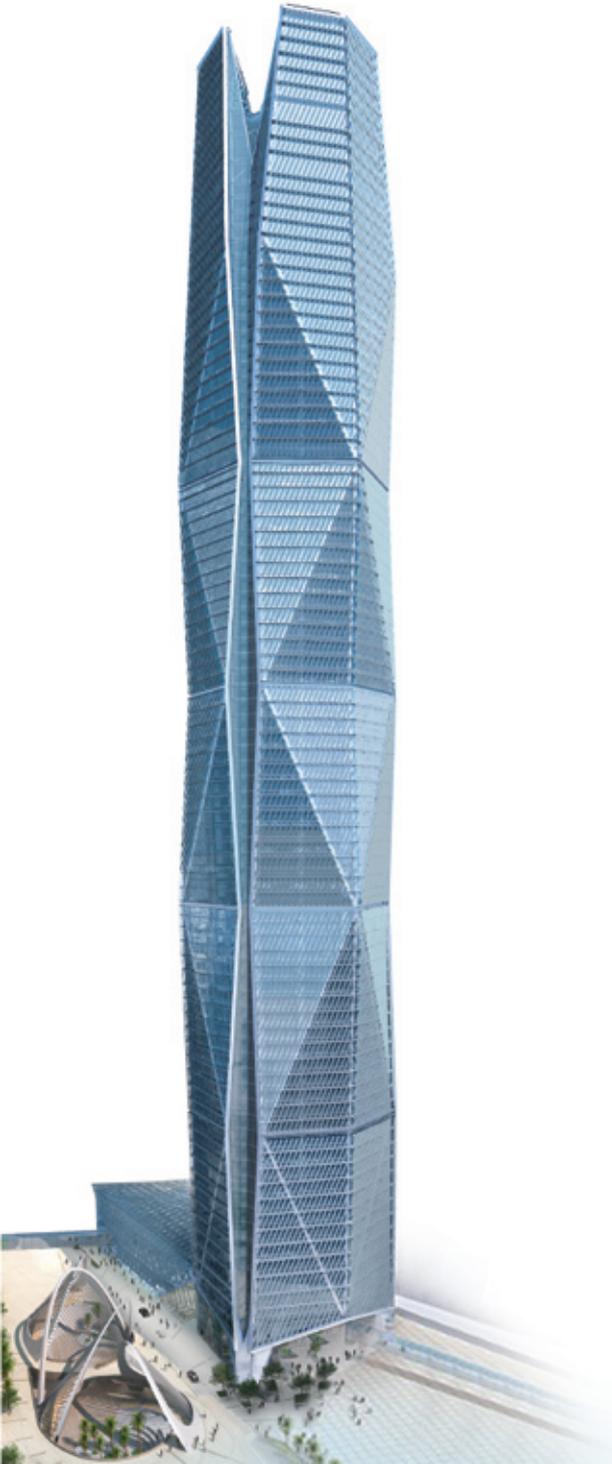


هيئة السوق المالية  
Capital Market Authority



*Annual Report*  
*1432/1433H (2011)*





بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





The Custodian of the Two Holy Mosques  
King Abdullah Bin Abdulaziz Al-Saud





His Royal Highness

**Prince Naif Bin Abdulaziz Al-Saud**

Crown Prince, Deputy Prime Minister of Cabinet  
and Minister of the Interior



## The CMA Board

The CMA Board comprises five full-time members:



Mr. Mazin Al-Romaih  
(Member)

Mr. Abdulrahman Al-Rashid  
(Vice-Chairman)

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

Mr. Mohamed Al-Shumrani  
(Member)

Dr. Abdulrahman Al-Barrak  
(Member)





## *Vision*

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

## *Mission*

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

## *Strategic Goals*

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

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





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## Chairman's Statement



It is a great pleasure to present the CMA's annual report for fiscal year 1432/1433/H (2011) which highlights the achievements of the CMA in regulating the capital market and promoting the fundamentals of fairness, transparency and disclosure. Our goal is to ensure investor protection and realize the aspirations of a stable and growing capital market that supports the national economy and sustain social welfare.

The CMA's efforts over the past years have paid off regarding the completion of the legislative and legal system which identifies the rights and obligations of all parties involved in securities business. The Implementing Regulations were culminated in 2011 with the approval and issuance of the 12th regulation "Resolution of Securities Disputes Proceedings Regulations", which aims to regulate the procedures of prosecution and litigation before the Committee for the Resolution of Securities Disputes (CRSD) and the Appeal Committee for the Resolution of Securities Conflicts (ACRSC) in order to preserve the rights of all market participants.

The CMA endeavors to instill the best practices in corporate governance, and establish relevant standards and principles to create a right-protecting environment for shareholders. Additionally, part of the CMA's strategy is to gradually make some of the articles stated in the Corporate Governance Regulations mandatory. Therefore, the CMA Board decided in 2011 that Paragraph (b) "laying down rules for internal control systems and supervising them" in Article Ten of the Corporate Governance Regulations, shall be mandatory for all listed companies. Being keen on promoting the capital market's transparency and credibility, and protecting the authorized persons and their clients

from illegal acts that may involve money laundering, terrorist financing, or any other criminal acts, the CMA Board issued a resolution to approve a set of amendments on the Anti-Money Laundering and Counter-Terrorist Financing Rules.

Recognizing the capital market's significant role in funding and investment, the CMA continued to provide adequate flexibility needed in the legislations and procedures to accommodate the offering and listing of various securities. Over the preceding year, the CMA approved 99 securities operations including: six IPOs, 74 private placement notifications, two debt instruments, rights issues by five companies, one case of acquisition, one corporate capital reduction and the offering of bonus shares by ten companies. Total amount of the aforementioned securities offerings stood at SR 21.8 billion. The number of companies listed on the Saudi Stock Exchange last year rose by 2.7 percent to 150 companies.

In 2011, the CMA's endeavors in improving the market's efficiency and fairness, and effectively monitoring trades were proven fruitful. The number of suspected violations of the Capital Market Law (CML) and its Implementing Regulations decreased in 2011 by 16.7 percent to only 35 cases. Similarly, the number of alerts by the electronic surveillance system went down by 8.9 percent. The Authority's continuous success in expanding its surveillance methods to boost the level of disclosure and transparency in the capital market was evidently seen in the increase of corporate announcements by 16.5 percent to 2,975 last year. Moreover, the number of complaints filed with the CMA witnessed a decrease of 23.2 percent as another solid indicator of major success in this regard.

The CMA strongly believes that the integrity and soundness of the capital market entails, in the first place, the soundness of the



financial institutions (authorized persons) licensed by the CMA and full compliance with the CML and its Implementing Regulations as well as complete adherence to the measures and rules of risk management. Accordingly, the CMA heightened inspection visits to the authorized persons in 2011 as they increased by 31 percent compared with 2010.

Since we believe that today's child is tomorrow's investor, children took the lion's share in the CMA's investment awareness programs. Based on this conviction, an interactive website was launched for the "Smart Investor" program, which is hoped to be a reliable reference for financial awareness. The website includes several sections on the principles of money management, saving, buying and selling skills. All these topics are presented in an interactive and interesting manner that incorporates children's needs and combines education with entertainment to get the desired outcome.

As we were pleased last year with our accomplishments beyond the confines of the CMA itself to serve the capital market and concerned parties, we were even more delighted with no-less-important achievements within the CMA. For example, the CMA ranked first for the second year in a row on the list of the Best Governmental Work Environment nationwide in the category of government entities according to "Al-Eqtisadiyah's" panel of judges. The CMA was also awarded the ISO 27001 certificate on Information Security, making huge advancements in the area of e-government applications, fulfilling the vision of the Custodian of the Two Holy Mosques.

In the end, I would like to express my deepest thanks and sincere gratitude to the Custodian of the Two Holy Mosques, King Abdullah Bin Abdulaziz, and His Royal Highness, Prince Naif Bin Abdulaziz, Crown Prince, Deputy Prime Minister of Cabinet, and Minister of the Interior,

for their endless and much appreciated support for the CMA's efforts. Also, I thank the CMA's Board and employees for their dedication, devotion and hard work in serving investors and the capital market in general.

**Dr. Abdulrahman Bin Abdulaziz Al-Tuwaijri**

**CMA Board Chairman & CEO**



# Chapter One

## The Capital Market Authority (CMA)

- I.1 Establishment
- I.2 Main Functions and Responsibilities
- I.3 Organizational Structure
- I.4 Parties Subject to the CMA's Supervision



## 1.1 Establishment

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

## 1.2 Main Functions and Responsibilities

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

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

## 1.3 Organizational Structure

The CMA’s organizational structure comprises:

### Five Steering Departments:

- 1) Public Relations.
- 2) Information Technology.
- 3) CMA HQ Project.
- 4) Media and Investor Awareness.
- 5) International Relations and Organizations.

### Five Core Divisions:

- 1) Legal Affairs.
- 2) Enforcement.
- 3) Market Supervision.
- 4) Capital Market Institutions Supervision.
- 5) Corporate Finance and Issuance.

### And Two Supporting Divisions:

- 1) Strategy and Research.
- 2) Corporate Services.

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



## (1) Legal Affairs Division

Main functions and responsibilities:

- The director of this Division serves as the general counsel to the CMA's chairman, board of commissioners and all divisions.
- Provides legal services that enable the CMA to achieve its objectives.
- Protects the CMA from legal risks.
- Manages the CMA's internal legal function.
- Provides legal counsel and services to all CMA's divisions and departments.
- Manages the CMA's legal risks.
- Prepares legislations related to the CMA's functions.
- Manages all the legal matters and issues at the CMA.
- Drafts or/and reviews and approves all draft contracts, agreements, MOUs and other legally binding documents between the CMA and external parties, before signature.
- Prevents and resolves litigation proceedings brought against the CMA, except for those dealt with by the Enforcement Division.
- Handles judicial cases brought against the CMA, except for those dealt with by the Enforcement Division.
- Monitors legal standards, trends and developments in peer regional and international regulatory agencies such as the International Organization of Securities Commissions (IOSCO).
- Participates in the retention procedures of external legal services.

## (2) Enforcement Division

Main functions and responsibilities:

- Investigates fairly and promptly into any violations of the CML and its Implementing Regulations.
- Handles the cases of electronic violations (internet websites and forums, recommendations via cellphone messages, suspected hacking into accounts and investment portfolios, etc...)

- Prosecutes before the Committee for the Resolution of Securities Disputes (CRSD) and the Appeal Committee for the Resolution of Securities Conflicts (ACRSC).
- Enforces the resolutions/decisions issued by the CMA Board and the Committee for the Resolution of Securities Disputes (CRSD) and the Appeal Committee for the Resolution of Securities Conflicts (ACRSC).
- Receives and examines investors' and market participants' complaints, and strives to reach satisfactory solutions and settlements.

## (3) Market Supervision Division

Main functions and responsibilities:

- Monitors trading and dealing in securities, electronic media channels and websites to detect any violations of the Capital Market Law (CML) and its Implementing Regulations.
- Ensures the compliance of listed companies, boards of directors, senior executives, and substantial shareholders with the requirements of continuous obligations and any instructions issued by the CMA.
- Ensures the compliance of listed companies with the requirements of the Corporate Governance Regulations, and promotes good corporate governance practices.

## (4) Capital Market Institutions Supervision Division

Main functions and responsibilities:

- Ensures the compliance of capital market institutions with the CML and its Implementing Regulations in order to create a secure, fair and orderly investment environment that protects investors and promotes the regulation and development of securities industry.
- Reviews and approves the licensing of authorized persons, and the registration of persons performing registrable functions in accordance with the requirements of the CML and its Implementing Regulations.
- Undertakes comprehensive regulatory supervision on capital market institutions to ensure their compliance with the CML and its Implementing Regulations; this is realized by proactive implementation of authorization, inspection, prudential, compliance and anti-money laundering supervisory programs.



## (5) Corporate Finance and Issuance Division

Main functions and responsibilities:

- Regulates and monitors mergers and acquisitions transactions.
- Develops respective rules and regulations.
- Ensures compliance with the rules and regulations.
- Protects investors by disclosing information on to-be-offered securities; continuously raises awareness on new products, procedures, securities offerings and new investment schemes; secures transparency in IPOs, mergers and acquisitions.
- Improves the procedures of offering and listing securities, and improves the procedures of issuing investment schemes and approving mergers and acquisitions in order to enhance the efficiency of these procedures, aligning them with best international practices.
- Improves regulatory expertise and creates an effective regulatory environment suitable for long-term capital mobilization.
- Creates a legal and regulatory environment for developing and overseeing capital markets.
- Encourages the formation of key market infrastructure providers such as credit rating agencies and clearing and settlement systems in collaboration with market participants and competent CMA business units.
- Promotes and helps building new skills and capabilities within intermediaries whilst supporting the development of the market's and participants' infrastructure.

## (6) Strategy and Research Division

Main functions and responsibilities:

- Assists in executing the CMA's strategies via annual business planning.
- Provides assistance to the CMA's senior management in developing strategic options and pointing out available alternatives.
- Communicates the CMA's annual strategic plan.
- Conducts economic and financial research pertaining to the capital market activities.
- Develops and produces the CMA's annual report in addition to periodical

and occasional capital market reports.

- Provides data and statistics on the CMA's activities.
- Promotes the culture of performance and project management within the CMA.
- Activates and runs the PMO functions.
- Applies best practices in project management.

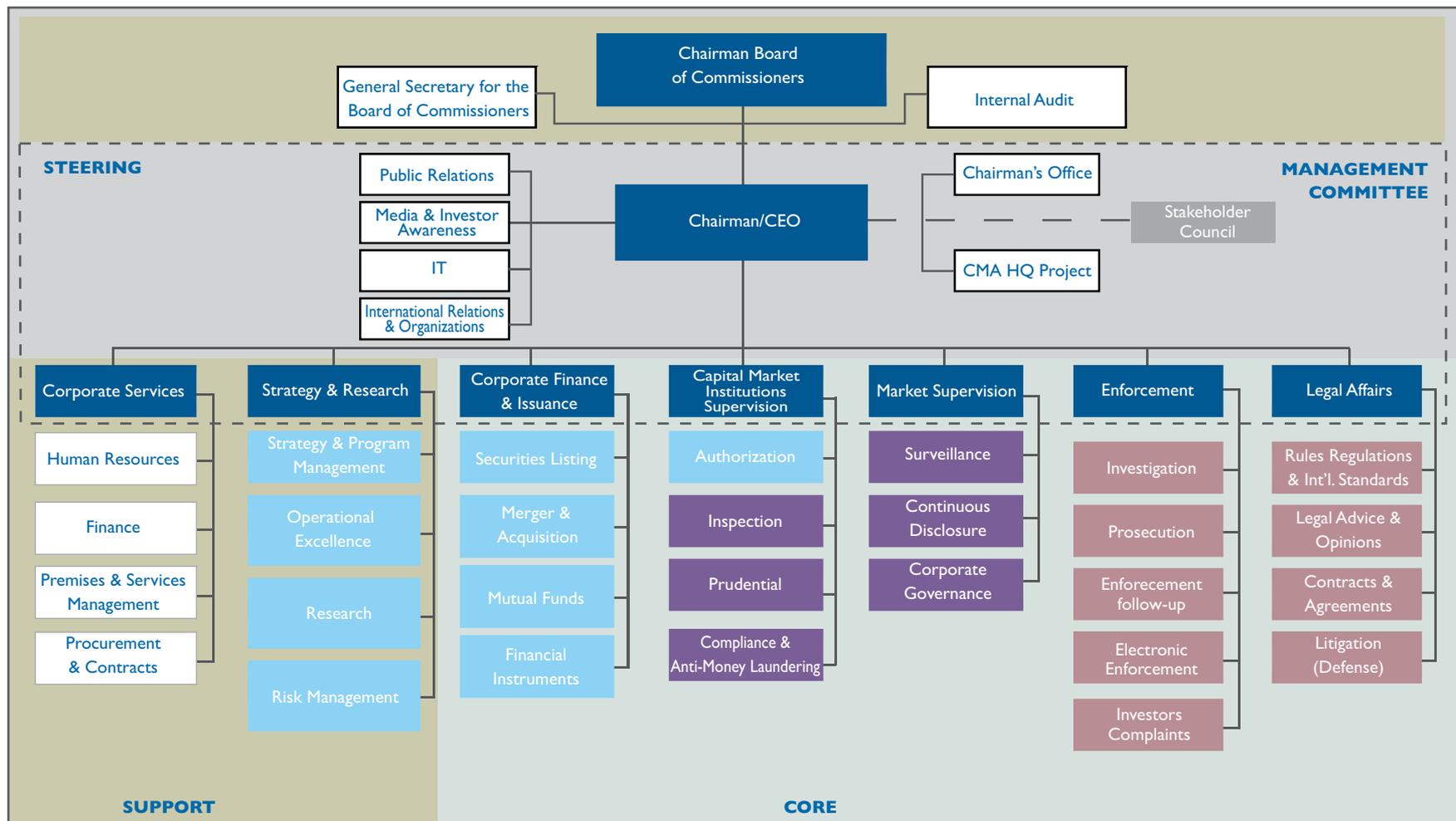
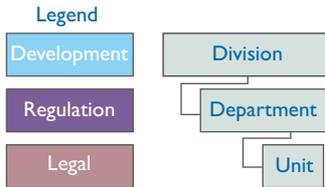
## (7) Corporate Services Division

Main functions and responsibilities:

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



# Organizational Structure





## 1.4 Parties Subject to the CMA Supervision

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

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

### (2) Authorized Persons

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

### (3) Listed Companies

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

### (4) Traders

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



# Chapter Two

## Achievements of the CMA

### 2.1 Achievements in Regulating and Developing the Capital Market

- 2.1.1 Implementing Regulations and Regulatory Resolutions for Regulating and Developing the Capital Market
- 2.1.2 Offering and Trading of Securities
- 2.1.3 Investment Funds
- 2.1.4 Exchange Traded Funds (ETFs)
- 2.1.5 Monitoring Securities Transactions
- 2.1.6 Listed Company Disclosure
- 2.1.7 Violations and Investor Complaints
- 2.1.8 Persons Authorized to Conduct Securities Business Activities (Authorized Persons)
- 2.1.9 Investor Awareness

### 2.2 Achievements in Regulating and Developing the Internal Environment

- 2.2.1 Human Resources Development and Administrative Organization
- 2.2.2 Shift to Electronic Government Transactions



## 2.1 Achievements in Regulating and Developing the Capital Market

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

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

Presented below is a list of the regulations and rules (Implementing Regulations) issued up to the end of 2011, and the most important regulatory resolutions that were issued in 2011:

#### (1) Implementing Regulations:

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

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

9- Merger and Acquisition Regulations.

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

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

As an addition to the Implementing Regulations, and after soliciting the views of professionals at concerned entities and parties, the CMA Board issued Resolution No. (1-4-2011) dated 19/2/1432H corresponding to 23/1/2011, approving the “Resolution of Securities Disputes Proceedings Regulations”. These procedures aim at regulating litigation and prosecution before the Committee for the Resolution of Securities Disputes (CRSD) and the Appeal Committee for the Resolution of Securities Conflicts (ACRSC) to preserve the rights of all market participants.

The CMA endeavors to instill the best practices in corporate governance, and develop relevant standards and principles to create a protective environment for shareholders’ rights. Based on its strategy to gradually make some of the articles stated in the Corporate Governance Regulations mandatory, and pursuant to paragraph (b) in Article One of the Corporate Governance Regulations, the CMA Board issued Resolution No. (1-33-2011) dated 3/12/1432H corresponding to 30/10/2011 mandating companies listed on the Saudi Stock Exchange (Tadawul):

- 1- To comply with Paragraph (b) of Article Ten of the Corporate Governance Regulations, effective from 1/1/2012.
- 2- To file with the CMA the written policy required under subsection (1), Paragraph (b), Article Ten of the Corporate Governance Regulations after being approved by the company’s board of directors in no later than the second quarter of 2012, and any amendment thereof once approved.

The CMA has been keen on promoting the capital market’s transparency and credibility, protecting the authorized persons and their clients from illegal acts that may involve money laundering, terrorist financing, or any other criminal acts. Amidst the efforts to constantly develop the Anti-Money Laundering and Counter-Terrorist Financing Rules, the CMA Board issued Resolution No. (1-32-2011) dated 25/11/1432H corresponding to 23/10/2011, to amend paragraph (1) of Article Two, paragraph (1) of Article Nine, Article Ten, subsection (b) in paragraph (5) of Article Fourteen, and Annex (1) of the Anti-Money Laundering and Counter-Terrorist Financing Rules. The Resolution went effective as of release date.



## (2) Regulatory Resolutions

During 2011, the CMA Board held 37 sessions and issued 340 resolutions, the most important of which were:

- 1- Resolution No.(4-12-2011) dated 6/5/1432H corresponding to 10/4/2011, to approve the IPO of the Saudi Integrated Telecom Company's 35,000,000 shares, which represent 35% of the company's shares.
- 2- Resolution No.(1-18-2011) dated 21/6/1432H corresponding to 24/5/2011, to suspend the shares of Etihad Atheeb Telecommunication Company from trading on the Saudi Stock Exchange (Tadawul) as of Wednesday 22/6/1432H corresponding to 25/5/2011 until the company makes reforms. If six months have passed since the date of this resolution without the company taking the required remedial actions, the CMA shall consider appropriate procedures.
- 3- Resolution No.(5-20-2011) dated 10/7/1432H corresponding to 12/6/2011, to approve the public offering of the Saudi International Petrochemical Company's sukuk. The offering's total size will be determined at a later stage by the company.
- 4- Resolution No.(2-21-2011) dated 17/7/1432H corresponding to 19/6/2011, to approve the United Wire Factories Company's IPO of 9,750,000 shares (30%) of the company's total outstanding shares.
- 5- Resolution No.(7-22-2011) dated 24/7/1432H corresponding to 26/6/2011, to approve the IPO of 48,950,000 shares, which represent 50% of Hail Cement Company's shares.
- 6- Resolution No.(2-25-2011) dated 14/9/1432H corresponding to 14/8/2011, to approve the public offering of the Arabian Aramco Total Services Company's sukuk.
- 7- Resolution No.(4-33-2011) dated 3/12/1432H corresponding to 30/10/2011, to approve the United Electronics Company's IPO of 7,200,000 shares (30%) of the company's total outstanding shares.
- 8- Resolution No.(4-34-2011) dated 24/12/1432H corresponding to 20/11/2011, to approve the IPO of 16,000,000 (40%) of the Saudi Enaya Cooperative Insurance Company's shares.
- 9- Resolution No.(5-37-2011) dated 23/1/1433H corresponding to 18/12/2011, to approve Takween Advanced Industries Company's IPO of 9,000,000 shares, comprising 30% of the company's total outstanding shares.



## 2.1.2 Offering and Trading of Securities

### (I) Securities Offering

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

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

### I. Securities Issues Development

The CMA assumes the responsibility of approving securities offerings including public offerings, debt instruments, and rights issues. It also regulates and monitors private placements, acquisitions, capital reductions, and bonus shares. Table (I) shows the number of applications for offerings of securities, acquisition, and capital reduction that were approved by the CMA, in addition to private placement notifications in 2010 and 2011. The following key points can be highlighted:

- The total number of CMA-approved securities operations in 2011 decreased by 7.5% to 99, six of which were IPOs, compared to 2010.
- The CMA received 74 private placement notifications in 2011, down by 20.4% compared to 2010.
- Two debt instruments were issued in 2011 compared to only one debt instrument in 2010.
- The year 2011 witnessed additional 17 securities operations: five offerings of rights issues, ten issues of bonus shares, one acquisition, and one company's capital reduction.

Table (I): Number of Applications for Securities Offerings, Acquisition and Capital Reduction Approved by the CMA and Private Placement Notifications Received in 2010 and 2011

Operation Type	Number		Change (%)
	2010	2011	
Public Offerings <sup>1</sup>	7	6	- 14.3%
Private Placement Notifications <sup>2</sup>	93	74	- 20.4%
Debt Instruments	1	2	100.0%
Rights Issues <sup>3</sup>	1	5	400.0%
Acquisitions	0	1	--
Capital Reduction	1	1	0.0%
Bonus Shares <sup>4</sup>	4	10	150.0%
<b>Total</b>	<b>107</b>	<b>99</b>	<b>- 7.5%</b>

1- Including Takween Advanced Industries Co. which was approved in 2011, but not offered in the same year.

2- Represent the number of private placement notifications. The number of completed private placements was 41 in 2011 and 40 in 2010.

3- Including Etihad Atheeb Telecommunication Co. which was approved in 2011, but not offered in the same year.

4- Including the Saudi Hotels & Resorts Co. which had the CMA's approval on increasing its capital through bonus shares in 2011. The company did not hold the extraordinary general assembly to get the approval on capital increase in the same year.



Chart (I): Number of Applications for Securities Offerings, Acquisition and Capital Reduction Approved by the CMA and Private Placement Notifications Received in 2010 and 2011

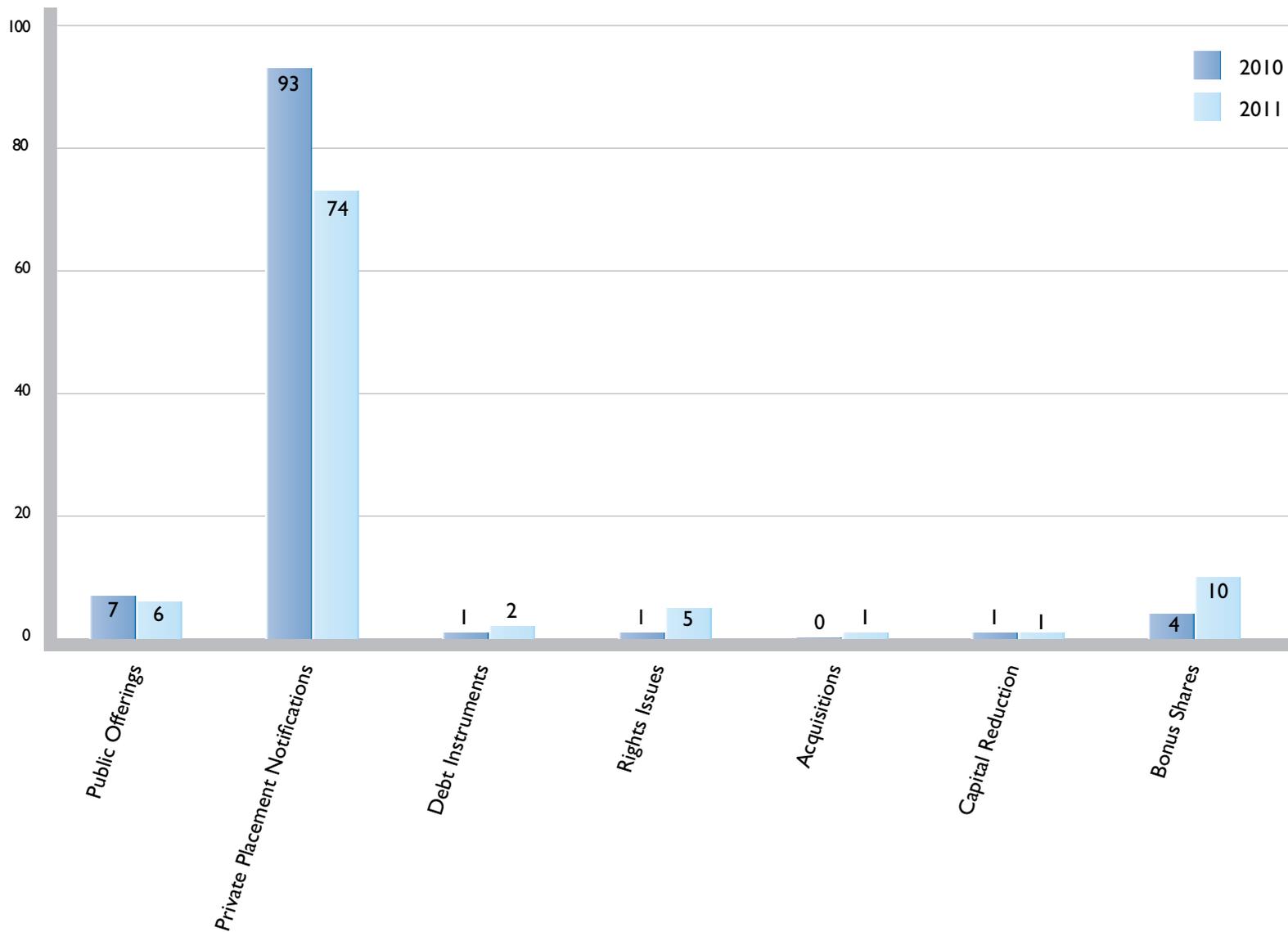




Table (2) indicates the total amounts of securities offerings by type. The most important indicators of this table are the following:

- Total amounts of securities offerings went down by 28.3% to SR 21.8 billion in 2011 compared to SR 30.4 billion in 2010.
- Total amounts of public offerings in 2011 amounted to SR 1.7 billion compared to SR 3.8 billion in 2010.
- Total amounts of private placements declined by 47.5% to SR 10.0 billion during 2011 compared to SR 19.1 billion in 2010.
- Total amounts of rights issues offerings witnessed an increase of 961.4% to SR 4.5 billion in 2011 compared to SR 420 million in 2010.
- During 2011, the total amounts of debt instruments retracted by 20.7% to SR 5.5 billion compared to SR 7.0 billion in 2010.

Table (2): Total Amounts of Securities Offerings by Type in 2010 and 2011

Type	2010		2011		Change (%)
	Amount (SR Million)	Percentage out of Total (%)	Amount (SR Million)	Percentage out of Total (%)	
Public Offerings <sup>5</sup>	3,832.6	12.6%	1,727.0	7.9%	- 54.9%
Private Placements <sup>6</sup>	19,120.6	63.0%	10,042.0	46.1%	- 47.5%
Rights Issues <sup>7</sup>	420.0	1.4%	4,458.0	20.5%	961.4%
Debt Instruments	7,000.0	23.0%	5,549.9	25.5%	- 20.7%
Total	30,373.2	100%	21,776.9	100%	- 28.3%

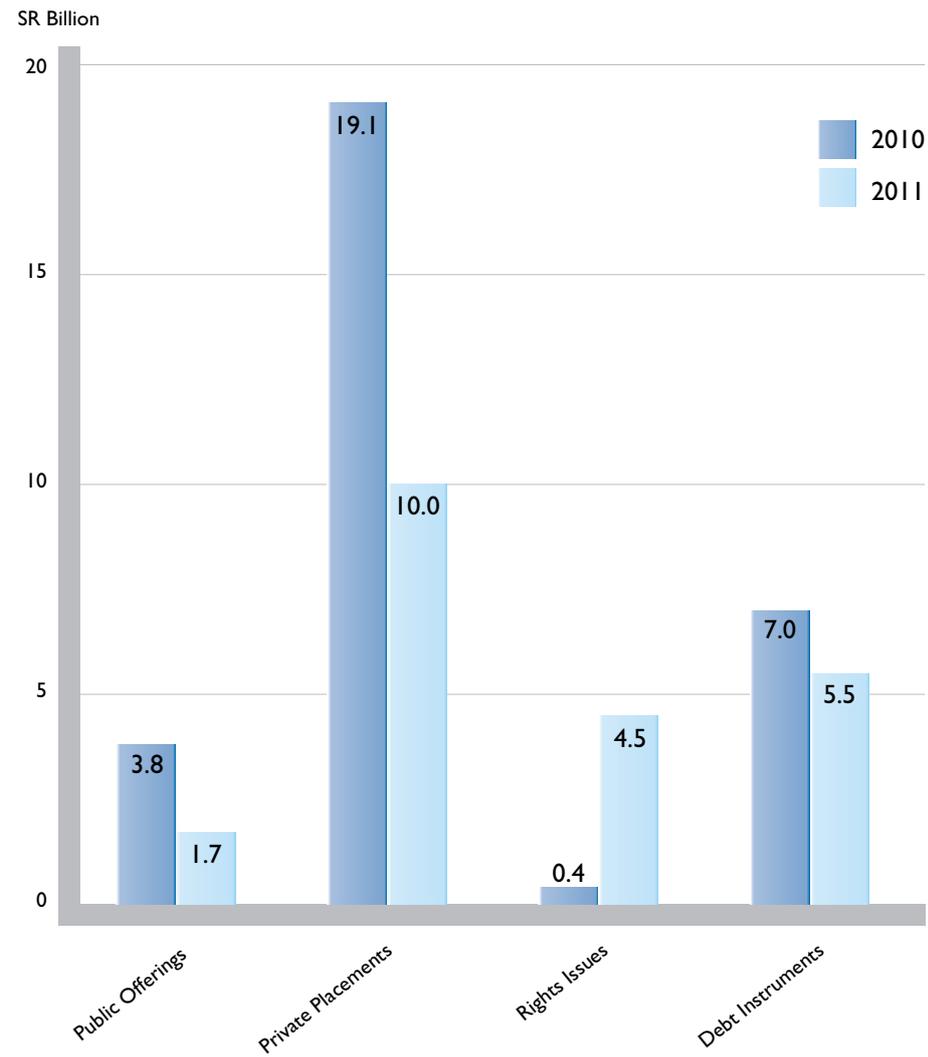
5- Not including Takween Advanced Industries Co. It was approved in 2011, but did not go public in the same year.

6- The amount represents only the completed private placements.

7- Not including Etihad Atheeb Telecommunication Co. It was approved in 2011, but not offered in the same year.



Chart (2): Total Amounts of Securities Offerings by Type in 2010 and 2011





## 2. Public Offering

### Regulating the Public Offering Process

The CMA adopted the book building mechanism in 2007 to regulate initial public offerings (IPOs) and help discover the fair price of securities. The purpose of book building is to determine the share price before going public. The process begins with a financial advisor specifying the share price range, and then receiving subscription applications from institutional investors according to the specified price range. Afterwards, the final share price is determined if the total offered shares are subscribed by institutional investors within the price range.

During 2011, about 90 institutional investors (investment funds, authorized persons, and listed joint-stock companies) participated in book building when two companies partially offered their shares in IPOs.

### Initial Public Offerings (IPOs)

In 2011, the shares of five companies were partially offered for public subscription. Table (3) shows the companies whose shares were partially offered for public subscription in 2011 classified by offering value, ratio of offered shares to the company's total outstanding shares, over-subscription times (by individuals and institutions) and number of subscribers. Relevant data can be summarized as follows:

- The value of shares offered for subscription in 2011 ranged from SR 160 million by "Saudi Enaya Cooperative Insurance Co." to SR 489.5 million by "Hail Cement Co.". The total amounts of offered shares stood at SR 1.7 billion.
- Shares over-subscription (by individuals) in 2011 ranged between 1.1 times for "United Wire Factories Co." and 2.9 times for the "Saudi Integrated Telecom Co.". The level of over-subscribed shares (by institutions) ranged between 2.1 times for "United Wire Factories Co." and 2.2 times for "United Electronics Co."

- The number of subscribers to the shares publicly offered in 2011 ranged between 197.5 thousand for "United Wire Factories Co." and 1.1 million for the "Saudi Integrated Telecom Co."



Table (3): Companies that Offered Part of their Shares for Public Subscription in 2011 Classified by Value, Ratio of Offered Shares to Company Total Shares, Times of Oversubscription (Individuals and Institutions) and Number of Subscribers <sup>8</sup>

No.	Company Name	Offering Value (SR Million)	Ratio of Offered Shares (%)	Over- subscription Times (Individuals) <sup>9</sup>	Over- subscription Times (Institutions) <sup>10</sup>	Over- subscription Times <sup>11</sup>	Number of Subscribers (Thousand)
1	Saudi Integrated Telecom Co. (SITC) <sup>12</sup>	350.0	35%	2.9	--	2.9	1,100.3
2	United Wire Factories Co. (ASLAK)	331.5	30%	1.1	2.1	1.6	197.5
3	Hail Cement Co. (HCC)	489.5	50%	2.3	--	2.3	917.2
4	United Electronics Co. (eXtra)	396.0	30%	2.1	2.2	2.1	260.9
5	Saudi Enaya Cooperative Insurance Co. (Enaya)	160.0	40%	2.4	--	2.4	488.4
Total		1,727.0	--	--	--	--	2,964.3

8- Excluding Takween Advanced Industries Co.; it was approved in 2011, but did not go public in the same year.

9- Times of oversubscription were calculated by dividing the number of shares subscribed by individuals by the number of shares allotted to them.

10- Times of oversubscription were calculated by dividing the number of shares subscribed by institutions by the number of shares allotted to them.

11- Times of oversubscription were calculated by dividing the number of shares subscribed by both individuals and institutions by the total number of shares offered.

12- The percentage of oversubscription was calculated based on an offering of SR 300 million. SR 50 million of the offering was allocated to the General Organization for Social Insurance (GOSI).



