.00	600,000.00	100.0%
Trading During Prohibited Period	1,930,000.00	1,930,000.00	100.0%
Corporate Governance Regulations	3,480,000.00	3,480,000.00	100.0%
Investment/Real Estate Funds Regulations	380,000.00	370,000.00	97.4%
Prudential Rules	50,000.00	50,000.00	100.0%
Anti-Money Laundering and Counter-Terrorist Financing Rules	530,000.00	530,000.00	100.0%
<b>Total</b>	<b>276,149,708.17</b>	<b>81,860,266.48</b>	<b>29.6%</b>



Table (46) shows the total amounts of financial penalties issued by CMA and the Committees for the Resolution of Securities Disputes against violators of the CML and its Implementing Regulations,

classified by violator type in 2016. Financial penalties imposed on investors ranked first in value with a total of SR 256.6 million, of which SR 64.1 million (25.0%) were collected.

Table (46): Total Amounts of Financial Penalties Issued by CMA and the Committees for the Resolution of Securities Disputes Against Violators of the CML and its Implementing Regulations Classified by Violator Type in 2016

Type of Violator	Total Amounts of Financial Penalties Imposed (SR) 1/1/2016 – 31/12/2016	Total Amounts Collected (SR) 1/1/2016 – 31/12/2016	Percentage of Collected Amount Out of Total Penalty
Investor	256,620,429.82	64,140,988.13	25.0%
Senior Executive	4,848,375.60	4,848,375.60	100.0%
Registered Person	310,000.00	180,000.00	58.1%
Listed Company	3,410,902.75	3,410,902.75	100.0%
Authorized Person	10,960,000.00	9,280,000.00	84.7%
<b>Total</b>	<b>276,149,708.17</b>	<b>81,860,266.48</b>	<b>29.6%</b>



## Chapter Six

Investor Protection



## Section 4: Investor Awareness

(1) Media Programs

(2) Investment Literacy Programs

Since its establishment, CMA has given a high priority to securities awareness and investment literacy with regard to regulations, instructions and resolutions issued by the CMA Board, and with regard to the risks and manipulative or misleading acts associated with the Capital Market to which investors may be exposed. Thus, CMA has established several channels to raise the awareness of Capital Market investors. Through such channels, CMA has executed the following main programs:

## (1) Media Programs

CMA has published a wide range of press and information materials covering or explaining the resolutions issued by the CMA Board, and has disseminated them in local, regional and international mass media in both Arabic and English. These materials were also published through CMA's social media pages (Facebook, YouTube and Twitter). In 2016, CMA issued 83 press releases via printed and electronic media and published 681 articles and reports on CMA and Capital Market legislations through national and international media.

Additionally, CMA arranged for the following events:

- CMA Vice Chairman's participation in the Islamic Finance Conference in Jeddah.
- H.E. former CMA Chairman's interview with Bloomberg.
- CMA Deputy for Strategy and International Affairs' interview with Sky News to discuss the Parallel Market.
- CMA Manager of Financial Statements' interview with Al-Arabiya Channel to discuss actions regarding distressed companies in light of Article 150 of the Companies Law.
- H.E. former CMA Chairman's interview with Oxford Business Group Magazine.
- CMA Vice Chairman's interview with Reuters and Bloomberg during the Sukuk Conference.

Furthermore, CMA carried out the following activities during 2016:

Design and Publication of Information Materials

including:

- Producing two informational films broadcast via a number of websites and social media networks on debt instruments "sukuk and bonds", and Nafith program, which is concerned with enforcement cases conducted in collaboration with the Ministry of Justice.

- Designing a presentation of a report including Saudization analytics of APs.
- Designing a brochure about the role of APs' boards of directors.
- Designing a brochure about margin lending.
- Designing a brochure about front-running trades.
- Creating a new web page for circulars on the CMA's official website.
- Creating a new web page on the CMA's website containing a list of licensed credit rating agencies.
- Establishing a new public consultation's web page on the CMA's official website in both English and Arabic.

## (2) Investment Literacy Programs

In line with its strategy relating to investment literacy programs, CMA conducted the following during 2016:

### A- Organizing Temporary Awareness Exhibits

In 2016, CMA organized several temporary awareness exhibits, which attracted many visitors, in a number of cities and provinces across the Kingdom. For example, it organized 33 exhibits in Riyadh, which attracted more than 5,000 visitors and another two exhibits in Dammam and Tabuk that attracted more than 1,000 visitors (Table (47)).

Table (47): Awareness Exhibits Organized by CMA Classified by City/Province and Number of Visitors in 2016

	City/Province	No. of Temporary Exhibits	No. of Visitors
1	Riyadh	33	5,522
2	Tabuk	2	600
3	Dammam	2	420
4	Ha'il	1	160
5	Qassim	1	90
Total		39	6,792

In 2016, CMA also made school visits in three different cities to raise student awareness. Nine schools were visited and more than 1,200

bundles of "Smart Investor" magazine were distributed to male and female students (Table (48)).

Table (48): School Visits Carried out by CMA in Different Cities in 2016

	City	No.		
		No. of Schools	Beneficiaries (Male and Female Students)	No. of "Smart Investor" Magazine Bundles Distributed
1	Riyadh	2	300	450
2	Tabuk	6	600	700
3	Madinah	1	50	104
Total		9	950	1,254

## B- Publishing and Distributing Investment Awareness Booklets, Publications and Pamphlets

CMA published and distributed the following investment awareness booklets and pamphlets:

- 16,000 pamphlets and awareness brochures including the Smart Investor magazine.
- The following four guides: Listed Companies Continuous Obligations Guide, Guide for Obligations of Major Shareholders Regarding Ownership Notifications, Guide for Post IPO and Pre-trading Obligations of Publicly Listed Companies, and Guide for the Obligations of Board Members and Senior Executives Regarding Share Ownership, as well as a new informational booklet on insider trading.

## C- Educational Campaigns

CMA launched a series of scheduled educational campaigns (infographics) on Mubasher and Argaam websites. The infographics covered a number of topics, including the Sukuk Conference, debt instruments, Forex, accounting standards, investor feedback, APs Forum, the draft regulatory rules for the Companies Law and the Corporate Governance Regulations, and the CMA training program for distinguished graduates on social media networks.

## D- Smart Investor Program

The main purpose of the program is transforming the basics of proper financial transactions and positive behaviors of financial culture into interactive materials that target kids from five to fourteen years old. They are divided into two categories: fourth, fifth, and sixth graders, and intermediate school students. CMA is keen to diversify the components of the Smart Investor program to include, in addition to the Smart Investor publications, the Smart Investor website and social media pages, educational awareness program, informational programs, and finally the Smart Investor's Ambassador program. CMA held training courses for 31 female ambassadors for the Smart Investor. They were equipped with the required instruments to perform the presentations. In addition to promoting its concept, the program promotes the culture of volunteering.

## E- Investment Literacy Booths

CMA organized, participated in, and sponsored a number of investment literacy booths, such as:

- Global Money Week, which involved 20 activities targeting children and adults. CMA's brochures and copies of the Smart Investor magazine were distributed during the event.
- Riyadh International Book Fair, 2016.
- Awareness Activity - Ergah Club, 19 June 2016.
- The "Launch your Project" initiative – KACST.

## F- Organizing and Participating in Seminars and Conferences, and Hosting University Student Visits

CMA organized several seminars and workshops, and participated in a number of conferences. It also hosted female and male student visits, as well as the visits of officials from Saudi universities and financial companies on a number of occasions during 2016, including:

- Seminars and Conferences
  - Participating in the IOSCO Conference, Sydney, Australia, February 2016.
  - Participating in the Euromoney Conference, Riyadh, May 2016.
  - Organizing the APs Forum, Riyadh, May 2016.
  - Organizing the Financial Stability Seminar in collaboration with SAMA, Riyadh, October 2016.
  - Participating in the Administrative Development Conference in Light of Economic Challenges Conference, organized by the Institute of Public Administration, Riyadh, November 2016.
  - Organizing the international conference "Sukuk Markets - Challenges and Opportunities" in collaboration with the World Bank, Riyadh, December 2016.
- Giving Lectures and Hosting University Student Visits
  - Prince Sultan University's student visit (40 female students), 3 April 2016.

- King Faisal University's student visit (25 female students), 7 April 2016.
- King Saud University's student visit (28 female students), 20 April 2016.
- Prince Sultan University's student visit (13 female students), 27 April 2016.
- Giving an introductory lecture at Al-Faisal University, 13 November 2016.
- Giving an awareness lecture at Qassim University, 13 December 2016.
- Princess Norah University's student visit (37 female students), 18 December 2016.
- Giving an awareness lecture at Ha'il University, 25 December 2016.
- Participating in the "My Small Project" program, Community College, Princess Norah University.





# Chapter Seven

Securities Business





## Section I: Licenses

- (1) Authorization Decisions to Conduct Securities Business
- (2) Licenses Classified by Securities Business Activities
- (3) Credit Rating Licenses
- (4) Foreign Financial Institutions Qualified for Investing in Listed Shares

## (1) Authorization Decisions to Conduct Securities Business

CMA issues authorization decisions for conducting securities business, including licensing, amendment, cancellation and revocation. In 2016, CMA issued nine decisions pertaining to securities business; four

decisions to amend licenses, three decisions to cancel licenses, and two decisions to revoke existing licenses (Table (49)). Consequently, the number of Authorized Persons stood at 83 by the end of 2016.

Table (49): Number of Authorization Decisions Classified by Type

Decision		2015	2016
New License		0	0
Amendment to License	Activity Added	3	0
	Activity Cancelled	5	4
Cancellation of License		0	3
Revocation of License		0	2
Total		8	9

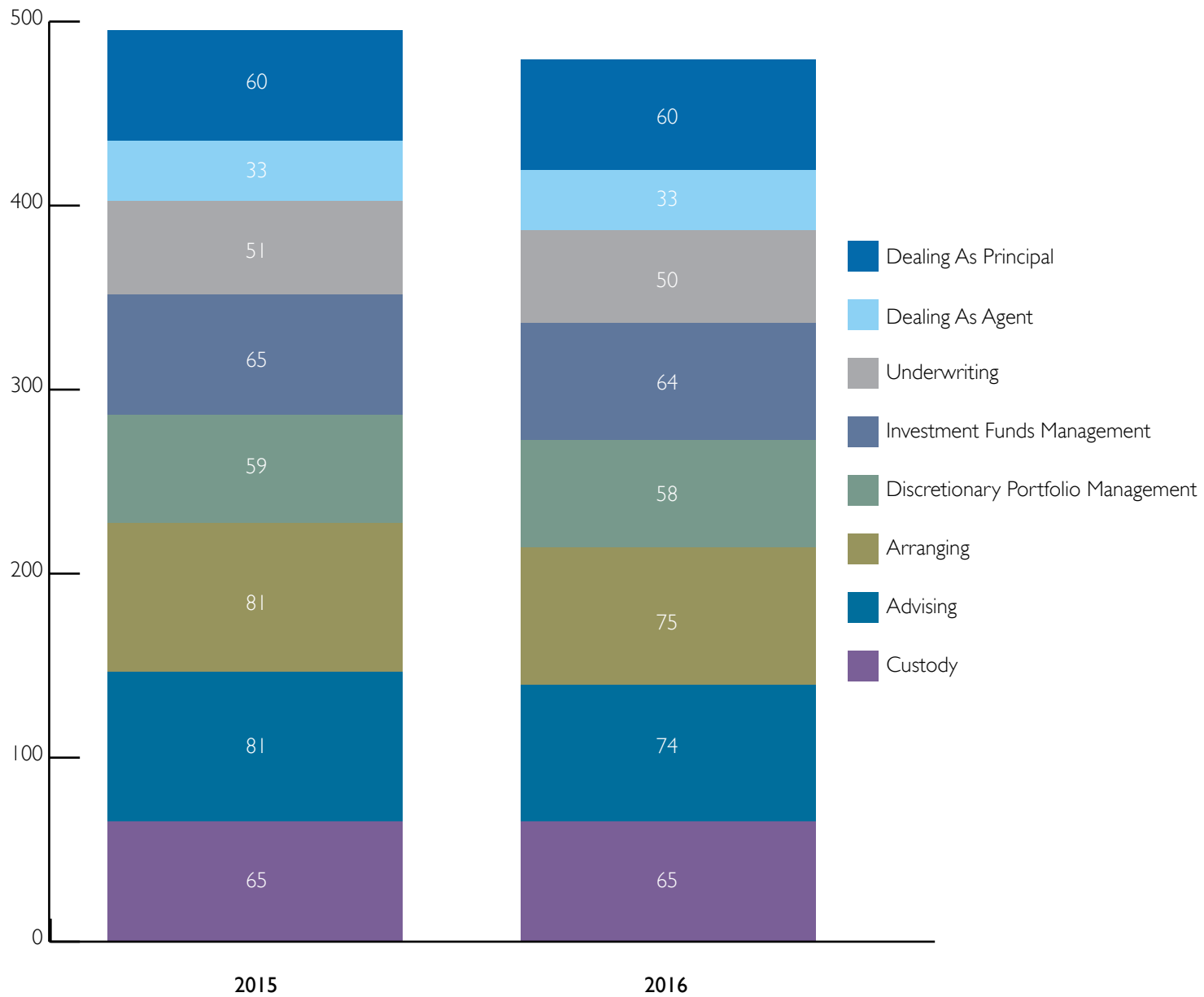
## (2) Licenses Classified by Securities Business Activities

There were 479 active securities business licenses by the end of 2016; the most were “Arranging” licenses (75), and the fewest were “Dealing As Agent” licenses (33) (Table (50) and Chart (15)).