Chart (3): Value of Company Shares Partially Offered for Public Subscription in 2011

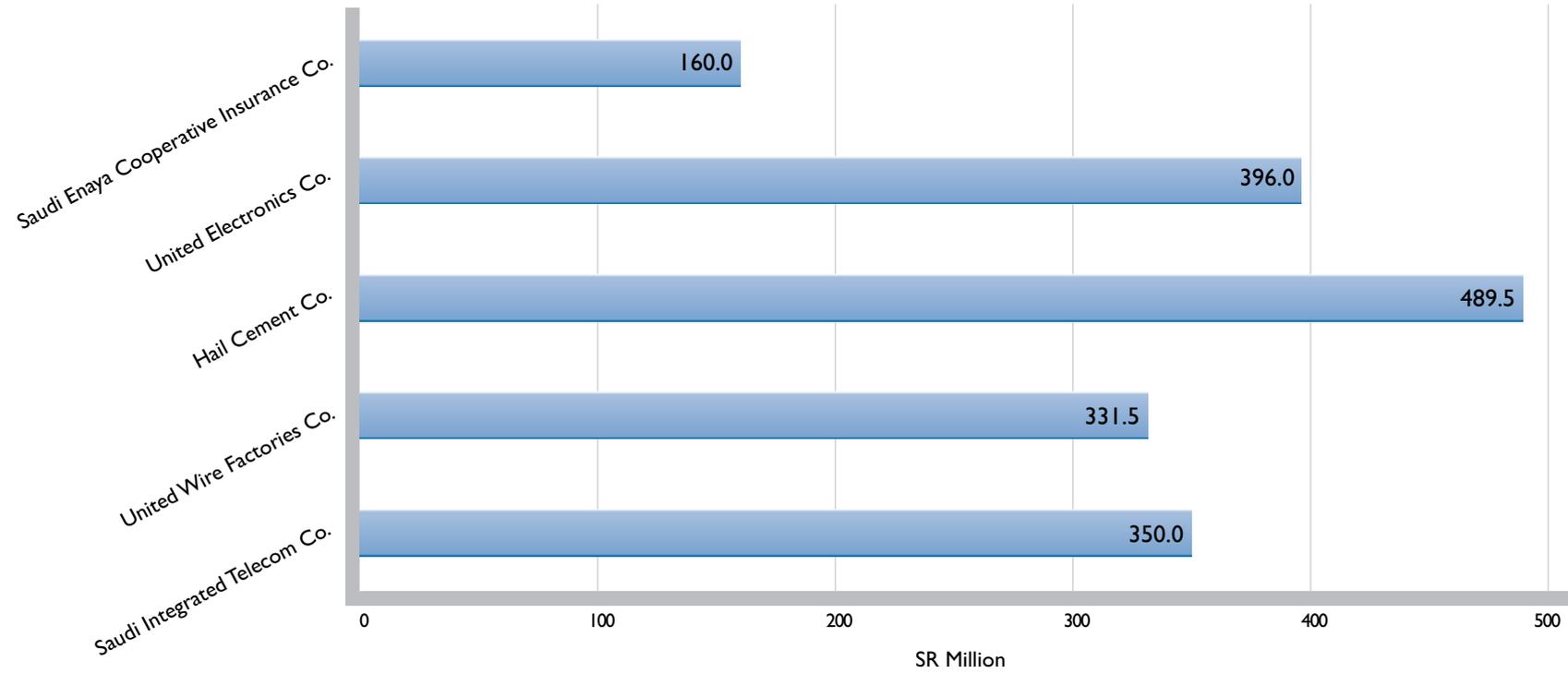




Chart (4): Times of Over-subscription to Company Shares Partially Offered for Public Subscription in 2011

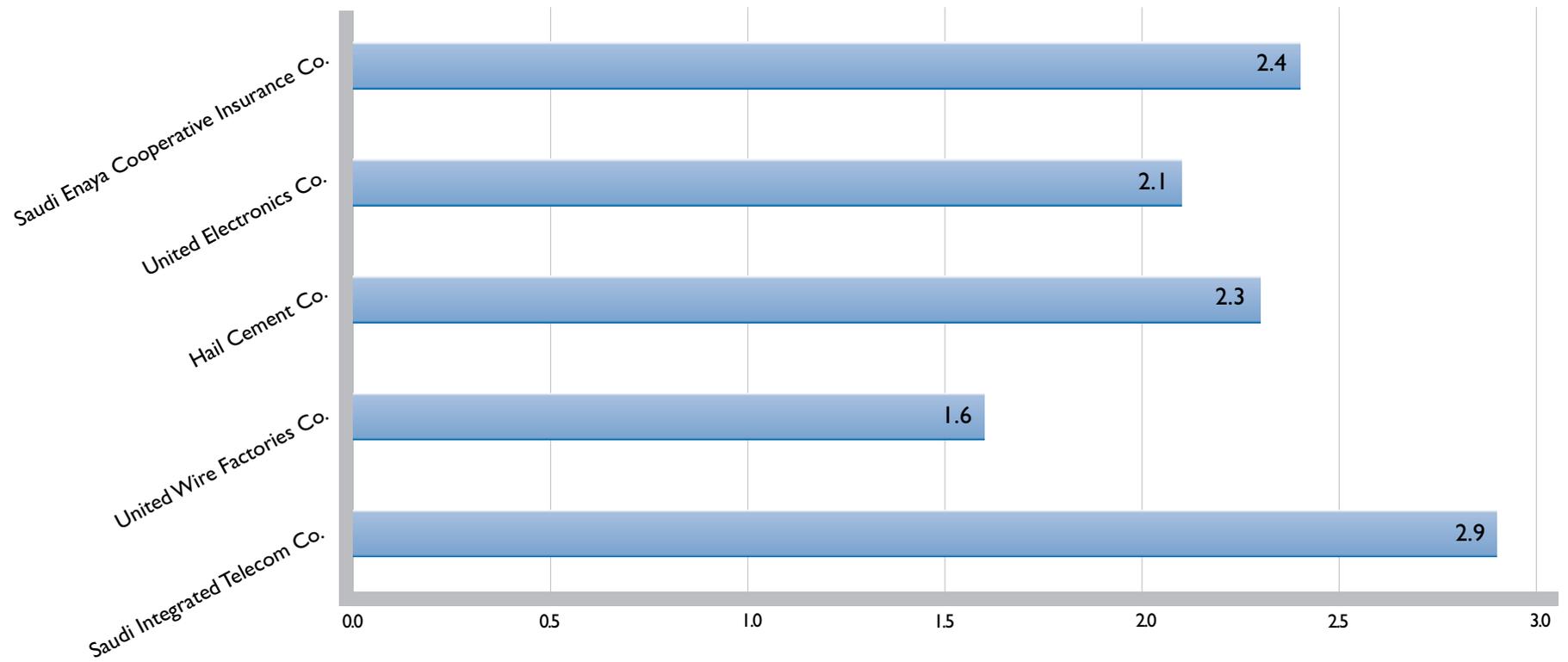
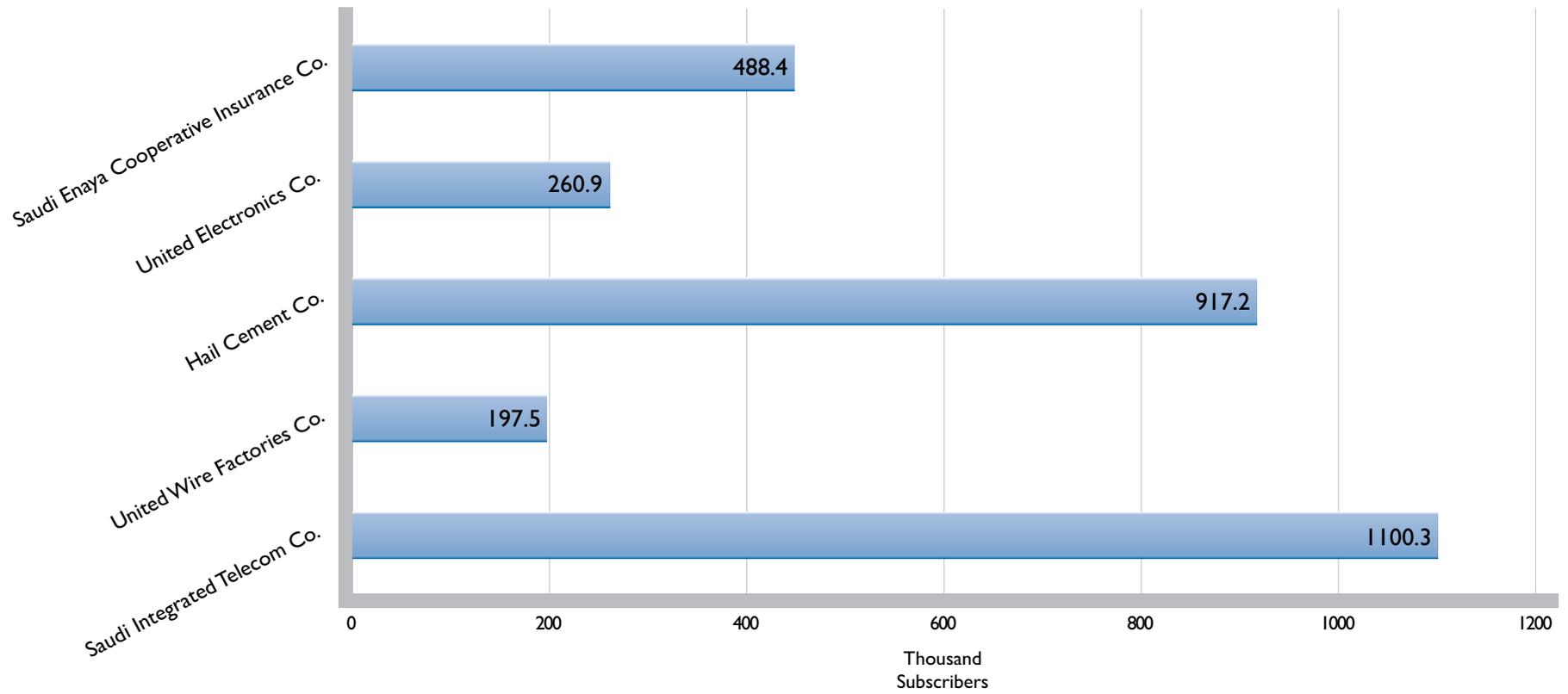




Chart (5): Number of Subscribers (Individuals) to Shares Partially Offered for Public Subscription in 2011





### 3. Capital Change of Listed Companies During 2011

Table (4) provides a list of companies that increased/decreased their capital in 2011, and the total number of shares in issue before and after capital change. The most important points derived from this table can be summarized as follows:

- 15 companies changed their capital, accounting for 10.0% out of 150 listed companies at the end of 2011.
- Only one company “Etihad Atheeb Telecommunication Co.” reduced its capital by 60.0%, out of 15 companies that made changes to their capital in 2011.
- “Saudi Fisheries Co.” took the lead of listed companies in terms of percentage capital increase, with an increase of 167.5% to 53.5 million shares against 20.0 million shares before the increase.

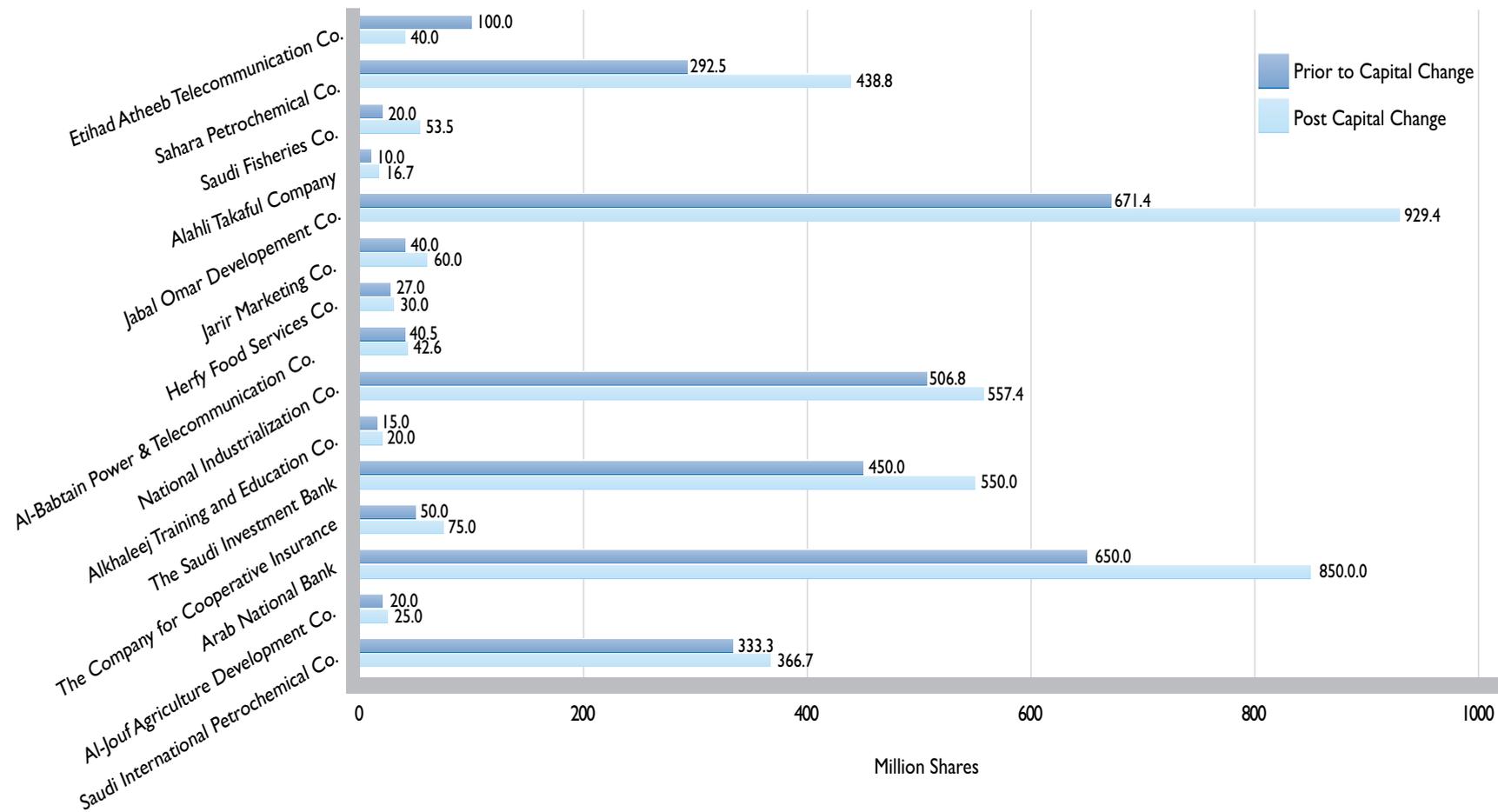
Table (4): List of Companies that Increased/Decreased their Capital during 2011

No.	Company <sup>13</sup>	Total Number of Shares (Million)		Increase/Decrease in Capital (%)
		Prior to Capital Change	Post Capital Change	
1	Saudi International Petrochemical Co.	333.3	366.7	10.0%
2	Al-Jouf Agriculture Development Co.	20.0	25.0	25.0%
3	Arab National Bank	650.0	850.0	30.8%
4	The Company for Cooperative Insurance	50.0	75.0	50.0%
5	The Saudi Investment Bank	450.0	550.0	22.2%
6	AlKhaleej Training and Education Co.	15.0	20.0	33.3%
7	National Industrialization Co.	506.8	557.4	10.0%
8	AL-Babtain Power & Telecommunication Co.	40.5	42.6	5.2%
9	Herfy Food Services Co.	27.0	30.0	11.1%
10	Jarir Marketing Co.	40.0	60.0	50.0%
11	Jabal Omar Development Co.	671.4	929.4	38.4%
12	Alahli Takaful Company	10.0	16.7	67.0%
13	Saudi Fisheries Co.	20.0	53.5	167.5%
14	Sahara Petrochemical Co.	292.5	438.8	50.0%
15	Etihad Atheeb Telecommunication Co.	100.0	40.0	- 60.0%
Total		3,226.5	4,055.1	25.7%

13- Not including the Saudi Hotels & Resorts Co. which had the CMA's approval on increasing its capital in 2011. The company did not hold the extraordinary general assembly to get the approval on capital increase in the same year; this also excludes the capital increase of Etihad Atheeb Telecommunication Co. that was approved in 2011, but not effected in the same year.



Chart (6): Number of Shares of Companies that Increased/Decreased their Capital during 2011





## 4. Subscription Channels

### Number of individual Subscribers via Various Subscription Channels

Table (5) illustrates the number of individual subscribers to IPOs, by subscription channels. The most significant indicators of this table are as follows:

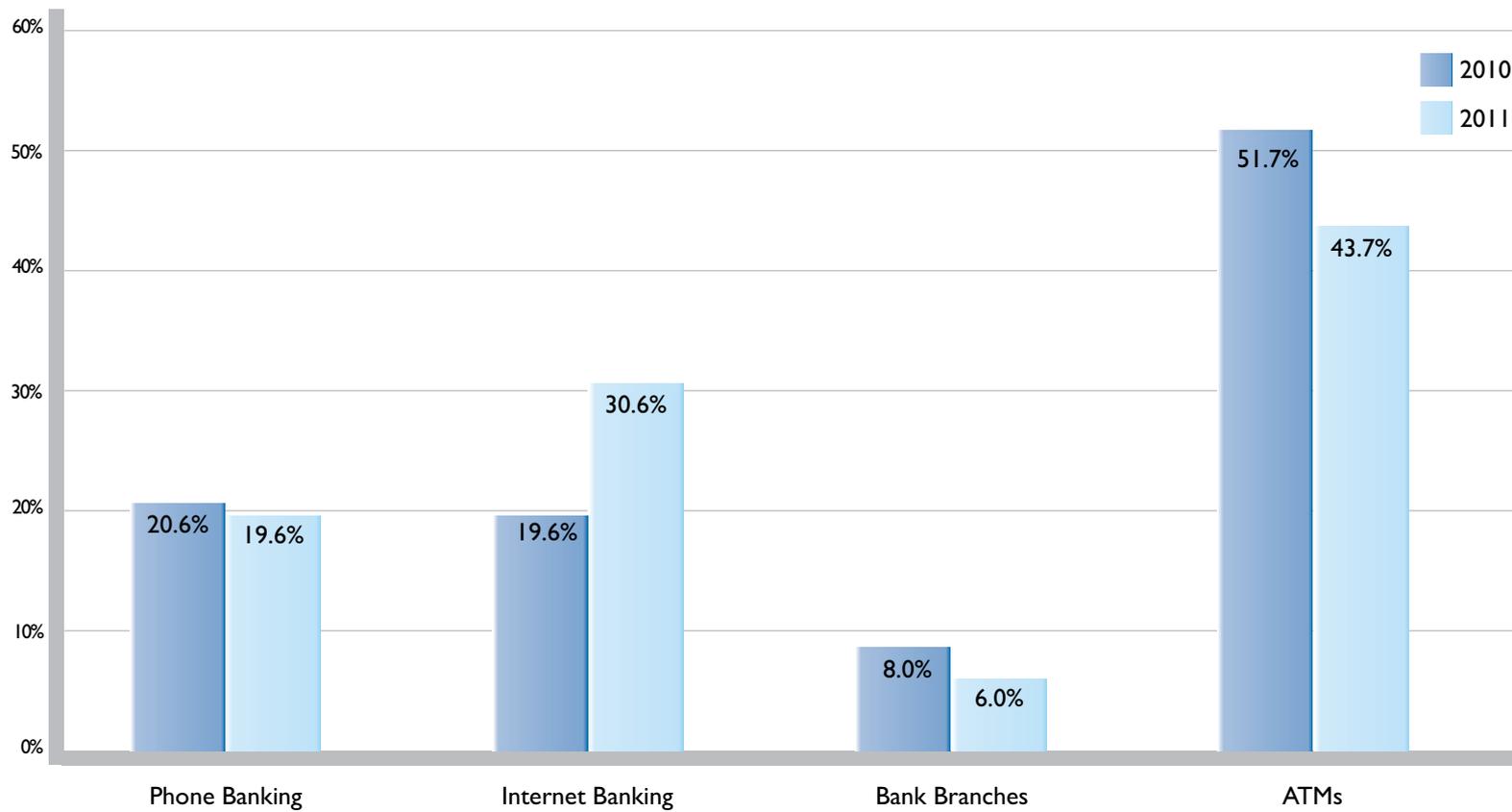
- In 2011, only 6.0% of total subscribers used bank branches for processing their applications against 8.0% in 2010, while ATMs, internet banking, and phone banking were largely used by 43.7%, 30.6% and 19.6% of subscribers respectively.
- The percentage of individual subscribers using internet banking in 2011 went up to 30.6% compared to 19.6% in 2010, while that of ATMs and phone banking users declined.

Table (5): Number of Individual Subscribers to IPOs by Subscription Channel in 2010 and 2011

Subscription Channel	2010		2011	
	Number (Thousand Subscribers)	Percentage out of Total (%)	Number (Thousand Subscribers)	Percentage out of Total (%)
Phone Banking	2,125.8	20.6%	582.2	19.6%
Internet Banking	2,023.8	19.6%	907.5	30.6%
Bank Branches	827.9	8.0%	178.9	6.0%
ATMs	5,329.4	51.7%	1,295.6	43.7%
Total	10,306.9	100%	2,964.2	100%



Chart (7): Percentage of Individual Subscribers to IPOs by Subscription Channel in 2010 and 2011





## Amounts Collected through Subscription Channels

Table (6) shows the total and percentages of IPO amounts collected from individual investors, classified by subscription channel in 2010 and 2011, before returning the oversubscribed amounts. The most important points derived from this table are summarized as follows:

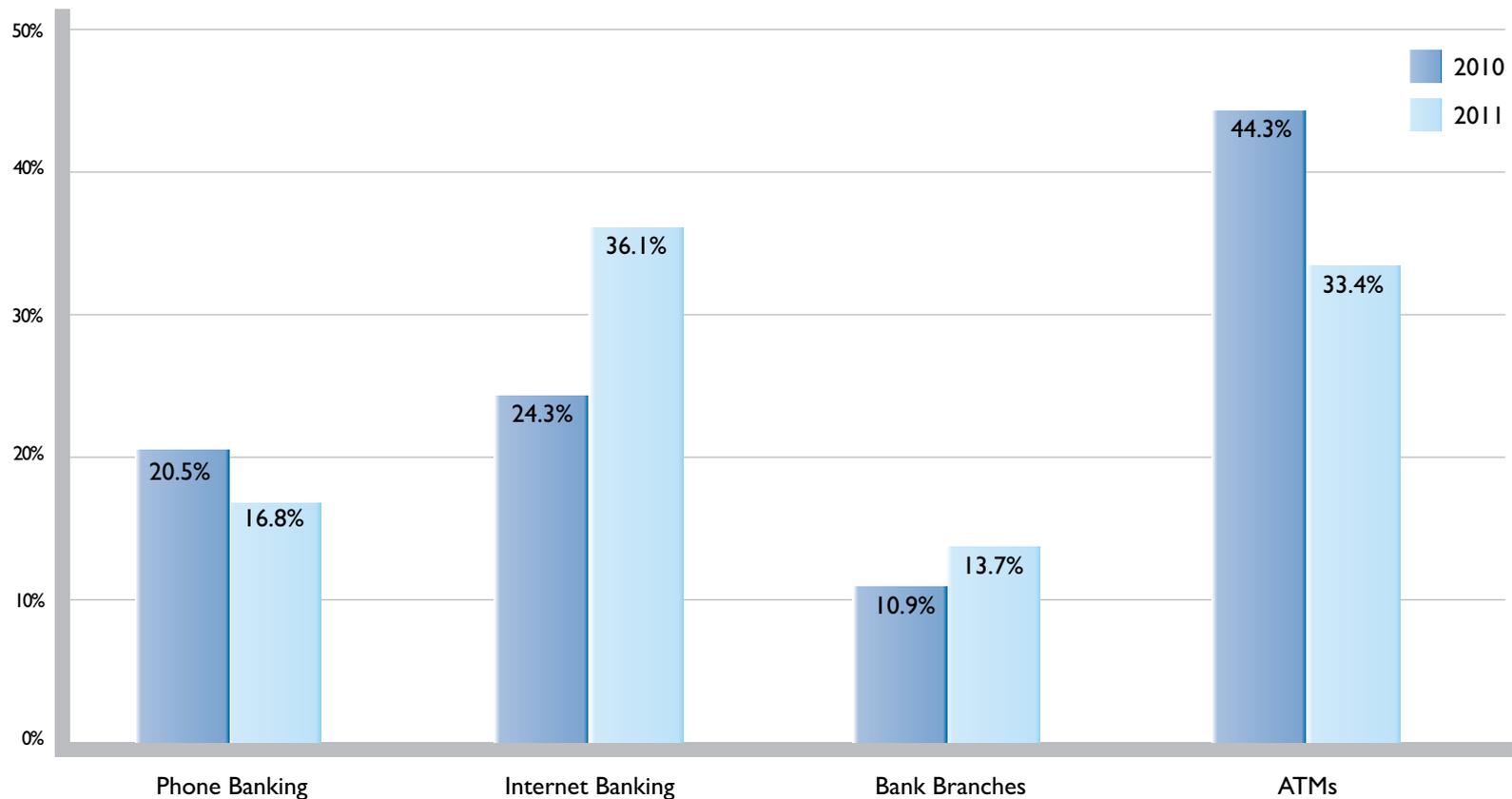
- The total amounts collected through different subscription channels during 2011 stood at SR 3.0 billion against SR 6.7 billion in 2010.
- Amounts subscribed via internet banking ranked first in 2011 with SR 1.1 billion accounting for 36.1% of total amounts.
- The percentages of amounts collected through ATMs, phone banking and bank branches in 2011 stood at 33.4%, 16.8% and 13.7% respectively.

Table (6): IPO Amounts Collected, by Subscription Channel before Returning Oversubscribed Amounts in 2010 and 2011

Subscription Channel	2010		2011	
	Amount (SR Million)	Percentage out of Total (%)	Amount (SR Million)	Percentage out of Total (%)
Phone Banking	1,372.5	20.5%	509.0	16.8%
Internet Banking	1,628.4	24.3%	1,091.6	36.1%
Bank Branches	728.2	10.9%	413.6	13.7%
ATMs	2,960.5	44.3%	1,011.2	33.4%
Total	6,689.6	100%	3,025.4	100%



Chart (8): Percentages of IPO Amounts Collected, by Subscription Channel before Returning Oversubscribed Amounts in 2010 and 2011



## 5. Handling Complaints Pertaining to Subscription Applications

During the period of IPOs and afterwards, the CMA receives investors' complaints relating to public subscriptions and takes prompt actions to handle and resolve them in collaboration with the concerned parties. Table (7) reflects the number of subscription application complaints at the end of 2010 and 2011, and the actions taken for handling and resolving them. The main points in this table are as follows:

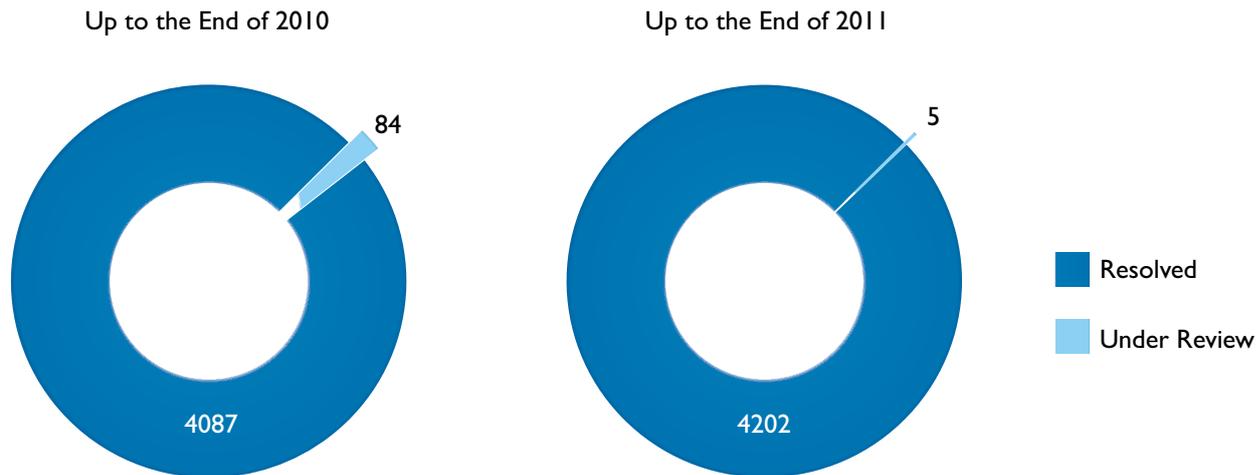
- A total of 4,207 complaints relating to subscription applications were received by the CMA at the end of 2011.
- A total of 4,202 complaints relating to subscription applications were resolved, while 5 are still under review.



Table (7): Number of Complaints Pertaining to Subscription Applications at the End of 2010 and 2011

Complaint Status	End of 2010		End of 2011	
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
Received	4,171	100%	4,207	100%
Resolved	4,087	98.0%	4,202	99.9%
Under Review	84	2.0%	5	0.1%

Chart (9): Number of Complaints Pertaining to Subscription Applications at the End of 2010 and 2011





## (2) Performance of the Stock Market at a Glance

Table (8) demonstrates the most salient features of the stock market's performance in 2011 against 2010. Its significant indicators can be summarized in the following:

- Tadawul All-Share Index (TASI) declined by 3.1% to 6,417.7 points in 2011 compared to 6,620.8 points in 2010.
- In 2011, the number of companies listed on the stock market rose by 2.7% compared to that of 2010, taking the number of listed companies to 150.
- The number of companies' outstanding shares in 2011 stood at around 40.7 billion compared to 39.6 billion in 2010.
- The number of companies' shares traded in 2011 increased by 45.6% to 48.5 billion compared to 2010.
- In 2011, the market capitalization of outstanding shares went down by 4.1% to SR 1,270.8 billion compared to 2010.
- The value of shares traded in 2011 amounted to SR 1,098.8 billion, increasing by 44.7% over 2010, with a daily average of SR 4.4 billion.
- In 2011, the number of executed trades went up by 30.8% from about 19.5 million to 25.5 million as compared to 2010.





Table (8): Stock Market Trading Statistics in 2011 vs. 2010

Trading Information	2010	2011	Change (%)
Number of Listed Companies <sup>14</sup>	146	150	2.7%
Number of Executed Trades (Million)	19.5	25.5	30.8%
Number of Issued Shares (Million)	39,605.4	40,688.4	2.8%
Market Capitalization of Outstanding Shares (SR Billion)	1,325.4	1,270.8	- 4.1%
Number of Traded Shares (Billion)	33.3	48.5	45.6%
Value of Traded Shares (SR Billion)	759.2	1,098.8	44.7%
Number of Trading Days	249	248	- 0.4%
Average Daily Executed Trades (Thousand)	78.4	103.0	31.3%
Average Daily Traded Shares (Million)	132.6	195.7	47.6%
Average Daily Value of Traded Shares (SR Million)	3,048.9	4,430.8	45.3%
Tadawul All-Share Index (Points)	6,620.8	6,417.7	- 3.1%

14- Not including Takween Advanced Industries Co. which was approved in 2011, but not offered in the same year. Also, this excludes the Saudi Enaya Cooperative Insurance Co. which went public in 2011, but was not listed on the exchange in the same year.



### (3) Debt Instruments

As part of its continuous endeavors to provide new investment vehicles and funding channels, and pursuant to Article Five of the CML, the CMA launched a market for trading Sukuk and bonds in 2010. It offered various real-time automated services in that area which can be carried out through the authorized persons, such as listing Sukuk and bonds, routing orders, executing trades, settlement, price data dissemination, custody and registration, etc...

Table (9) shows the volume of debt instruments issued in 2010 and 2011, classified by issuer. Table (10) shows the number of issued debt instruments by issuer, issue volume, dates of issue and maturity, issue nominal value up to the end of 2011, number of executed trades and trading volume in 2010 and 2011. The most important indicators of these two tables can be summarized as follows:

- During 2011, two companies issued Sukuk: “the Saudi International Petrochemical Co. (Sipchem)” with a total amount of SR 1.8 billion, and “Arabian Aramco Total Services Co.” with a total amount of SR 3.7 billion. The value of all debt instruments issued in 2011 totaled SR 5.5 billion.
- Sukuk total traded value rose by 317.1% to SR 1,809.3 million in 2011 compared to SR 433.8 million in 2010.
- The number of executed trades amounted to 49 in 2011 compared to 70 in 2010.
- The Sukuk of the Saudi Electricity Co. “Saudi Electricity 3” came first in terms of the traded value in 2011, accounting for 80.3% of total traded value of Sukuk.

Table (9): Value of Issued Debt Instruments by Issuer, Name and Type in 2010 and 2011

Issuer	Debt Instrument		2010		2011	
	Name	Type	Issue Value (SR Million)	Percentage out of Total (%)	Issue Value (SR Million)	Percentage out of Total (%)
Saudi Electricity Co. (SEC)	Saudi Electricity 3	Sukuk	7,000.0	100.0%	--	--
Saudi International Petrochemical Co.	Sipchem Sukuk	Sukuk	--	--	1,800.0	32.4%
Arabian Aramco Total Services Co.	SATORP Sukuk	Sukuk	--	--	3,749.9	67.6%
Total			7,000	100%	5,549.9	100%

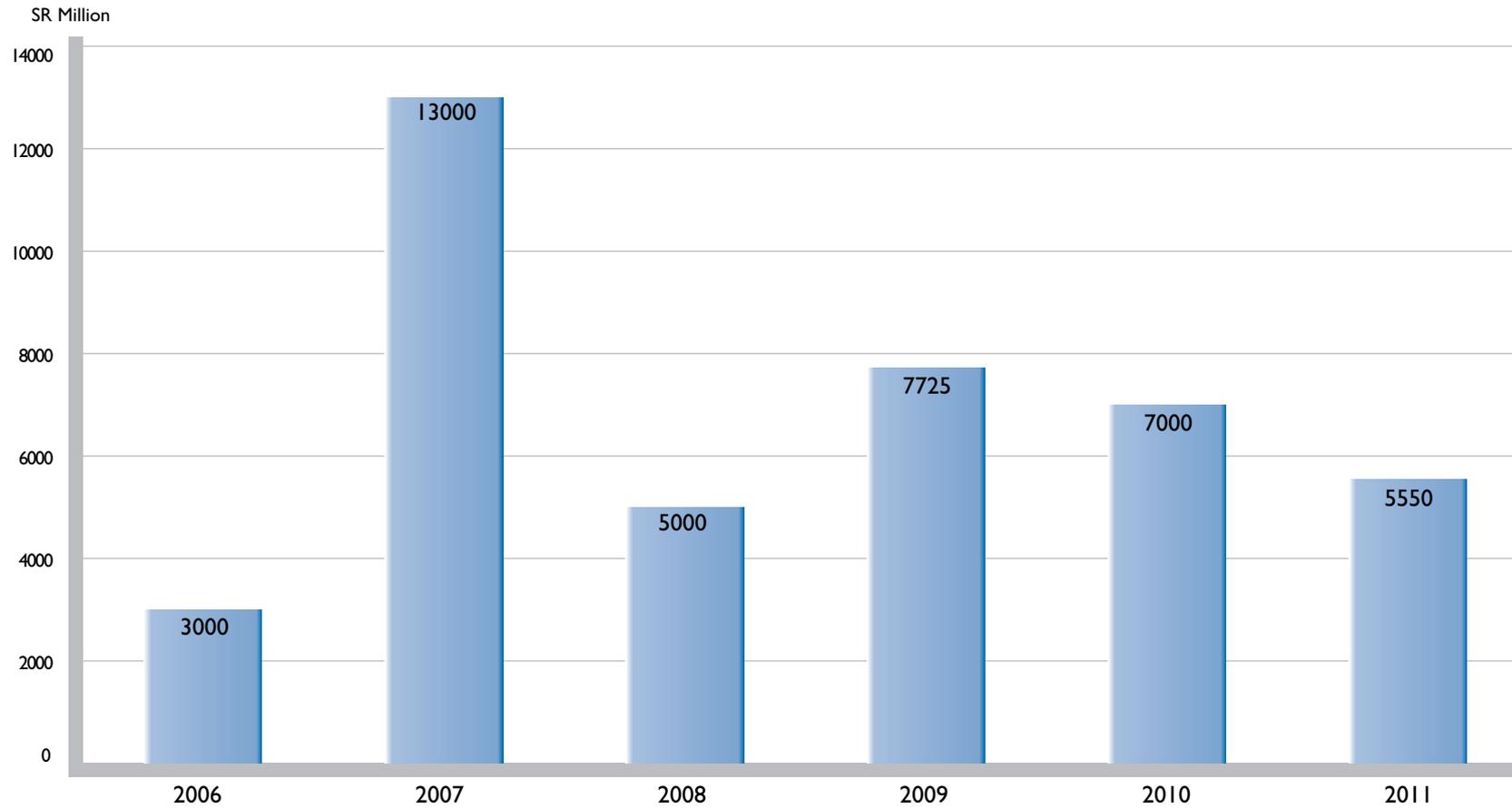


Table (10): Number of Issued Debt Instruments by Issuer, Issue Value, Dates of Issue and Maturity, and Nominal Value up to the End of 2011, and Number of Executed Trades and Trading Value in 2010 and 2011

Issuer	Sukuk/Bond Name	Issue Date	Type of Debt Instrument	Issue Value (SR Million)	Number of Executed Trades		Trading Value (SR Million)		Nominal Value	Maturity Date
					2010	2011	2010	2011		
SABIC	SABIC 1	1/7/2006	Sukuk	3,000	22	2	45.1	2.0	50,000	15/7/2026
	SABIC 2	6/8/2007	Sukuk	8,000	4	11	55.4	76.0	10,000	15/7/2027
	SABIC 3	26/5/2008	Sukuk	5,000	10	2	10.9	1.1	10,000	15/5/2028
Saudi Electricity Co. (SEC)	Saudi Electricity 1	23/7/2007	Sukuk	5,000	30	11	309.8	79.0	500,000	15/7/2027
	Saudi Electricity 2	6/7/2009	Sukuk	7,000	3	14	11.1	74.5	100,000	6/7/2029
	Saudi Electricity 3	10/5/2010	Sukuk	7,000	0	3	0	1,452	10,000	10/5/2030
Saudi Hollandi Bank	SHB Sukuk 2	31/12/2009	Sukuk	725	1	3	1.5	3.0	100,000	31/12/2019
Saudi International Petrochemical Co.	Sipchem	6/7/2011	Sukuk	1,800	--	3	--	121.7	100,000	6/7/2016
Arabian Aramco Total Services Co.	SATORP	9/10/2011	Sukuk	3,749.9	--	0	--	0	100,000	20/12/2025
Total				41,274.9	70	49	433.8	1,809.3		



Chart (10): Value of Issued Sukuk during 2006-2011





## (4) Swap Agreements

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

- 1- To increase the depth of the capital market and promote its efficiency.
- 2- To strengthen the Saudi capital market's openness indicator for foreign direct investments.