Table (50): Number of Licenses Classified by Activity

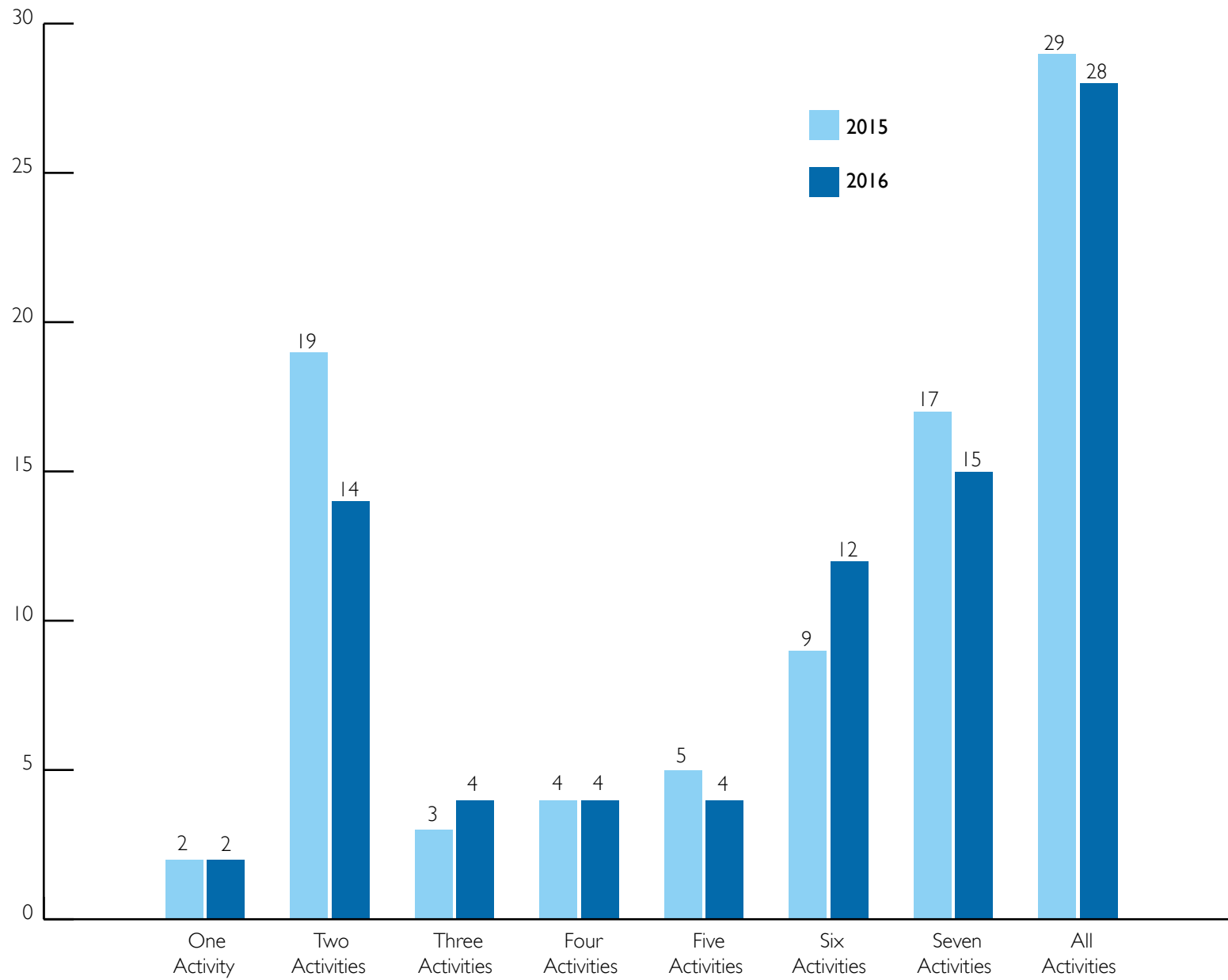
Securities Business Activity Commenced		2015			2016		
		Commenced	Not Commenced	Total	Commenced	Not Commenced	Total
Dealing	As Principal	58	2	60	60	0	60
	As Agent	33	0	33	33	0	33
	As Underwriter	51	0	51	50	0	50
Managing	Investment Funds Management	65	0	65	64	0	64
	Discretionary Portfolio Management	59	0	59	58	0	58
Arranging		80	1	81	75	0	75
Advising		81	0	81	74	0	74
Custody		65	0	65	65	0	65
Total		492	3	495	479	0	479

Chart (15): Total Number of Licenses Classified by Securities Business Activities



The total number of full-fledged APs (conducting all activities) stood at 28 by the end of 2016 (Chart (16)).

Chart (16): Number of APs Classified by Number of Securities Activities' Licenses



With regard to the staffing structure of APs, the total number of employees dropped from 4,601 in 2015 to 4,444 in 2016, a loss

of 157 employees in the sector. On the other hand, Saudization increased to 71% by the end of 2016 (Table (51)).

Table (51): Number of Employees at APs

Classification	Number of Employees		Saudization (%)	
	2015	2016	2015	2016
Registered Persons	3,090	3,056	73.0%	74.0%
Unregistered Persons	1,511	1,388	65.0%	63.0%
Total	4,601	4,444	70.0%	71.0%

### (3) Credit Rating Licenses

Further to its efforts exerted in developing the credit rating sector, CMA issued a decision in 2016 to license "Standard & Poor's Credit Market Services Europe Limited", joining "Simah Rating Agency"

which was licensed last year. Therefore, the number of licenses granted for credit rating business reached two by the end of 2016 (Table (52)).

Table (52): Number of Credit Rating Licenses Classified by Practicing/Non-Practicing Status

Element	2015	2016
Practicing	0	1
Non-Practicing	1	1
Total	1	2

#### (4) Foreign Financial Institutions Qualified for Investing in Listed Shares

By the end of 2016, there were 47 foreign financial institutions qualified for investing in the local Capital Market, an increase of 176.5% compared to the figures registered by the end of 2015.



# Chapter Seven

Securities Business





## Section 2: Inspection and Financial Prudence

- (1) Inspection
- (2) Capital Adequacy
- (3) Margin Lending
- (4) Requests Received by CMA for Imposing/  
Removing Attachment and Enforcement
- (5) Anti-Money Laundering (AML) and  
Counter-Terrorist Financing (CTF)

## (I) Inspection

With respect to its powers stated under Paragraph (c) of Article Five of the CML, CMA carries out a number of inspection programs to monitor the activities of APs and Capital Market institutions in accordance with the requirements of the CML and its Implementing Regulations in line with best international standards and practices of risk-based analysis and assessment exercises. This is achieved by means of dedicated inspection programs:

### I. Cycle Inspection Programs

Cycle inspection programs are risk-based assessments and analyses of APs and Capital Market institutions. Accordingly, CMA conducts inspection visits covering the activities, operations, products and services offered to market participants.

## 2. Cause Inspection Programs

Cause-triggered programs are conducted in response to incoming referrals from related parties inside and outside CMA, in addition to the notices and inquiries sent by APs as well as any information related to unauthorized persons conducting securities business.

CMA adopts a number of standards to ensure the quality of inspections and follows up on corrective action plans presented by APs and Capital Market institutions. It also reviews monitoring requirements, and updates and develops inspection manuals and procedures on a regular basis so as to take account of the latest international standards and practices. This process requires a comprehensive analysis of risks based on the volume of Capital Market institutions' operations and their compliance with the CML and its Implementing Regulations.

Inspections carried out by CMA in 2016 covered 95 licenses, of which 52 were cycle inspections and 43 cause inspections (Table (53)).

Table (53): Number of Inspected Licenses

Type of License	2015			2016		
	Cycle Inspection	Cause Inspection <sup>19</sup>	Total	Cycle Inspection	Cause Inspection <sup>20</sup>	Total
Dealing	11	30	41	11	8	19
Managing	11	17	28	11	26	37
Arranging	11	3	14	9	2	11
Advising	11	0	11	10	6	16
Custody	11	0	11	11	1	12
<b>Total</b>	<b>55</b>	<b>50</b>	<b>105</b>	<b>52</b>	<b>43</b>	<b>95</b>

In 2016, the number of cause inspections stood at 155. Referrals from relevant parties inside or outside CMA represented 85.8% of the reasons requiring such inspection (Table (54) and Chart (17)).

<sup>19</sup>) The total excludes 118 cause inspection visits related to other aspects of APs business such as compliance with corporate governance and prudential requirements.

<sup>20</sup>) The total excludes 95 cause inspection visits related to other aspects of APs business such as compliance with corporate governance and prudential requirements.

Table (54): Number of Cause Inspections Classified by Reason

Reason	Number	
	2015 <sup>21</sup>	2016 <sup>22</sup>
Referrals from Related Parties Inside or Outside CMA	166	133
Notices and Inquiries of Authorized Persons	2	5
Activities Related to Unauthorized Persons	21	17
<b>Total</b>	<b>189</b>	<b>155</b>

Chart (17): Percentages of Cause Inspections Classified by Reason



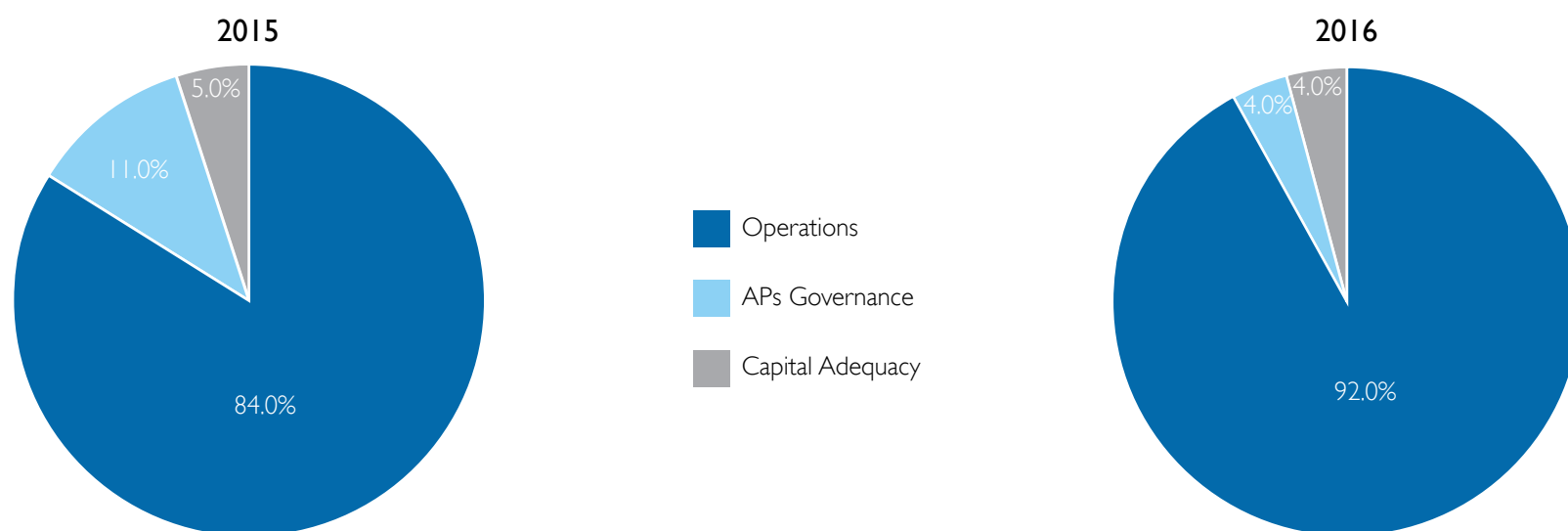
Cycle inspections of APs in 2016 unveiled a range of observations regarding their compliance with the requirements of the CML and its Implementing Regulations. Chart (18) reflects the observations

of cycle inspections classified by subject, with operations coming in first with 92.0% in 2016.

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

22) The total includes 95 cause inspection visits related to other aspects of APs business such as compliance with corporate governance and prudential requirements.

Chart (18): Observations of Cycle Inspections by Subject



## (2) Capital Adequacy

To ensure the compliance of APs with the financial prudence principle provided under paragraph 4(b) of Article 5 of the Authorized Persons Regulations, CMA reviews the following:

1. Monthly capital adequacy reports of APs.
2. Subordinated loan agreements.
3. AP's capital adequacy when underwriting a securities offering.

In 2016, financial reviews of APs totaled 1,122, registering a decrease of 4.3% from last year, as a result of the departure of five APs. Periodical reviews of financial prudence upon underwriting also went down by 48.3%, due to the significant decline in the number of initial offerings and rights issues in 2016 (Table (55)).

Table (55): Numbers of Financial Reviews of APs Classified by Type of Review

Type	Number	
	2015	2016
Periodical Reviews of Financials and Capital Adequacy Reports	1,050	1,009
Capital Adequacy Assessments of APs Underwriting Offerings	29	15
Subordinated Loan Agreements	1	2
Business Plans to Raise Capital Adequacy Beyond Minimum Level	5	12
Large Exposure/Undue Concentration Cases Follow-up	4	1
Audited Financial Statements Reviews	83	83
<b>Total</b>	<b>1,172</b>	<b>1,122</b>

- APs Combined Capital Adequacy Positions

CMA supervises the capital adequacy of APs in accordance with the requirements of the Prudential Rules which are derived from Basel Accords, comprising three pillars of capital adequacy requirements. Pillar One regulates the capital adequacy requirements which include credit, market and operational risks. Pillar Two includes the internal capital adequacy assessment process (ICAAP) and stress testing. Pillar Three covers AP disclosure of information as indicated in Annex 10 of the Prudential Rules.

Based on securities business activities and applicable Prudential Rules, APs were classified into two categories:

### I. APs Licensed to Conduct Dealing/ Managing/ Custody

The capital adequacy coverage ratio of APs licensed to conduct dealing, managing and custody activities averaged 2.19, which implies that capital base exceeds the minimum requirements by 2.19 times. The capital base stood at SR 19,480 million while the minimum capital requirement amounted to SR 8,903 million (Table (56)).

Table (56): Capital Adequacy Requirements of APs Licensed to Conduct Dealing/Managing/Custody

Item	Authorized Persons								Average/Total	
	Bank Affiliate		Local		Regional		International			
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Capital Adequacy Coverage (Times)	2.52	2.78	1.56	1.52	2.08	2.09	10.28	10.38	2.12	2.19
Capital Adequacy Ratio <sup>23</sup>	29.5%	32.9%	19.9%	20.0%	26.4%	26.3%	106.2%	107%	26.0%	27.4%
Capital Base (SR Million)	8,309	9,016	6,790	6,758	2,382	2,261	1,441	1,445	18,922	19,480
Minimum Capital Requirement <sup>24</sup> (SR Million)	3,304	3,248	4,351	4,435	1,143	1,081	140	139	8,938	8,903
Credit Risk <sup>25</sup> (SR Million)	2,450	2,463	3,773	4,046	981	915	74	72	7,278	7,496
Market Risk <sup>26</sup> (SR Million)	214	178	274	60	62	64	5	4	555	306
Operational Risk <sup>27</sup> (SR Million)	640	607	304	329	100	102	62	63	1,105	1,101

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

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

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

26) The risk of loss arising from the volatility of market prices of financial instruments, to which APs are exposed.

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

## 2. APs Licensed to Conduct Arranging/ Advising Activities

Prudential Rules require APs licensed to conduct arranging/advising to maintain at all times a shareholder equity of no less than SR 200,000 and a three-month supply of working capital. APs' total working capital stood at SR 242 million and total excess in working capital amounted to SR 201 million and average excess in capital reached SR 13 million.

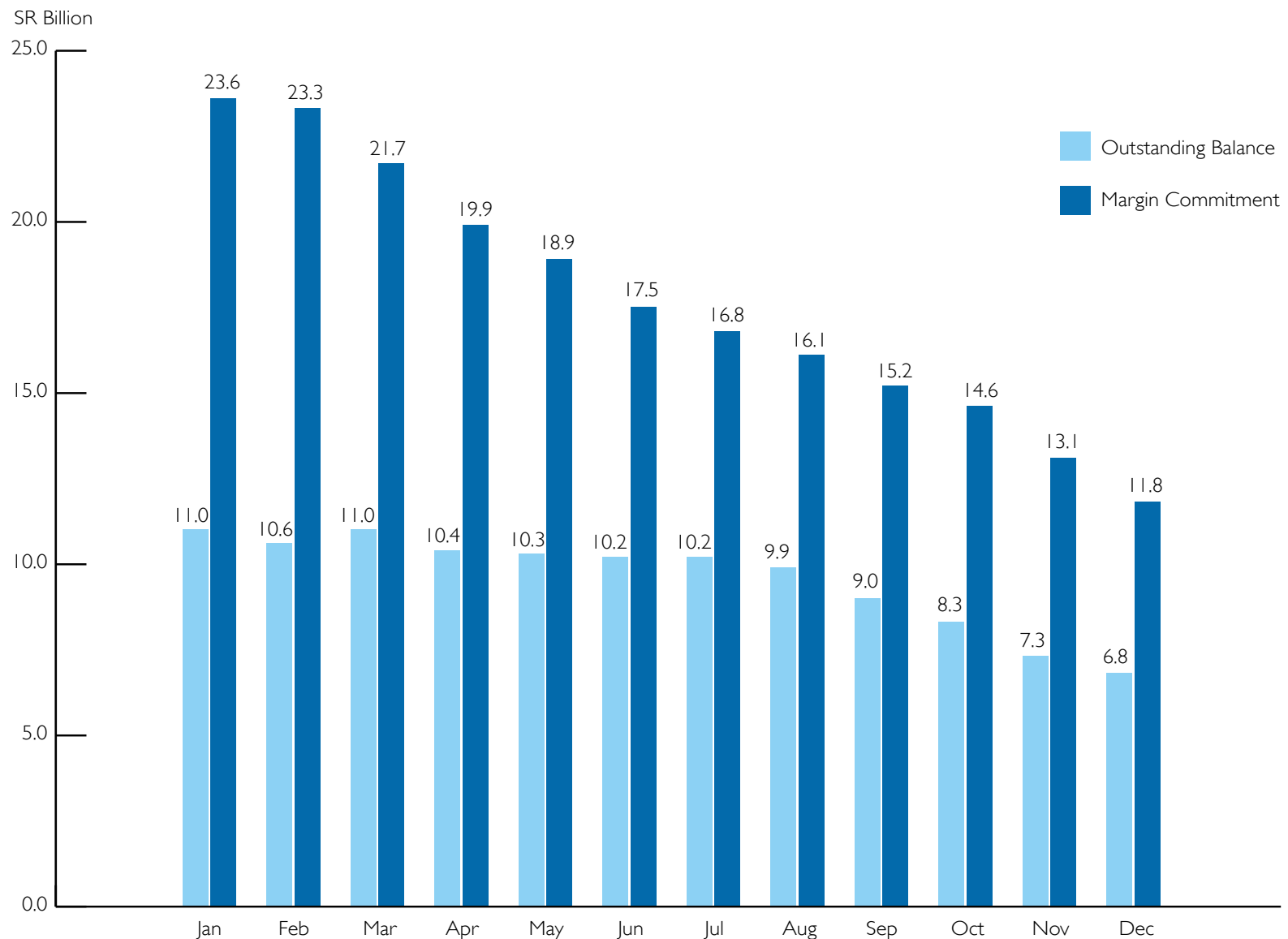
### (3) Margin Lending

Article 45 of the Authorized Persons Regulations allows APs

to provide credit facilities. On 6/1/2016, the CMA Board issued Resolution No. (5-2-2016), requiring APs to ask their clients to provide a minimum margin of 34% of the value of the transaction before execution, effective as of 1/8/2016.

By the end of 2016, total margin lending commitment amounted to SR 11.8 billion, 52.4% less than the 2015 figure of SR 24.8 billion. The outstanding balance at the end of 2016 stood at SR 6.8 billion, decreasing by 50.4% compared to SR 13.7 billion in 2015 (Chart (19)).

Chart (19): Margin Lending Values in 2016 (in Saudi Riyals)



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

In 2016, CMA launched an electronic connectivity system, called “Nafith”, to link it with the Ministry of Justice. The system has reduced the average time spent on enforcement of judicial orders by up to 85%, given that previously 20-25 work days were needed to enforce a judicial order, whereas now they can be completed within 3-5 work days. The Nafith System aims to enable enforcement judges to enforce orders through an electronic pathway that connects the Ministry of Justice to CMA. It is noteworthy that this connection was established between CMA and the enforcement units, APs and Tadawul at the outset of 2016. Paper-based orders from enforcement units were not accepted beyond 06/10/1437H (11/07/2016). Data indicate that Nafith has helped decrease the amount of paperwork related to judicial orders issued to and generated by CMA by 75% and 80% respectively. In addition to the

speedy enforcement of judicial orders, Nafith has contributed to increase data confidentiality and replaced bank checks with IBAN transfers between the relevant enforcement units. Since its launch, Nafith System has processed 68,426 disclosure and attachment orders, 24,258 attachment lifting orders and two enforcement orders issued electronically by enforcement judges to CMA.

CMA processes requests received from government bodies, including judicial orders issued by enforcement judges and public courts, and requests made by investors and heirs. The number of these requests stood at 100,003 in 2016, of which the majority was from the Ministry of Justice with 99,666 requests, a 516.8% hike compared to last year, brought about by the launch of an electronic connection with enforcement judges in 2016 (Table (57)).

Table (57): Requests Received by CMA for Imposing/ Removing Attachment and Enforcement Classified by Requesting Party

Requesting Party	2015		2016		Change (%)
	Number	Out of Total (%)	Number	Out of Total (%)	
Ministry of Justice	16,158	98.4%	99,666	99.7%	516.8%
Other Government Agencies	108	0.7%	45	0.0%	-58.3%
Investors/Heirs	157	1.0%	292	0.3%	86.0%
<b>Total</b>	<b>16,423</b>	<b>100%</b>	<b>100,003</b>	<b>100%</b>	<b>508.9%</b>

Most requests were for imposing attachment, taking up 70.0% of all incoming requests by type (Table (58)).

Table (58): Incoming Requests to CMA Classified by Type

Request Type	2015		2016		Change (%)
	Number	Out of Total (%)	Number	Out of Total (%)	
Disclosure	1,765	10.7%	1,916	1.9%	8.6%
Attachment	8,654	52.7%	70,037	70.0%	709.3%
Removal of Attachment	5,792	35.3%	27,768	27.8%	379.4%
Distribution of Estate	57	0.3%	37	0.0%	-35.1%
Sale	106	0.6%	144	0.1%	35.8%
Other	49	0.3%	101	0.1%	106.1%
<b>Total</b>	<b>16,423</b>	<b>100%</b>	<b>100,003</b>	<b>100%</b>	<b>508.9%</b>

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

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

In 2016, CMA made several developmental and procedural decisions, notably:

1. Approval of the Investment Accounts Instructions.
2. Preventing sole proprietorships from investing in investment funds and any investment products of APs or opening investment accounts, given that sole proprietorships are not corporate entities independent from their owners; however, the owner may open an investment account under his own name.

3. Amendment of paragraph 1 of Article 20 of the Anti-Money Laundering and Counter-Terrorist Financing Rules.

The total number of incoming requests from government agencies regarding compliance and anti-money laundering reached 457 requests in 2016, denoting an increase of 11.2% compared to last year (Table (59)).



Table (59): Tasks Related to Compliance, Anti-Money Laundering and Execution of Requests Received from Enforcement Judges and Public Courts, Classified by Type

Type of Incoming Requests	Number		Change (%)
	2015	2016	
Requests from Government Agencies	128	180	40.6%
Requests and Inquiries of Authorized Persons	283	277	-2.1%
<b>Total</b>	<b>411</b>	<b>457</b>	<b>11.2%</b>



# Chapter Seven

Securities Business



## Section 3: APs Performance Indicators

By the end of 2016, total paid-up capital of APs stood at SR 15.9 billion (down by 1.1%) with revenues totaling SR 5.6 billion (down by 11.2%). Net profits stood at SR 1.7 billion decreasing by 25.7% compared to 2015. Table (60) shows some of the APs' financial indicators. In order to facilitate the process of reviewing APs' financial statements and comparing them with their counterparts, they were

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

The profits gained by bank affiliate APs amounted to SR 1.6 billion, accounting for 92.3% of APs' total profits realized during 2016.