Table (11) reflects the volume of swap agreements classified by type of investor (individuals/financial institutions) in 2010 and 2011. The salient features of this table can be summarized as follows:

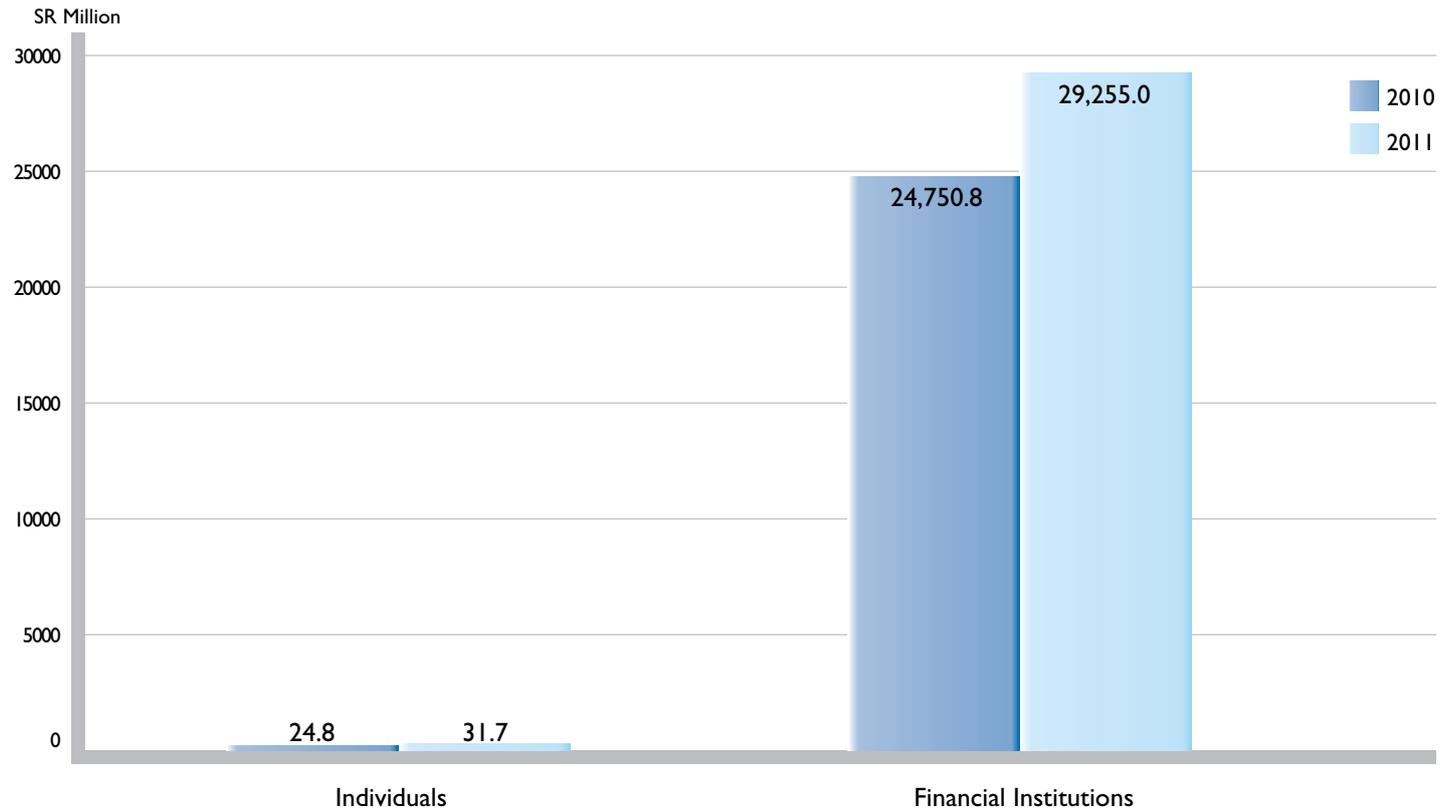
- In 2011, the total volume of swap agreements increased by 18.2% to SR 29.3 billion as compared to 2010.
- Investments made by individuals and financial institutions in swap agreements rose by SR 6.9 million and SR 4,504.2 million respectively in 2011 compared to 2010.
- The percentage of investments by financial institutions from the total volume of swap agreements in 2011 remained unchanged at its level of 2010 (99.9% of total swap agreements).

Table (11): Volume of Swap Agreements Classified by Investor Type in 2010 and 2011

Investor Type	2010		2011		Change (%)
	Volume (SR Million)	Percentage out of Total (%)	Volume (SR Million)	Percentage out of Total (%)	
Individuals	24.8	0.1%	31.7	0.1%	27.8%
Financial Institutions	24,750.8	99.9%	29,255.0	99.9%	18.2%
Total	24,775.6	100%	29,286.7	100%	18.2%



Chart (11): Volume of Swap Agreements Classified by Investor Type in 2010 and 2011



### 2.1.3 Investment Funds

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

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

### I. CMA-Approved Investment Funds Offered in 2011

Believing in the necessity of expanding and diversifying investment channels, the CMA has encouraged the offering of all types of investment fund units; 2011 saw the offering of 38 investment funds: 16 in equities, 14 funds of funds, 6 real estate funds, one debt instruments fund, and one balanced fund. Table (12) presents a list of those investment funds, classified by type of investment, fund's name, manager, and currency.



Table (12): Investment Funds Approved by the CMA in 2011

Type of Investment	No.	Fund Name	Fund Manager	Currency
Equities	1	AlAhli GCC Growth and Income Fund	NCB Capital Company	SR
	2	Al-Nefaie Saudi Equity Trading Fund - Sharia Compliant	Al-Nefaie Investment Group Company	SR
	3	BLOM Saudi Arabia Fund	BlomInvest Saudi Arabia Company	SR
	4	Al Ataa Saudi Equity Fund	Samba Capital & Investment Management Company	SR
	5	Samba Capital Europe Equity Fund	Samba Capital & Investment Management Company	USD
	6	Samba Capital Asian Equity Fund	Samba Capital & Investment Management Company	USD
	7	Samba Capital Americas Equity Fund	Samba Capital & Investment Management Company	USD
	8	Samba Capital Global Equity Fund	Samba Capital & Investment Management Company	USD
	9	Al Nafees Global Commodities Equity Fund	Samba Capital & Investment Management Company	USD
	10	Bakheet Qatari Trading Equity Fund	Bakheet Investment Group	SR
	11	MEFIC GCC Equity Fund	Middle East Financial Investment Company (MEFIC)	USD
	12	KSB Qatar Equity Fund	KSB Capital Group	SR
	13	AlKhair Capital Saudi Equity Fund	Alkhair Capital Saudi Arabia Company	SR
	14	Aloula Geojit - Al johar Saudi Equity Fund	Aloula Geojit Brokerage Company	SR
	15	AlJazira Global Emerging Markets Fund	Aljazira Capital Company	USD
	16	AlAwwal Periodical Income Fund	AlAwwal Financial Services Company	SR
Debt Instruments	17	AlKhair Capital Sukuk Plus Fund	Alkhair Capital Saudi Arabia Company	USD



Type of Investment	No.	Fund Name	Fund Manager	Currency
Real Estate	18	Al Mubarak Diyar Jeddah RE Fund	Arab National Investment Company	SR
	19	Alrabia Real Estate Fund	Falcom Investment Company	SR
	20	KSB City Fund	KSB Capital Group	SR
	21	KSB Real Estate Opportunity Fund	KSB Capital Group	SR
	22	MEFIC Real Estate Income Fund	Middle East Financial Investment Company (MEFIC)	SR
	23	Aljazira Residential Projects Fund	Aljazira Capital Company	SR
Funds of Funds	24	Derayah Comprehensive Growth Fund	Derayah Financial Corporation Company	SR
	25	Derayah Comprehensive Conservative Fund	Derayah Financial Corporation Company	SR
	26	Derayah Comprehensive Balanced Fund	Derayah Financial Corporation Company	SR
	27	HSBC Amanah Commodity Index Fund	HSBC SAUDI ARABIA LIMITED	USD
	28	Al Yusr Target Date Multi Assets Fund 2016	Saudi Hollandi Capital Company	SR
	29	Al Yusr Target Date Multi Assets Fund 2021	Saudi Hollandi Capital Company	SR
	30	Al Yusr Target Date Multi Assets Fund 2026	Saudi Hollandi Capital Company	SR
	31	Al Yusr Target Date Multi Assets Fund 2031	Saudi Hollandi Capital Company	SR
	32	Al Yusr Target Date Multi Assets Fund 2036	Saudi Hollandi Capital Company	SR
	33	Target Date Multi Assets Fund 2016	Saudi Hollandi Capital Company	SR
	34	Target Date Multi Assets Fund 2021	Saudi Hollandi Capital Company	SR
	35	Target Date Multi Assets Fund 2026	Saudi Hollandi Capital Company	SR
	36	Target Date Multi Assets Fund 2031	Saudi Hollandi Capital Company	SR
	37	Target Date Multi Assets Fund 2036	Saudi Hollandi Capital Company	SR
Balanced	38	Al Rajhi Multi Asset Conservative Fund	Al Rajhi Capital	USD



## 2. Number of Investment Funds

Table (13) indicates the number of investment funds by type of investment up to the end of 2010 and 2011; key developments in the number of investment funds are highlighted in the following:

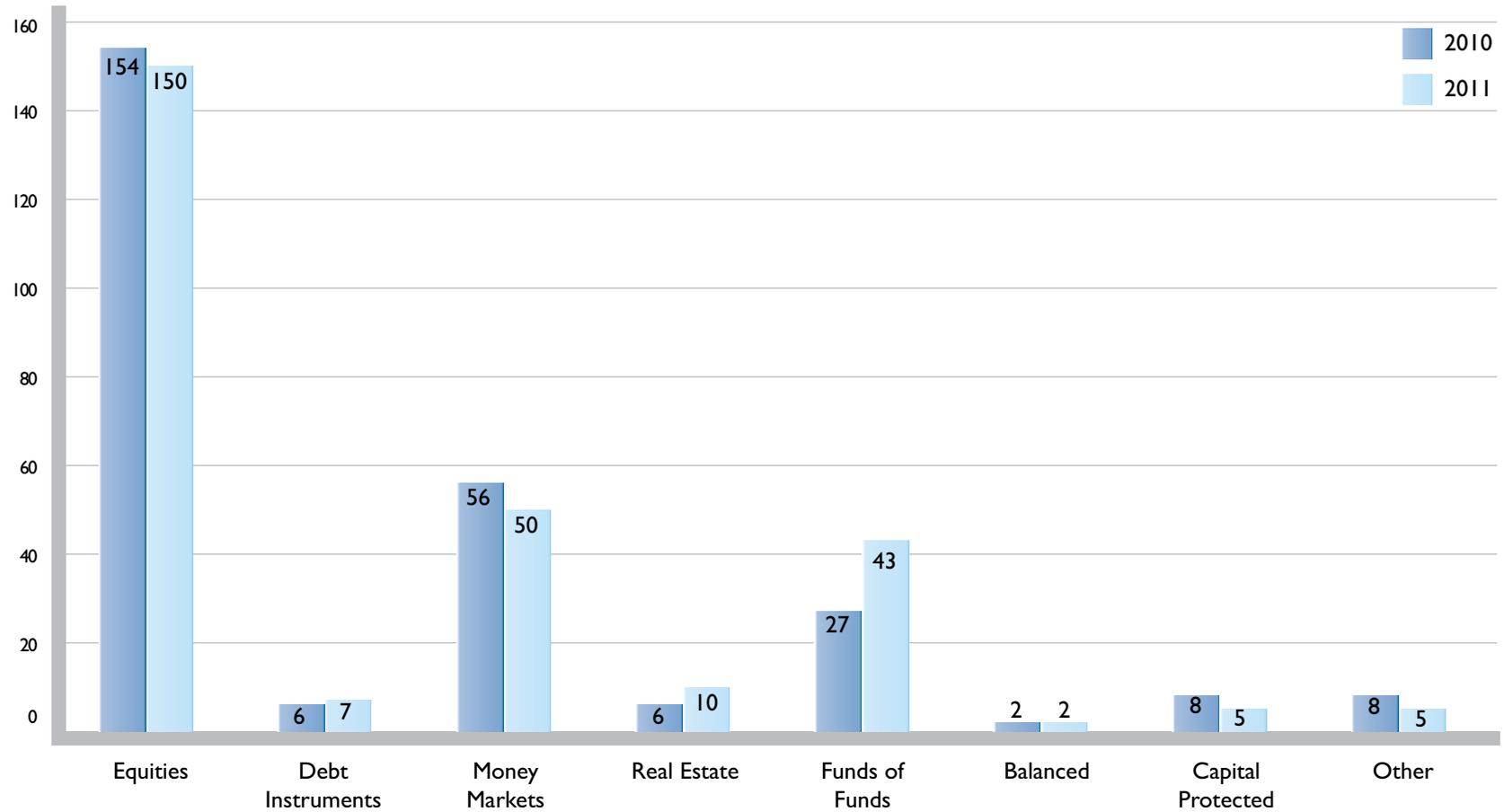
- The number of investment funds at the end of 2011 rose by five (1.9%) to 272 compared to 2010.
- The number of investment funds in “real estate” constituted the highest jump with an increase of 66.7% at the end of 2011 compared to 2010.
- The number of funds of funds and debt instrument funds in 2011 rose by 59.3% and 16.7% respectively compared to 2010.
- The number of equity funds, money market funds, and capital protected funds declined in 2011 by 2.6%, 10.7% and 37.5% respectively compared to 2010.
- Equity funds continued to hold the largest number of total investment funds in 2011 despite their retraction to 55.1% compared to 57.7% in 2010.

Table (13): Number of Investment Funds by Type of Investment up to the End of 2010 and 2011

Investment Type	Up to the End of 2010		Up to the End of 2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Equities	154	57.7%	150	55.1%	- 2.6%
Debt Instruments	6	2.2%	7	2.6%	16.7%
Money Markets	56	21.0%	50	18.4%	- 10.7%
Real Estate	6	2.2%	10	3.7%	66.7%
Funds of Funds	27	10.1%	43	15.8%	59.3%
Balanced	2	0.7%	2	0.7%	0.0%
Capital Protected	8	3.0%	5	1.8%	- 37.5%
Other	8	3.0%	5	1.8%	- 37.5%
Total	267	100%	272	%100	1.9%



Chart (12): Number of Investment Funds by Type of Investment up to the End of 2010 and 2011





### 3. Volume of Investment Fund Assets under Management (AUM)

Table (14) shows the volume of investment fund assets under management in 2011 and 2010. The most important highlights of the table can be summarized as follows:

- The volume of total investment fund assets under management in 2011 declined by SR 12.6 billion (13.3%) to about SR 82.1 billion, compared to SR 94.7 billion in 2010.
- The volume of the assets of “debt instruments funds”, “real estate funds”, “funds of funds” and “balanced funds” rose in 2011 by 10.2%, 63.8%, 1.4% and 26.8% respectively compared to 2010.
- The volume of the assets of “equity funds”, “money markets funds” and “capital protected funds” went down in 2011 by 14.0%, 14.6% and 35.6% respectively against that of 2010.
- Money market funds continued to maintain the largest portion of total assets’ volume despite their fall back from SR 58.0 billion in 2010 to SR 49.5 billion in 2011.

Table (14): Investment Funds’ Assets under Management (AUM) by Type of Investment in 2010 and 2011

Investment Type	2010		2011		Change (%)
	Assets Volume (SR Million)	Percentage out of Total (%)	Assets Volume (SR Million)	Percentage out of Total (%)	
Equities	30,974.0	32.7%	26,628.4	32.4%	- 14.0%
Debt Instruments	218.9	0.2%	241.2	0.3%	10.2%
Money Markets	58,015.7	61.3%	49,544.1	60.4%	- 14.6%
Real Estate	1,557.4	1.6%	2,550.6	3.1%	63.8%
Funds of Funds	2,677.3	2.8%	2,715.6	3.3%	1.4%
Balanced	91.2	0.1%	115.6	0.1%	26.8%
Capital Protected	358.1	0.4%	230.5	0.3%	- 35.6%
Other	773.5	0.8%	50.4	0.1%	- 93.5%
<b>Total</b>	<b>94,666.1</b>	<b>100%</b>	<b>82,076.4</b>	<b>100%</b>	<b>- 13.3%</b>



Chart (13): Breakdown Percentages of Investment Funds' Assets under Management by Type in 2010 and 2011

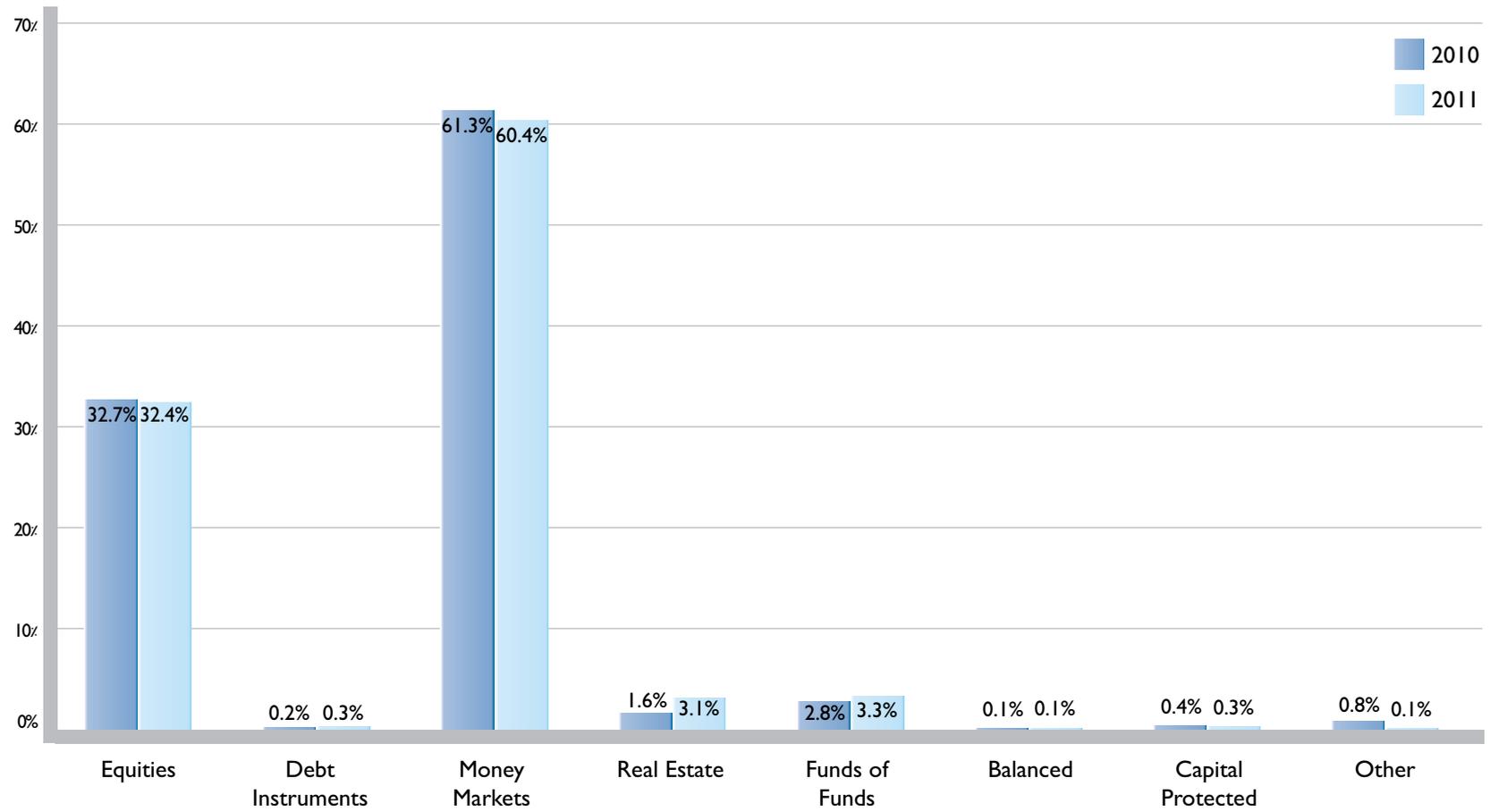




Table (15) reflects the volume of investment funds' assets in equities in 2011 compared to 2010, and the volume of investments made by these funds in various international and local equities, by geographical area. The most important highlights of this table can be summarized in the following:

- Total volume of investment funds' assets in equities generally decreased by 14.0% in 2011 compared to 2010.
- Volume of investment funds' assets in local equities declined by 10.2% to SR 17.1 billion in 2011 compared to SR 19.1 billion in 2010 although the percentage of investment funds' assets in local equities out of the total increased to 64.3% in 2011.
- The volume of assets in US equity funds was up by 1.1% in 2011 compared to 2010, accompanied by declines in GCC equity funds, Arab equity funds, Asian equity funds, European equity funds and other international equity funds.

Table (16) unveils more details on the breakdown of the assets volume of local equity funds classified by market sectors of the Saudi Stock Exchange in 2011 against 2010:

- Most investments of local equity funds were concentrated in two sectors "Petrochemical Industries" and "Banks and Financial Services" with SR 4.9 billion (28.7%) and SR 3.6 billion (21.2%) respectively.
- The "Hotels and Tourism" sector came last in terms of the investments volume with only 0.0002% in 2011.
- The assets volume of investment funds in the "Cement", "Retail", "Insurance" and "Industrial Investment" sectors rose by 33.3%, 44.0%, 5.8% and 7.0% respectively against the retreat of investment funds' assets in local equities in the remaining sectors.





Table (15): Volume of Investment Funds Assets (AUM) in Equities Classified Geographically in 2010 and 2011

Geographical Scope	2010		2011		Change (%)
	Asset Volume (SR Million)	Percentage out of Total (%)	Asset Volume (SR Million)	Percentage out of Total (%)	
Local Equities	19,074.1	61.6%	17,135.1	64.3%	- 10.2%
GCC Equities	1,942.1	6.3%	1,519.5	5.7%	- 21.8%
Arab Equities	246.3	0.8%	107.1	0.4%	- 56.5%
Asian Equities	1,116.8	3.6%	810.2	3.0%	- 27.5%
US Equities	1,162.2	3.8%	1,174.6	4.4%	1.1%
European Equities	2,211.4	7.1%	1,845.2	6.9%	- 16.6%
Other International Equities	5,221.2	16.9%	4,036.7	15.2%	- 22.7%
Total	30,974.0	100%	26,628.4	100%	- 14.0%



Chart (14): Percentage Growth of Investment Funds' Assets under Management (AUM) in Equities Classified Geographically in 2011

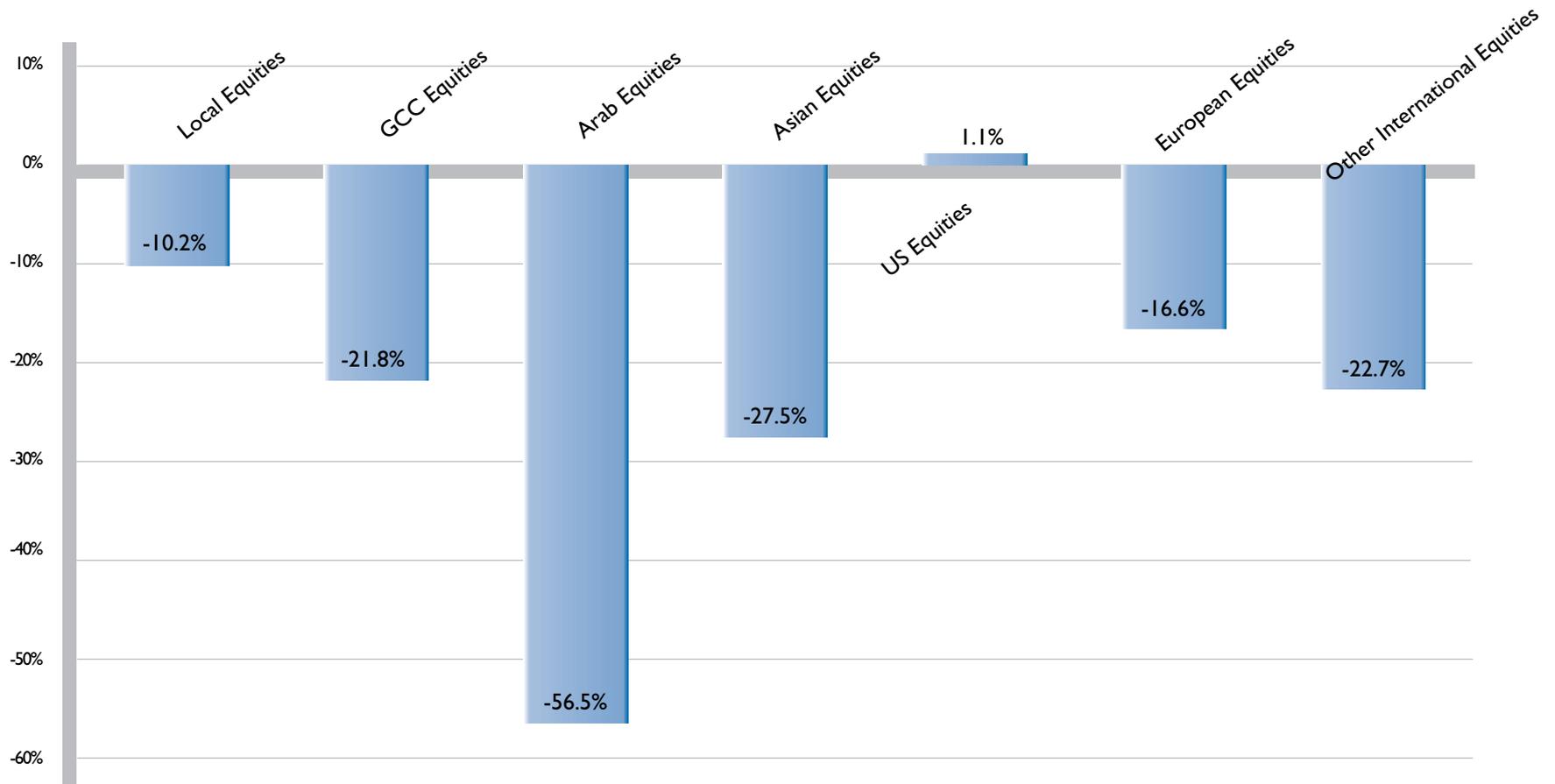




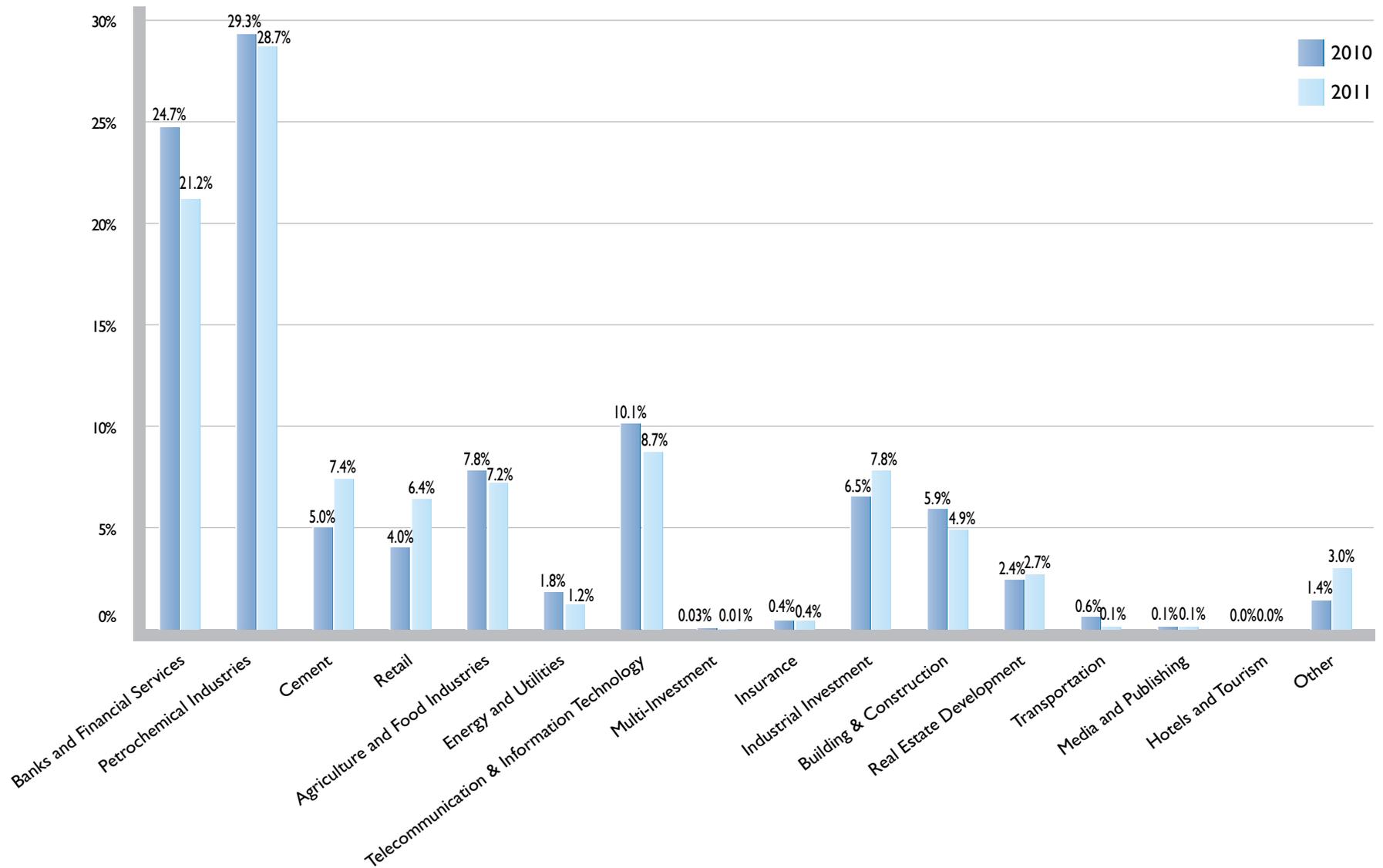
Table (16): Volume of Funds' Assets under Management (AUM) in Local Equities by the Saudi Stock Exchange Sectors in 2010 and 2011

Sector	2010		2011		Change (%)
	Volume (SR Million)	Percentage out of Total (%)	Volume (SR Million)	Percentage out of Total (%)	
Banks and Financial Services	4,707.9	24.7%	3,639.0	21.2%	- 22.7%
Petrochemical Industries	5,592.8	29.3%	4,920.8	28.7%	- 12.0%
Cement	950.6	5.0%	1,267.4	7.4%	33.3%
Retail	766.4	4.0%	1,103.5	6.4%	44.0%
Agriculture and Food Industries	1,491.8	7.8%	1,237.8	7.2%	- 17.0%
Energy and Utilities	340.9	1.8%	208.6	1.2%	- 38.8%
Telecommunication & Information Technology	1,921.6	10.1%	1,494.8	8.7%	- 22.2%
Multi-Investment	5.4	0.03%	0.9	0.01%	- 83.3%
Insurance	70.5	0.4%	74.6	0.4%	5.8%
Industrial Investment	1,248.8	6.5%	1,336.2	7.8%	7.0%
Building & Construction	1,123.1	5.9%	837.1	4.9%	- 25.5%
Real Estate Development	460.1	2.4%	468.1	2.7%	1.7%
Transportation	105.6	0.6%	13.0	0.1%	- 87.7%
Media and Publishing	15.3	0.1%	17.2	0.1%	12.4%
Hotels and Tourism	0.04	0.0002%	0.04	0.0002%	0.0%
Other <sup>15</sup>	273.3	1.4%	516.2	3.0%	88.9%
Total	19,074.1	100%	17,135.1	100%	- 10.2 %

15- Including cash and money markets.



Chart (15): Investment Funds' Assets in Local Equities Broken down by Exchange Sectors in 2010 and 2011





## 4. Number of Investors in Investment Funds

Table (17) illustrates the most significant developments in the number of investors in 2011 against 2010 by type of investment as follows:

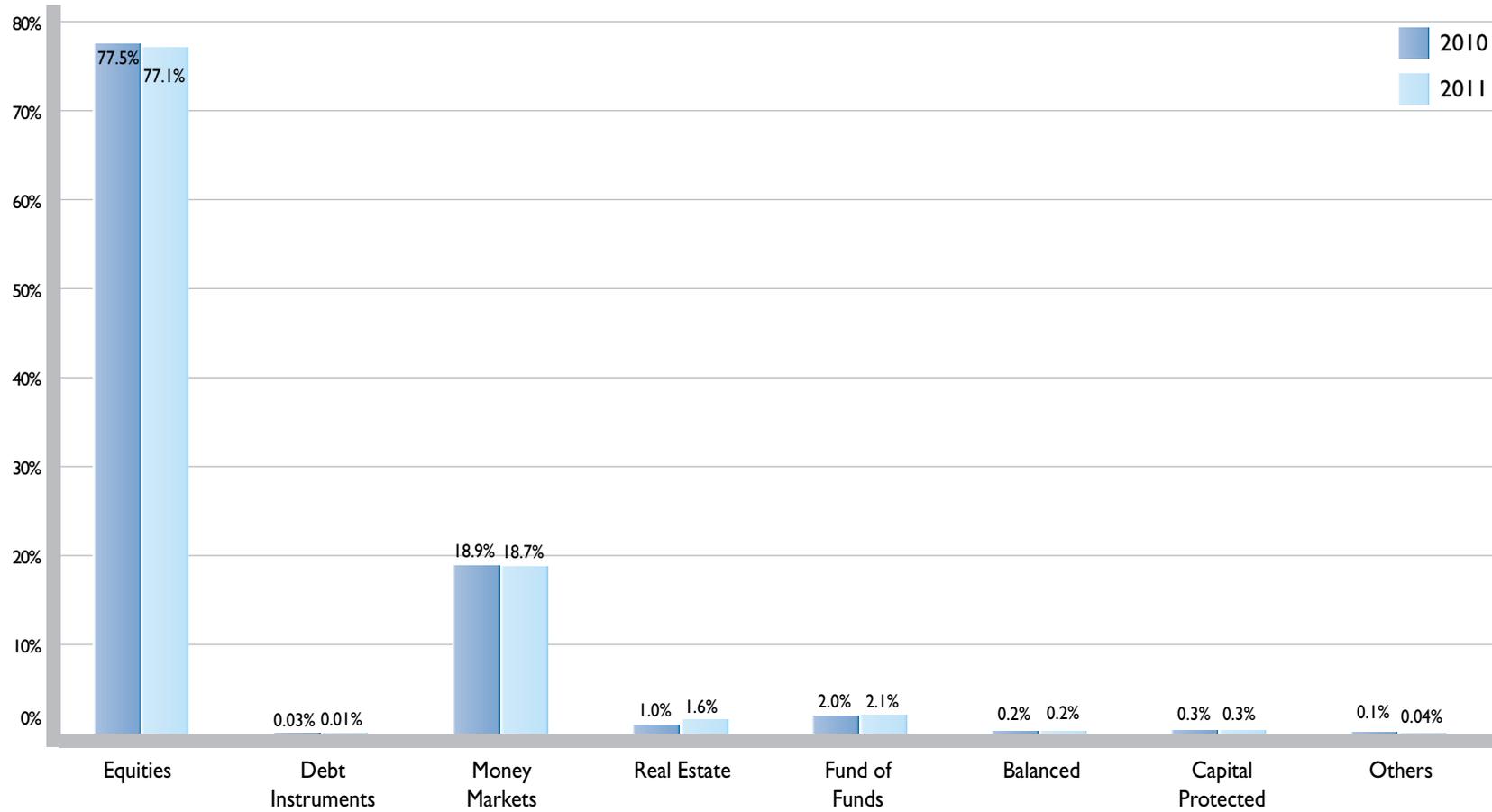
- Total number of investors went down by 8.2% in 2011 compared to 2010, amounting to 293,506.
- The number of investors in “equity funds” declined by 8.7% to 226,204 in 2011 compared to 2010, although equity funds snatched the largest portion of total investors in investment funds with 77.1%.
- The number of investors in other funds decreased greatly by 72.3%, followed by debt instrument funds with 55.3% in 2011 compared to 2010.
- The number of investors in real estate funds and balanced funds rose by 42.7% and 6.0% respectively in 2011 compared to 2010.