Table (60): APs' Performance Indicators

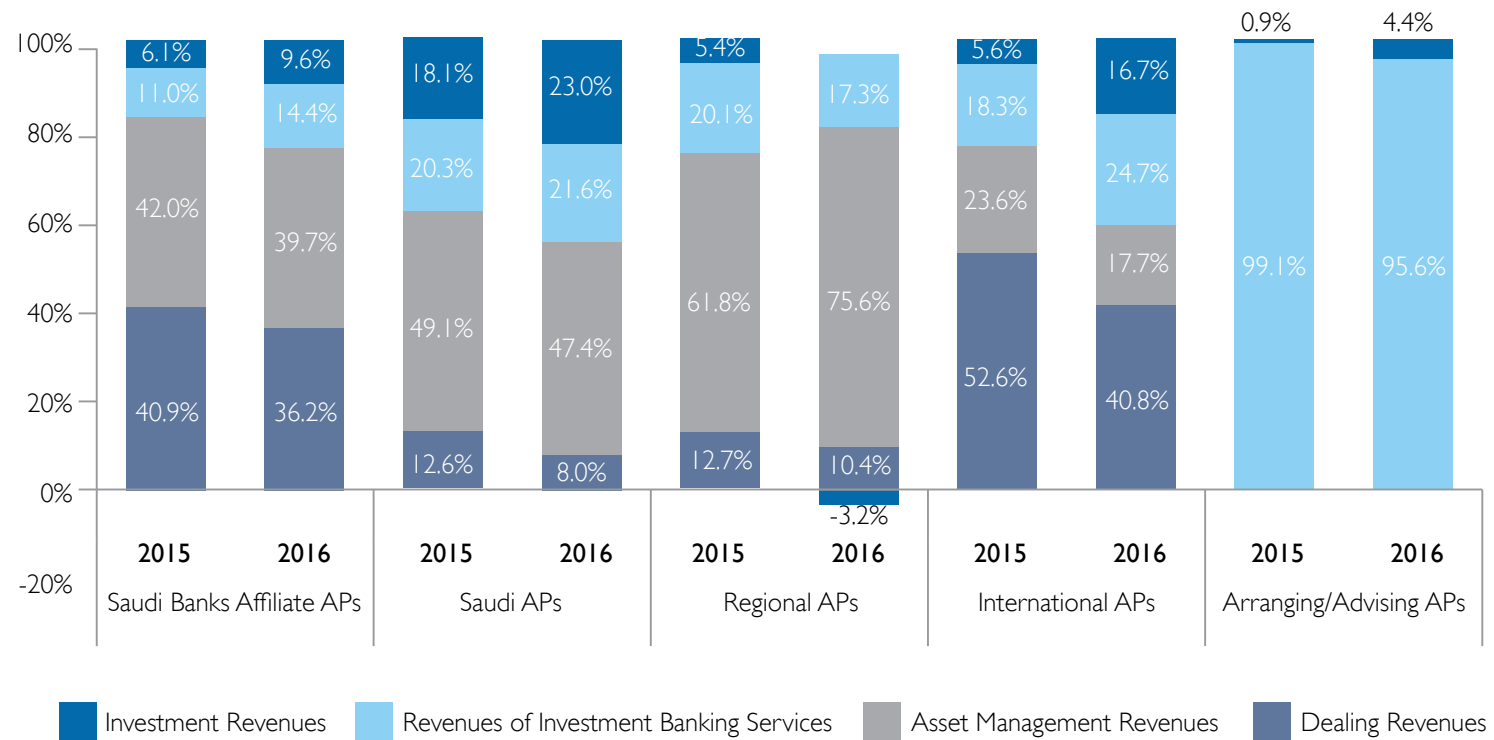
(SR Million)

Item	Authorized Persons										Total	
	Bank Affiliate		Local		Regional		International		Arranging/ Advising			
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Paid-up Capital	5,200	5,200	6,518	6,368	2,531	2,531	1,583	1,583	262	240	16,094	15,921
Total Assets	13,895	12,503	10,166	10,011	3,700	2,790	1,685	1,655	392	316	29,838	27,274
Total Liabilities	4,065	2,333	2,656	2,609	1,176	489	150	141	109	34	8,156	5,606
Total Shareholder Equities	9,830	10,170	7,510	7,401	2,524	2,301	1,535	1,514	283	281	21,682	21,668
Revenues	4,144	3,524	1,421	1,456	321	264	319	268	97	82	6,301	5,594
Profits / Losses	2,102	1,589	175	170	-26	-38	70	-3	-3	3	2,317	1,721

Chart (20) illustrates that asset management revenue was the biggest source of 2016 total income among regional, local and Saudi bank affiliate APs at a rate of 75.6%, 47.4% and 39.7% respectively. Furthermore, investments of regional APs registered negative

revenue, due to significant realized losses in held-for-trading investments suffered by one AP, which directly affected their total revenues.


Chart (20): Percentages of APs' Main Sources of Revenue





# Chapter Eight

CMA Financial Disclosure

- 
- (1) CMA's Financial Performance
  - (2) Independent Auditor's Report
  - (3) Balance Sheet
  - (4) Statement of Financial Performance
  - (5) Statement of Cash Flows
  - (6) Statement of Changes in Net Assets
  - (7) Notes to the Financial Statements

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

1. Fees for services and commissions charged by CMA in accordance with the provisions of the CML and the regulations and instructions issued in pursuance thereof.
2. Charges against using its facilities, returns on its funds and proceeds of the sale of its assets.
3. Fines and financial penalties imposed on violators of the provisions of the CML.
4. Funds provided by the government to CMA.
5. Any other resources determined by the Board.

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

1. Registration of securities with CMA.
2. Listing of securities on the Exchange.
3. Trading of securities.
4. Licensing and renewal of licenses of brokerage companies or investment advisers.

5. Registration of investment funds.

This is to finance all of its current and capital expenses and other expenses needed.

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

CMA follows the cash basis (as in subsection (1)) and accrual basis (as in subsection (2) and afterwards) in recording and reporting its financial operations. The cash basis conforms to government accounting requirements and the accrual basis conforms to the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) and the established international standards for the public sector.

## (I) CMA Financial Position

Receipts and payments up to 31/12/2016 were as follows:

### I. Receipts (Revenues):

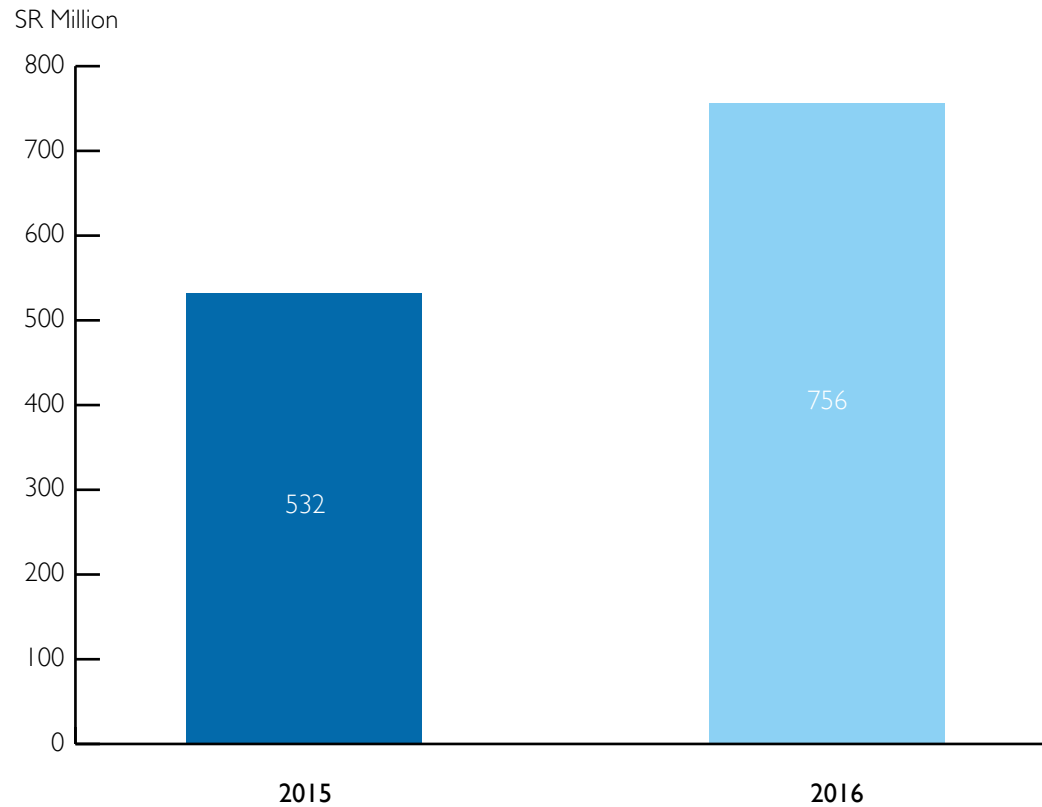
Total CMA revenues collected in 2016 increased by approximately 42.3% (SR 225 million) compared to 2015 (Table (61), Chart (21)).

Table (61): CMA's Collected Revenues

Item	Year		Change	(%)
	2015	2016		
Collected Revenues (SR)	531,507,318	756,349,050	224,841,732	42.3%



Chart (21): CMA's Collected Revenues



## 2. Payments (Expenses):

Total payments (expenses) approved in the CMA's budget for 2016 stood at SR 609 million; 92% (SR 558 million) was disbursed out

of the approved budget, generating a surplus close to SR 50 million (Table (62), Chart (22)).

Table (62): CMA's Budget vs. Payments (Expenses) for 2016

Item	Budget	Actual	Surplus	(%)
Payments (Expenses) (SR)	608,808,078	558,507,978	50,300,100	8.3%

Chart (22): CMA's Budget vs. Payments (Expenses) for 2016

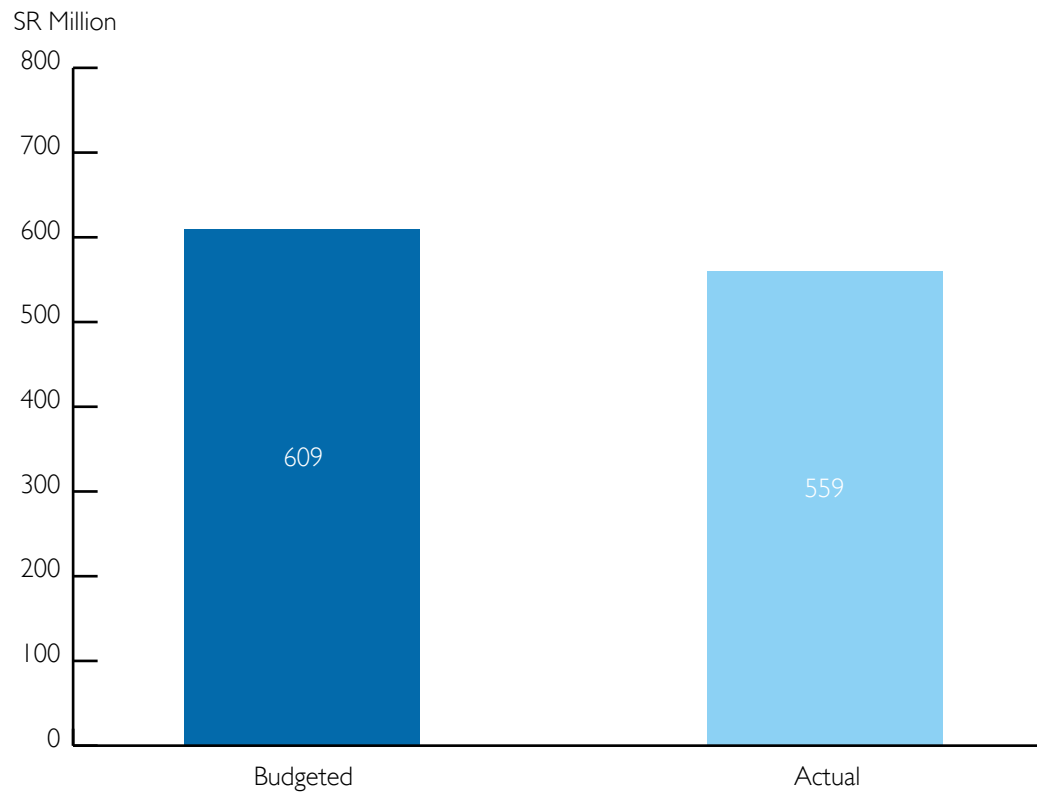


Table (63) indicates a comparison of the CMA's actual payments in 2015 and 2016, showing an increase of 13.5% year-on-year.

Table (63): CMA's Actual Payments in 2015 and 2016

Item	Year		Change	(% )
	2015	2016		
Total Payments (SR)	492,167,312	558,507,978	66,340,666	13.5%

Expenditure items of 2016 are as follow:

- **Employee Expenses:**

CMA expended 99% of the 2016 budget approved for employee expenses. This realized a surplus of SR 4 million (Table (64)).

Table (64): Budget vs. CMA's Employee Expenses for 2016

Item	Budget	Actual	Surplus	(%)
Employee Expenses (SR)	421,358,229	417,059,473	4,298,756	1.0%

- **General and Administrative Expenses:**

CMA posted a reduction of 27.5% in total general and administrative expenses compared to the budget approved for 2016 (Table (65)).

Table (65): Budget vs. CMA's General and Administrative Expenses for 2016

Item	Budget	Actual	Surplus	(%)
General and Administrative Expenses (SR)	159,572,744	115,641,393	43,931,351	27.5%

- **Capital Expenses:**

CMA spent 92.6% of the budget approved for capital expenses, generating a surplus of 7.4% (SR 2 million) (Table (66)).

Table (66): Budget vs. CMA's Capital Expenses for 2016

Item	Budget	Actual	Surplus	(%)
Capital Expenses (SR)	27,877,105	25,807,112	2,069,993	7.4%

## (2) INDEPENDENT AUDITORS' REPORT



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Correspondent of  
 **MAZARS**

### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the **Capital Market Authority ("the CMA")** which comprise the statement of financial position as at 31 December 2016 and the related statements of financial performance, cash flows and changes in net assets for the year then ended and the attached notes (1) through (19) which form an integral part of the financial statements.

#### **Management's responsibility for the financial statements**

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

#### **Auditors' responsibilities**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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



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Correspondent of  
 **MAZARS**

## Opinion

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

Present fairly, in all material respects, the financial position of the CMA as at 31 December 2016, and of its results of operations and its cash flows for the year then ended in conformity with basis of preparation described in Note (2) to the financial statements.

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**Abdullah Hamad Al Fozan**  
License No.: 348



**AlKharashi & Co.**  
**Certified Public Accountants**

**Suleiman Abdullah AlKharashi**  
License No.: 91



24 Jumada'II, 1438H  
23 March 2017

### (3) STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	(Saudi Riyals)	
		2016	2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	1,392,732,890	1,194,891,818
Trade receivables	5	17,305,894	13,492,649
Prepayments and other current assets	6	<u>78,647,768</u>	<u>58,631,448</u>
<b>Total current assets</b>		<u><b>1,488,686,552</b></u>	<u><b>1,267,015,915</b></u>
<b>Non-current assets</b>			
Projects under construction	7	1,716,473,852	1,712,895,368
Property, Plant and equipment, net	8	<u>555,736,298</u>	<u>558,127,889</u>
<b>Total non-current assets</b>		<u><b>2,272,210,150</b></u>	<u><b>2,271,023,257</b></u>
<b>Total assets</b>		<u><b>3,760,896,702</b></u>	<u><b>3,538,039,172</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	9	1,371,408	1,913,954
Accruals and other current liabilities	10	<u>64,224,251</u>	<u>67,398,466</u>
<b>Total current liabilities</b>		<u><b>65,595,659</b></u>	<u><b>69,312,420</b></u>
<b>Non-current liabilities</b>			
Employees' end of service benefits	11	<u>180,674,696</u>	<u>162,823,285</u>
<b>Total non-current liabilities</b>		<u><b>180,674,696</b></u>	<u><b>162,823,285</b></u>
<b>Total liabilities</b>		<u><b>246,270,355</b></u>	<u><b>232,135,705</b></u>
<b>Net assets</b>		<u><b>3,514,626,347</b></u>	<u><b>3,305,903,467</b></u>
<b>NET ASSETS</b>			
Expenditure reserve	12	612,977,784	608,808,078
General reserve	12	779,755,106	586,083,740
Accumulated surplus of revenue over expenses	13	<u>2,121,893,457</u>	<u>2,111,011,649</u>
		<u><b>3,514,626,347</b></u>	<u><b>3,305,903,467</b></u>

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

#### (4) STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 December 2016

	Note	(Saudi Riyals)	
		2016	2015
<b>Revenue</b>			
Stock trading commission		<b>494,873,842</b>	299,010,314
Other services of Tadawul		<b>104,121,882</b>	103,655,143
CMA Services related to other services of Tadawul		<b>19,041,595</b>	22,357,275
Violations of the Capital Market Law and its Implementing Regulations		<b>114,935,559</b>	92,119,468
<b>Total revenue</b>		<b><u>732,972,878</u></b>	<u>517,142,200</u>
<b>Expenses</b>			
Salaries and employees' related benefits	14	<b>391,916,301</b>	376,954,236
Training and scholarships		<b>43,596,234</b>	37,124,246
Professional and consultancy fees		<b>22,780,715</b>	25,663,373
General and administrative expenses	15	<b>78,022,100</b>	73,714,250
Depreciation	8	<b>18,162,623</b>	27,636,216
<b>Total expenses</b>		<b><u>554,477,973</u></b>	<u>541,092,321</u>
<b>Surplus / (deficit) from main operations</b>		<b>178,494,905</b>	(23,950,121)
Other revenue and expenses, net	16	<b><u>30,227,975</u></b>	<u>10,367,454</u>
<b>Net surplus / (deficit) of revenue over expenses for the year</b>		<b><u>208,722,880</u></b>	<u>(13,582,667)</u>

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

## (5) STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	(Saudi Riyals)	
		2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net surplus / (deficit) of revenue over expenses		<b>208,722,880</b>	(13,582,667)
Adjustments to reconcile net surplus of revenue over expenses for the period :with net cash from operating activities			
Depreciation		<b>18,162,623</b>	27,636,216
Loss from disposal of property and equipment		<b>374,941</b>	156,372
Employees' end of services		<b>33,241,825</b>	28,947,278
:Changes in operating assets and liabilities			
Trade receivables		<b>(3,813,245)</b>	6,899,904
Prepayments and other current assets		<b>(20,016,320)</b>	7,115,952
Trade payables		<b>(542,546)</b>	1,422,528
Accruals and other current liabilities		<b>(4,006,523)</b>	12,061,810
Paid Employees' end of services		<b>(15,390,414)</b>	<u>(3,676,713)</u>
Net cash from operating activities		<b><u>216,733,221</u></b>	<u>66,980,680</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to Property, Plant and Equipment and Projects under construction		<b>(19,052,308)</b>	(27,644,764)
Proceeds from disposal of Property, Plant and Equipment		<b><u>160,159</u></b>	<u>4,090</u>
Net cash used in investing activities		<b><u>(18,892,149)</u></b>	<u>(27,640,674)</u>
Net increase in cash		<b>197,841,072</b>	39,340,006
Cash and cash equivalents at beginning of the year		<b><u>1,194,891,818</u></b>	<u>1,155,551,812</u>
Cash and cash equivalents at end of the year		<b><u>1,392,732,890</u></b>	<u>1,194,891,818</u>
<b>Non-cash supplemental Information</b>			
Purchase of Property, Plant and Equipment on credit		<b>832,308</b>	

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



## (6) STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2016

	(Saudi Riyals)				
	Expenditure reserve	General reserve	Surplus cash	Accumulated surplus revenue over expenses	Total
Balance at 1 January 2015	<b>559,332,253</b>	<b>596,219,559</b>		<b>2,163,934,322</b>	<b>3,319,486,134</b>
Net deficit of revenues over expenses for the year	-	-	-	(13,582,667)	(13,582,667)
Beginning reserves transferred to accumulated surplus of revenues over expenses	(559,332,253)	(596,219,559)	-	1,155,551,812	-
Surplus cash as at 31 December 2015	-	-	1,194,891,818	(1,194,891,818)	-
Transferred to expenditure reserve	608,808,078	-	(608,808,078)	-	-
Transferred to general reserve	-	586,083,740	(586,083,740)	-	-
<b>As at 31 December 2015</b>	<b>608,808,078</b>	<b>586,083,740</b>	<b>-</b>	<b>2,111,011,649</b>	<b>3,305,903,467</b>
Balance at 1 January 2016	<b>608,808,078</b>	<b>586,083,740</b>	<b>-</b>	<b>2,111,011,649</b>	<b>3,305,903,467</b>
Net surplus of revenues over expenses for the year				208,722,880	208,722,880
Beginning reserves transferred to accumulated surplus of revenues over expenses	(608,808,078)	(586,083,740)		1,194,891,818	-
Surplus cash as at 31 December 2016			1,392,732,890	(1,392,732,890)	-
Transferred to expenditure reserve	612,977,784		(612,977,784)		-
Transferred to general reserve		779,755,106	(779,755,106)		-
<b>As at 31 December 2016</b>	<b>612,977,784</b>	<b>779,755,106</b>	<b>-</b>	<b>2,121,893,457</b>	<b>3,514,626,347</b>

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

## **(7) NOTES TO THE INTERIM FINANCIAL STATEMENTS**

For the year ended 31 December 2016

### **I- ORGANIZATION AND ACTIVITIES**

Capital Market Authority "CMA" was established based on "Capital Market Law" according to Royal Decree No. (M/30) dated 2 Jumada al thani 1424H (1 August 2003) which states that an organization should be established in Saudi Arabia under the name of "Capital Market Authority". The organization was established and proceeded with carrying out the duties assigned to it according to Royal Decree No. (A/114) dated 13 Jumada alawal 1425H (1 July 2004) appointing the board of CMA.

CMA is a government organization financially and administratively independent linked directly to the Prime Minister. CMA is entrusted with issuing required rules, regulations and guidelines and implementing the provisions of the Capital Market Law with the objectives of:

- Regulating and developing the financial market.
- Regulating issuing, monitoring and dealing with financial instruments.
- Regulating and monitoring the work and activities of entities subject to the supervision and control of the CMA.
- Protecting investors and the public from unfair and unsound practices.
- Maintaining fairness, efficiency, and transparency in transactions of securities.
- Regulating and monitoring full disclosure of information related to securities and issuers.
- Regulating the authorizing, buying and public offering of shares.

Based on the CMA Board decision No. 02/05/2004 dated 23 Jumada al thani 1425H (9 August 2004), the fiscal year of CMA begins on the eleventh day of Capricorn month (based on the Loner Hijri calendar) each year (corresponding to January 1) and ends on the tenth day of the next fiscal year Capricorn month (corresponding to 31 December).

### **2- BASIS OF PREPARATION**

#### **2-1 Statement of compliance**

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

#### **2-2 Basis of measurement**

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

#### **2-3 Functional and presentation currency**

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

#### **2-4 Use of estimates and judgments**

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

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

### **3- SIGNIFICANT ACCOUNTING POLICIES**

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

#### **Cash and cash equivalents**

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

#### **Trade receivable**

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

#### **Property and equipment**

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

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

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

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

#### **Trade payable and accruals**

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

#### **Provisions**

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

#### **Employees' end of service benefits**

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

#### **Reserves**

According to Article fourteen of CML, the CMA is required to transfer the surplus cash from its resources to the Ministry of Finance after the deduction of all current and capital expenditures that is needed (expenses reserve), and the CMA shall maintain

a general reserve equal to twice the total expenditure set out in the previous annual budget (general reserve).

#### **Revenue recognition**

The CMA's share of shares trading revenue are recorded based on the notifications which are received from the Saudi Stock Market Company ("Tadawul"). Tadawul's revenue is recognized when services are rendered and billed to clients on an accruals basis. The CMA's share is 50% of the total trading revenue and other related services based on government decisions issued in this regard and approved by His Excellency, the President of the CMA, dated 25 Jumada alwal 1427H (21 June 2006), and by the CMA Board under resolution No. (1-30-2010) dated 3 Dhu'l-Hijjah 1431H (9 November 2010).

The CMA Board amended its share trading revenue from 0.9 base point to 4.1 base point as per resolution No. (2-82-2016) dated 21 Ramadan 1437H (26 June 2016).

Other revenue of the CMA is recognized on accrual basis, with the exception of violations of the Capital Market Law and its implementing regulations which are recorded upon collection due to uncertainty surrounding receipt until collection is actually made.

#### **General and administrative expenses**

General and administrative expenses include all direct and indirect expenses as required by generally accepted accounting standards.

#### **Foreign currency**

The CMA maintains its accounts in Saudi Riyals. Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Saudi Riyals at the exchange rates prevailing at the financial position date. All profits and losses resulted from payments or transfers of foreign currency are recognized in the statement of financial performance.

#### 4- CASH AND CASH EQUIVALENTS

	(Saudi Riyals)	
	2016	2015
Cash at bank on current accounts	19,732,890	3,391,818
Time deposits *	<u>1,373,000,000</u>	<u>1,191,500,000</u>
	<u><u>1,392,732,890</u></u>	<u><u>1,194,891,818</u></u>

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

called at any time. Total revenue of deposits amounting to SR 32.95 million has been recognized in statement of financial performance during the year ended 31 December 2016 (2015: SR 10.82 million).

#### 5- TRADE RECEIVABLE

	(Saudi Riyals)	
	2016	2015
Saudi Stock Market Company (Tadawul)	16,358,163	11,904,744
Others	<u>947,731</u>	<u>1,587,905</u>
	<u><u>17,305,894</u></u>	<u><u>13,492,649</u></u>

The balance due from Tadawul (Related party) mainly represents the CMA's share of the fees and trading commissions which had not been processed at the financial position date.