Table (17): Number of Investors in Investment Funds in 2010 and 2011 by Type of Investment

Investment Type	2010		2011		Change (%)
	Number of Investors	Percentage out of Total (%)	Number of Investors	Percentage out of Total (%)	
Equities	247,771	77.5%	226,204	77.1%	- 8.7%
Debt Instruments	94	0.03%	42	0.01%	- 55.3%
Money Markets	60,306	18.9%	54,839	18.7%	- 9.1%
Real Estate	3,199	1.0%	4,565	1.6%	42.7%
Fund of Funds	6,430	2.0%	6,201	2.1%	- 3.6%
Balanced	646	0.2%	685	0.2%	6.0%
Capital Protected	940	0.3%	849	0.3%	- 9.7%
Others	437	0.1%	121	0.04%	- 72.3%
Total	319,823	100%	293,506	100%	- 8.2%



Chart (16): Percentages of Investors in Investment Funds in 2010 and 2011 by Type of Investment





## 2.1.4 Exchange Traded Funds (ETFs)

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

## I. ETFs Approved by the CMA for Trading

In 2011, the CMA approved the “HSBC Amanah Saudi 20 ETF”, managed by HSBC Saudi Arabia Limited, to be traded on the Saudi Stock Exchange. The units of the fund were offered for trading at the end of 2011. Table (18) presents all the ETFs approved by the CMA up to the end of 2011.

Table (18): Exchange Traded Funds (ETFs) Approved by the CMA and Traded up to the End of 2011

No.	ETF Name	Fund Manager	Currency
1	Falcom Saudi Equity ETF	Falcom Investment Company	SR
2	Falcom Petrochemical ETF	Falcom Investment Company	SR
3	HSBC Amanah Saudi 20 ETF	HSBC Saudi Arabia Limited	SR

## 2. Volume of Assets and Number of Investors in ETFs

Table (19) indicates the volume of assets and number of investors in ETFs for 2011:

- The volume of assets in ETFs stood at SR 117.1 million in 2011 compared to SR 74.2 million in 2010, as “Falcom Saudi Equity ETF” accounted for the largest portion with SR 79.2 million (67.6%) of total assets volume.

- The number of investors in “Falcom Saudi Equity ETF” constituted the largest percentage of the total number of subscribers with 81.4%.



Table (19): Volume of Assets and Number of Investors in Exchange Traded Funds (ETFs) in 2010 and 2011

ETF Name	2010				2011			
	Volume of Assets (SR Million)	Percentage out of Total (%)	Number of Investors	Percentage out of Total (%)	Volume of Assets (SR Million)	Percentage out of Total (%)	Number of Investors	Percentage out of Total (%)
Falcom Saudi Equity ETF	51.4	69.3%	549	92.7%	79.2	67.6%	325	81.4%
Falcom Petrochemical ETF	22.8	30.7%	43	7.3%	27.7	23.7%	61	15.3%
HSBC Amanah Saudi 20 ETF	--	--	--	--	10.2	8.7%	13	3.3%
Total	74.2	100%	592	100%	117.1	100%	399	100%



Chart (17): Volume of ETF Assets (SR Million) in 2010 and 2011

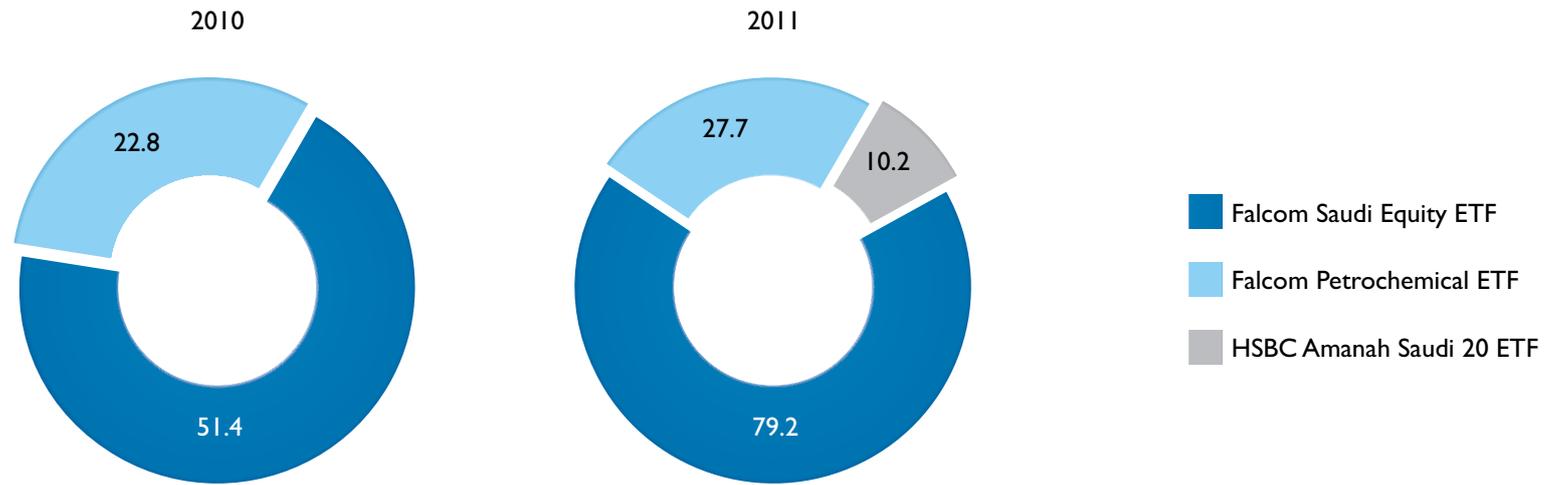
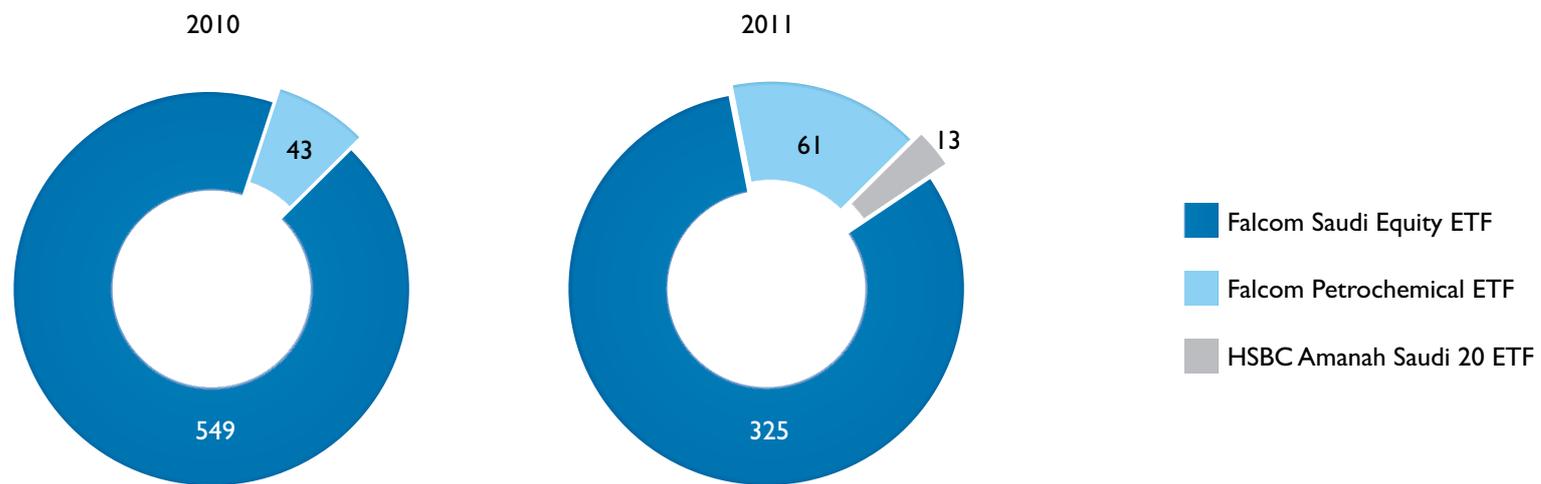


Chart (18): Number of Investors in ETFs in 2010 and 2011





### 3. ETFs Trading Activity

Table (20) highlights ETFs' trading activity in 2010 and 2011. The most important indicators can be summarized in the following:

- The value of traded ETFs fell by 82.3% to SR 115.9 million in 2011 compared to 2010.
- The volume of traded ETFs declined by 83.1% to 5,322.3 thousand units in 2011 compared to 2010.
- The number of executed trades dropped from 19,265 in 2010 to 2,252 in 2011.

Table (20): Trading Activity of Exchange Traded Funds' (ETFs) Units in 2010 and 2011

ETF Name	Volume of Traded Units (Thousand)			Value of Traded Units (SR Thousand)			Number of Executed Trades		
	2010	2011	Change (%)	2010	2011	Change (%)	2010	2011	Change (%)
Falcom Saudi Equity ETF	29,393.5	3,911.1	- 86.7%	610,284.7	81,103.6	- 86.7%	17,763	1,430	- 91.9%
Falcom Petrochemical ETF	2,076.8	1,300	- 37.4%	45,005.2	32,603.5	- 27.6%	1,502	778	- 48.2%
HSBC Amanah Saudi 20 ETF	--	111.2	--	--	2,197.9	--	--	44	--
<b>Total</b>	<b>31,470.3</b>	<b>5,322.3</b>	<b>- 83.1%</b>	<b>655,289.9</b>	<b>115,905</b>	<b>- 82.3%</b>	<b>19,265</b>	<b>2,252</b>	<b>- 88.3%</b>



## 2.1.5 Monitoring Securities Transactions

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

- Shares.
- Sukuk and bonds.
- ETFs.

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

### Trading Surveillance Mechanism

The process of trading surveillance is carried out as follows:

- 1- The electronic surveillance system (SMARTS) generates alerts on any practices or trades that are suspected of violating the CML and its Implementing Regulations.
- 2- Intensive scanning is conducted on all daily trades and deals by analyzing market data and reviewing executed orders and transactions.

- 3- Reports are then produced on any suspected violation of the CML and its Implementing Regulations and forwarded to the concerned division/ department for further investigation and necessary action.
- 4- A surveillance inquiry (soft enforcement) is made on any behavior or practices suspected of violating the CML and its Implementing Regulations.

### Reports on Trading Surveillance Activities

Daily reports are produced to describe market activity and daily trading. Table (21) illustrates the number of reports produced on trading surveillance activities, number of trading days, and daily average reports in 2010 and 2011. The highlights of this table are as follows:

- The number of reports produced on trading surveillance activities rose by 1.2% to 2,567 in 2011 as compared to 2010.
- The average daily reports produced on trading surveillance activities stood at 10.4 reports in 2011.

Table (21): Number of Reports Produced on Trading Surveillance Activities, Number of Trading Days, and Average Daily Reports in 2010 and 2011

Category	2010	2011
Number of Trading Surveillance Activities Reports	2,536	2,567
Number of Trading Days	249	248
Average Daily Reports	10.2	10.4



Chart (19): Number of Reports Produced on Trading Surveillance Activities, Number of Trading Days, and Average Daily Reports in 2010 and 2011

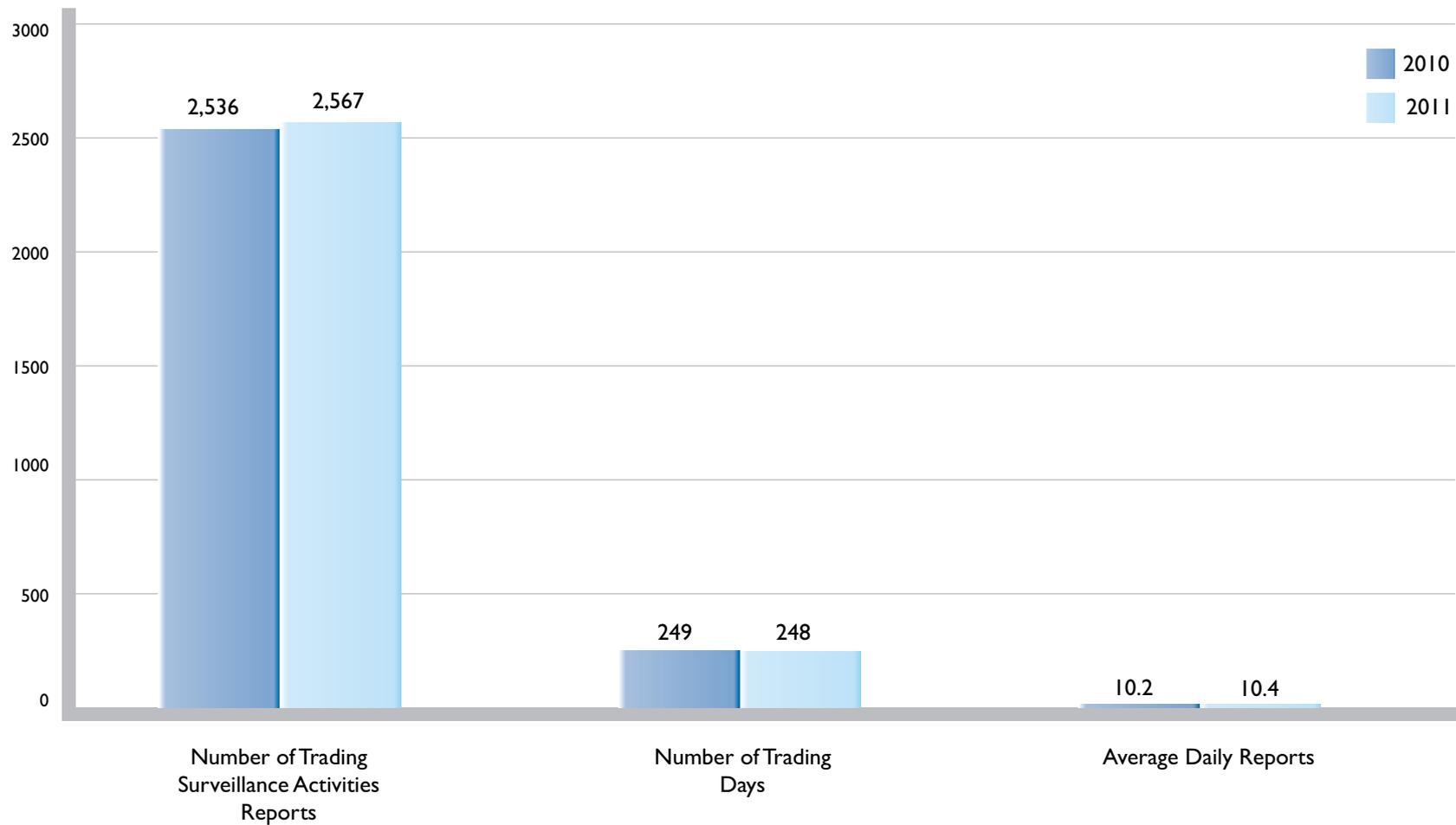




Table (22) shows the number of “SMARTS” alerts that were examined and analyzed in 2010 and 2011. The salient features of this table are summarized as follows:

- The number of “SMARTS” alerts rose by 7.6% to 22,303 in 2011 as compared to the preceding year.

- In 2011, the number of intensive scans for alerted trades and deals increased by 7.9% to 1,331 compared to 2010.

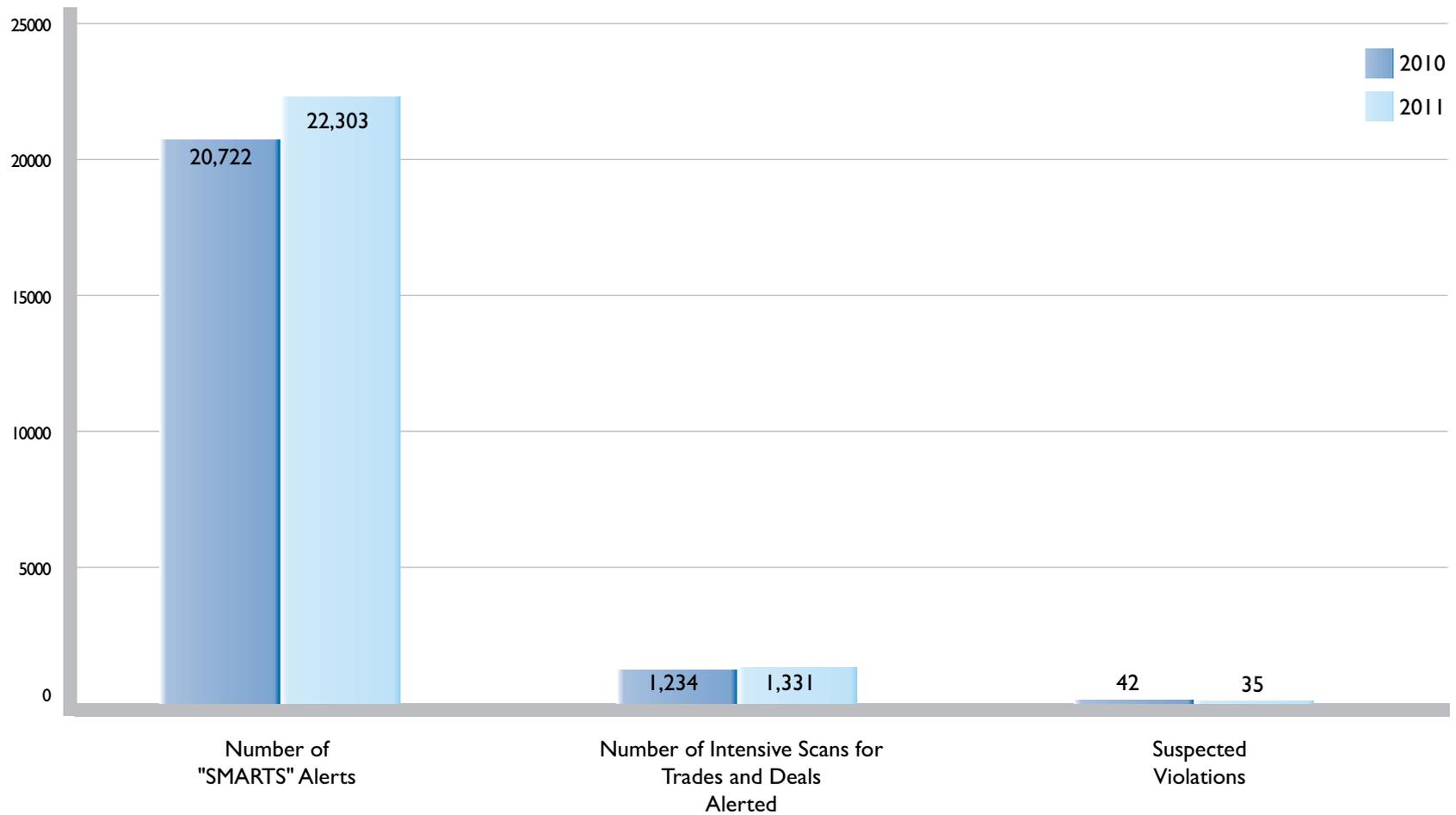
- The number of suspected violations of the CML and its Implementing Regulations during 2011 declined to 35 compared to 42 in 2010.

Table (22): Number of “SMARTS” Alerts, Number of Intensive Scans for Trades and Deals Alerted by “SMARTS”, and Suspected Violations of the CML and its Implementing Regulations in 2010 and 2011

Incident	Number		Change (%)
	2010	2011	
Number of “SMARTS” Alerts	20,722	22,303	7.6%
Number of Intensive Scans for Trades and Deals Alerted	1,234	1,331	7.9%
Suspected Violations	42	35	- 16.7%



Chart (20): Number of Intensive Scans for Trades and Deals Alerted by “SMARTS”, and Suspected Violations of the CML and its Implementing Regulations in 2010 and 2011





## Electronic Surveillance

Since mid-2010, the CMA has adopted the latest surveillance systems and methods to monitor media channels and internet websites to ensure there exists no practices violating the CML and its Implementing Regulations by unauthorized persons who raise funds for the purpose of investment in securities business including investment portfolios management, promotion of securities such as shares and debt instruments, and advertisement of such products; carrying out financial brokerage, financial advising business, or making recommendations without having the CMA's permission.

Electronic surveillance is carried out through an electronic surveillance system that identifies capital market's or listed companies' topics and news released and broadcasted on various local and Arab mass media or websites. Once these topics and news detected, the system generates alerts thereof. Alerts are then

analyzed and examined to identify any suspected case of violating the CML and its Implementing Regulations. Daily and weekly reports are later produced on those alerts.

Table (23) indicates the number of E-Surveillance system alerts and suspected violations of the CML and its Implementing Regulations in 2010 and 2011.

- Total system alerts decreased by 8.9% in 2011 to 3,071 compared to 2010.
- The total number of suspected violations of the CML and its Implementing Regulations was up by 27.3% to 28 cases in 2011 compared to 22 cases in 2010.

Table (23): Number of E-Surveillance System Alerts, Number of Intensive Scans for Trades and Deals Alerted, and Suspected Violations of the CML and its Implementing Regulations in 2010 and 2011

Incident	2010	2011	Change (%)
Number of "E-Surveillance" Alerts	3,371	3,071	- 8.9%
Number of Intensive Scans for Trades and Deals Alerted	65	55	- 15.4%
Suspected Violations	22	28	27.3%



## 2.1.6 Listed Company Disclosure

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

The CMA regulates and monitors two types of disclosure:

### (1) Initial Disclosure:

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

- An adequate description of the issuer, its business, the individuals in charge of its management, including members of the board of directors, executive officers and senior officials, and major shareholders.
- An adequate description of the securities to be issued or offered, in terms of their volume, price, relevant rights, privileges and priorities of the issuer's other securities, if any. The description must set out how the issue proceeds will be disbursed and the commissions charged by those concerned with the issue.
- A clear statement of the financial position of the issuer and any relevant financial data, including audited balance sheet, profit and loss account and cash flow statement.
- Any other relevant information as may be required by the CMA.

The CMA reviewed and published 9 prospectuses in 2011.

### (2) Continuous Disclosure:

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

- Annual reports and financial statements.
- Quarterly interim financial statements.
- Significant developments or events (material information) about listed companies that can be of importance to investors, and affect the price of a company's securities.
- Any developments or events related to securities such as capital change, dividends, recalls, repurchases, withdrawals, redemptions, or any changes in related rights.
- Any changes in the details of members of the board of directors, senior executives and their relatives.
- Any changes as to the company's articles of association, headquarters or auditor.
- Any changes in substantial shareholdings or convertible debt instrument ownership.

The CMA also performs the following:

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



- Monitoring notifications related to the substantial ownership of shares by major shareholders, members of boards of directors and senior executives to ensure their compliance with the CML and its Implementing Regulations.
- Monitoring listed companies' announcements of agreements and memoranda of understanding signed with unlisted company/companies concerning share acquisition or capital increases.
- Monitoring lifts of shares lock-up on founders in listed companies.
- Making supervisory visits to listed companies to ensure their compliance with the CML and its Implementing Regulations.

## Review of Annual and Quarterly Financial Statements

The 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. Tables (24), (25) and (26) reveal the results of the review as follows:

- The number of condensed financial statements that were reviewed after posting on Tadawul website in 2011 rose by 7.1% to 724 compared to 2010. Also, the number of detailed financial statements that were reviewed and posted on Tadawul website in 2011 increased by 7.4% to 714 as compared to 2010.
- The number of reviewed annual financial statements with unqualified audit reports rose to 107 in 2011, increasing by 10.3% compared to 2010. Moreover, the number of reviewed annual financial statements with qualified audit reports went up by 5.6% in 2011 compared to 2010.
- The number of quarterly financial statements with unqualified opinions went up by 7.1% to 105 in 2011 compared to 2010.

Table (24): Condensed and Detailed Financial Statements Reviewed and Posted on Tadawul Website in 2010 and 2011

Category	Number		Change (%)
	2010	2011	
Condensed Financial Statements	676	724	7.1%
Detailed Financial Statements	665	714	7.4%



Table (25): Reviewed Annual Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports during 2010 and 2011

Statements	2010		2011		Change (%)
	Number of Companies	Percentage out of Total (%)	Number of Companies	Percentage out of Total (%)	
Financial Statements with Unqualified Audit Reports for the Preceding Year	97	72.9%	107	74.0%	10.3%
Financial Statements with Qualified Audit Reports for the Preceding Year	36	27.1%	38	26.0%	5.6%
Total	133	100%	145	100%	9.0%

Chart (21): Reviewed Annual Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports during 2010 and 2011

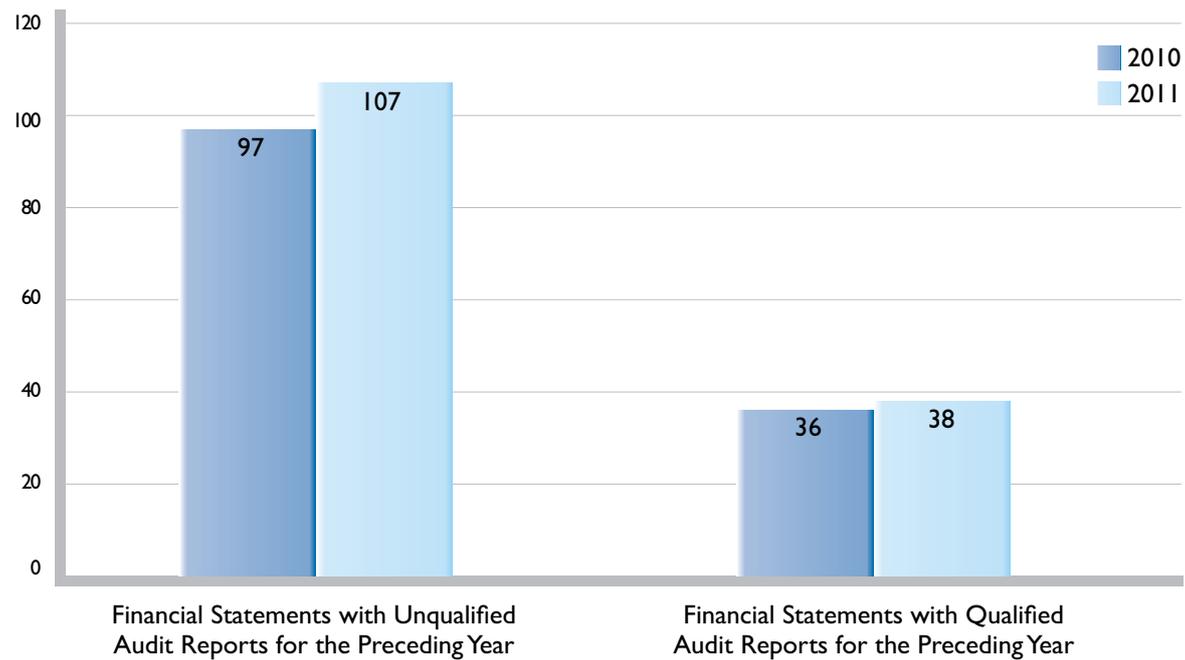
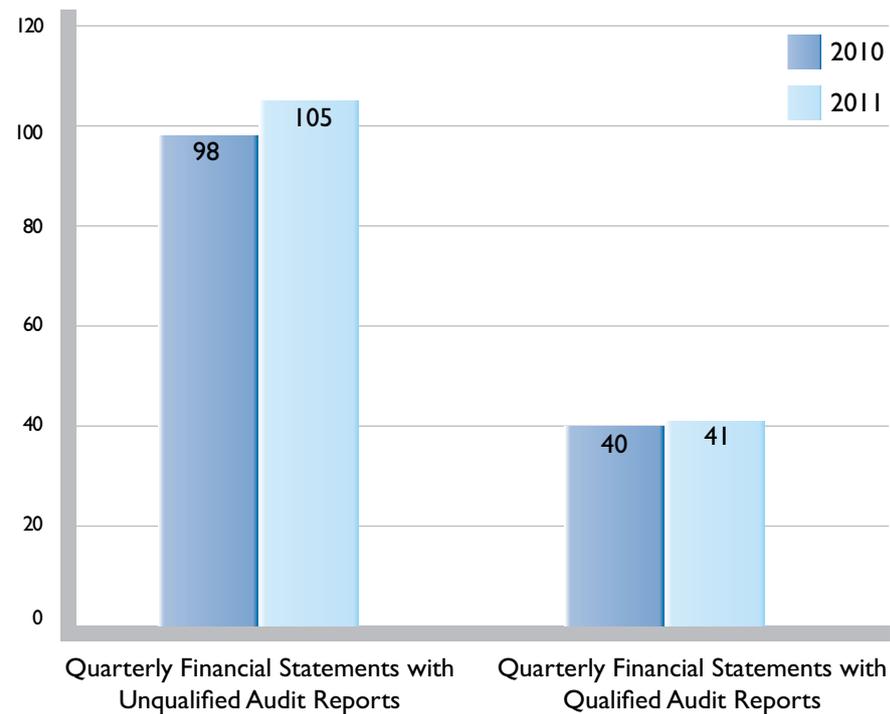




Table (26): Quarterly Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports in 2010 and 2011

Statements	2010		2011		Change (%)
	Number of Statements	Percentage out of Total (%)	Number of Statements	Percentage out of Total (%)	
Quarterly Financial Statements with Unqualified Audit Reports	98	71.0%	105	71.9%	7.1%
Quarterly Financial Statements with Qualified Audit Reports	40	29.0%	41	28.1%	2.5%
Total	138	100%	146	100%	5.8%

Chart (22): Quarterly Financial Statements of Listed Companies with Qualified/Unqualified Audit Reports in 2010 and 2011





## Listed Company Disclosure

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

- The total number of announcements posted on Tadawul website in 2011 stood at 2,975 compared to 2,554 in 2010, denoting an increase of 16.5%.
- The announcements of “other material developments or events” constituted the highest percentage of all types of announcements in 2011 with 31.4% of total announcements, up by 51.2% over 2010.
- Corporate announcements of “corporate board of directors recommending capital increase through bonus shares issue” rose by 375.0% to 19 in 2011 compared to 2010.
- The number of “approval on new product” announcements declined by 82.8% to 16 in 2011 compared to 2010.
- The number of boards of directors’ announcements recommending capital decrease went up to five in 2011 compared to two announcements in 2010.



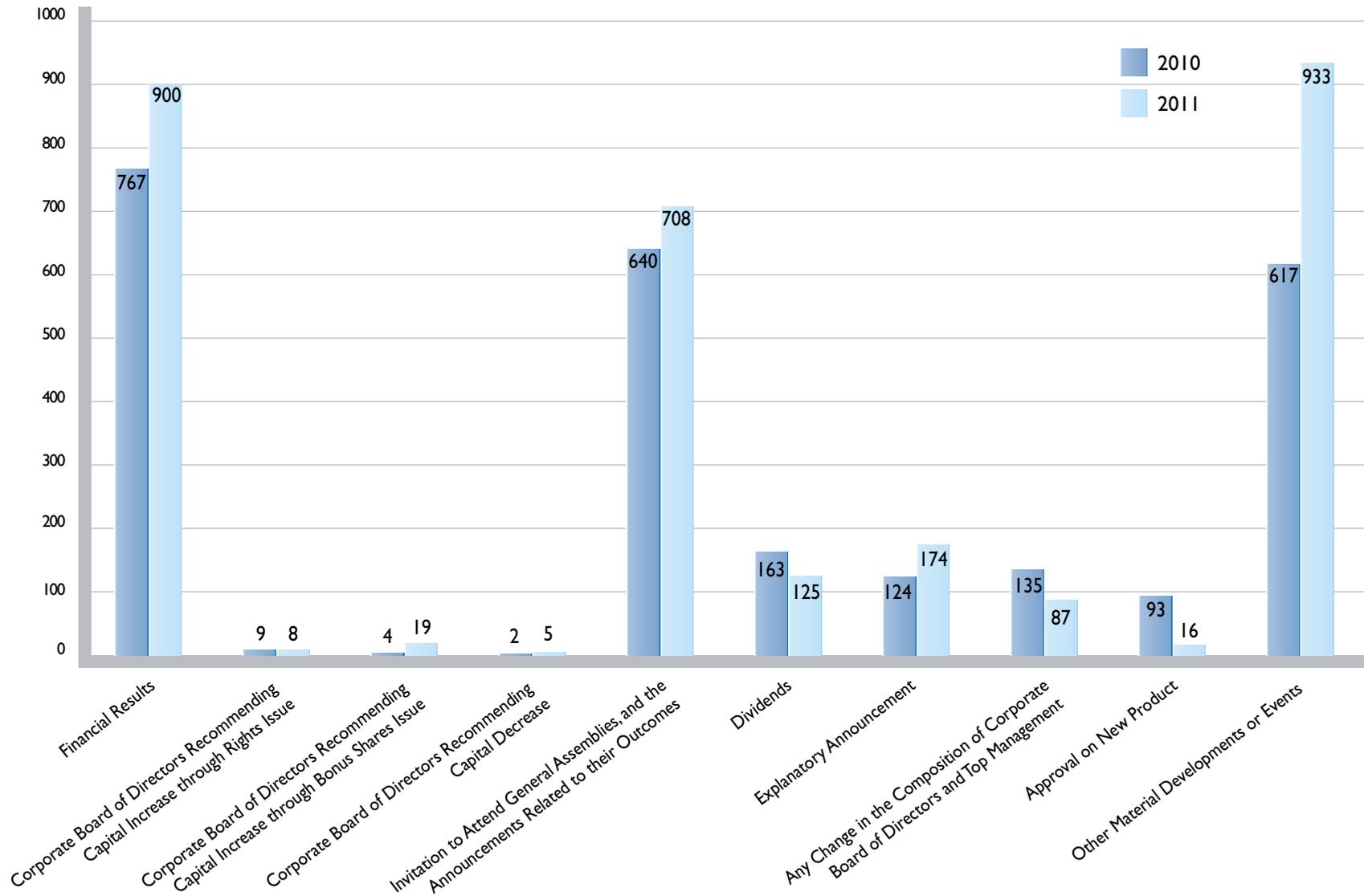


Table (27): Number of Announcements Posted on the Saudi Stock Exchange (Tadawul) Website Classified by Type in 2010 and 2011

Type of Announcement	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Financial Results	767	30.0%	900	30.0%	17.3%
Corporate Board of Directors Recommending Capital Increase through Rights Issue	9	0.4%	8	0.3%	- 11.11%
Corporate Board of Directors Recommending Capital Increase through Bonus Shares Issue	4	0.2%	19	0.6%	375.0%
Corporate Board of Directors Recommending Capital Decrease	2	0.1%	5	0.2%	150.0%
Invitation to Attend General Assemblies, and the Announcements Related to their Outcomes	640	25.1%	708	23.8%	10.6%
Dividends	163	6.4%	125	4.2%	- 23.3%
Explanatory Announcement	124	4.9%	174	5.8%	40.3%
Any Change in the Composition of Corporate Board of Directors and Top Management	135	5.3%	87	2.9%	- 35.6%
Approval on New Product	93	3.6%	16	0.5%	- 82.8%
Other Material Developments or Events	617	24.2%	933	31.4%	51.2%
Total	2,554	100%	2,975	100%	16.5%



Chart (23): Number of Announcements Posted on the Saudi Stock Exchange (Tadawul) Website Classified by Type in 2010 and 2011





## Supervisory Visits:

Pursuant to paragraph (c) of Article Five of the CML stating: “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 witness, 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”. The CMA conducts supervisory visits to listed companies to ensure their compliance with the CMA’s Law, Rules and Regulations. Table (28) presents the total number of supervisory visits to listed companies in 2010 and 2011; those visits grew by 75% to 7 in 2011.

Table (28): Total Number of Supervisory Visits to Listed Companies in 2010 and 2011

Element	Number		Change (%)
	2010	2011	
Supervisory Visits to Listed Companies	4	7	75%

## Notifications of Substantial Share Ownership in Listed Companies or Convertible Debt Instruments

Notification of substantial shareholdings or convertible debt instruments (5% or more), or share or convertible debt instruments ownership by a board member or a senior executive in the same company, and notification of any change to the percentage of such ownership, are among the disclosures mandated by the CMA, under paragraphs (a/1), (a/2), (a/3) and (a/4) in Article Forty Five of the “Listing Rules” which state:

“(a) Where a person is subject to one or more of the following events, the person must notify the issuer and the Authority at the end of the trading day of the occurrence of the relevant event:

- 1) Becoming the owner of, or interested in, 5% or more of any class of voting shares or convertible debt instrument of the issuer;

- 2) The ownership or interest of the person referred to in sub-paragraph (1) of paragraph (a) of this Article increasing or decreasing by 1% or more of the shares, or convertible debt instruments of the issuer;
- 3) A director or senior executive of the issuer becoming the owner of, or interested in, any rights in the shares or convertible debt instruments of that issuer; and
- 4) The ownership or interest of any of the directors or senior executives of the issuer increasing or decreasing by 50% or more in the shares or convertible debt instruments that he or she owns in that issuer, or by 1% or more of the shares or convertible debt instruments of that issuer whichever is less”.



Table (29) shows the number of notifications of shareholdings sent to the CMA by source of notification and type in 2010 and 2011. The contents of this table can be summarized as follows:

- The total number of shareholding notifications declined by 39.5% from 522 in 2010 to 316 in 2011.

- The number of “change in ownership” notifications increased by 34.1% to 232 in 2011 compared to 173 in 2010.

Table (29): Number of Shareholding Notifications Sent to the CMA by Source and Type of Notification in 2010 and 2011

Source of Notification	Type of Notification					Change (%)
	Ownership			Change in Ownership		
	Number		Change (%)	Number		
	2010	2011		2010	2011	
Major Shareholders	36	21	41.7%	58	71	22.4%
Board Members and Senior Executives	486	295	- 39.3%	115	161	40.0%
<b>Total</b>	<b>522</b>	<b>316</b>	<b>- 39.5%</b>	<b>173</b>	<b>232</b>	<b>34.1%</b>

### Requests to Dispose of Holdings in Substantial Shares or Convertible Debt Instruments

Paragraph (f) of Article Forty Five of the “Listing Rules” states that a person who has become an owner of or interested in 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. Table (30) shows the number of disposal requests sent to the CMA in 2010 and 2011. The total number of requests to dispose of substantial shareholdings increased by 20.5% to 53 in 2011 compared to 44 in 2010.

Table (30): Total Number of Shareholding Notifications Sent to the CMA by Issuer of Notification and Type in 2010 and 2011

Element	Number		Change (%)
	2010	2011	
Disposal Requests	44	53	20.5%



## Improving Disclosure

The CMA strives to strengthen transparency among market participants by enforcing compliance of listed companies with the CML and the Listing Rules as well as the instructions on corporate announcements. As prescribed by relevant laws and regulations, listed companies must disclose all material developments without any delay by posting them on the Saudi Stock Exchange's (Tadawul) website, enabling investors to know the latest developments in company activity and its internal material news, hence making informed investment decisions.

Based on this principle, the CMA organized several workshops designated for liaison officers in listed companies who are concerned with releasing corporate news on Tadawul's website through the Saudi Arabian Corporate Profiler (SACP) with the purpose of raising awareness among liaison officers on disclosure requirements. The content and themes of those workshops covered

all disclosure requirements and instructions related to joint-stock companies' announcements. Moreover, the workshops extended to encompass disclosure forms and the areas that should be observed in corporate internal policies on continuous disclosure and the obstacles in corporate compliance with disclosure. Examples on the errors and problems of corporate announcements posted on Tadawul's website were also discussed.

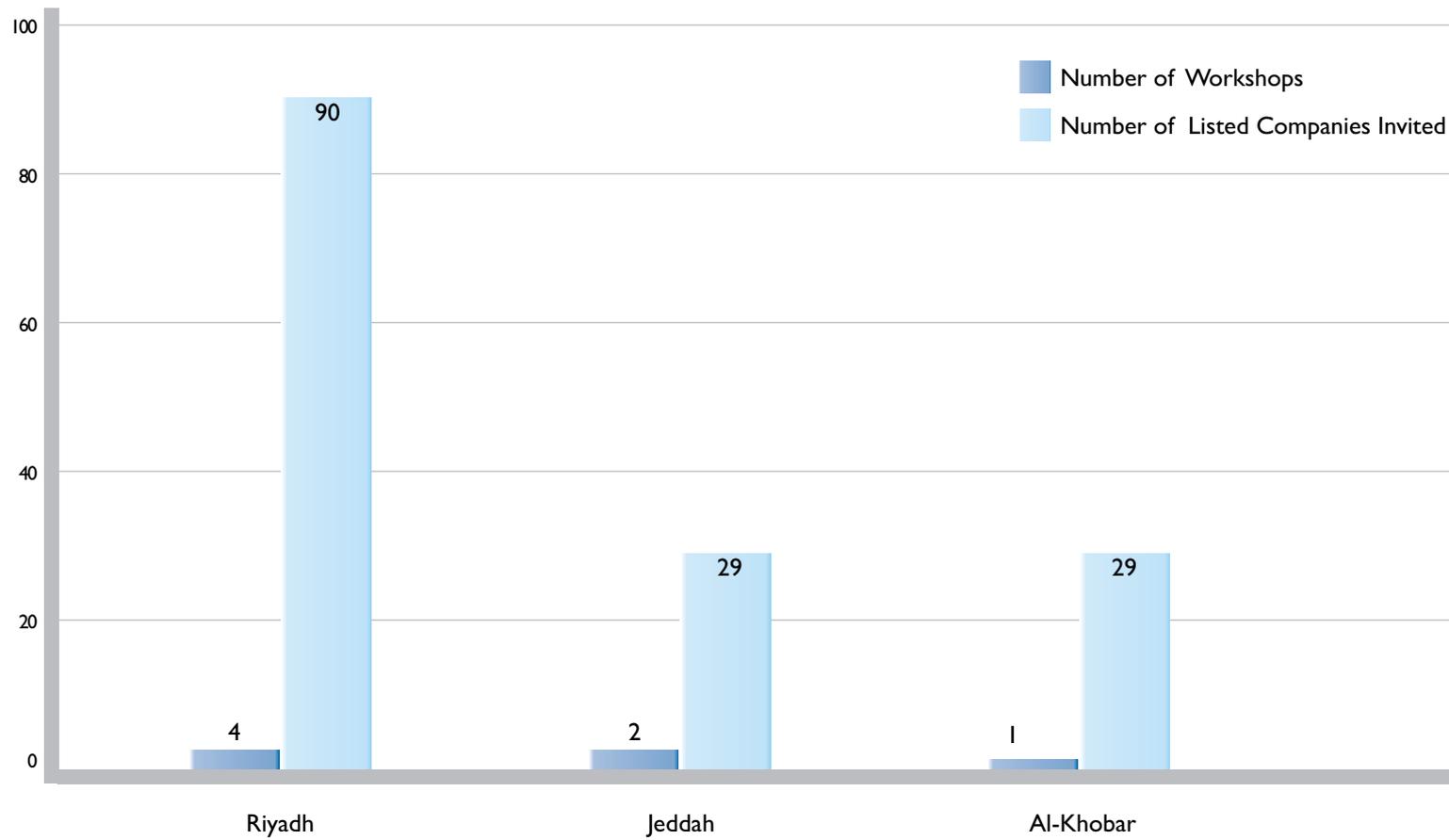
Table (31) highlights the number of CMA-organized workshops for liaison officers in listed companies, classified by location and number of invited listed companies. Seven workshops were held in Riyadh, Jeddah and Al-Khobar where 148 listed companies were invited to the events.

Table (31): Number of CMA-organized Workshops for Liaison Officers in Listed Companies by Location and Number of Listed Companies Invited in 2011

City	Number of Workshops	Number of Listed Companies Invited
Riyadh	4	90
Jeddah	2	29
Al-Khobar	1	29
Total	7	148



Chart (24): Number of CMA-organized Workshops for Liaison Officers in Listed Companies by Location and Number of Listed Companies Invited in 2011





## Corporate Governance

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

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

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

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

## Mandatory Articles of the Corporate Governance Regulations

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

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

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



On 3/12/1432H (30/10/2011), the Board of the CMA issued Resolution No. (1-33-2011) making paragraph (b) in Article Ten of the Corporate Governance Regulations (laying down rules for internal control systems and supervising them as part of the main functions of the board of directors) mandatory as of 1/1/2012.

### Board Members of Listed Companies: Classification

Article Twelve of the Corporate Governance Regulations states the requirements with regard to the composition of the board of directors, and they are as follows:

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

According to the Corporate Governance Regulations:

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

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

- 1- He/she holds a five percent (5%) or more of the issued shares of the company or any of its group.
- 2- Being a representative of a legal person that holds a five percent (5%) or more of the issued shares of the company or any of its group.
- 3- He/she, during the preceding two years, has been a senior executive of the company or of any other company within that company's group.

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

Table (32) shows the number of boards' seats in listed companies by membership type as in the boards of directors' reports for 2009 and 2010<sup>16</sup>. The most significant points of this table are:

- The seats of "non-executive members" in 2010 accounted for the greatest percentage of total seats of boards of directors in listed companies with 49.6%.
- The total number of "independent members" seats decreased by 23.3% in 2010 compared to 2009.

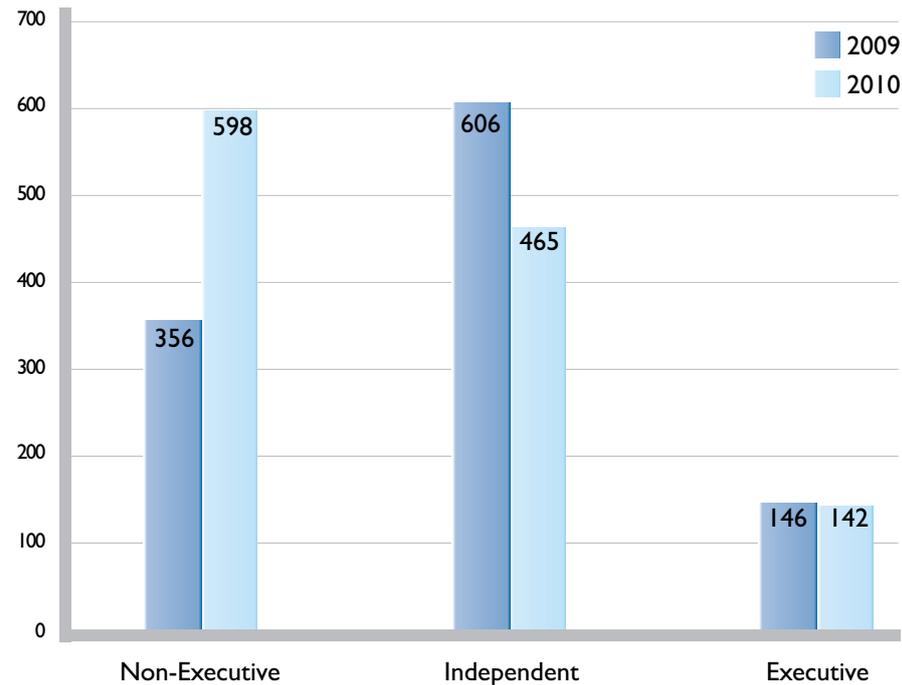
<sup>16</sup>- Years of comparison are based on available data.



Table (32): Number of Boards' Seats in Listed Companies by Membership Type as in Boards of Directors' Reports for 2009 and 2010

Membership Type	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Non-Executive	356	32.1%	598	49.6%	68.0%
Independent	606	54.7%	465	38.6%	- 23.3%
Executive	146	13.2%	142	11.8%	- 2.7%
Total	1,108	100%	1,205	100%	8.8%

Chart (25): Number of Boards' Seats in Listed Companies by Membership Type as in Boards of Directors' Reports for 2009 and 2010





## Meetings of Boards of Directors in Listed Companies

Article Sixteen of the Corporate Governance Regulations has provided instructions to board members on several matters such as: dedicating ample time for discharging their responsibilities, including preparing for the meetings of the board and the permanent and ad hoc committees, and endeavoring to attend such meetings. The board shall convene its ordinary meetings regularly upon a request by the chairman; he should consult the other members of the board and the CEO when preparing a specified agenda to be presented to the board. Table (33) indicates the number of boards' meetings in listed companies by sector as in the boards of directors' reports for 2009 and 2010 as follows:

- The number of boards' meetings in listed companies stood at 716 in 2010, averaging 5 meetings per company.
- The average number of the meetings of "Energy and Utilities" companies came first for the second consecutive year with 9 meetings per company.
- The average number of the meetings of "Insurance" companies (the largest sector in terms of number of companies) was 5 meetings per company at the end of 2009 and 2010.





Table (33): Number of Boards' Meetings in Listed Companies by Sector as in Boards of Directors' Reports at the End of 2009 and 2010

Sector	2009			2010		
	Number of Meetings	Number of Companies <sup>17</sup>	Average Meetings per Company	Number of Meetings	Number of Companies <sup>18</sup>	Average Meetings per Company
Banks and Financial Services	57	11	5	56	11	5
Petrochemical Industries	59	14	4	56	14	4
Cement	42	8	5	41	9	5
Retail	34	9	4	30	9	3
Energy & Utilities	18	2	9	18	2	9
Agriculture and Food Industries	81	14	6	85	14	6
Telecommunication & Information Technology	20	4	5	29	4	7
Insurance	96	21	5	145	30	5
Multi-Investment	34	7	5	40	7	6
Industrial Investment	60	12	5	66	13	5
Building & Construction	67	13	5	70	14	5
Real Estate Development	39	7	6	32	7	5
Transportation	21	4	5	27	4	7
Hotels and Tourism	12	2	6	9	2	5
Media and Publishing	11	3	4	12	3	4
Total	651	131	--	716	143	--

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

18- Three companies were not included in boards' review of the compliance level with the requirements of the Corporate Governance Regulations.



## Board of Directors' Main Committees

### - Audit Committees

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

Table (34) reflects the number of audit committees' seats in listed companies by membership type in 2009 and 2010:

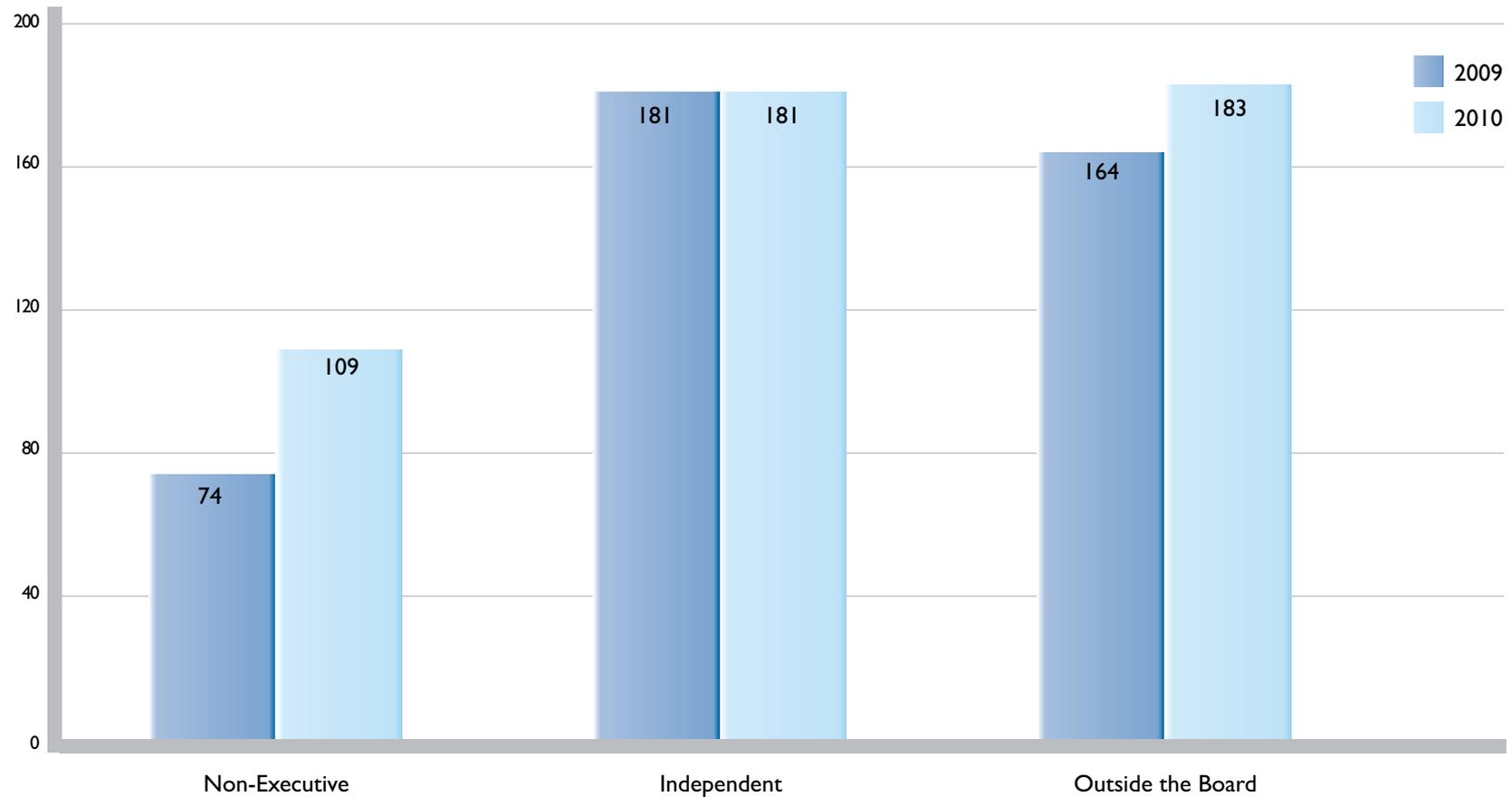
- Total number of audit committees' seats in listed companies increased by 12.9% to 473 in 2010 compared to 2009.
- The number of seats for "outside" members ranked first in 2010, followed by the seats for "independent" members, and the seats for "non-executive" members with 38.7%, 38.3% and 23.0% respectively.
- The number of seats for "non-executive" members rose in 2010 by 47.3% compared to 2009.

Table (34): Number of Audit Committees' Seats in Listed Companies by Membership Type as in Board Reports for 2009 and 2010

Membership Type	2009		2010		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Non-Executive	74	17.7%	109	23.0%	47.3%
Independent	181	43.2%	181	38.3%	0.0%
Outside the Board	164	39.1%	183	38.7%	11.6%
Total	419	100%	473	100%	12.9%



Chart (26): Number of Audit Committees' Seats in Listed Companies by Membership Type as in Board Reports for 2009 and 2010



#### - Nomination and Remuneration Committees

The CMA made Article Fifteen (Nomination and Remuneration Committee) of the Corporate Governance Regulations mandatory for all listed companies, effective from 1/1/2011, pursuant to the CMA Board's Resolution No. (1-10-2010) dated 16/3/2010.

Table (35) presents the number of companies that have nomination and remuneration committees as in the boards of directors' reports for 2009 and 2010; Companies that had their boards' reports reviewed complied with forming nomination and remuneration committees totaling 143.



Table (35): Number of Listed Companies Having Nomination and Remuneration Committees as in Board Reports for 2009 and 2010

Category	2009		2010	
	Number	Percentage out of Total (%)	Number <sup>19</sup>	Percentage out of Total (%)
Companies with Nomination and Remuneration Committees	95	72.5%	143	100%
Companies with no Nomination and Remuneration Committees	36	27.5%	0	0.0%
Total Listed Companies	131	100%	143	100%

## Enhancing the Level of Compliance with Corporate Governance

As part of its ongoing efforts to improve the level of compliance of listed companies with corporate governance, the CMA has undertaken the following:

### I- Held workshops to raise the awareness of listed companies:

The CMA believes in the significance of instilling best practices of corporate governance and developing relevant standards and principles. With its strategy

aimed at boosting the level of awareness in listed companies on the importance of the ideal preparation of a board of directors' report, the CMA held a set of workshops entitled "Preparing the Board of Directors' Report and Completing Corporate Governance Forms", targeting listed companies, and covering major cities across the Kingdom of Saudi Arabia.

Table (36) illustrates the number of those workshops classified by venue and number of listed companies participated in 2011. Five workshops were organized in three cities/provinces of the Kingdom. The number of listed companies that participated in these workshops amounted to 148.

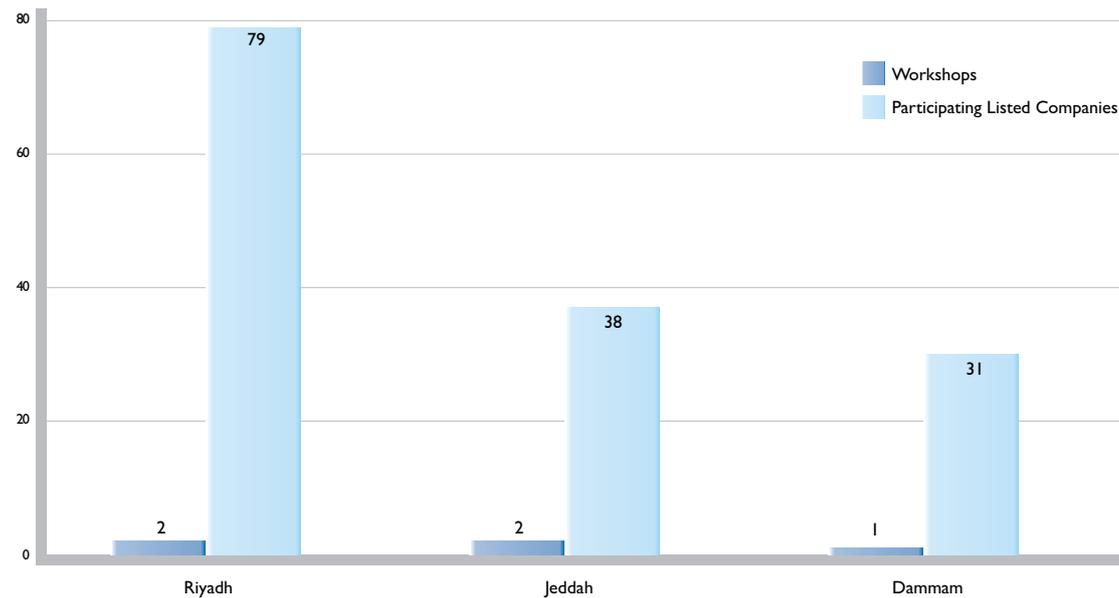
<sup>19</sup>- Three companies were not included in the boards' review of compliance with composing nomination and remuneration committees.



Table (36): Number of CMA-organized Workshops Entitled “Preparing the Board of Directors’ Report and Completing Corporate Governance Forms” Classified by Venue and Number of Participating Listed Companies in 2011

City	Number of Workshops	Number of Participating Listed Companies
Riyadh	2	79
Jeddah	2	38
Dammam	1	31
Total	5	148

Chart (27): Number of CMA-organized Workshops Entitled “Preparing the Board of Directors’ Report and Completing Corporate Governance Forms” Classified by Venue and Number of Participating Listed Companies in 2011





In 2011, the CMA, in cooperation with the GCC Board of Directors Institute (GCC-BDI), also organized a workshop on the effectiveness of board members of public funds and institutional investors holding shares in companies listed on the Saudi Stock Exchange (Tadawul). Key speakers from the Organisation for Economic Cooperation and Development (OECD) and the CMA took part in the event. Major topics were discussed such as instilling best practices of corporate governance, strengthening governance systems and controls in listed companies in line with the newest international standards and practices, particularly those involved with companies partially-owned by governments. The objective was to raise the awareness of board members with regard to fulfilling their duties and to increase their contribution to the boards of directors. A workshop on “Effective Board Membership” was held in Riyadh with the participation of 26 representatives from public funds and institutional investors in listed companies.

## 2- Developed an awareness guide entitled “Shareholder Guide to General Assemblies”

This guide is intended to vitalize the role of shareholders in general assemblies, provide them with more insights on the principles of corporate governance, and achieve positive interaction between shareholders and listed companies, hence, serving the general interest.





## 2.1.7 Violations and Investor Complaints

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

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

- The total number of complaints received in 2011 went down by 23.2% to 311 compared to 2010.
- Complaints about “speculators” declined by 78.9% in 2011 compared to 2010.
- Complaints related to “portfolio management” jumped by 100% in 2011 to 32 compared to 2010.
- Complaints related to the “execution of transactions” accounted for the highest percentage with 24.4% or 76 of total complaints received in 2011.

### (I) Investor Complaints

#### Channels for Lodging Complaints

The CMA has opened many channels for lodging and handling investors' complaints:

- CMA's premises through the Department of Investor Complaints.
- CMA's website.
- Fax or postal service.

The CMA examines and reviews each complaint and ensures that it has jurisdiction for further investigation.

#### Classification of Complaints

The complaints handled by the CMA are classified into several types based on their nature and manner of processing. Table (37) indicates the number of complaints received by the CMA classified by type in 2010 and 2011. Key figures can be summarized as follows:



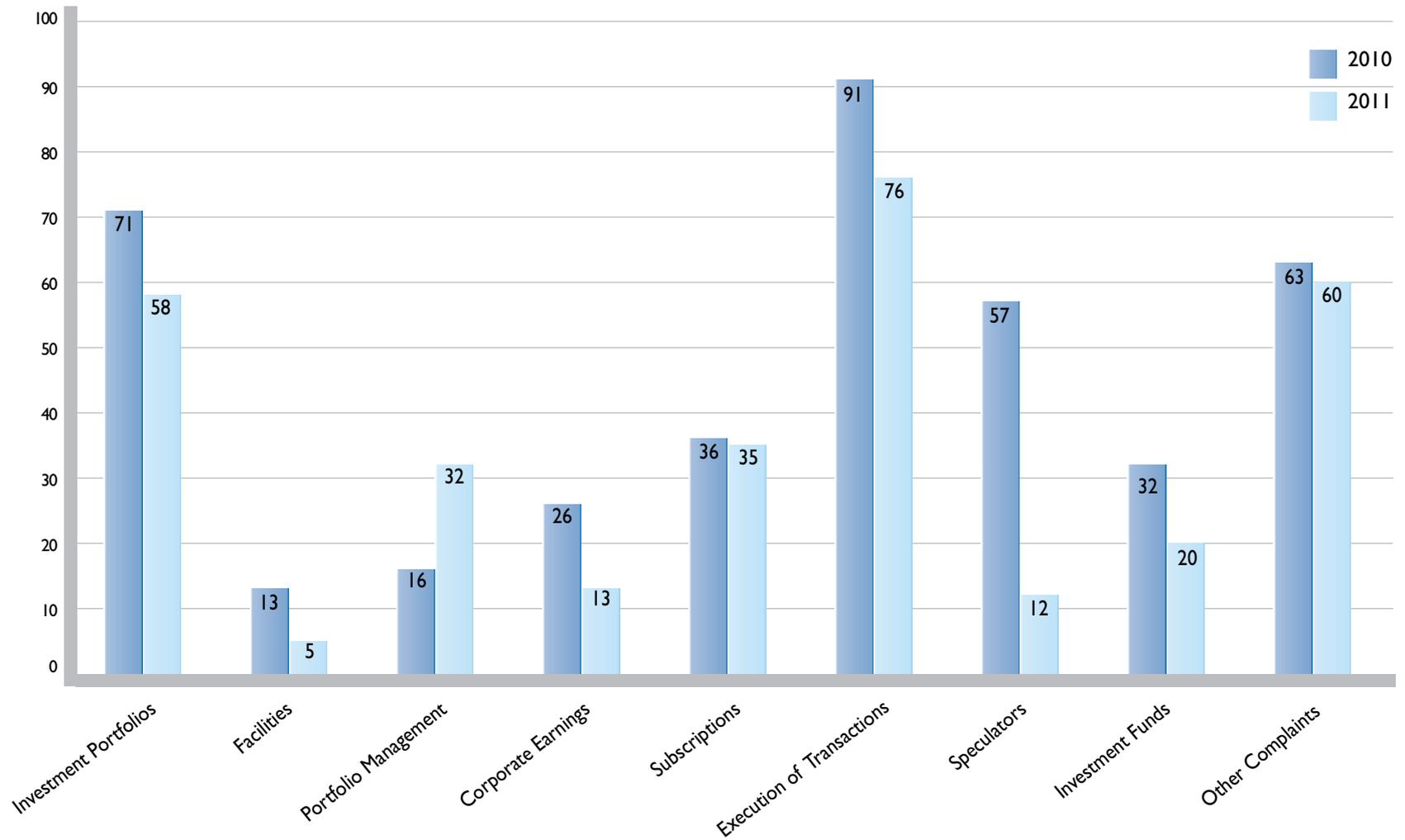
Table (37): Number of Complaints Received by the CMA in 2010 and 2011 Classified by Type

No.	Type of Complaint	2010		2011		Change (%)
		Number	Percentage (%)	Number	Percentage (%)	
1	Investment Portfolios	71	17.5%	58	18.6%	- 18.3%
2	Facilities	13	3.2%	5	1.6%	- 61.5%
3	Portfolio Management	16	4.0%	32	10.3%	100%
4	Corporate Earnings	26	6.4%	13	4.2%	- 50.0%
5	Subscriptions	36	8.9%	35	11.3%	- 2.8%
6	Execution of Transactions	91	22.5%	76	24.4%	- 16.5%
7	Speculators	57	14.1%	12	3.9%	- 78.9%
8	Investment Funds	32	7.9%	20	6.4%	- 37.5%
9	Other Complaints <sup>20</sup>	63	15.6%	60	19.3%	- 4.8%
Total		405	100%	311	100%	- 23.2%

20- Other complaints include: services, stock certificates, inquiries and comments pertaining to the CMA, or the decisions issued by the CRSD or ACRSC, and the complaints falling out of the CMA's or Division's jurisdiction.



Chart (28): Number of Complaints Received by the CMA in 2010 and 2011 Classified by Type





## Handling Investor Complaints

Paragraph (e) of Article Twenty Five of the CML states that “No complaint or statement of claim may be filed with the Committee without being filed first with the Authority, and a 90-day period has passed from the filing date, unless the Authority notifies the grievant otherwise of the permissibility of submitting before the expiration of this period”. In the event that no amicable settlement could be reached between the conflicting parties, and 90 days from filing of the complaint have passed, a notice shall be given to the complainant. The complainant may then file a case with the Committee for the Resolution of Securities Disputes (CRSD) to look into it. As such, the CMA issues notices and notifications to complainants when a complaint is not settled between the concerned parties. Below are the definitions of notices and notifications:

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

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

Tables (38) and (39) indicate the status of complaints received by the CMA and the notices/notifications prepared at the end of 2010 and 2011 as follows:

- 169 complaints (54.3%), out of a total of 311, were resolved at the end of 2011.
- 64 complaints are under examination at the end of 2011, accounting for 20.6% of total complaints.
- The percentage of notifications/notices served to complainants in 2011 increased by 62.8% of the total.

Table (38): Status of Complaints Received by the CMA at the End of 2010 and 2011

Complaint Status	At the End of 2010		At the End of 2011 <sup>21</sup>	
	Number	Percentage (%)	Number	Percentage (%)
Under Examination	64	15.8%	64	20.6%
Resolved	215	53.1%	169	54.3%
Notifications/Notices Prepared	126	31.1%	78	25.1%
Total	405	100%	311	100%

21- All cases under examination at the end of 2010 were finalized at the end of 2011 as 38 cases were resolved and 26 notifications/notices were prepared.



Chart (29): Status of Complaints Received by the CMA at the End of 2010 and 2011 (Percentages)

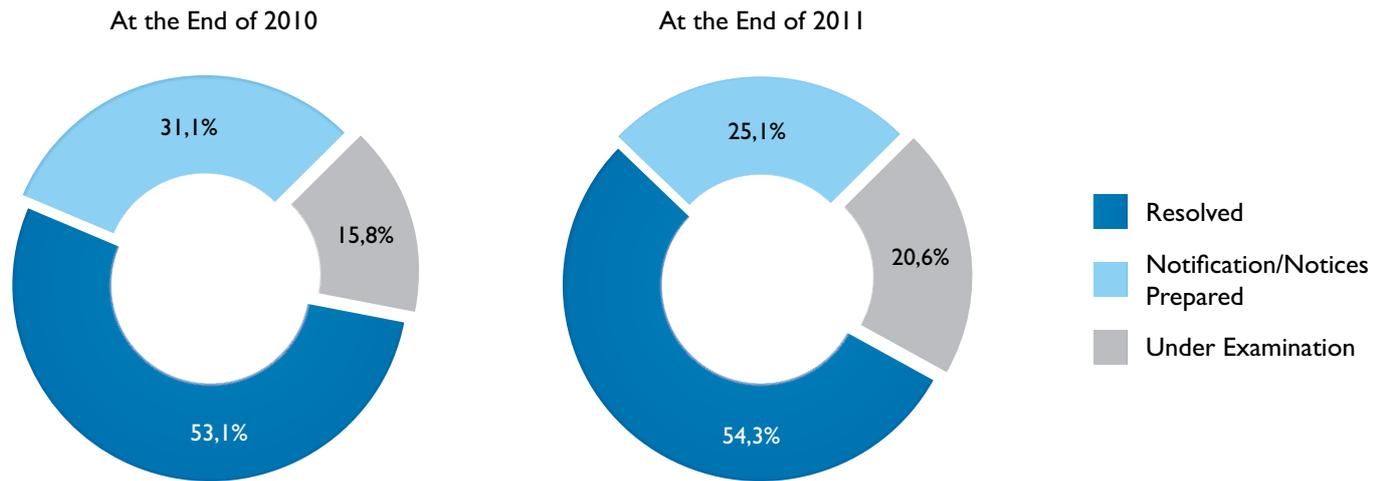
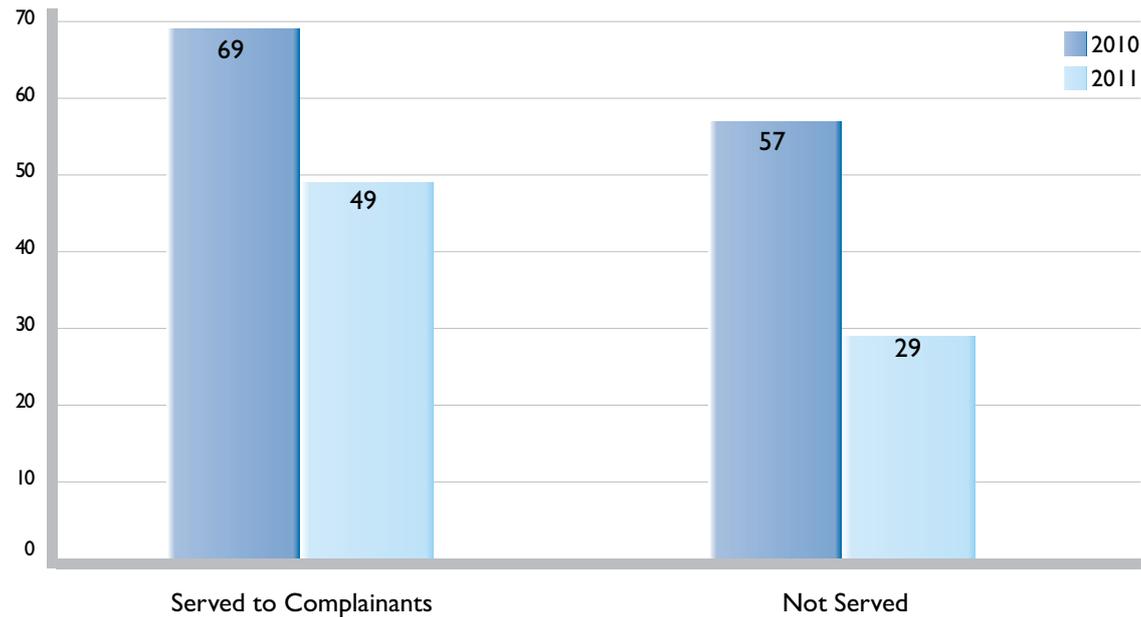


Table (39): Status of Notifications/Notices Prepared by the CMA to Complainants at the End of 2010 and 2011

Status of Notifications/Notices	2010		2011	
	Number	Percentage (%)	Number	Percentage (%)
Served to Complainants	69	54.8%	49	62.8%
Not Served	57	45.2%	29	37.2%
Total	126	100%	78	100%



Chart (30): Status of Notifications/Notices Prepared by the CMA to Complainants at the End of 2010 and 2011



## (2) Investigation into Violations of the CML

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

- 1- Conducting investigation procedures and gathering relevant data and information.
- 2- Examining and analyzing evidence.
- 3- Subpoenaing and interrogating violators after obtaining the CMA Board’s approval on such procedure.