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

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

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

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

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

	Relationship	(Saudi Riyals)	
		2016	2015
CMA's revenue collected through Tadawul	Supervisory and regulatory relationship	<b>595,796,730</b>	404,105,078
Payments on behalf of CMA	Supervisory and regulatory relationship	-	378,466
Payments on behalf of Tadawul	Supervisory and regulatory relationship	<b>835,548</b>	2,633,352

#### (6) PREPAYMENTS AND OTHER CURRENT ASSETS

	(Saudi Riyals)	
	2016	2015
Employees' loans	<b>27,590,590</b>	25,218,644
Prepaid expenses	<b>24,686,483</b>	20,406,800
Accrued revenue	<b>12,466,645</b>	8,446,428
Advances to suppliers	<b>11,450,617</b>	2,500,000
Deposits with others	<b>636,465</b>	636,465
Other receivables	<b>1,816,968</b>	1,423,111
	<b><u>78,647,768</u></b>	<u>58,631,448</u>

#### (7) PROJECTS UNDER CONSTRUCTION

	(Saudi Riyals)			
	Balance as at 1 January 2016	Additions during the year	Transferred to PP&E	Balance as at 31 December 2016
Advances payments for land (A)	187,143,446	-	-	187,143,446
Advances to contractors (B)	294,543,844	-	-	294,543,844
CMA headquarters at King Abdullah Financial District (KAJD) (C)	1,297,162,592	-	-	1,297,162,592
Furniture at CMA headquarters at (KAJD)	694,568	-	-	694,568
Furniture	-	7,233,679	-	7,233,679
Computers and programs	21,573,951	8,798,112	(12,453,307)	17,918,756
Less:				
Retentions	<u>(88,223,033)</u>	<u>-</u>	<u>-</u>	<u>(88,223,033)</u>
	<b><u>1,712,895,368</u></b>	<b><u>16,031,791</u></b>	<b><u>(12,453,307)</u></b>	<b><u>1,716,473,852</u></b>

A) The advance payments for lands, which amounted to SR 187 million represent the cost of project land to construct the CMA headquarters and the Finance Academy at King Abdullah Financial District, SR 170 million was paid in cash to the Public Pension Agency (PPA) (the owner of the land) and SR 17 million, which is the cost of the general outline of the project, was paid by the CMA on behalf of the PPA. The final cost of the land will be determined and paid when the project is developed and the final cost per square meter is determined.

B) The advances to the contractors amounting to SR 295 million represents payments made to consultants and contractors who have been assigned to the implementation of the construction of a CMA building at the King Abdullah Financial District in which its ownership has been transferred to PPA.

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

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

	(Saudi Riyals)	
	2016	2015
Design and consultancy	<b>1,026,812,552</b>	1,026,812,552
Construction work	<b>253,242,237</b>	253,242,237
Others	<b><u>17,107,803</u></b>	<u>17,107,803</u>
	<b><u><u>1,297,162,592</u></u></b>	<u><u>1,297,162,592</u></u>

Royal Decree No. 51728 Dated 1 Dhu'l-Hijjah 1433H (17 December 2012) stipulated transferring the ownership of the CMA headquarters building under construction at King Abdullah Financial District (KAFD) to the PPA to be added to buildings owned and managed by it at KAFD. The CMA was given the option to either rent or own the space it requires at the finalization of construction. A joint committee from CMA, PPA and a third-party specialist was formed to reach a proper settlement.

On 14 Rabi awal 1434H (26 January 2013), the agreement between PPA and CMA was concluded through the joint committee appointed by the two parties in addition to Omrania & Associates (being an independent specialist party). The two parties agreed, as stipulated by the Royal Decree, to transfer the building ownership

from CMA to PPA as at 14 November 2012 and to transfer all CMA rights, benefits, responsibilities and obligations related to the project to PPA. As for the period from the beginning of the project up to the end of 14 November 2012, CMA will be responsible for all administration and payments issues related to the project during that period. The parties shall sign the final purchase agreement at the initial delivery of the project (the purchase price of the space allocated to CMA is 33% of the total project cost) for the floors 52 to 73 in the building. If the costs borne by CMA exceed the cost of the allocated space that it will own, PPA will pay the difference to CMA, and vice versa, with exception of the amounts spent by CMA to prepare the 20 floors amounting to SR 695 thousand as at 31 December 2016 (2015:SR 695 thousand).

## (8) PROPERTY, PLANT AND EQUIPMENT

	(Saudi Riyals)							2015
	Lands	Buildings	Decorations and Improvements	Furniture and Office Tools	Motor Vehicles	Computers and Programs	Total	
Cost								
1 January 2016	412,046,635	132,300,020	63,012,206	60,767,987	3,993,900	102,589,168	774,709,916	770,053,621
Additions	-	-	764,132	1,683,217	400,000	1,005,476	3,852,825	3,313,653
Transferred from projects under construction	-	-	-	-	-	12,453,307	12,453,307	4,114,222
Disposals	-	-	(1,127,526)	(1,746,271)	(1,224,950)	(1,606,075)	(5,704,822)	(2,771,580)
At 31 December 2016	<u>412,046,635</u>	<u>132,300,020</u>	<u>62,648,812</u>	<u>60,704,933</u>	<u>3,168,950</u>	<u>114,441,876</u>	<u>785,311,226</u>	<u>774,709,916</u>
Accumulated depreciation								
1 January 2016	-	15,545,252	56,947,497	50,824,924	3,209,523	90,054,831	216,582,027	191,556,929
Depreciation for the year	-	3,969,000	2,235,553	4,767,762	230,207	6,960,101	18,162,623	27,636,216
Disposals	-	-	(1,127,526)	(1,695,776)	(745,781)	(1,600,639)	(5,169,722)	(2,611,118)
At 31 December 2016	<u>-</u>	<u>19,514,252</u>	<u>58,055,524</u>	<u>53,896,910</u>	<u>2,693,949</u>	<u>95,414,293</u>	<u>229,574,928</u>	<u>(216,582,027)</u>
Net book value:								
31 December 2016	<u>412,046,635</u>	<u>112,785,768</u>	<u>4,593,288</u>	<u>6,808,023</u>	<u>475,001</u>	<u>19,027,583</u>	<u>555,736,298</u>	
31 December 2015	<u>412,046,635</u>	<u>116,754,768</u>	<u>6,064,709</u>	<u>9,943,063</u>	<u>784,377</u>	<u>12,534,337</u>		<u>558,127,889</u>

\*\* The CMA is coordinating now with Ministry of Finance Makkah branch to finalize procedure required to transfer ownership of

land owned by CMA in Jeddah which has a book value of SR 297 million.

## (9) TRADE PAYABLES

	(Saudi Riyals)	
	2016	2015
Suppliers of services	<b>928,598</b>	1,850,440
Others	<b>442,810</b>	<u>63,514</u>
	<b><u>1,371,408</u></b>	<u>1,913,954</u>

## (10) ACCRUALS AND OTHER CURRENT LIABILITIES

	(Saudi Riyals)	
	2016	2015
Employees accruals	44,836,907	45,459,173
Accrued expenses	9,659,552	12,738,286
Deferred revenue	8,462,241	8,951,245
Others	<u>1,265,551</u>	<u>249,762</u>
	<u><u>64,224,251</u></u>	<u><u>67,398,466</u></u>

## (11) EMPLOYEES' END OF SERVICES BENEFITS

	(Saudi Riyals)	
	2016	2015
Balance at 1 January	162,823,285	137,552,720
Provided during the year	33,241,825	28,947,278
Paid during the year	<u>(15,390,414)</u>	<u>(3,676,713)</u>
Balance at 31 December	<u><u>180,674,696</u></u>	<u><u>162,823,285</u></u>

## (12) RESERVES

Pursuant to Article fourteen of CML, CMA has established an expenses reserve and a general reserve at the end of the financial year ended 31 December 2016, as follows:

- At the end of the financial year and before transfer of the surplus resources to the Ministry of Finance, CMA establishes an expenditure reserve equivalent to the value of the estimated expenses which are expected to be incurred by CMA in the next year of the financial statements. Accordingly, the expenses reserve has been established during the

financial year ended 31 December 2016 in the amount of SR 613 million (2015: SR 609 million).

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



	(Saudi Riyals)	
	2016	2015
Cash for the year as at 31 December	<b>1,392,732,890</b>	1,194,891,818
Less:		
Expenses reserve during the year	<b>(612,977,784)</b>	(608,808,078)
General reserve balance for the year as at 31 December	<b>779,755,106</b>	586,083,740
General reserve according to regulation	<b>(1,117,015,956)</b>	(984,334,622)
Deficit in stablishing general reserve	<b>(337,260,850)</b>	(398,250,882)

### (13) ACCUMULATED SURPLUS OF REVENUE OVER EXPENSES

Total accumulated surplus of revenues over expenses (before transferring to reserves) as at 31 December 2016 amounted to SR 3,514,626,347 (2015: SR 3,305,903,467), while the cash surplus, representing in cash and bank balances amounted to SR 1,392,732,890 (2015: SR 1,194,891,818).

Pursuant to Article Fourteen of the CML, CMA has established expenditure reserves amounting to SR 612,977,784 (2015: SR 608,808,078).

During the year ended at 31 December 2016, a general reserve has been established according to the requirements of CML amounting to SR 779,755,106 (2015: SR 586,083,740) and no amounts were transferred to Ministry of Finance as at the reporting date there was no cash surplus after transfer to reserves. Accordingly, the balance of accumulated surplus of revenues over expenses (non-cash) amounted to 2,121,893,457 (2015: SR 2,111,011,649).

### (14) SALARIES AND EMPLOYEES RELATED BENEFITS

	(Saudi Riyals)	
	2016	2015
Salaries	<b>146,861,858</b>	139,031,175
Employees' allowances	<b>80,066,736</b>	74,920,641
Employees' bonuses	<b>27,783,006</b>	54,052,350
End of service benefit	<b>33,241,825</b>	28,947,278
Medical insurance	<b>24,589,273</b>	22,081,263
Social insurance	<b>21,313,350</b>	20,006,260
CMA's share in savings program	<b>17,286,069</b>	17,275,509
Business trips and seminars	<b>4,890,884</b>	2,816,214
Others	<b>35,883,300</b>	17,823,546
	<b>391,916,301</b>	376,954,236

**(15) GENERAL AND ADMINISTRATIVE EXPENSES**

	(Saudi Riyals)	
	2016	2015
General services and maintenance	30,240,981	32,252,592
Rent	11,560,221	10,487,734
Subscriptions	10,136,672	7,777,856
New graduate program	6,466,221	5,460,830
Committee's members' fees	5,345,566	4,837,059
Telephone, postage and internet	2,850,130	4,266,236
Hospitality	2,564,900	2,493,745
Operational contracts expenses	3,582,333	2,162,514
Public relations	2,131,702	2,053,311
Media expenses and investor awareness	1,608,850	627,097
Others	<u>1,534,524</u>	<u>1,295,276</u>
	<u><u>78,022,100</u></u>	<u><u>73,714,250</u></u>

**(16) OTHER REVENUE AND EXPENSES, NET**

	(Saudi Riyals)	
	2016	2015
Revenues from bank deposits	32,954,282	10,817,405
Capital losses from disposal of fixed assets	(374,941)	(156,372)
Others	<u>(2,351,366)</u>	<u>(293,579)</u>
	<u><u>30,227,975</u></u>	<u><u>10,367,454</u></u>

## **(17) CAPITAL COMMITMENTS**

As at 31 December 2016, capital commitments of CMA amounted to SR 11.46 million, as total value of projects contracts amounted to SR 29.96 million, part of which paid amounted to SR 18.50 million has been paid (2015: SR 22.3 million) after transferring CMA's headquarter at King Abdullah Financial Center to the PPA.

## **(18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **Credit risk**

Credit risk is the risk that other parties will fail to discharge their obligations and cause the organization to incur a financial loss. Financial instruments that subject the CMA to concentrations of credit risk consist primarily of bank balances and accounts receivable balances. The CMA deposits its cash balances with high credit-rated financial institutions, and the accounts receivable balance is due from a related party and other parties with high financial profiles and therefore there is no significant credit risk.

### **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The CMA believes that it is not susceptible to a high risk of exchange rate fluctuations as most transactions are in Saudi Riyals. The CMA didn't perform any major transactions in foreign currencies other than the U.S. dollar. Since the Saudi Riyal exchange rate is fixed against the U.S. dollar, the U.S. dollar balances do not represent a significant currency risk. Management of CMA monitors fluctuations in foreign currency exchange rates and believes that the currency risk is not significant.

### **Commission rate risk**

Commission rate risk is the risk that a movement in commission rates would have an adverse effect on the value of assets and liabilities or would affect commission cash flows. The CMA is not exposed to any risks related to fluctuations in commission rates, as it does not have any assets or liabilities subject to commissions.