Table (40) shows the number of investigation cases into suspected violations of the CML, by stage of investigation, in 2010 and 2011. The following is a summary of the main points:

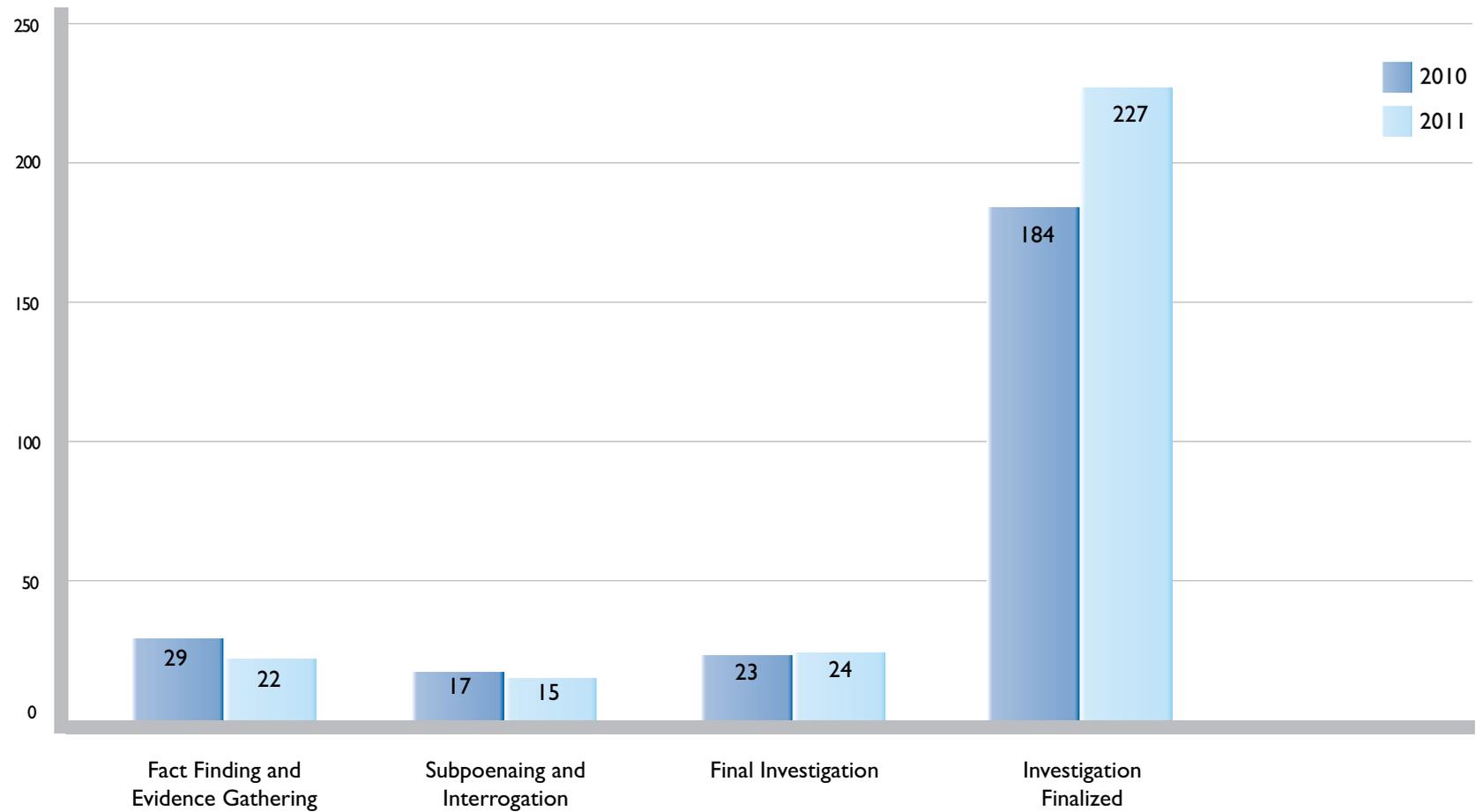
- The total number of investigation cases into suspected violations of the CML rose by 13.8% to 288 in 2011 compared to 2010.
- 227 cases (78.8%) of total cases filed in 2011 were finalized.

Table (40): Number of Investigation Cases into Suspected Violations of the CML at the End of 2010 and 2011 by Stage of Investigation

No.	Stage of Investigation	At the End of 2010		At the End of 2011	
		Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
1	Fact Finding and Evidence Gathering	29	11.5%	22	7.6%
2	Subpoenaing and Interrogation	17	6.7%	15	5.2%
3	Final Investigation	23	9.1%	24	8.3%
4	Investigation Finalized	184	72.7%	227	78.8%
	Total	253	100%	288	100%



Chart (31): Number of Investigation Cases into Suspected Violations of the CML at the End of 2010 and 2011 by Stage of Investigation





## Filed/Finalized Investigation Cases into Suspected Violations of the CML

As shown in table (41) all legal procedures of 303 cases were finalized at the end of 2011, recording an increase of 37.7% higher than 2010.

Table (41): Number of Filed and Finalized Investigation Cases into Suspected Violations of the CML up to the End of 2010 and 2011

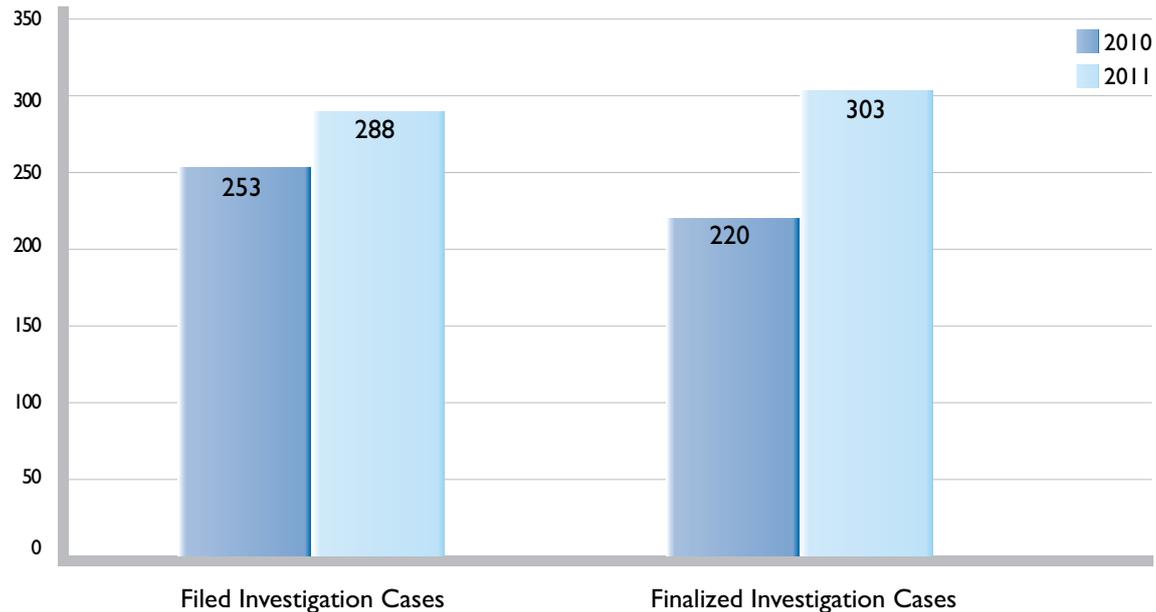
Category	Number		Change (%)
	End of 2010	End of 2011	
Filed Investigation Cases	253	288	13.8%
Finalized Investigation Cases	220 <sup>22</sup>	303 <sup>23</sup>	37.7%

22- Including cases of previous years.

23- Including cases of previous years.



Chart (32): Number of Filed and Finalized Investigation Cases into Suspected Violations of the CML up to the End of 2010 and 2011



## Classification of Violation Cases of the CML

### Filed Violation Cases of the CML

Table (42) illustrates the number of investigation cases into suspected violations of the CML classified by type of violation in 2010 and 2011. The following is a summary of the main points:

- The number of investigation cases related to “conducting securities business and investment of funds without license” ranked first in 2011 with 67 cases (23.3%) of total cases, while those related to “violation of the Offers of Securities Regulations” and “other violations of the Listing Rules” came last with one violation for each.
- The number of investigation cases related to “violation of the Investment/ Real Estate Funds Regulations” increased by 400% to 35 in 2011 compared to 2010.
- The number of investigation cases related to “other violations of the Listing Rules” decreased by 87.5% to one case in 2011 compared to 2010.
- The number of investigation cases related to “ownership/disposal of percentages without notifying the CMA” went up to 10 at the end of 2011, 233.3% higher than 2010.

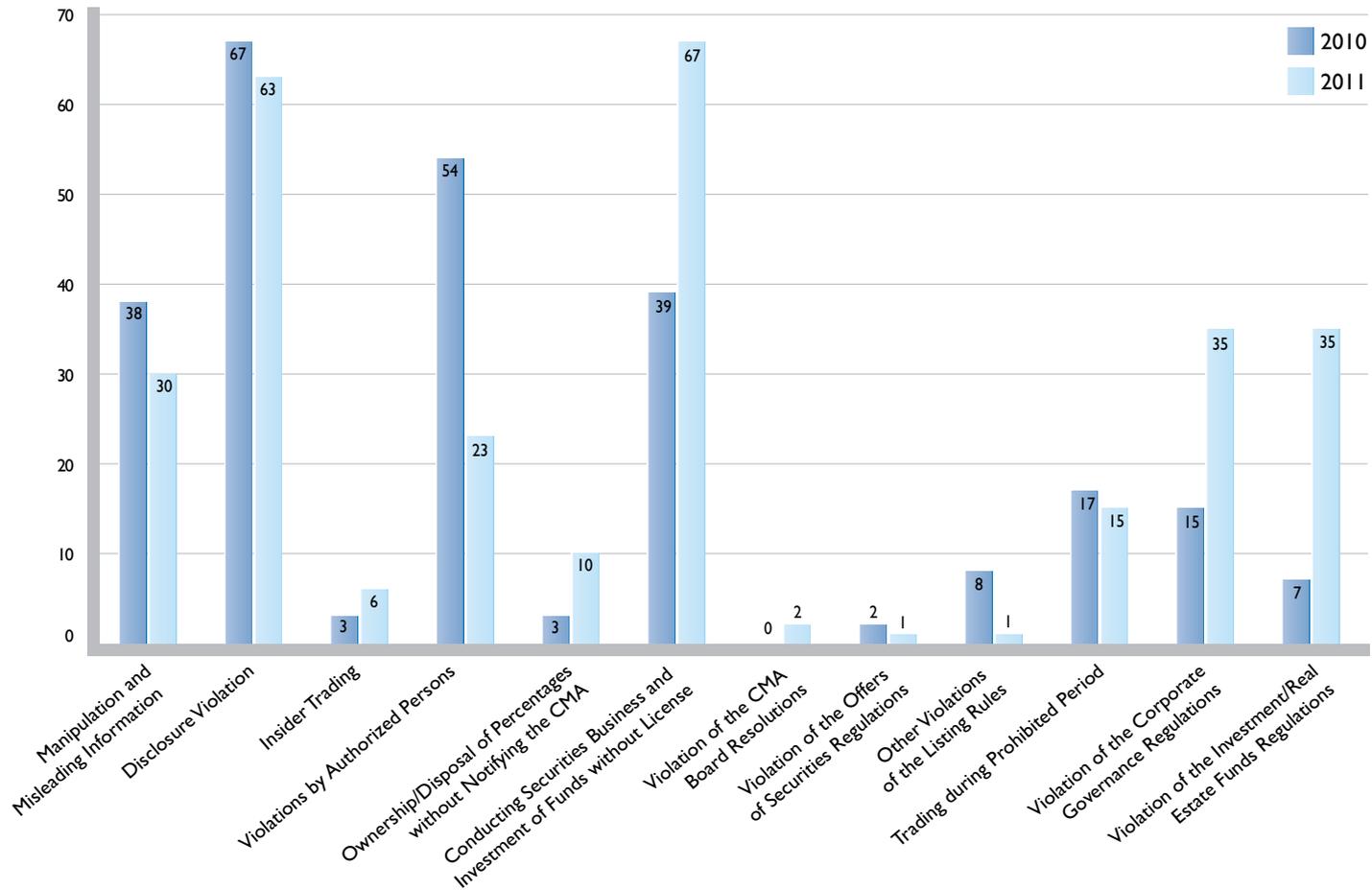


Table (42): Number of Investigation Cases into Suspected Violations of the CML by Type at the End of 2010 and 2011

Type	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Manipulation and Misleading Information	38	15.0%	30	10.4%	- 21.1%
Disclosure Violation	67	26.5%	63	21.9%	- 6.0%
Insider Trading	3	1.2%	6	2.1%	100.0%
Violations by Authorized Persons	54	21.3%	23	8.0%	- 57.4%
Ownership/Disposal of Percentages without Notifying the CMA	3	1.2%	10	3.5%	233.3%
Conducting Securities Business and Investment of Funds without License	39	15.4%	67	23.3%	71.8%
Violation of the CMA Board Resolutions	0	0%	2	0.7%	--
Violation of the Offers of Securities Regulations	2	0.8%	1	0.3%	- 50.0%
Other Violations of the Listing Rules	8	3.2%	1	0.3%	- 87.5%
Trading during Prohibited Period	17	6.7%	15	5.2%	- 11.8%
Violation of the Corporate Governance Regulations	15	5.9%	35	12.2%	133.3%
Violation of the Investment/Real Estate Funds Regulations	7	2.8%	35	12.2%	400.0%
Total	253	100%	288	100%	13.8%



Chart (33): Number of Investigation Cases into Suspected Violations of the CML by Type at the End of 2010 and 2011





## Finalized Violation Cases of the CML by Type

Table (43) indicates the number of finalized violation cases, classified by type, as in 2010 and 2011. Most significant highlights of this table are:

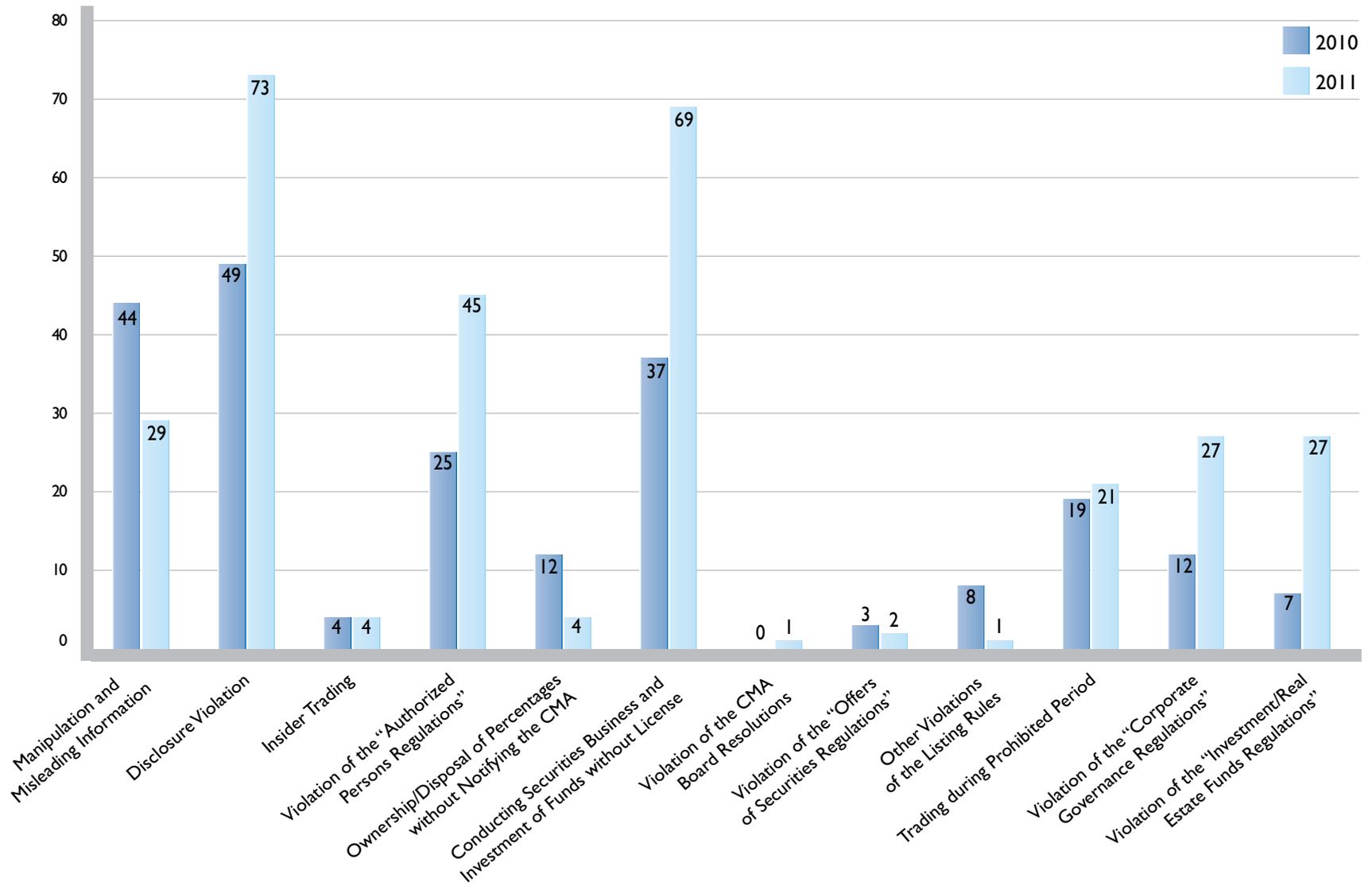
- In 2011, the number of finalized violation cases of “disclosure” ranked first with 73 (24.1%) for the second consecutive year.
- Finalized violation cases of the “Investment/Real Estate Funds Regulations” rose by 285.7% in 2011 compared to 2010.
- Finalized cases of “other violations of the Listing Rules” declined by 87.5% in 2011 compared to 2010.
- Cases related to “violation of the CMA Board resolutions” and “other violations of the Listing Rules” accounted for the lowest figures in 2011 with one case (0.3%) for each.

Table (43): Number of Finalized Violation Cases of the CML Classified by Type at the End of 2010 and 2011

Type	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Manipulation and Misleading Information	44	20.0%	29	9.6%	- 34.1%
Disclosure Violation	49	22.3%	73	24.1%	49.0%
Insider Trading	4	1.8%	4	1.3%	0.0%
Violation of the “Authorized Persons Regulations”	25	11.4%	45	14.9%	80.0%
Ownership/Disposal of Percentages without Notifying the CMA	12	5.5%	4	1.3%	- 66.7%
Conducting Securities Business and Investment of Funds without License	37	16.8%	69	22.8%	86.5%
Violation of the CMA Board Resolutions	0	--	1	0.3%	--
Violation of the “Offers of Securities Regulation”	3	1.4%	2	0.7%	- 33.3%
Other Violations of the Listing Rules	8	3.6%	1	0.3%	- 87.5%
Trading During Prohibited Period	19	8.6%	21	6.9%	10.5%
Violation of the “Corporate Governance Regulations”	12	5.5%	27	8.9%	125.0%
Violation of the “Investment/Real Estate Funds Regulations”	7	3.2%	27	8.9%	285.7%
Total	220	100%	303	100%	37.7%



Chart (34): Number of Finalized Violation Cases of the CML Classified by Type at the End of 2010 and 2011





### (3) Investigation into Technology-based Violations of the CML

To keep up with the massive development in information transfer and telecommunication technologies and to protect investors from all forms of deception, misrepresentation or fraud, the CMA monitors internet websites, forums and audio-visual media to detect any violations of the CML and its Implementing Regulations. Legal actions are taken to address those violations, including summoning and interrogating violators, who eventually undertake to cease such violations immediately and refrain from committing similar acts in the future. Also, the CMA inflicts appropriate penalties and fines.

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

Investigation into electronic violations of the CML undergoes several stages beginning with fact-finding, data/information gathering, analysis and examination of all relevant materials to subpoenaing and interrogating violators.

Table (44) reflects the number of electronic violations of the CML and Implementing Regulations, by stage of investigation, in 2010 and 2011. Moreover, table (45) indicates the number of filed and finalized electronic violation cases in 2010 and 2011. Significant indicators can be summarized in the following:

- Total electronic violation cases filed in 2011 amounted to 29, of which 22 were finalized while seven are still in the stage of subpoenaing and interrogation.
- Investigation into 28 cases, out of a total of 49 electronic violation cases filed in preceding years, was finalized by the end of 2011.

Table (44): Number of Electronic Violation Cases of the CML and Implementing Regulations by Stage of Investigation in 2010 and 2011

No.	Investigation Stage	2010		2011	
		Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
1	Under Examination	0	0.0%	0	--
2	Subpoenaing and Interrogation	4	20.0%	7	24.1%
3	Finalized	16	80.0%	22	75.9%
Total		20	100%	29	100%



Table (45): Number of Filed/Finalized Electronic Violation Cases in 2010 and 2011

Category	Number		Change (%)
	2010	2011	
Filed Electronic Violation Cases	20	29	45.0%
Finalized Electronic Violation Cases <sup>24</sup>	41	28	- 31.7%

### Investigation Cases into Finalized Electronic Violations by Violation Source

Table (46) shows the number of investigation cases into electronic violation classified by violation source in 2010 and 2011. The most important points of the table can be summarized as follows:

- The number of investigation cases into electronic violations of “websites and internet forums” ranked first for the second consecutive year in terms of number, accounting for 81.6% in 2011.
- The number of investigation cases into electronic violations of “audio-visual media” rose to four in 2011 compared to one case in 2010.

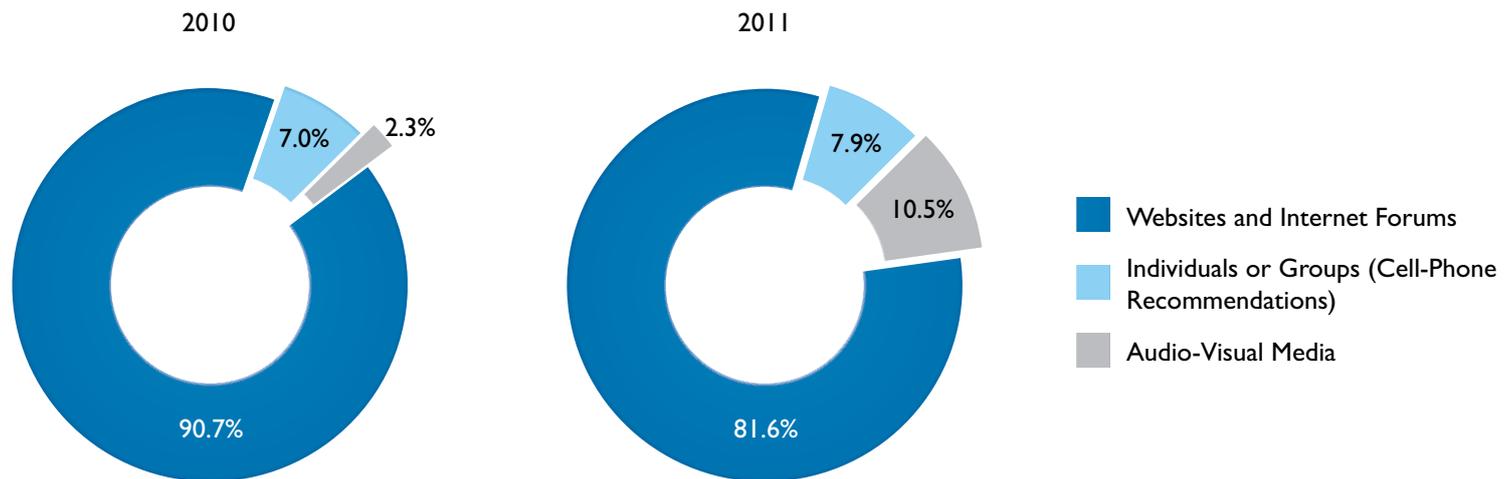
24- Including electronic violation cases filed in preceding years.



Table (46): Number of Investigation Cases into Electronic Violations Classified by Violation Source in 2010 and 2011

Violation Source	2010		2011		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Websites and Internet Forums	39	90.7%	31	81.6%	- 20.5%
Individuals or Groups (Cell-Phone Recommendations)	3	7.0%	3	7.9%	0.0%
Audio-Visual Media	1	2.3%	4	10.5%	300.0%
Total	43	100%	38	100%	- 11.6%

Chart (35): Percentages of Investigation Cases into Electronic Violations Classified by Violation Source in 2010 and 2011





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

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

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

Table (47) indicates the cases on which indictments were prepared and brought before the CRSD and grievances in 2010 and 2011. The main points of this table can be summarized as follows:

- 27 indictments were prepared in 2011 on violation cases of the CML or its Implementing Regulation and were brought before the CRSD compared to 10 in the preceding year<sup>25</sup>.
- In 2011, the number of cases related to “conducting securities business without license” - on which indictments were made and submitted to the CRSD – rose to 19 compared to one case in 2010.

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25- After ruling out decisions of grievances against the CMA's decisions.

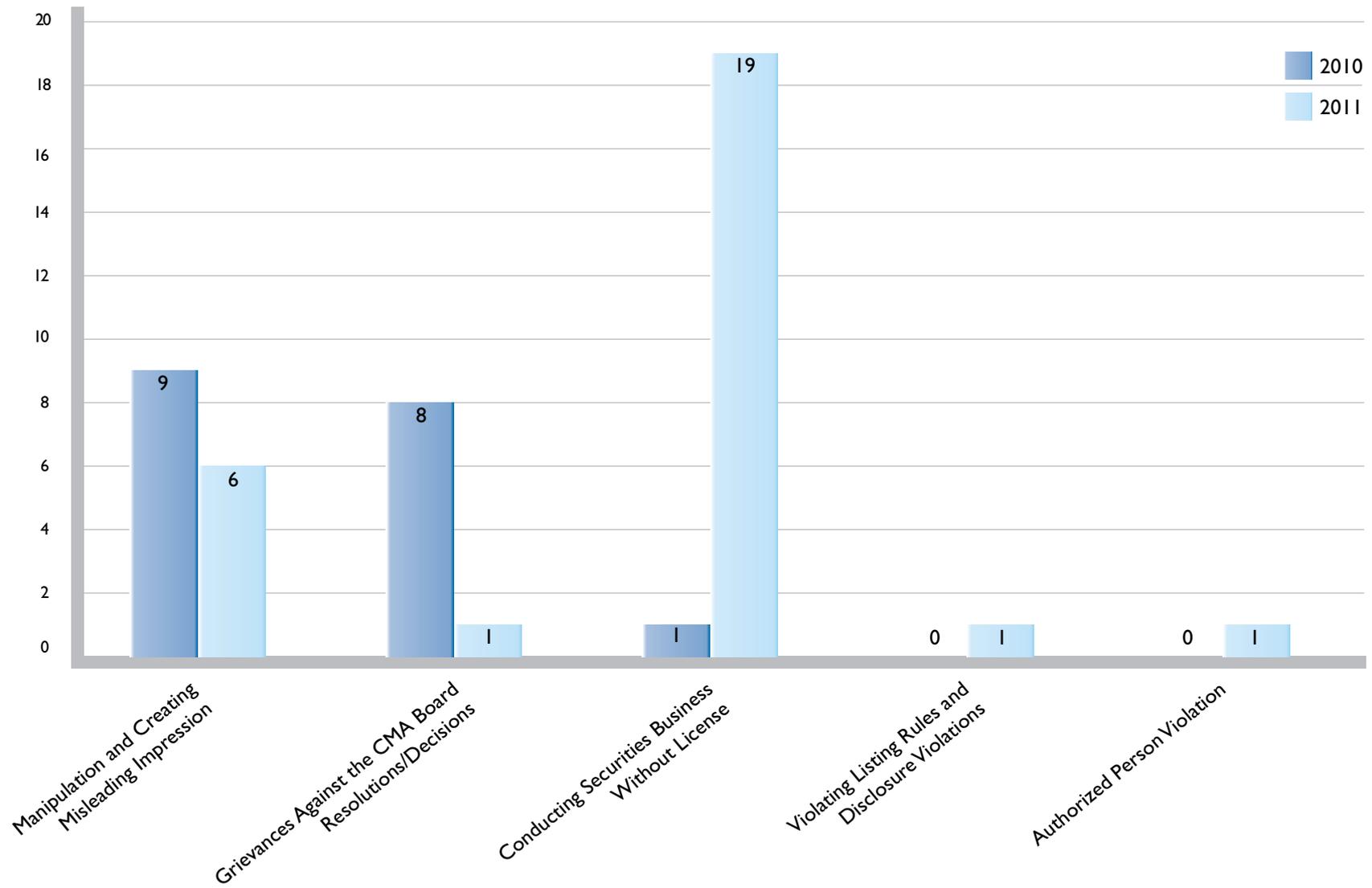


Table (47): Cases on Which Indictments were Prepared and Brought before the CRSD and Grievances in 2010 and 2011

Case Type	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Manipulation and Creating Misleading Impression	9	50.0%	6	21.4%	- 33.3%
Grievances Against the CMA Board Resolutions/Decisions	8	44.4%	1	3.6%	- 87.5%
Conducting Securities Business without License	1	5.6%	19	67.9%	1,800.0%
Violating Listing Rules and Disclosure Violations	0	0.0%	1	3.6%	--
Authorized Person Violation	0	0.0%	1	3.6%	--
Total	18	100%	28	100%	55.6%



Chart (36): Cases on Which Indictments were Prepared and Brought before the CRSD and Grievances in 2010 and 2011





## (5) Following up the Enforcement of Decisions

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

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

Table (48) presents the number of decisions issued by the CMA Board, temporal decisions of imposing/lifting provisional seizure issued by the CRSD, and final decisions issued by the CRSD and ACRSC in 2010 and 2011. The table indicates the following:

- The number of decisions issued by the CMA Board and final decisions issued by the CRSD and ACRSC stood at 186 in 2011, up by 4.5% compared to 2010.
- The decisions issued by the CMA Board held the first place for the second consecutive year in 2011 with 90.7% of total decisions issued by the CMA Board, the CRSD and ACRSC.

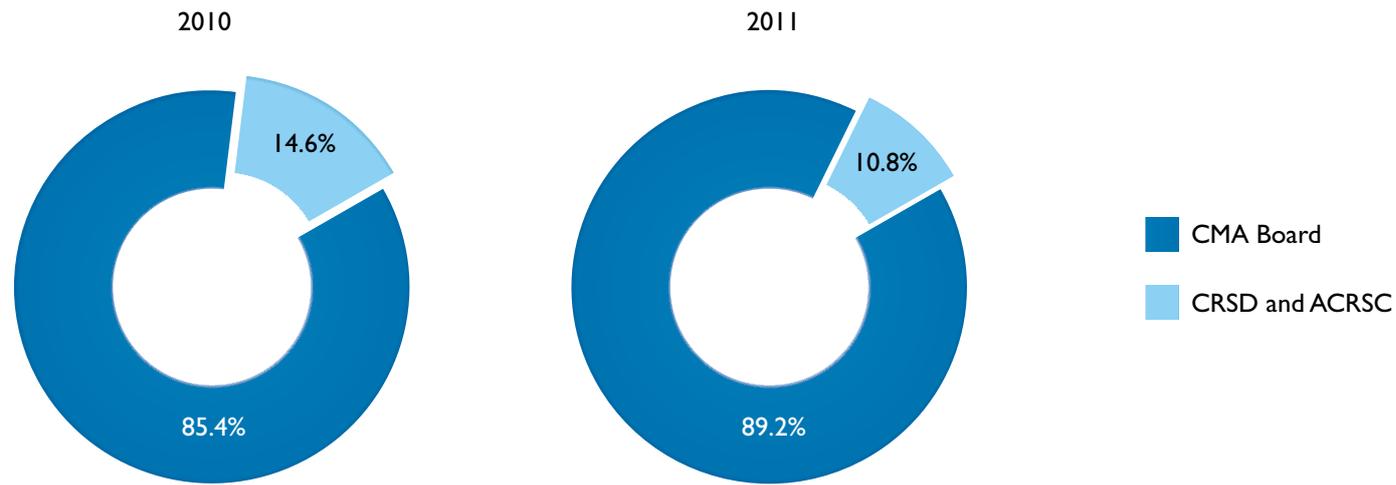
Table (48): Total Number of Decisions Issued by the CMA Board, Temporal Decisions of Imposing/Lifting Provisional Seizure Issued by the CRSD, and the Final Decisions Issued by the CRSD and ACRSC in 2010 and 2011

Issuer of Decision	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
CMA Board	152	85.4%	166	89.2%	9.2%
CRSD and ACRSC <sup>26</sup>	26	14.6%	20	10.8%	- 23.1%
Total	178	100%	186	100%	4.5%

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



Chart (37): Percentages of Decisions Issued by the CMA Board, Temporal Decisions of Imposing/Lifting Provisional Seizure Issued by the CRSD, and the Final Decisions Issued by the CRSD and ACRSC in 2010 and 2011



## (5/1) Classifications of Sanction Decisions Issued by the CMA Board, the CRSD and ACRSC

### (5/1/1) Sanction Decisions Issued by the CMA Board, the CRSD and ACRSC Classified by Type of Violator, Enforced and Followed up Decisions

Table (49) shows the number of sanction decisions issued by the CMA Board, the CRSD and ACRSC classified by type of violator, enforced and followed up decisions at the end of 2011. Significant data of this table can be summarized as follows:

- The total number of enforced sanction decisions issued by the CMA Board, the CRSD and ACRSC amounted to 165 (88.7%) out of 186 decisions in 2011.

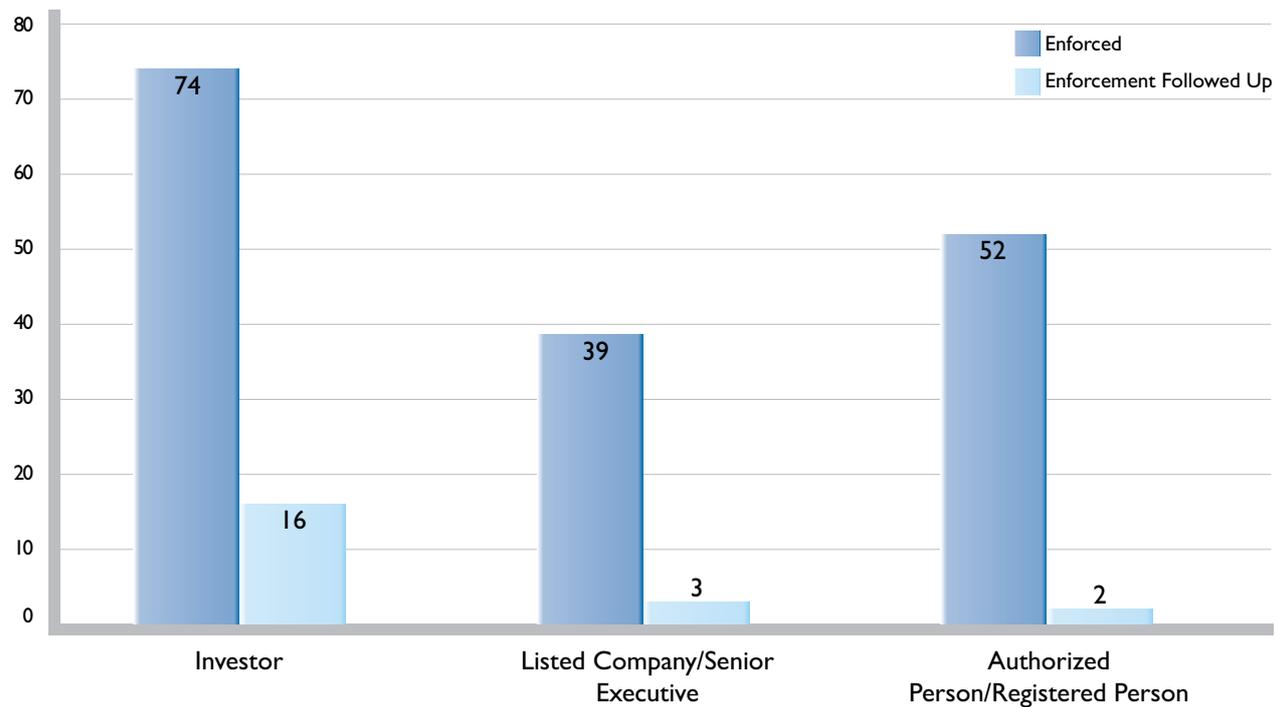
- The sanction decisions issued against “investor” ranked first with 48.4% while sanction decisions issued against “listed company/senior executive” came last with 22.6%.
- 90 sanction decisions were issued against “investor” of which 74 (82.2%) were enforced.



Table (49): Number of Sanction Decisions Issued by the CMA Board, the CRSD and ACRSC Classified by Type of Violator, Enforced and Followed up Decisions at the End of 2011

Type of Violator	Number	Percentage out of Total (%)	Enforced	Enforced (%)	Enforcement Followed Up	Enforcement Followed Up (%)
Investor	90	48.4%	74	82.2%	16	17.8%
Listed Company/ Senior Executive	42	22.6%	39	92.9%	3	7.1%
Authorized Person/Registered Person	54	29.0%	52	96.3%	2	3.7%
Total	186	100%	165	88.7%	21	11.3%

Chart (38): Number of Sanction Decisions Issued by the CMA Board, the CRSD and ACRSC Classified by Type of Violator, Enforced and Followed up Decisions at the End of 2011





## (5/1/2) Sanction Decisions Issued by the CMA Board, the CRSD and ACRSC Classified by Type of Violation, Enforced and Followed up Decisions

Table (50) reflects the number of sanction decisions issued by the CMA Board, the CRSD and ACRSC classified by type of violation, enforced and followed up decisions at the end of 2011. Significant features can be summarized as follows:

- Sanction decisions issued by the CMA Board, the CRSD and ACRSC on “manipulation and misleading information” violation constituted the largest number with 23.1%. There were no decisions on “insider trading” violation or “other violations of the Listing Rules” in 2011.
- In 2011, all issued sanction decisions on “violation of the CMA Board resolutions”, “violation of the Offers of Securities Regulations”, “violation of the Corporate Governance Regulations” and “violation of the Investment/Real Estate Funds Regulations” were enforced.