### **Liquidity risk**

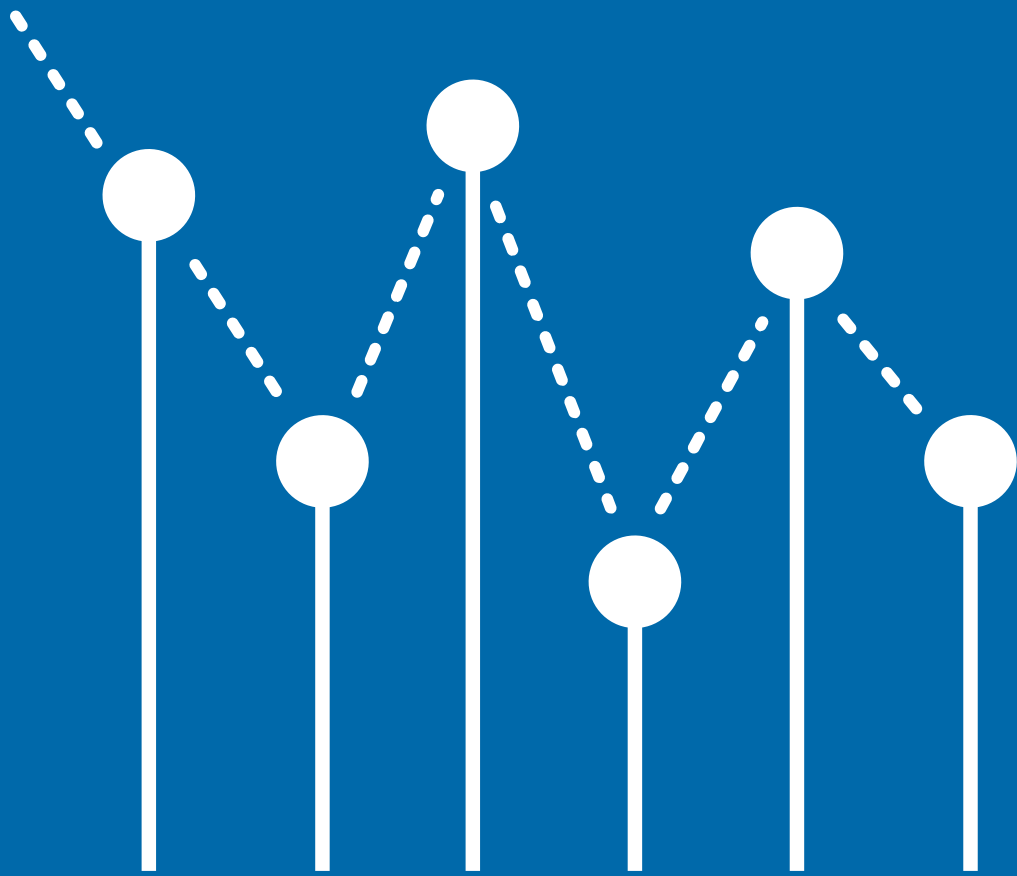
Liquidity risk is the risk that the CMA will not be able to meet its obligations related to financial liabilities when they become due. Liquidity needs are monitored periodically and the Management ensures the availability of sufficient funds to meet any obligations when due. The CMA does not expect to face significant risks relating to liquidity during the twelve months from the date of the financial position.

### **Fair value**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The financial assets include cash and bank balances, receivables and other assets, and financial liabilities include accounts payable, contractor balances and other liabilities. Management does not believe that the fair values of the CMA's financial assets and liabilities differ materially from their carrying values.

## **(19) APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors of CMA on 24 Jumada'II, 1438H, corresponding to 23 March 2017.



# Chapter Nine

Statistical Appendix



In order to enhance transparency and as part of CMA's keenness to provide statistical data on its business and activities, a Statistical Appendix is published every year along with the data published via time series. The Appendix includes data related to offerings and

subscriptions, public offer funds, surveillance and investigation cases, CMA's inspection tasks, licenses and the Authorized Persons, as well as their financial statements.

## Content of the Statistical Appendix

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Table (2): Total Amounts (SR Billion) Raised from Securities Offerings by Type

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

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

Year	Initial Public Offering	Private Placement	Debt Instrument Public Offering	Rights Issues Offering	Acquisition	Capital Reduction	Bonus Shares
2006	10	-	1	3	3	1	21
2007	27	1	2	4	1	1	18
2008	13	19	1	5	1	-	17
2009	13	64	2	3	1	-	13
2010	7	93	1	1	-	1	4
2011	6	74	2	5	1	1	10
2012	8	90	1	3	1	1	22
2013	5	115	2	1	1	-	18
2014	5	118	-	10	1	-	24
2015	5	198	1	4	0	1	20
2016	3	208	0	3	1	5	10

Table (2): Total Amounts (SR Billion) Raised from Securities Offerings by Type

Year	Initial Public Offering	Share Private Placement	Rights Issues Offering	Debt Instrument Public Offering	Total
2006	10.5	-	7.2	3.0	20.7
2007	22.6	0.8	3.8	13.0	40.2
2008	36.4	6.7	22.5	5.0	70.6
2009	3.9	17.9	1.4	7.7	30.9
2010	3.8	19.1	0.4	7.0	30.3
2011	1.7	10.0	4.5	5.6	21.8
2012	5.3	33.3	7.4	0.2	46.2
2013	2.0	50.3	0.2	7.5	60.0
2014	25.2	33.6	5.8	4.5	69.1
2015	4.2	23.8	2.3	3.9	32.7
2016	2.8	24.9	0.9	0	28.6

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

Year	Phone Banking	Internet Banking	Bank Branches	ATMs	Other	Total
2006	6.1	4.2	11.2	12.0	-	33.5
2007	9.0	5.7	6.2	15.0	-	35.9
2008	12.1	11.0	6.7	28.6	-	58.4
2009	3.1	2.7	1.0	6.1	-	12.9
2010	2.1	2.0	0.8	5.3	-	10.2
2011	0.6	0.9	0.2	1.3	-	3
2012	1.4	2.4	1.0	6.4	-	11.2
2013	0.9	2.0	1.1	6.2	-	10.2
2014	1.1	2.5	1.0	6.5	-	11.1
2015	0.5	1.2	0.4	3.0	0.3	5.4
2016	0.2	0.3	0.1	0.9	-	1.5

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

Year	Phone Banking	Internet Banking	Bank Branches	ATMs	Other	Total
2006	5.5	3.6	12.0	9.3	-	30.4
2007	8.3	7.7	49.4	13.1	-	78.5
2008	14.4	17.4	18.7	30.8	-	81.3
2009	1.8	1.7	0.6	3.2	-	7.3
2010	1.4	1.6	0.7	3.0	-	6.7
2011	0.5	1.1	0.4	1.0	-	3.0
2012	1.2	3.5	1.7	4.6	-	11.0
2013	0.6	1.7	0.8	3.5	-	6.6
2014	4.2	37.5	269.5	6.6	-	317.8
2015	0.7	2.3	1.1	2.3	0.3	6.6
2016	0.3	1.0	0.7	0.7	-	2.7



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

Year	Equities	Debt Instruments	Money Markets	Real Estate	Fund of Funds	Balanced	Capital Protected	Other	Total
2007	122	11	49	4	33	-	-	14	233
2008	135	7	57	4	34	-	-	25	262
2009	151	6	61	6	30	2	3	7	266
2010	154	6	56	6	27	2	8	8	267
2011	150	7	50	10	43	2	5	5	272
2012	138	9	47	10	43	3	2	4	256
2013	141	8	45	13	41	2	-	4	254
2014	150	9	46	11	41	2	-	4	263
2015	169	9	44	10	30	2	-	3	267
2016	168	8	44	12	32	2	-	5	271

Table (6): Values of Public Offer Funds Assets under Management (AUM) (SR Million) by Type of Investment

Year	Equities	Debt Instruments	Money Markets	Real Estate	Fund of Funds	Balanced	Capital Protected	Other	Total
2007	62,317.0	808.0	33,893.0	1,591.0	2,363.0	-	-	4,127.0	105,099.0
2008	24,824.0	153.0	43,035.0	2,293.0	1,756.0	-	-	2,754.0	74,815.0
2009	29,719.0	205.0	54,518.0	2,237.0	1,913.0	115.3	217.5	635.1	89,559.9
2010	30,974.0	218.9	58,015.7	1,557.4	2,677.3	91.2	358.1	773.5	94,666.1
2011	26,628.4	241.2	49,544.1	2,550.6	2,715.6	115.6	230.5	50.4	82,076.4
2012	27,988.2	637.2	53,878.3	2,587.4	2,731.0	64.2	43.3	30.2	87,959.8
2013	34,441.2	563.3	60,945.8	4,131.1	2,797.9	130.5	-	111.3	103,121.1
2014	35,585.4	641.9	66,381.6	4,975.5	2,837.2	124.6	-	108.7	110,654.9
2015	33,011.6	831.3	61,713.3	4,430.5	2,727.0	91.9	-	57.4	102,862.8
2016	22,444.0	848.7	57,497.6	3,610.3	2,584.9	82.5	-	176.2	87,244.1

Table (7): Values of Public Offer Funds' Assets under Management (AUM) (SR Million) in Equities Classified Geographically

Year	Local Equities	GCC Equities	Arab Equities	Asian Equities	US Equities	European Equities	Other International Equities	Total
2009	18,541.8	1,780.4	405.4	1,092.8	1,072.8	2,089.5	4,736.3	29,719.0
2010	19,074.1	1,942.1	246.3	1,116.8	1,162.2	2,211.3	5,221.2	30,974.0
2011	17,135.1	1,519.5	107.1	810.2	1,174.6	1,845.2	4,036.7	26,628.4
2012	17,445.2	1,632.7	185.0	842.7	1,348.2	2,191.5	4,342.9	27,988.2
2013	21,331.3	2,127.4	196.7	860.6	1,763.2	2,746.0	5,416.0	34,441.2
2014	22,634.1	2,342.8	459.5	786.8	2,020.1	2,662.5	4,679.6	35,585.4
2015	20,024.5	3,014.3	306.9	856.0	2,003.6	2,747.9	4,058.5	33,011.6
2016	16,703.8	2,476.1	189.8	690.0	668.3	475.0	1,241.0	22,444.0

Table (8): Asset Values of ETFs

ETF Name	Asset Value (SR Million)						
	2010	2011	2012	2013	2014	2015	2016
Falcom Saudi Equity	51.4	79.2	67.0	26.9	26.9	22.4	20.9
Falcom Petrochemical	22.8	27.7	26.0	12.8	13.0	6.1	7.8
HSBC Saudi 20	-	10.2	14.8	18.9	16.0	6.8	7.8
<b>Total</b>	<b>74.2</b>	<b>117.1</b>	<b>107.8</b>	<b>58.6</b>	<b>55.9</b>	<b>35.3</b>	<b>36.5</b>

Table (9): Number of Subscribers to Public Offer Funds by Type of Investment

Year	Equities	Debt Instruments	Money Markets	Real Estate	Fund of Funds	Balanced	Capital Protected	Other	Total
2009	275,062	137	68,398	4,484	6,523	757	124	846	356,331
2010	247,771	94	60,306	3,199	6,430	646	940	437	319,823
2011	226,204	42	54,839	4,565	6,201	685	849	121	293,506
2012	212,128	249	51,758	4,565	5,845	497	154	96	275,292
2013	197,523	203	49,024	5,021	5,453	440	-	139	257,803
2014	187,426	232	46,307	5,869	5,254	414	-	274	245,776
2015	181,997	207	43,430	5,455	4,996	377	-	266	236,728
2016	172,315	185	39,747	5,140	4,656	351	-	268	222,662

Table (10): Most Significant Developments of Surveillance of Trades and Deals

Year	Surveillance System Alerts	Intensive Scans for Trades and Deals Suspected of Violating the CML and its Implementing Regulations	Suspected Violations
2006	-	252	66
2007	-	283	41
2008	34,294	968	44
2009	25,374	1,311	41
2010	20,722	1,234	42
2011	22,303	1,331	35
2012	26,323	1,687	32
2013	26,251	1,779	43
2014	30,824	1,974	15
2015	30,549	1,555	29
2016	31,896	2,028	51

Table (11): Condensed and Detailed Financial Statements Reviewed and Published on “Tadawul” Website

Year	Condensed Financial Statements	Detailed Financial Statements
2006	418	411
2007	461	466
2008	550	534
2009	624	606
2010	676	665
2011	724	714
2012	760	742
2013	808	789
2014	811	790
2015	841	833
2016	862	840

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

Year	Quarterly Financial Statements with Unqualified Audit Opinions	Quarterly Financial Statements with Qualified Audit Opinions
2006	61	25
2007	82	29
2008	103	24
2009	94	40
2010	98	40
2011	105	41
2012	107	47
2013	111	49
2014	118	48
2015	117	53
2016	111	62

Table (13): Reviewed Annual Financial Statements of Listed Companies with Qualified/Unqualified Audit Opinions

Year	Financial Statements with Unqualified Audit Opinions for the Preceding Year	Financial Statements with Qualified Audit Opinions for the Preceding Year
2006	57	20
2007	70	16
2008	97	14
2009	86	41
2010	97	36
2011	107	38
2012	106	44
2013	113	46
2014	112	51
2015	119	48
2016	117	54