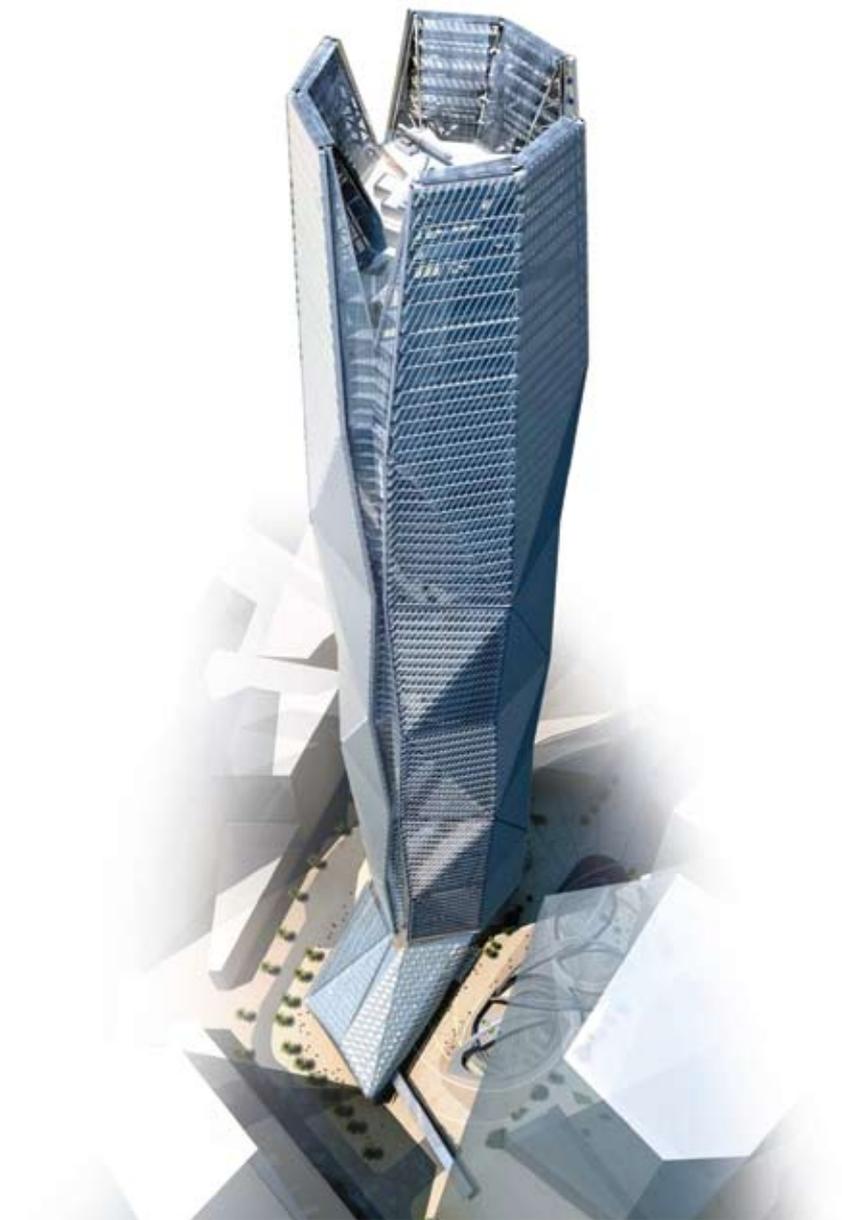


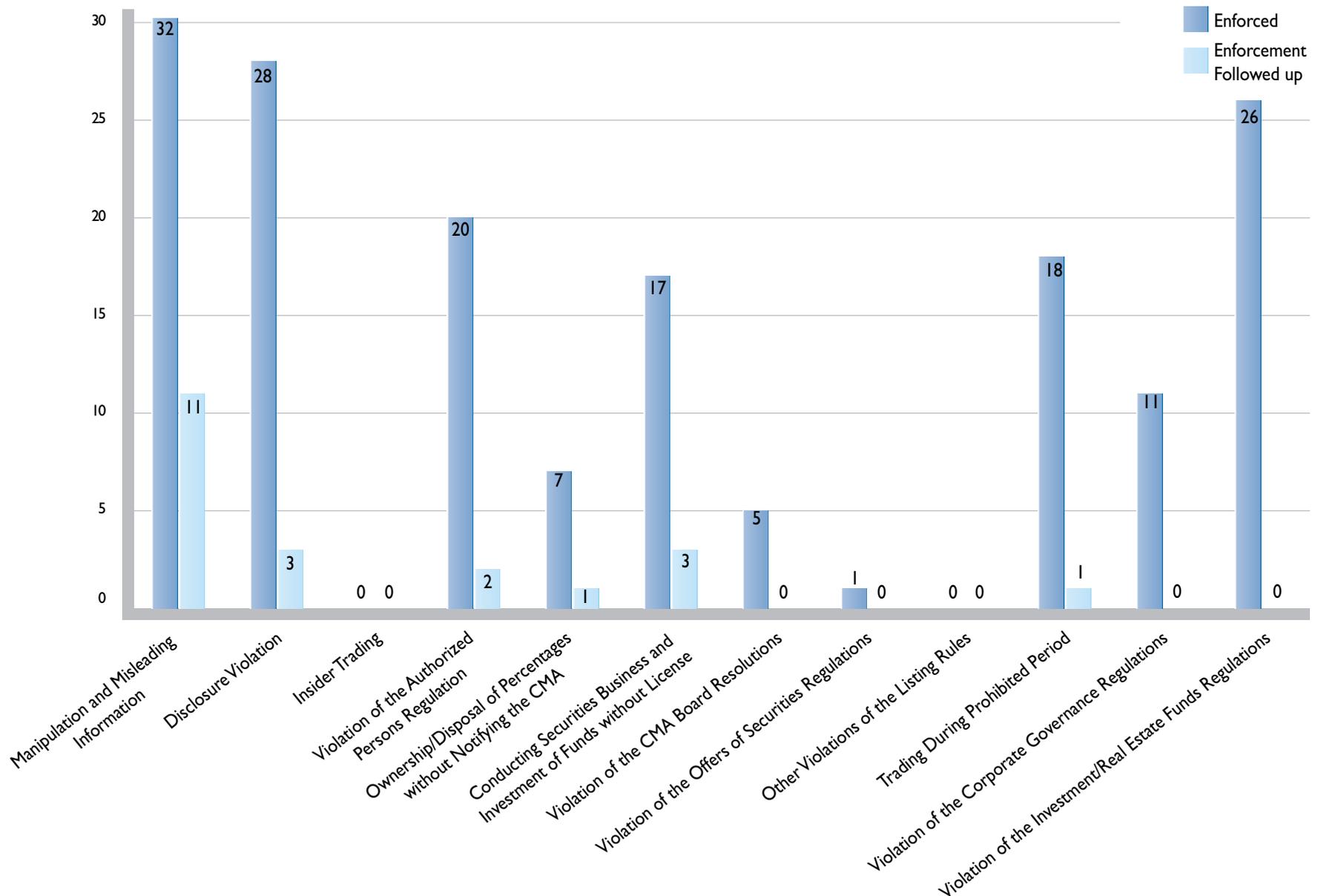


Table (50): Number of Sanction Decisions Issued by the CMA Board, the CRSD and ACRSC Classified by Type of Violation, Enforced and Followed up Decisions at the End of 2011

Type	Number	Percentage out of Total (%)	Enforced	Enforced (%)	Enforcement Followed up	Enforcement Followed up (%)
Manipulation and Misleading Information	43	23.1%	32	74.4%	11	25.6%
Disclosure Violation	31	16.7%	28	90.3%	3	9.7%
Insider Trading	0	0.0%	0	0.0%	--	0.0%
Violation of the Authorized Persons Regulations	22	11.8%	20	90.9%	2	9.1%
Ownership/Disposal of Percentages without Notifying the CMA	8	4.3%	7	87.5%	1	12.5%
Conducting Securities Business and Investment of Funds without License	20	10.8%	17	85.0%	3	15.0%
Violation of the CMA Board Resolutions	5	2.7%	5	100.0%	0	0.0%
Violation of the Offers of Securities Regulation	1	0.5%	1	100.0%	0	0.0%
Other Violations of the Listing Rules	0	0.0%	0	0.0%	0	0.0%
Trading During Prohibited Period	19	10.2%	18	94.7%	1	5.3%
Violation of the Corporate Governance Regulations	11	5.9%	11	100.0%	0	0.0%
Violation of the Investment/Real Estate Funds Regulations	26	14.0%	26	100.0%	0	0.0%
Total	186	100%	165	88.5%	21	11.5%



Chart (39): Number of Sanction Decisions Issued by the CMA Board, the CRSD and ACRSC Classified by Type of Violation, Enforced and Followed up Decisions at the End of 2011





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

### (I) Authorizations

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

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

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

### Authorization Mechanism

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

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

### I. Authorization Decisions

During 2011, the CMA Board issued 27 decisions pertaining to licenses of authorized persons to conduct securities business as compared to 34 decisions in 2010. Those decisions varied from the issuance of new licenses, amendment to existing licenses (by addition and/or omission of a particular activity), to the cancellation of a license. Table (51) reflects the number of issued decisions by type. Table highlights can be summarized in following:

- In 2011, the CMA Board issued three decisions approving the authorization for new companies and firms to conduct securities business; eight current licenses were amended.
- The CMA Board issued 16 decisions in 2011 for cancelling previously issued licenses.

Table (51): Number of Licensing Decisions by Type in 2010 and 2011

Decision Type	2010		2011	
	Number	Percentage (%)	Number	Percentage (%)
New License Issued	4	11.8%	3	11.1%
Amendment to License	13	38.2%	8	29.6%
Revocation or Cancellation of License <sup>27</sup>	17	50.0%	16	59.3%
Total	34	100%	27	100%

27- No licenses were revoked in 2011.



Chart (40): Number of Licensing Decisions by Type in 2010 and 2011

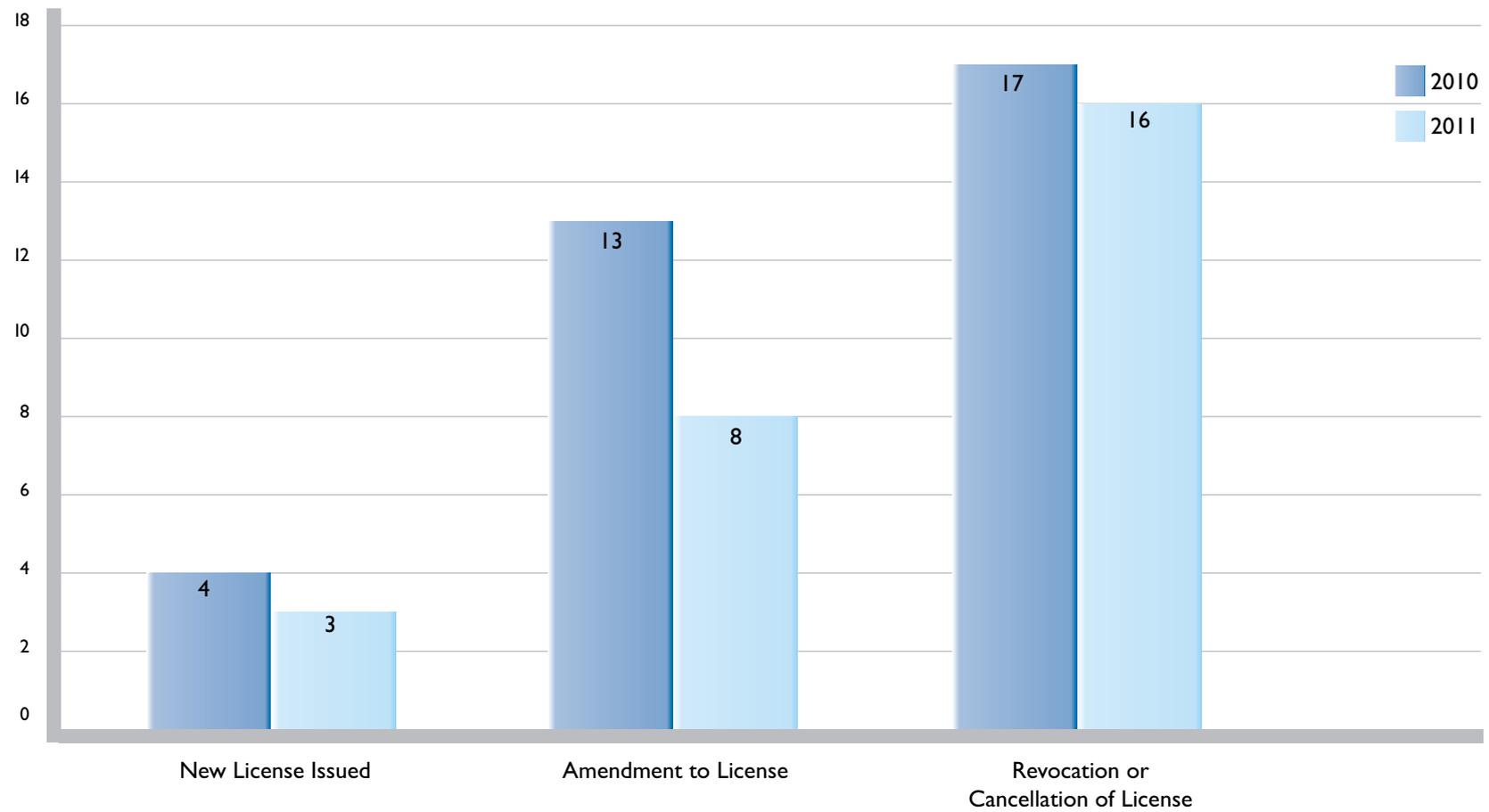




Table (52) classifies the authorized persons by letters to commence business as follows:

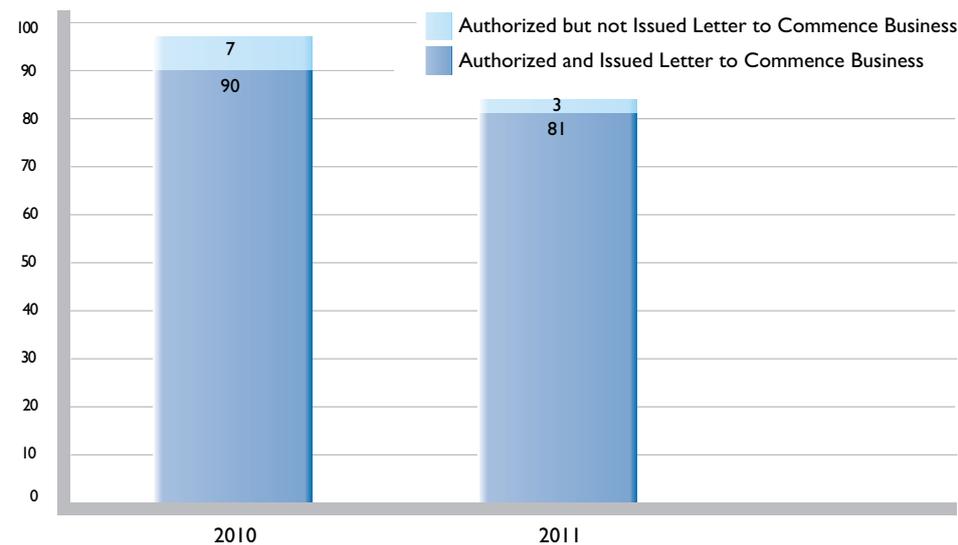
- The number of authorized persons stood at 84 at the end of 2011, three of which did not obtain letters to commence business.

- The percentage of authorized persons with letters to commence business comprised 96.4% at the end of 2011 compared to 92.8% at the end of 2010.

Table (52): Number of Authorized Persons by Business Commencement Letter in 2010 and 2011

Category	Number of Authorized Persons				Change (%)
	2010	Percentage out of Total (%)	2011	Percentage out of Total (%)	
Authorized and Issued Letter to Commence Business	90	92.8%	81	96.4%	- 10%
Authorized but not Issued Letter to Commence Business	7	7.2%	3	3.6%	- 57%
Total Authorized Persons	97	100%	84	100%	- 13.4%

Chart (41): Number of Authorized Persons by Business Commencement Letter in 2010 and 2011





## 2. Licenses of Securities Business Activities

Table (53) shows the number of licenses of securities business activities by business commencement status at the end of 2010 and 2011 as follows:

- The total number of licenses for various securities business activities declined by 7.3% to 357 in 2011; the biggest drop (11.4%) was in the licenses for “advising” activity, followed by “arranging” licenses (8.1%), “custody” licenses (6.7%), “dealing” (6.2%) and “managing” (2.8%).
- The number of licenses for various securities business activities of operating authorized persons amounted to 345 at the end of 2011 compared to 365 in 2010.
- The number of licenses for “arranging” accounted for the largest percentage with 22.1% of total licenses for carrying out securities activities at the end of 2011. This was followed by “advising” licenses with 21.8%, “custody” with 19.6%, “managing” with 19.3% and finally “dealing” with 17.1%.

Table (53): Number of Valid Licenses of Securities Business Activities by Commencement Status in 2010 and 2011

Type of Securities Activity	Number of Licenses							
	2010				2011			
	Commenced	Not Commenced	Total	Percentage out of Total (%)	Commenced	Not Commenced	Total	Percentage out of Total (%)
Dealing	63	2	65	16.9%	60	1	61	17.1%
Managing	68	3	71	18.4%	66	3	69	19.3%
Arranging	80	6	86	22.3%	76	3	79	22.1%
Advising	82	6	88	22.9%	76	2	78	21.8%
Custody	72	3	75	19.5%	67	3	70	19.6%
Total	365	20	385	100%	345	12	357	100%



Chart (42): Total Number of Valid Licenses of Securities Business Activities in 2010 and 2011

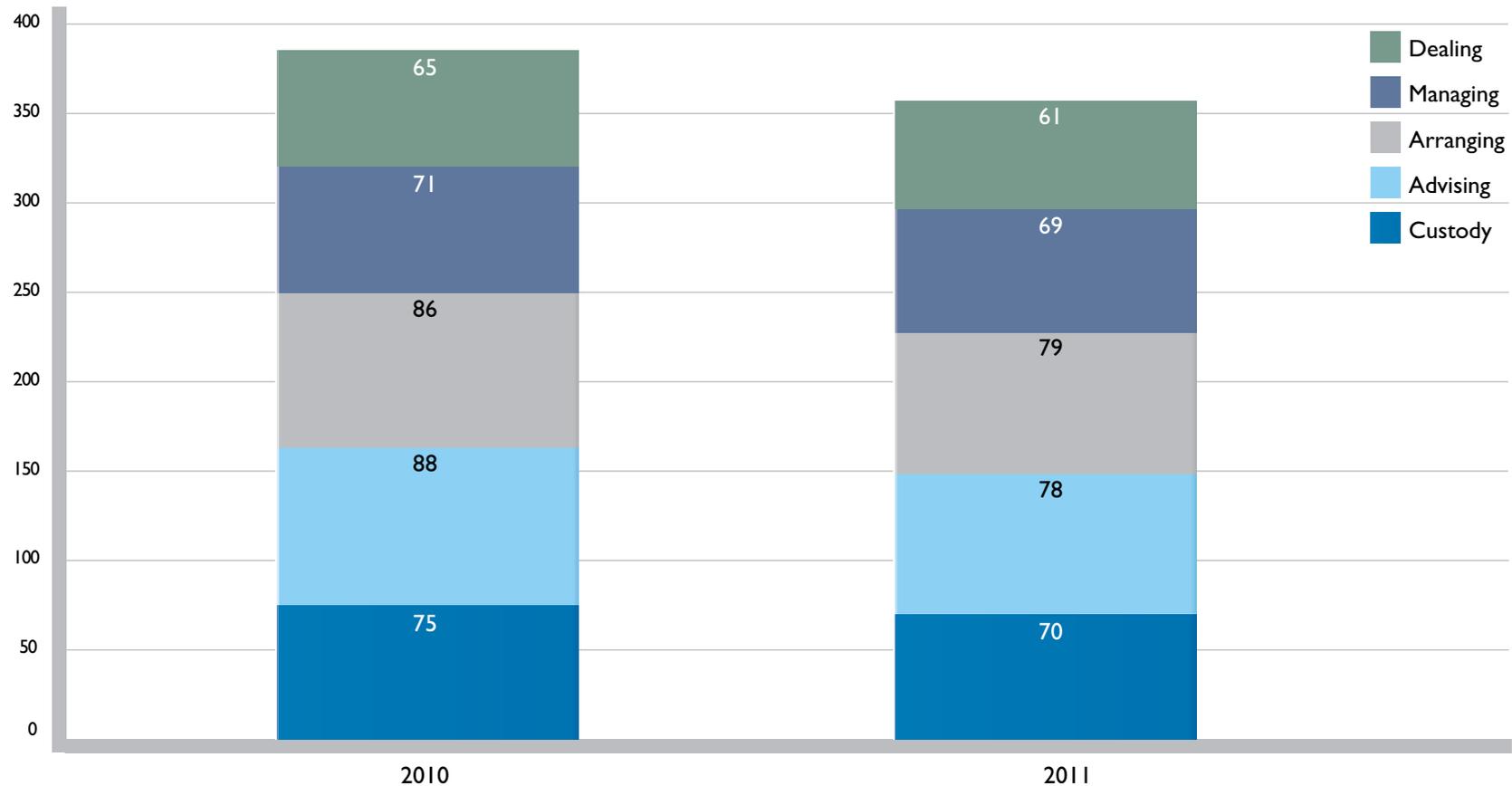


Table (54) indicates the number of authorized persons based on the number of securities business activities they are licensed to conduct at the end of 2010 and 2011. Table (55) shows a list of authorized persons and their respective licensed securities business activities at the end of 2011. Key developments of these tables can be summarized as follows:

- The number of authorized persons licensed to conduct four (out of five) activities rose at the end of 2011 to 11 compared to 10 at the end of 2010.
- The number of authorized persons licensed to conduct one, two, or three activities went down by 33.3%, 45.5%, and 42.9% respectively.



Table (54): Number of Authorized Persons, Classified by Number of Licensed Securities Business Activities at the End of 2010 and 2011

Number of Securities Activities	Number of Licenses				Change (%)
	2010	Percentage out of Total (%)	2011	Percentage out of Total (%)	
One Activity	3	3.1%	2	2.4%	- 33.3%
Two Activities	22	22.7%	12	14.3%	- 45.5%
Three Activities	7	7.2%	4	4.8%	- 42.9%
Four Activities	10	10.3%	11	13.1%	10.0%
All Activities	55	56.7%	55	65.5%	0.0%
Total	97	100%	84	100%	- 13.4%

Chart (43): Number of Authorized Persons, Classified by Number of Licensed Securities Business Activities at the End of 2010 and 2011

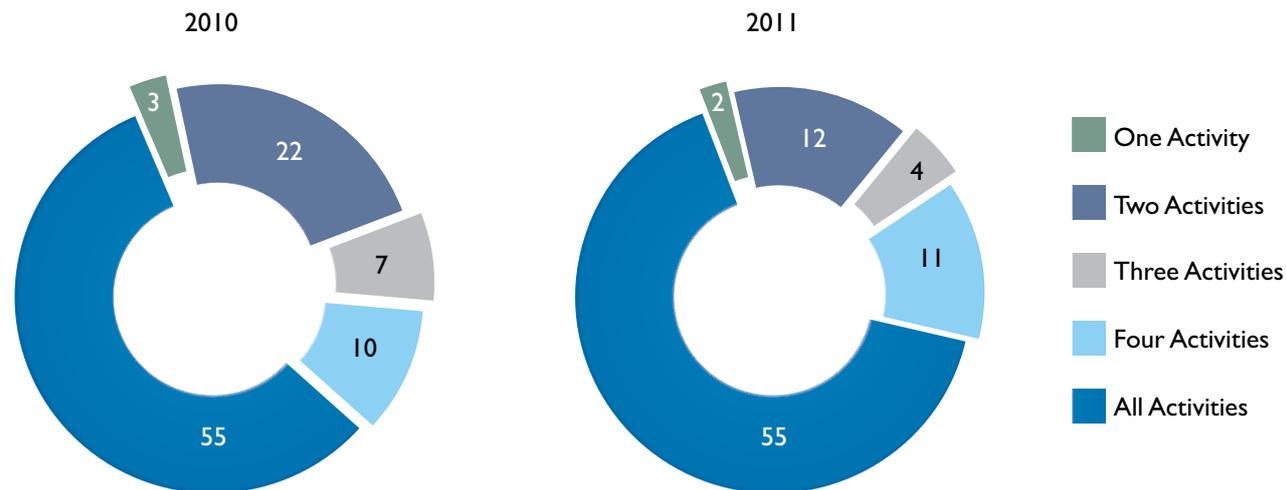




Table (55): List of Authorized Persons and Their Respective Licensed Securities Business Activities at the End of 2011

No.	AP Name	Type of Licensed Securities Business				
		Dealing	Managing	Custody	Arranging	Advising
1	Morgan Stanley Saudi Arabia Company	✓	✓	✓	✓	✓
2	BMG Financial Group				✓	✓
3	Al-Dukheil Financial Group	✓	✓	✓	✓	✓
4	Osool Capital Company	✓	✓	✓		
5	Credit Suisse Saudi Arabia Company	✓	✓	✓	✓	✓
6	HSBC Saudi Arabia Limited	✓	✓	✓	✓	✓
7	Team One Company				✓	✓
8	Rana Investment Company	✓	✓	✓	✓	✓
9	Swicorp Company	✓	✓		✓	✓
10	Bakheet Investment Group		✓	✓		✓
11	EFG-Hermes KSA	✓	✓	✓	✓	✓
12	Audi Capital Saudi Arabia Company	✓	✓	✓	✓	✓
13	Itqan Capital	✓	✓	✓	✓	✓
14	Falcom Investment Company	✓	✓	✓	✓	✓
15	Al-Awwal Financial Services Company		✓	✓	✓	✓
16	Al-Khabeer Capital Company	✓	✓	✓	✓	✓



No.	AP Name	Type of Licensed Securities Business				
		Dealing	Managing	Custody	Arranging	Advising
17	Al Mal Capital Saudi Company	✓	✓	✓	✓	✓
18	Gulf One Capital Company		✓	✓	✓	✓
19	Middle East Financial Investment Company	✓	✓	✓	✓	✓
20	KSB Capital Group	✓	✓	✓	✓	✓
21	Amwal for Security Advising Ltd.				✓	✓
22	Jadwa Investment Company	✓	✓	✓	✓	✓
23	Al Wasatah Al Maliah Company	✓	✓	✓	✓	✓
24	Rasmala Investments Saudi Arabia Company	✓	✓	✓	✓	✓
25	House of Investment & Financial Capital				✓	✓
26	Ithraa Capital Company	✓	✓	✓	✓	✓
27	Watan Investment and Securities Company	✓	✓	✓	✓	✓
28	Aloula Geojit Brokerage Company	✓	✓	✓	✓	✓
29	NCB Capital Company	✓	✓	✓	✓	✓
30	The Investor Company for Securities	✓	✓	✓	✓	✓
31	Khalijia Invest Company	✓	✓	✓	✓	✓
32	Saudi Fransi Capital	✓	✓	✓	✓	✓
33	Shuaa Capital Saudi Arabia Company	✓	✓	✓	✓	✓



No.	AP Name	Type of Licensed Securities Business				
		Dealing	Managing	Custody	Arranging	Advising
34	Alistithmar Capital Company	✓	✓	✓	✓	✓
35	House of National Consulting Company				✓	✓
36	SaudiMed Investment Company	✓	✓	✓	✓	✓
37	Global Investment House KSA	✓	✓	✓	✓	✓
38	Merrill Lynch KSA Company	✓	✓	✓	✓	✓
39	SAMBA Capital & Investment Management Company	✓	✓	✓	✓	✓
40	Riyad Capital Company	✓	✓	✓	✓	✓
41	Al Rajhi Capital	✓	✓	✓	✓	✓
42	Arab National Investment Company	✓	✓	✓	✓	✓
43	Deutsche Securities Saudi Arabia LLC Company	✓	✓	✓	✓	✓
44	Aljazira Capital Company	✓	✓	✓	✓	✓
45	GIB Capital	✓	✓	✓	✓	✓
46	Saudi Hollandi Capital Company	✓	✓	✓	✓	✓
47	JP Morgan Saudi Arabia Ltd. Company	✓		✓	✓	✓
48	AlBilad Investment Company	✓	✓	✓	✓	✓
49	Al Nefae Investment Group	✓	✓	✓	✓	✓
50	Arbah Capital Company	✓	✓	✓	✓	✓



No.	AP Name	Type of Licensed Securities Business				
		Dealing	Managing	Custody	Arranging	Advising
51	Emirates NBD Capital KSA LLC	✓	✓	✓	✓	✓
52	Investcorp Saudi Arabia Financial Investment Company		✓	✓	✓	✓
53	Gulf Advisors Financial Consulting Company				✓	✓
54	Goldman Sachs Saudi Arabia Company	✓	✓	✓	✓	✓
55	Blominvest Saudi Arabia Company	✓	✓	✓	✓	✓
56	Muscat Capital LLC	✓	✓	✓	✓	✓
57	Nomura Saudi Arabia Company	✓	✓	✓	✓	✓
58	Ebanah Financial Company				✓	✓
59	Derayah Financial Corporation Company	✓	✓	✓		✓
60	Adeem Financial Company		✓	✓		
61	UBS Saudi Arabia Company	✓	✓	✓	✓	✓
62	BNP Paribas Investment Company KSA	✓		✓	✓	
63	Sidra Capital Company	✓	✓	✓	✓	✓
64	United Financial House Company	✓	✓	✓		
65	Vision Capital Group				✓	✓
66	AlKhair Capital Saudi Arabia Company	✓	✓	✓	✓	✓
67	Mizuho Saudi Arabia Company				✓	✓



No.	AP Name	Type of Licensed Securities Business				
		Dealing	Managing	Custody	Arranging	Advising
68	Bait Al Mal Al Khaleeji Company		✓	✓	✓	✓
69	Saudi Kuwaiti Finance House Company	✓	✓	✓	✓	✓
70	MaCeen Capital	✓	✓	✓	✓	✓
71	Alinma Investment Company	✓	✓	✓	✓	✓
72	SEDCO Capital Company	✓	✓	✓	✓	✓
73	Malaz Capital Company		✓	✓	✓	✓
74	Saudi Venture Capital Investment Company		✓	✓	✓	✓
75	Anfaal Capital Company		✓	✓	✓	✓
76	Barclays Saudi Arabia	✓	✓	✓	✓	✓
77	Societe Generale Saudi Arabia	✓	✓	✓	✓	✓
78	Integration Capital for Financial Papers Company				✓	✓
79	Standard Chartered Capital Saudi Arabia	✓	✓	✓	✓	✓
80	Lazard Saudi Arabia Limited Company				✓	
81	Gulf Investors Asset Management Company	✓	✓	✓	✓	✓
82	QInvest Saudi Arabia Company		✓	✓	✓	✓
83	KKR Saudi Limited Company				✓	
84	Arch Mamlaka Company				✓	✓



### 3. Paid-up Capital of Authorized Persons

Table (56) shows the number of authorized persons and their total paid-up capital at the end of 2010 and 2011. It indicates a decline of 13.4%, from 97 authorized persons at the end of 2010 to 84 authorized persons at the end

of 2011. However, total paid-up capital of authorized persons increased by 10.2% to SR 15.9 billion at the end of 2011 against SR 14.4 billion at the end of 2010.

Table (56): Number of Authorized Persons and their Total Paid-up Capital at the End of 2010 and 2011

Description	2010	2011	Change (%)
Number of APs	97	84	- 13.4%
Total Paid-up Capital (SR Million)	14,446	15,915	10.2%

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

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

The number of persons registered with the CMA stood at 2,923 at the end of 2011 compared to 2,976 in 2010, decreasing by 1.8%.

#### (2) Inspection

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

#### 1. Initial Inspection Programs

The aim of these programs is to inspect the authorized persons after they obtain letters for commencing business to ensure the soundness of their business and their compliance with the terms and conditions stated in the licenses issued for them by the CMA.

#### 2. Cause Inspection Programs

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

#### 3. Routine Inspection Programs

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



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

Table (57) shows the number of inspection visits, classified by type, which were carried out by the CMA in 2010 and 2011. It can be illustrated as follows:

- 114 inspection visits were made in 2011, including 12 initial inspection visits, 82 cause inspection visits, and 20 routine inspection visits compared to a total of 87 inspection visits in 2010.

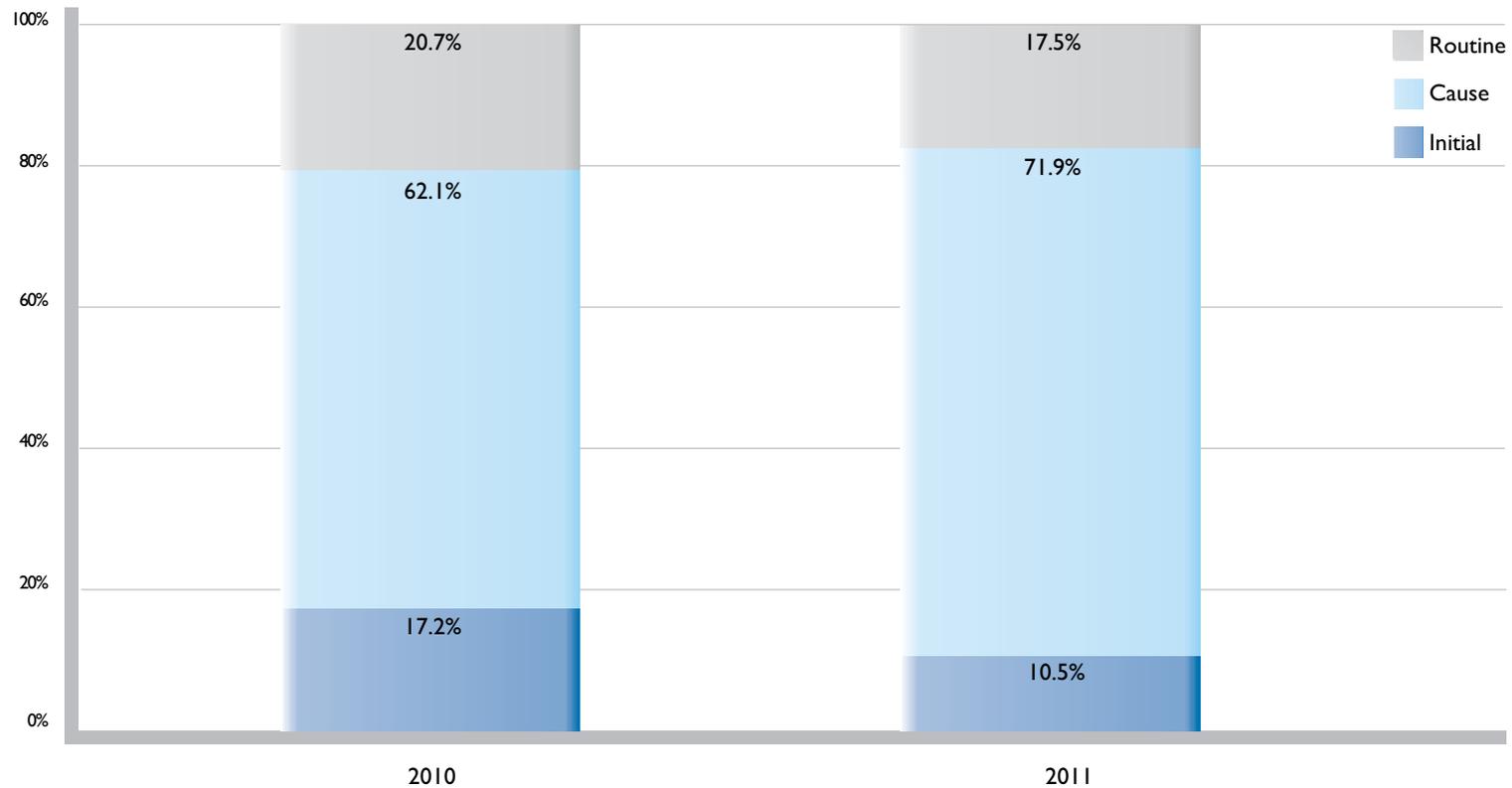
- Cause inspection visits accounted for the majority of all visits with 71.9% and 62.1% in 2011 and 2010 respectively.
- In 2011, the number of initial inspection visits went down by 20% compared to 2010.

Table (57): Number of Inspection Visits Carried out by the CMA in 2010 and 2011 by Type

Type of Inspection Visit	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Initial	15	17.2%	12	10.5%	- 20.0%
Cause	54	62.1%	82	71.9%	51.9%
Routine	18	20.7%	20	17.5%	11.1%
Total	87	100%	114	100%	31.0%



Chart (44): Percentages of Inspection Visits Carried out by the CMA in 2010 and 2011 by Type



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

Table (58) reflects the number and type of cause inspection visits carried out in 2010 and 2011 as follows:

- In 2011, the total number of cause inspection visits rose by 51.9% to 82 as compared to 2010.
- The number of cause inspection visits related to cases referred by other entities or investors' complaints amounted to 35 in 2011 increasing by 118.8% compared to 2010.

- 40 cause inspection visits related to violations of the CML or its Implementing Regulations were carried out in 2011, accounting for 48.8% of total cause inspection visits.

- Seven follow-up inspection visits were made in 2011 compared to 23 in 2010.



Table (58): Number of Cause Inspection Visits Made by the CMA in 2010 and 2011 Classified by Type of Case/Action

Type of Case/Action	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Cases Referred by Other Entities or Investor Complaints	16	29.6%	35	42.7%	118.8%
Cases Related to Violations of the CML or its Implementing Regulations	15	27.8%	40	48.8%	166.7%
Follow-up Inspection Visits	23	42.6%	7	8.5%	- 69.6%
Total	54	100%	82	100%	51.9%

### (3) Prudential

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

- 1- Capital adequacy reports: these reports are reviewed monthly to ensure authorized persons have sufficient liquid assets to meet all their obligations, and be able to liquidate in an orderly fashion with minimal effect on the capital market when the need arises.
- 2- Subordinated loan agreements: subordinated loans are often extended by shareholders to an authorized person, and repayable after any other

claims on an authorized person have been paid. The use of subordinated loans is one of the available options for raising an authorized person's net capital. An authorized person is required to obtain the Authority's approval prior to having any subordinated loans.