Table (14): Filed CML Violation Cases by Type of Violation

Type	Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Violation of Manipulation and Misleading	14	47	41	38	30	31	39	14	10	23
Disclosure Violation	10	28	19	67	63	36	56	244	99	27
Insider Trading	-	-	2	3	6	1	2	1	20	31
Violation of the Authorized Persons Regulations	7	4	6	54	23	29	23	62	89	81
Ownership/Disposal of Percentages without Notifying CMA	19	11	4	3	10	10	7	20	31	2
Conducting Securities Business and Investment of Funds without License	45	53	55	39	67	49	39	11	24	13
Violation of CMA Board Resolutions	-	1	2	-	2	7	4	7	24	7
Violation of the "Offers of Securities Regulations"	-	4	6	2	1	3	6	1	4	0
Other Violations of Listing Rules	-	3	3	8	1	1	3	1	2	21
Trading During Prohibited Period	3	-	7	17	15	20	39	42	65	19
Violation of Corporate Governance Regulations	-	-	9	15	35	41	43	22	30	4
Violation of Investment Funds/Real Estate Investment Funds Regulations	-	-	3	7	35	41	20	72	0	16
Violation of Prudential Rules	-	-	-	-	-	-	5	27	30	0
Violation of Merger and Acquisition Regulations	-	-	-	-	-	-	-	2	0	0
Other Violations	-	-	-	-	-	-	1	4	4	0
Companies Law	-	-	-	-	-	-	-	-	-	9
<b>Total</b>	<b>98</b>	<b>151</b>	<b>157</b>	<b>253</b>	<b>288</b>	<b>269</b>	<b>287</b>	<b>530</b>	<b>432</b>	<b>253</b>

Table (15): Finalized CML Violation Cases Classified by Type of Violation

Type	Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Violation of Manipulation and Misleading	8	8	34	44	29	20	1	5	12	22
Disclosure Violation	6	12	28	49	73	67	24	109	210	98
Insider Trading	-	-	4	4	4	2	-	2	25	28
Violation of the Authorized Persons Regulations	1	5	10	25	45	27	3	30	89	112
Ownership/Disposal of Percentages without Notifying CMA	18	9	7	12	4	11	7	2	24	28
Conducting Securities Business and Investment of Funds without License	25	46	53	37	69	35	12	16	12	28
Violation of CMA Board Resolutions	-	-	3	-	1	2	3	8	23	8
Violation of the "Offers of Securities Regulations"	-	-	4	3	2	1	2	1	1	0
Other Violations of Listing Rules	-	-	6	8	1	1	1	1	2	27
Trading During Prohibited Period	-	-	-	19	21	8	16	27	57	65
Violation of Corporate Governance Regulations	-	-	8	12	27	51	9	32	26	24
Violation of Investment Funds/Real Estate Investment Funds Regulations	-	-	-	7	27	45	6	4	87	14
Violation of Prudential Rules	-	-	-	-	-	-	-	12	44	5
Violation of Merger and Acquisition Regulations	-	-	-	-	-	-	-	0	2	0
Other Violations	-	-	-	-	-	-	-	1	2	2
Companies Law	-	-	-	-	-	-	-	-	-	4
<b>Total</b>	<b>58</b>	<b>80</b>	<b>157</b>	<b>220</b>	<b>303</b>	<b>270</b>	<b>84</b>	<b>250</b>	<b>616</b>	<b>465</b>

Table (16): Number of Authorization Decisions by Type

Year	New License Issued	Amendment to License	Revocation of License	Cancellation of License
2007	35	6	2	-
2008	34	9	2	2
2009	12	4	6	6
2010	4	13	3	14
2011	3	8	-	16
2012	2	8	-	2
2013	5	5	-	-
2014	2	8	-	3
2015	1	8	-	-
2016	1	4	2	3

Table (17): Number of APs Classified by Possession of Business Commencement Letter

Year	Authorized with Letter to Commence Business	Authorized without Letter to Commence Business	Total
2007	46	34	80
2008	71	39	110
2009	85	25	110
2010	90	7	97
2011	81	3	84
2012	80	4	84
2013	84	5	89
2014	87	1	88
2015	88	0	88
2016	83	0	83

Table (18): Number of Valid Licenses of Securities Business Activities by Business Commencement Status

Year	Business Commencement Status	Dealing	Managing	Arranging	Advising	Custody
2009	Commenced	57	55	74	78	58
	Not Commenced	10	16	21	21	17
2010	Commenced	63	68	80	82	72
	Not Commenced	2	3	6	6	3
2011	Commenced	60	66	76	76	67
	Not Commenced	1	3	3	2	3
2012	Commenced	56	65	75	75	66
	Not Commenced	2	2	3	3	2
2013	Commenced	56	65	78	77	67
	Not Commenced	4	5	4	6	3
2014	Commenced	56	65	79	81	65
	Not Commenced	2	1	1	1	-
2015	Commenced	61	65	80	81	65
	Not Commenced	2	0	1	0	0
2016	Commenced	61	64	75	74	65
	Not Commenced	0	0	0	0	0



Table (19): Number of APs Classified by Number of Licensed Securities Business Activities

Year	One Activity	Two Activities	Three Activities	Four Activities	All Activities
2007	6	26	8	4	36
2008	4	38	8	6	54
2009	4	34	8	9	55
2010	3	22	7	10	55
2011	2	12	4	11	55
2012	2	15	5	8	54
2013	2	18	4	9	56
2014	2	22	4	7	53
2015	2	21	5	6	54
2016	2	16	6	8	51

Table (20): Number of Inspection Visits/Tasks Carried out by CMA by Type

Year	Cause	Cycle
2007	33	-
2008	51	2
2009	67	5
2010	54	18
2011	82	20
2012	65	77
2013	74	83 <sup>28</sup>
2014	107	54
2015	50	55
2016	43	52

28) Include inspections imposed upon the Saudi Stock Exchange (Tadawul).

Table (21): Actions Taken by CMA on Anti-Money Laundering and Counter-Terrorist Financing

Year	Incoming Requests from Government Agencies	Requests and Inquiries of APs
2009	492	18
2010	1,067	33
2011	2,401	92
2012	1,958	47
2013	2,819	774
2014	11,660	146
2015	128	283
2016	180	277

Table (22): Combined Balance Sheet (Unaudited) – APs Assets (SR Million) for 2014 – 2016

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/Advising APs			Total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Cash and Cash Equivalents	5,137	5,560	4,888	1,535	1,211	1,479	1,784	1,633	1,095	1,421	1,537	1,527	280	248	191	10,157	10,189	9,180
Accounts Receivable	406	317	355	637	2,352	2,441	291	210	149	82	83	74	64	61	62	1,480	3,022	3,082
Margin Lending Creditors	3,763	2,711	1,864	227	259	261	18	9	6	0	0	0	0	0	0	4,008	2,979	2,131
Investments	3,340	4,731	4,728	5,070	5,268	5,178	1,087	1,589	1,329	0	0	0	48	58	39	9,545	11,647	11,273
Fixed Assets	226	165	172	417	201	249	266	123	121	22	18	20	7	13	11	938	520	573
Other Assets	327	411	496	693	875	402	73	136	90	38	46	34	13	12	13	1,144	1,480	1,035
<b>Total Assets</b>	<b>13,199</b>	<b>13,895</b>	<b>12,503</b>	<b>8,579</b>	<b>10,166</b>	<b>10,011</b>	<b>3,519</b>	<b>3,700</b>	<b>2,790</b>	<b>1,563</b>	<b>1,685</b>	<b>1,655</b>	<b>412</b>	<b>392</b>	<b>316</b>	<b>27,272</b>	<b>29,838</b>	<b>27,274</b>

Table (23): Combined Balance Sheet (Unaudited) – APs Liabilities (SR Million) for 2014 – 2016

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/Advising APs			Total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Accounts Payable and Accrued Expenses	480	527	388	313	299	271	281	333	67	34	42	39	12	15	9	1,120	1,216	774
Bank Loans	2,337	2,451	1,025	491	1,582	1,497	412	445	241	48	38	14	0	46	0	3,288	4,561	2,777
Subordinated Loans	0	0	0	0	0	0	217	208	55	0	0	0	0	2	1	217	209	56
Zakat and Income Tax	175	109	157	75	191	210	50	61	49	15	19	22	3	4	4	318	383	442
End of Service Benefits	304	310	319	78	89	96	20	31	33	18	18	23	6	6	8	426	454	479
Other Accounts Payable Assets	362	669	444	101	496	535	198	98	43	38	33	43	56	36	13	755	1,333	1,078
<b>Total Liabilities</b>	<b>3,658</b>	<b>4,065</b>	<b>2,333</b>	<b>1,058</b>	<b>2,656</b>	<b>2,609</b>	<b>1,178</b>	<b>1,176</b>	<b>489</b>	<b>153</b>	<b>150</b>	<b>141</b>	<b>77</b>	<b>109</b>	<b>34</b>	<b>6,124</b>	<b>8,156</b>	<b>5,606</b>

Table (24): Combined Balance Sheet (Unaudited) – APs Shareholder Equity (SR Million) for 2014 – 2016

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/Advising APs			Total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Paid-up Capital	5,200	5,200	5,200	6,517	6,518	6,368	2,396	2,531	2,531	1,520	1,583	1,583	300	262	240	15,933	16,094	15,921
Statutory Reserve	819	913	1,050	488	536	571	28	41	50	43	47	49	12	18	19	1,390	1,555	1,739
Retained Earnings	1,091	1,671	2,383	108	-32	-149	-334	266	-326	-219	-164	-117	-45	2	-9	601	1,210	1,783
Profit/Loss for the Period	2,265	2,102	1,589	550	175	170	118	-26	-38	66	70	-3	42	-3	3	3,041	2,317	1,721
Other Shareholder Equity	166	-56	-52	-141	313	442	134	244	85	0	0	0	24	4	28	183	506	503
<b>Total Shareholder Equity</b>	<b>9,541</b>	<b>9,830</b>	<b>10,170</b>	<b>7,522</b>	<b>7,510</b>	<b>7,401</b>	<b>2,342</b>	<b>2,524</b>	<b>2,301</b>	<b>1,410</b>	<b>1,535</b>	<b>1,514</b>	<b>333</b>	<b>283</b>	<b>281</b>	<b>21,148</b>	<b>21,682</b>	<b>21,668</b>

Table (25): Investments of APs in 2014 - 2016 (SR Million)

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/Advising APs			Total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Listed Shares	210	116	82	939	595	341	112	295	55	0	0	0	0	0	0	1,261	1,005	478
Investment Funds	3,082	3,176	2,899	2,532	3,271	3,554	500	539	447	0	0	0	0	0	0	6,114	6,986	6,901
Debt Instruments	10	10	111	53	51	39	298	284	286	0	0	0	0	0	0	361	344	436
Securitization	0	0	0	0	0	0	6	6	3	0	0	0	0	0	0	6	6	3
Private Equity/ Subsidiaries and Sister Companies	38	25	25	1,150	781	611	66	72	153	0	0	0	38	18	17	1,292	897	807
Real Estate	0	1,405	1,611	396	571	633	105	394	385	0	0	0	10	40	22	511	2,409	2,650
<b>Total</b>	<b>3,340</b>	<b>4,731</b>	<b>4,728</b>	<b>5,070</b>	<b>5,268</b>	<b>5,178</b>	<b>1,087</b>	<b>1,589</b>	<b>1,329</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>58</b>	<b>39</b>	<b>9,545</b>	<b>11,647</b>	<b>11,273</b>

Table (26): APs Combined Income Statement (Unaudited) 2014 – 2016 (SR Million)

Item	Bank Affiliate APs			Local APs			Regional APs			International APs			Arranging/Advising APs			Total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Dealing	2,155	1,640	1,237	139	143	85	41	36	24	63	52	34	0	0	0	2,398	1,871	1,381
Asset Management	1,645	1,686	1,357	409	557	503	263	177	174	12	23	15	0	0	0	2,329	2,444	2,049
Investment Banking	352	443	492	193	230	230	76	58	40	22	18	21	105	66	56	748	815	838
Advice/Research	0	0	0	2	0	0	15	4	1	0	2	0	0	1	0	17	7	1
Custody	60	68	78	8	24	22	4	12	7	0	1	4	0	0	0	72	105	111
Investments	236	245	328	660	205	244	75	15	-7	10	6	14	1	1	3	982	471	581
Other Revenues	4	62	32	436	262	372	23	19	26	201	217	180	31	29	23	695	589	633
<b>Revenues</b>	<b>4,452</b>	<b>4,144</b>	<b>3,524</b>	<b>1,847</b>	<b>1,421</b>	<b>1,456</b>	<b>497</b>	<b>321</b>	<b>264</b>	<b>308</b>	<b>319</b>	<b>268</b>	<b>137</b>	<b>97</b>	<b>82</b>	<b>7,241</b>	<b>6,301</b>	<b>5,594</b>
Salaries and Wages	1,142	1,240	1,165	535	555	564	185	210	199	145	140	141	64	64	52	2,071	2,208	2,121
Marketing	32	22	12	41	63	38	6	4	2	2	3	2	1	1	1	82	94	55
Other Expenses	1,013	780	758	721	628	684	189	132	101	95	106	128	30	35	26	2,047	1,682	1,697
<b>Total Expenses</b>	<b>2,187</b>	<b>2,043</b>	<b>1,935</b>	<b>1,297</b>	<b>1,246</b>	<b>1,287</b>	<b>379</b>	<b>346</b>	<b>302</b>	<b>242</b>	<b>249</b>	<b>271</b>	<b>95</b>	<b>100</b>	<b>79</b>	<b>4,200</b>	<b>3,984</b>	<b>3,873</b>
Profit/Loss	2,265	2,102	1,589	550	175	170	118	-26	-38	66	70	-3	42	-3	3	3,041	2,317	1,721





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