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



Table (59) reflects the number of financial reviews of authorized persons undertaken in 2010 and 2011. Key elements are as follows:

- The total number of financial reviews of authorized persons amounted to 1,032 in 2011, denoting an increase of 22.4% compared to 2010.
- 992 periodical reviews of capital adequacy were undertaken in 2011, accounting for 96.1% of total reviews, marking a rise of 22.6%, compared to 2010.

- In 2011, there were seven reviews of subordinated loan agreements, and 15 capital adequacy assessment reviews of APs underwriting a securities offering; 18 business plans submitted by APs to increase net capital beyond the minimum level were also reviewed.

Table (59): Categorization of the Numbers of Financial Reviews of Authorized Persons in 2010 and 2011

Type of Review	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Periodical Reviews of Capital Adequacy Reports	809	96.0%	992	96.1%	22.6%
Capital Adequacy Assessment of APs Underwriting Offerings	17	2.0%	15	1.5%	- 11.8%
Subordinated Loan Agreements	6	0.7%	7	0.7%	16.7%
Business Plans to Raise Net Capital Beyond Minimum Level	11	1.3%	18	1.7%	63.6%
Total	843	100%	1,032	100%	22.4%

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

The CMA monitors the compliance of authorized persons with the Anti-Money Laundering and Counter-Terrorist Financing Rules and other relevant laws by carrying out specialized inspection programs. In collaboration with the Financial Investigation Unit (FIU) of the Ministry of the Interior and other competent

authorities, the CMA works on coordinating all relevant matters. Furthermore, the CMA shoulders the responsibility of conducting specialized inspection programs on unauthorized persons that are suspected of being involved in practicing securities business.



Table (60) shows the number of cases and on-site visits conducted by the CMA with respect to AML/CTF in 2010 and 2011. It can be summarized in the following:

- Total number of cases/on-site visits conducted by the CMA with respect to compliance with the AML/CTF Rules stood at 2,504 in 2011 against 1,121 in 2010, denoting an increase of 123.4%.

- Cases/on-site visits related to AML/CTF accounted for 95.9% of the total in 2011.
- The number of on-site visits to authorized and unauthorized persons in 2011 amounted to 6 and 5 respectively.

Table (60): Cases and On-site Visits Conducted by the CMA with Respect to AML/CTF in 2010 and 2011

Type of Case/On-site Visit	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Processing Cases Related to AML/CTF	1,067	95.2%	2,401	95.9%	125.0%
Processing Requests and Inquiries of Authorized Persons	33	2.9%	92	3.7%	178.8%
On-site Visits to Authorized Persons	17	1.5%	6	0.2%	- 64.7%
On-site Visits to Unauthorized Persons	4	0.4%	5	0.2%	25.0%
Total	1,121	100%	2,504	100%	123.4%



## 2.1.9 Investor Awareness

Since its inception, the CMA has given its undivided attention to educating and guiding market participants about the regulations, instructions and resolutions issued by the CMA Board, about the risks that might face market investors, or even the manipulative or misleading acts in the capital market. Thus, the CMA has established many channels for raising the awareness of investors in the capital market by carrying out the following main activities:

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

Currently, the CMA is working on implementing a “Call Center” project to organize receiving and following up the complaints and inquiries of traders in the Saudi capital market via telephone and other electronic media in order to increase the efficiency of investor service. Experimental operation of the Call Center started in December 2011 and actual operation is expected after completing the second and final phase of the project during the second quarter of 2012.

**Second:** Receiving university students and officials, and explaining the CMA’s business and services.

**Third:** Publishing informational bulletins that cover news and resolutions issued by the CMA Board, or materials explaining and interpreting them in local, regional and international mass media in both Arabic and English. Furthermore, such news and informative items are posted on the CMA’s pages on social media websites (Facebook, YouTube and Twitter). The CMA also announces its Board news, resolutions and decisions on its official website. The CMA cooperated with all forms of mass media (audio-visual and readable) in 2011 and provided more than 300 informational materials which explain and interpret the news and resolutions issued by the CMA Board, including the steps taken to develop the Saudi capital market, increase transparency and unmask wrongdoings committed by market participants. In addition, the CMA published 22 weekly awareness pages with “Al-Eqtisadiyah” newspaper in order to acquaint investors with the rules and regulations issued by the CMA, and boost their financial knowledge.

**Fourth:** Investor awareness programs

Stemming from its strategy towards investor awareness programs, the CMA carried out the following in 2011:

### I. Publishing and Distributing Awareness Booklets

The CMA issued the “Shareholder Guide to General Assemblies” booklet to be added to the collection of previously issued awareness booklets totaling 14. These booklets have been distributed amidst the CMA’s various appearances and engagements.

The CMA also:

- Distributed more than 141,000 publications directly to target audience by utilizing various distribution channels and venues such as pavilions and stands at conferences, symposia, airports, train stations, summer, social and charitable centers, and government and private schools across the Kingdom.
- Published the third and fourth volumes of “The Smart Investor”, a magazine dedicated to kids at primary grades. The magazine is intended to present some concepts of saving and investing in an amusing and simplified manner; around 17,000 copies of both volumes were distributed.
- Launched an educational game in cooperation with VISA as 15,000 CDs were distributed.



Furthermore, the CMA updated and improved the content and structure of guidance manuals previously issued in 2009:

- Joint stock company obligations after offering and before listing.
- Ongoing obligations of listed companies.
- Shareholding obligations of Board members and senior executives.
- Major shareholders' obligations on shareholding notifications.

## 2. Awareness Road Shows and International Fairs

The CMA carried on with the Road Show project targeting eight cities/provinces across the Kingdom. Several CMA pavilions were held in the malls of those cities and provinces connecting with visitors of all segments, be they Saudis or foreign residents, to raise the investment culture and awareness. Table (61) illustrates the number of investor awareness road shows organized in different cities/provinces in 2011. The most significant elements of this table can be summarized in the following:

- The total number of road shows amounted to 20.
- The road shows attracted remarkable attendance of more than 3 million visitors.

Table (61): Number of Investor Awareness Road Shows Organized in Different Cities/Provinces of the Kingdom in 2011

No.	City/Province	Road Shows Organized	Attendees
1	Riyadh	12	3,158,400
2	Jeddah	1	15,000
3	Ta'if	1	12,000
4	Abha	2	12,280
5	Dhahran	1	15,000
6	Al-Qassim	1	2,500
7	Al-Khobar	1	100
8	Ra's Tannurah	1	40,000
	Total	20	3,255,280



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

- Riyadh International Book Fair, 2-12 March 2011; about 3 million visitors.
- Universal Children's Day, held in Riyadh (24 – 28 November 2011); around 20,000 visitors.

### 3. Smart Investor Program

The CMA attaches great importance to educating the young population on financial matters, given that they represent potential investors in the capital market or other economic sectors. This was manifested in the release of a biannual children-dedicated magazine which aims at building a financial and economic culture for such generation, and mirrors the experiences of pioneer countries in this aspect. Many investment risks can be mitigated when investors have adequate financial and right awareness to engage in markets. The CMA has created awareness programs and educational activities for all segments of society, from different ages, youngsters in particular. The goal is to build a financially conscious generation, acquaint students with the principles of money management and saving, provide them with buying and selling skills and introduce them to the entities involved in financial transactions. Moreover, the CMA extended its program for kids' financial awareness by launching an interactive website for the "Smart Investor" program. The website, which is hoped to be a reliable reference for financial awareness, contains several sections and subsections such as the "Smart Investor Forum". In tandem with the website launch, three webpages were created on Facebook, Twitter and YouTube to instantly offer news on the "Smart Investor" project and broadcast financial awareness messages that are consistent with the project's overall objective, i.e. raising children's financial awareness. The website can be accessed via this link: ([www.smart-investor.net](http://www.smart-investor.net)).

This step comes after issuing the magazine and organizing a scheduled program for awareness lectures in schools, institutes, celebrations venues and malls, along with the distribution of the educational game "Financial Football". On those occasions and appearances, the CMA featured special interactive programs, contests and stage plays with the purpose of increasing financial and investment awareness among targeted segments while combining entertainment with education. Furthermore, the CMA designed stands for such visits along with a mobile caravan to reach different regions across the Kingdom and take part in

public occasions and festivals to ensure greater access to the biggest segment possible of the community. The caravan and stands are equipped with display and touch screens as educational aids for children. The primary task of the program is to transform the rules of correct financial transactions and positive behaviors into interactive items with the targeted segments in order to build a financially conscious generation and prepare it for positive interaction with the community. The program is also intended to raise the awareness of students on all aspects related to daily financial transactions, teach them the principles of money management and investment, saving methods, and instill Islamic and moral values as to how to deal with money.

### 4. School Awareness Visits

The CMA made several awareness visits to schools in different cities/provinces across the Kingdom. Table (62) demonstrates the number of school visits made by the CMA in different cities/provinces across the Kingdom in 2011. It can be summarized in the following:

- Four cities/provinces were covered in school visits. The number of visited schools amounted to 67.
- Awareness visits benefited a total of 8,026 beneficiary students as 31,260 copies of the "Smart Investor" were distributed.

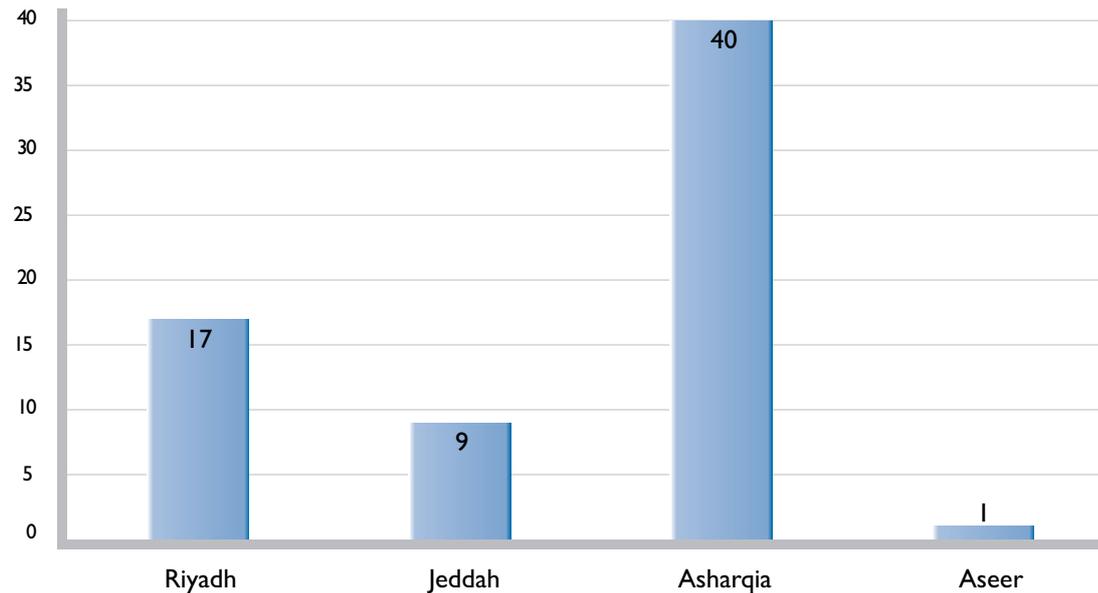


Table (62): Number of Awareness School Visits Made by the CMA in Different Cities/Provinces across the Kingdom in 2011, Classified by City/Province, Number of Schools, Students, and Distributed Copies of the “Smart Investor” Magazine

No.	City/Province	Number		
		Schools	Beneficiary Students	Distributed Copies of “Smart Investor” Magazine
1	Riyadh	17	3,792	15,168
2	Jeddah	9	535	2,140
3	Asharqia	40	3,399	13,596
4	Aseer	1	300	356
Total		67	8,026	31,260



Chart (45): Number of Awareness School Visits Made by the CMA in Different Cities/Provinces across the Kingdom in 2011, Classified by City/Province



**Fifth:** Organizing and Sponsoring Training Courses, Symposia and Seminars

The CMA:

- Sponsored the “Governance of Family Owned Companies Forum” organized by Asharqia Chamber and the GCC Board of Directors Institute (GCC-BDI) in the Eastern Province of the Kingdom on 10/5/2011.
- Participated in the Saudi Securities Forum, organized by the Riyadh Chamber of Commerce and Industry represented by the Securities Committee, on the 14th & 15th of May 2011.
- Sponsored the “Saudi Woman and Development Forum”, held in Riyadh on the 12th and 13th of March 2011.

**Sixth:** Advertisement Campaigns on TV, Local Press and Social Media Networks

The CMA conducted a number of advertisement campaigns through various mass media channels to enlighten market participants on sound investment methods, hence avoiding breach of the CML and its Implementing Regulations. Table (63) illustrates the number of advertisement campaigns made by the CMA on TV, local press and social media networks in 2011, classified by duration and number of advertisements. Key features are as follows:

- Total advertisement campaigns in 2011 stood at five campaigns, two of which on TV, two on newspapers, and one campaign on Facebook with a total of 187 advertisements and 70,986,851 appearances on the social networking website Facebook.
- The total number of days on which these campaigns appeared amounted to 74 during 2011.



Table (63): Number of Advertisement Campaigns Made by the CMA on TV, Local Press and Social Media Networks in 2011, Classified by Date, Number of Days and Advertisements

No.	Type of Ad Campaign	Date	Number of Days	Number of Ads/Apearances
1	TV - Awareness	14 May, 2011	16	79
2	TV - Awareness	19 Sep, 2011	12	83
3	Press - Announcement	23 Apr, 2011	2	9
4	Press - Warning	4 Dec, 2011	14	16
5	Electronic (Facebook)	24 Feb, 2011	30	70,986,851
Total			74	--

# Chapter Two

## Achievements of the CMA

### 2.2 Achievements in the Regulation and Development of the Internal Environment

2.2.1 Human Resources Development and Administrative Organization

2.2.2 Shift to Electronic Government Transactions



## 2.2 Achievements in Regulating and Developing the Internal Environment

Pursuant to Article Six of the CML, pertaining to the CMA's responsibility for the formulation and development of its internal regulations, and Articles Nine and Ten of the same Law, the CMA is fully responsible for the development of its business and the achievement of its objectives.

### 2.2.1 Internal Environment Development and Administrative Organization

The CMA ranked first for the second year in a row on the list of the Best Governmental Work Environment nationwide in the category of government entities according to "Al-Eqtisadiyah's" panel of judges. The list included the names of six government entities in addition to 21 new entrants in the 4th round for 2010. The competition was fierce as 52 operating entities in the Kingdom joined the contest. The six government entities made their way to the list after getting the required points for entering the list. Point calculation was based on the results of job satisfaction surveys and assessments of human resources practices within the participating government entities. All listed participants showed distinguished balanced work towards building the main fundamentals of a good work environment which comprises employee personal development satisfaction, incentive salaries and wages, in addition to the organization's workplace culture that reflects the nature of interaction between the employee and management at the organization, the level of respect and recognition he/she gets as well as his/her degree of contribution to respective decision making. Moreover, these entities had outstanding administrative leaderships which make a critical factor in sustaining an ideal organizational work environment as they contributed to deepening the values of consultation, fairness, and effective moral motivation.

The CMA has continued developing its internal environment during 2011 in the following domains:

#### 1) Recruitment and Cooperation with Advisors

- The CMA recruited 26 highly qualified employees in 2011, bringing the total number of CMA employees to 637, an increase of 1.11% compared to 2010.

- Some domestic and foreign experienced firms were chosen to undertake capital market consultancy projects for a number of CMA departments.
- A very small number of specialists in capital markets were hired from overseas to fill specialized consultancy positions.
- Saudization reached 98.3% as female employees accounted for 9.4% at the end of 2011.

#### 2) Human Resources Development

In 2011, the CMA organized many training and qualifying programs as follows:

- 24 in-house training programs.
- 578 CMA employees took part in specialized short training programs.
- 23 employees joined the rotation program.
- 25 employees enrolled in "English Abroad" programs.
- The number of short training courses in which CMA employees enrolled amounted to 550 programs inside and outside the Kingdom.
- 83 employees joined part-time education programs.
- On-the-job training was provided to 10 employees at peer international organizations and entities.
- 11 employees were sent on overseas scholarships, taking the total number of employees on scholarships to 50.
- 18 employees graduated from the scholarship program, and 13 from the fresh graduate program.

#### 3) Strategic Development

In response to future challenges and changes, the CMA has adopted the "Knowledge Management" system since 2010 to develop its internal work environment. The system is to contribute to:

- Building a comprehensive database for the CMA.
- Developing many applications of information systems to serve different



CMA sectors, and linking the deliverables of these applications to the CMA's data warehouse.

- Extracting and retrieving all sorts of reports as needed and determined by system users.
- Establishing an e-library to store all documents, studies and reports produced by the CMA's divisions/departments or those generated for the CMA by external entities, to be accessible when needed.
- Connecting the Knowledge Management System easily to any specialized external data base, so it can be available for the CMA's different sectors according to need. The system also enables online subscription to professional periodicals and magazines and specialized websites.
- The second phase of this project (assessment and analysis) has been completed which comprises:
  - Narrowing down the major and vital areas of knowledge, and the proposals for developing internal knowledge components.
  - Determining the needs of knowledge management and assessing the operation baseline.
  - Documenting policies, processes and procedures.
  - Benchmarking the practices of knowledge management at a number of entities and developing a best practices document.
  - Pinpointing the needs and requirements of knowledge management (technical) infrastructure.
- Currently, work is underway to execute phase three of the project which will include:
  - Drawing a knowledge management strategic plan.
  - Designing the framework of knowledge management to develop a strategic document of knowledge management.
- Preparing the road map to implement knowledge management.

#### 4) Promoting the CMA's Social Role

- The CMA participated in three career day events over 10 days at a number of distinguished local and regional universities and academic institutions.
- Established the Scholarship Program for Fresh Graduates (SPFG) to pursue Master's degrees programs in several majors that are directly related to the CMA's work. 36 graduates joined this program, 26 of which completed their Master's degree, and the rest are still in the program.
- Recruited a number of distinguished university students to complete their co-operative training program at the CMA. The duration of cooperative training ranges from 6 to 28 weeks. The number of cooperative training male/female students amounted to 44 in 2011.

#### 5) Developing Effective Intercommunication

During 2011, the CMA developed an Operation Manual for all of its divisions and departments. The Manual represents one of the means that contribute to supporting the CMA's strategy. It also helps in creating an environment suitable for activating process and procedures according to the roles and responsibilities of each division/department, hence improving the performance and quality of deliverables and accelerating response to client requests. The Manual contains all operations and (core, supportive and steering) functions of every sector and division within the CMA. It identifies the overlaps of processes and the way procedures flow, hence, reducing duality, redundancies and inconsistencies in performing functions. The Operation Manual was developed in line with the CMA's identity and published on the intranet in both Arabic and English for the convenience of all CMA's employees to improve the effectiveness of intercommunication among the CMA's divisions/departments and sectors.

#### 6) Information Security

The CMA has been awarded the ISO 27001 certificate on Information Security following a successful external inspection of information technology and security, policies, procedures and operations which have been developed and applied by the IT Department over the past period.



## 7) CMA's HQ Management

The CMA directly manages the execution of the construction works of the CMA's Headquarter Project at King Abdullah Financial District. The CMA's HQ building is located on a 5,962 square meters plot of land and has a built-up area of over 200,000 square meters. The tower encompasses a distinctive hybrid structure system designed to increase floor efficiency and improve the internal panoramic view. The design also includes a triple-glazed facade system with exterior glass fins oriented to reduce heat gain and overall power consumption. Traffic inside the building is managed through an advanced vertical transportation system consisting of elevator shafts housing twin cabins, double-decker and single cabins designed to operate and manage the expected demand of people movement inside the tower.





## 2.2.2 Shift to Electronic Government Transactions

Pursuant to the directives issued under Royal Order No.(8189/MB) dated 19/6/1426H, to form a committee at each government agency named “E-Government Committee” to be presided by the top official at that agency or whom he may authorize, and shall be concerned with all matters pertaining to e-transactions and determine respective implementation requirements in

coordination with the E-Government Program “YESSER” at the Ministry of Communications and Information Technology and other government agencies, the chairman of the CMA Board issued Resolution No.(17/RMS) dated 20/7/1432H (22/6/2011) to recompose the E-Government Committee as follows:

- |    |  |                         |
|----|--|-------------------------|
| 1- | Vice Chairman of the CMA Board                                   | (Chairman)              |
| 2- | Director of the Corporate Services Division                      | (Member)                |
| 3- | Director of the Enforcement Division                             | (Member)                |
| 4- | Director of the Market Supervision Division                      | (Member)                |
| 5- | Director of the Capital Market Institutions Supervision Division | (Member)                |
| 6- | Director of the Corporate Finance and Issuance Division          | (Member)                |
| 7- | Director of the Strategy and Research Division                   | (Member)                |
| 8- | Manager of the Information and Technology Department             | (Member and Rapporteur) |



The Committee assumes the responsibility of supervising the implementation of the e-transactions plan at the CMA, and coordinates with the E-Government Program “YESSER” at the Ministry of Communications and Information Technology and other government agencies.

Major accomplishments made in this regard include the following:

- The CMA was awarded the ISO 27001 certificate on Information Security by the BSI organization.
  - Completing the final stages to launch the e-services of continuous disclosure and corporate governance forms.
  - Completing the initial stages of many systems that serve clients and users of the CMA’s services such as authorizations, registry and listing, electronic recruitment, continuous disclosure and vendors.
  - Developing key standards, policies and procedures for information security and technological risk management, and establishing necessary measures for implementation, in accordance with the best international practices.
  - Enhancing the infrastructure of information technology and initiating the execution of technological services management strategy on a stage-by-stage basis to raise the quality level of services, reduce capital costs, and increase efficiency of the IT Department personnel.
  - Preparing and approving the strategic plan to shift to initial e-transactions according to the concepts and standards of the E-Government Program “YESSER”. This will enable the CMA to increase effectiveness and efficiency in providing its various services through many channels based on the most advanced IT solutions available and executed by highly qualified and skilled task forces.
  - Constantly developing the applications and systems within the IT Department according to the needs of business sectors in the CMA. The number of these systems amounted to 68, developed and implemented with different technologies in line with the best international practices and standards such as Oracle, ECM, HP BTO, and SharePoint.
- Creating and implementing IT governance to ensure the best performance of information technology functions to support the CMA in achieving its strategic goals, increasing the operational efficiency of technological systems and services, and applying the ideal methods in managing technological resource, projects and risks. Moreover, an e-Dashboard was developed to run and govern information technology projects, provide information to department’s employees, schedule project works since the onset of the project, manage risks, and vendors and contractors.
  - Working on enabling the Enterprise Architecture to establish the standards and frameworks necessary for regulating and connecting the CMA’s vision and objectives to the organizational structure and human resources and their work and information capabilities. This will help build an uncomplicated technological system in addition to tracking change in regulatory systems and the impact of change in technological systems.

Table (64) gives an overview of the technological services the CMA extends to its employees.



Table (64): Glimpse of some CMA Technological Services to its Employees

Element	2010	2011
Capacity of Central Information Storage Media	135	135
Number of Servers Connected to Central Information Storage Media	42	42
Number of Unix Servers	22	22
Number of Databases	37	37
Capacity of Databases	1.7	1.9
Number of Network Points	4,152	4,152
Number of Wireless Connection Points	117	129
Size of Backup Data	517,085	316,312
Electronic Signature	10	31
Number of E-mail Boxes	851	930
Number of Windows Servers	149	169
Size of Shared Folders	2,000T	5,000T



# Chapter Three

## Achievements of the Committees for the Resolution of Securities Disputes

3.1 Committee for the Resolution of Securities Disputes (CRSD)

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



### 3.1 Committee for the Resolution of Securities Disputes (CRSD)

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

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

Under Resolution No. (6-31-2010) dated 24/12/1431H corresponding to 30/11/2010, their membership in the Committee was renewed for three years as of 18/1/1432H.

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

- Its jurisdiction stretches over all the Kingdom's regions covering all types of lawsuits, be they civil, penal or administrative, which fall within the provisions of the CML and its Implementing Regulations as well as the rules and instructions issued by the CMA. It has the jurisdiction to settle all disputes arising between authorized persons and investors, and among investors themselves. It also settles the accusations/charges filed by the CMA against violators of the CML and its Implementing Regulations.
- It has the right to look into the grievances against the CMA's decisions and measures.
- Its judicial work is based on an automated system designed to reduce reliance on paper work. The system also enables members and advisors to examine filed suits and view all of their contents through their personal

computers. This has resulted in speedy resolution of cases with precision and justice.

- To achieve optimum communication with concerned parties, the Committee has done the following in 2011:
- Published the decisions of the CRSD and ACRSC for 1426-1430H on its website in Arabic.
- Published the decisions of the CRSD and ACRSC for 1426-1428H on its website in English.
- Sent SMS notifications as the number of SMS sent to parties of litigation in 2011 amounted to 1,254.
- Launched the CRSD e-mail (info@crsd.org.sa) for correspondences, answering inquiries, and receiving pleas of litigating parties<sup>28</sup>.

In 2011, the Committee held 239 meetings in which 133 decisions were made on all sorts of cases: civil, administrative and penal.

Table (65) shows the number of cases filed with the CRSD in 2010 and 2011. Table (66) reflects the number of finalized cases by type in 2010 and 2011. Here is a summary of the main points:

- The cases filed with the CRSD declined by 3.5% to 110 in 2011.
- Civil cases constituted the highest percentage of all cases filed with CRSD, accounting for 73.6% in 2011 and 81.5% in 2010.
- In 2011, the CRSD finalized 29 cases out of what was filed within the same year compared to 15 cases in 2010.
- Civil cases accounted for 86.2% of total registered and finalized cases in 2011 compared to 80.0% of total registered and finalized cases in 2010.

28- Civil cases are private right lawsuits, involving civil responsibility, which are filed by securities investors against authorized persons, or among investors or authorized persons. Administrative cases are grievances against the decisions and procedures issued by the CMA or the Exchange. Penal cases are public right lawsuits, brought against violators of the CML and its Implementing Regulations and the Exchange's rules and guidelines.



Table (65): Number of Cases Filed with the CRSD in 2010 and 2011 by Type of Case

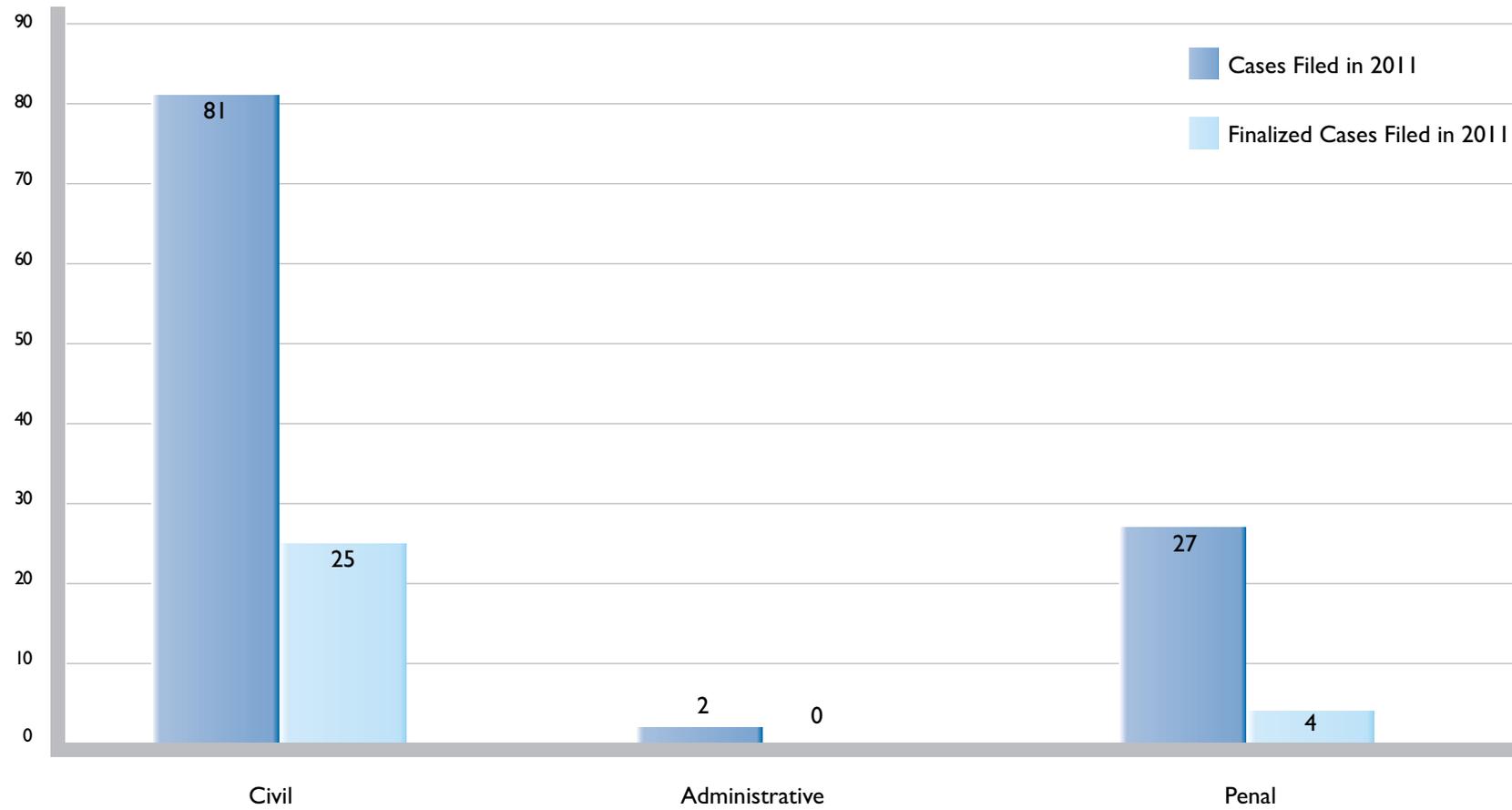
Case Type	2010		2011	
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
Civil	93	81.6%	81	73.6%
Administrative	10	8.8%	2	1.8%
Penal	11	9.6%	27	24.5%
Total	114	100%	110	100%

Table (66): Number of Cases Finalized (Out of Filed Cases within the Same Year) in 2010 and 2011 by Type of Case

Case Type	2010		2011	
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)
Civil	12	80.0%	25	86.2%
Administrative	1	6.7%	0	0.0%
Penal	2	13.3%	4	13.8%
Total	15	100%	29	100%



Chart (46): Number of Cases Filed with the CRSD and Finalized in 2011 by Type of Case





As to the decisions issued by the CRSD, table (67) presents the number of those decisions by type of case in 2010 and 2011 which can be summarized in the following:

- The CRSD issued 133 decisions in 2011 compared to 136 decisions in 2010, recording a decrease of 2.2%.

- Decisions issued on civil cases stood at 107, accounting for 80.5% of total decisions issued in 2011 against 71.0% in 2010.

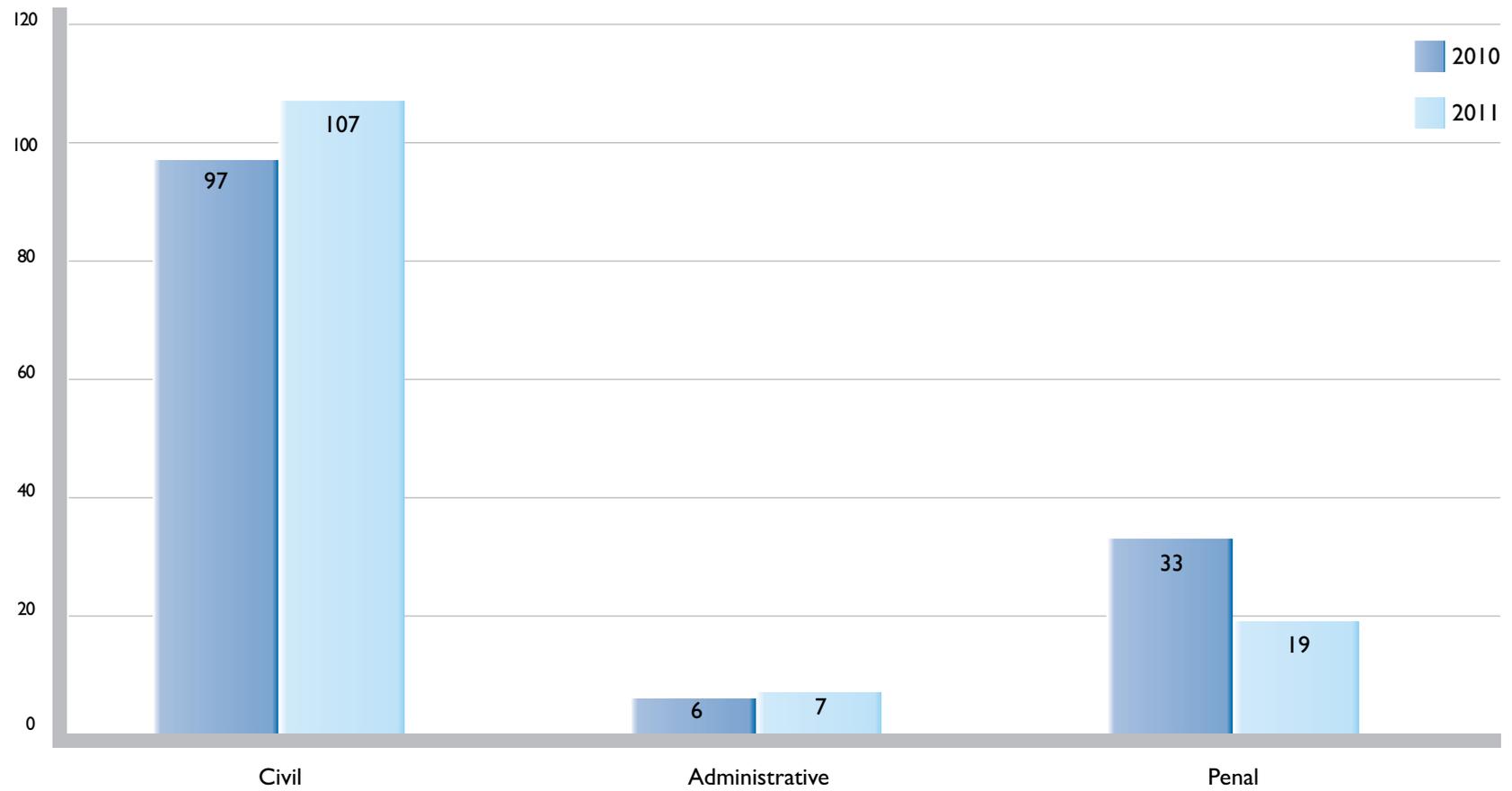
Table (67): Number of Decisions<sup>29</sup> Issued by the CRSD in 2010 and 2011 by Type of Case

Case Type	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Civil	97	71.0%	107	80.5%	10.3%
Administrative	6	5.0%	7	5.3%	16.7%
Penal	33	24.0%	19	14.3%	- 42.4%
Total	136	100%	133	100%	- 2.2%

29- The decisions issued in 2010 and 2011 include part of what was filed with the CRSD in these two years in addition to other preceding years.



Chart (47): Number of Decisions Issued by the CRSD in 2010 and 2011 by Type of Case





Penal decisions issued by the CRSD in 2011 encompassed seven imposed provisional seizures, three travel bans, and nine decisions of fines and disgorgements as illustrated by table (68).

Table (68): Number of Penal Decisions Issued by the CRSD in 2010 and 2011 by Type of Decision<sup>30</sup>

Decision Type	2010		2011	
	Number of Decisions	Percentage out of Total (%)	Number of Decisions	Percentage out of Total (%)
Provisional Seizure Imposed	11	33.3%	7	36.8%
Provisional Seizure Lifted	3	9.1%	0	0.0%
Travel Ban	2	6.1%	3	15.8%
Fines and Disgorgements	17	51.5%	9	47.4%
Total	33	100%	19	100%

30- These decisions include part of what was filed with the CRSD in 2010 and 2011 in addition to other previous years.



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

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

The Council of Ministers issued its Resolution No. (325) dated 12/11/1432H (10/10/2011), renaming the members of the Appeal Committee to include:

1- Advisor/ Mr. Abdullah Bin Abdulaziz Ashiddi,  
Chairman (Representing the Bureau of Experts)

2- Advisor/ Mr. Abdulaziz Bin Rashid Bin Kolaib,  
Member (Representing the Ministry of Commerce and Industry)

3- Advisor/ Mr. Salem Bin Saleh Al-Mutawa'  
Member (Representing the Ministry of Finance)

The Committee held 191 meetings and made 123 decisions on various cases (civil, administrative and penal).

Tables (69) and (70) illustrate the number of cases appealed and decisions issued by the ACRSC in 2010 and 2011 by type. The results can be summarized in the following:

- The total number of appealed cases (filed with the ACRSC) stood at 93 in 2011 against a total of 75 in 2010, increasing by 24.0%.
- Appealed civil cases accounted for the highest percentage of total cases filed with the ACRSC in 2010 and 2011 with 76.0% and 86.0% respectively.
- The decisions issued on civil cases comprised 91.1% of total decisions issued in 2011.

Table (69): Number of Cases Appealed (Filed) with the ACRSC in 2010 and 2011 by Type

Cases	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Civil	57	76.0%	80	86.0%	40.4%
Administrative	14	18.7%	7	7.5%	- 50.5%
Penal	4	5.3%	6	6.5%	50.0%
Total	75	100%	93	100%	24.0%



Chart (48): Number of Cases Appealed (Filed) with the ACRSC in 2010 and 2011 by Type

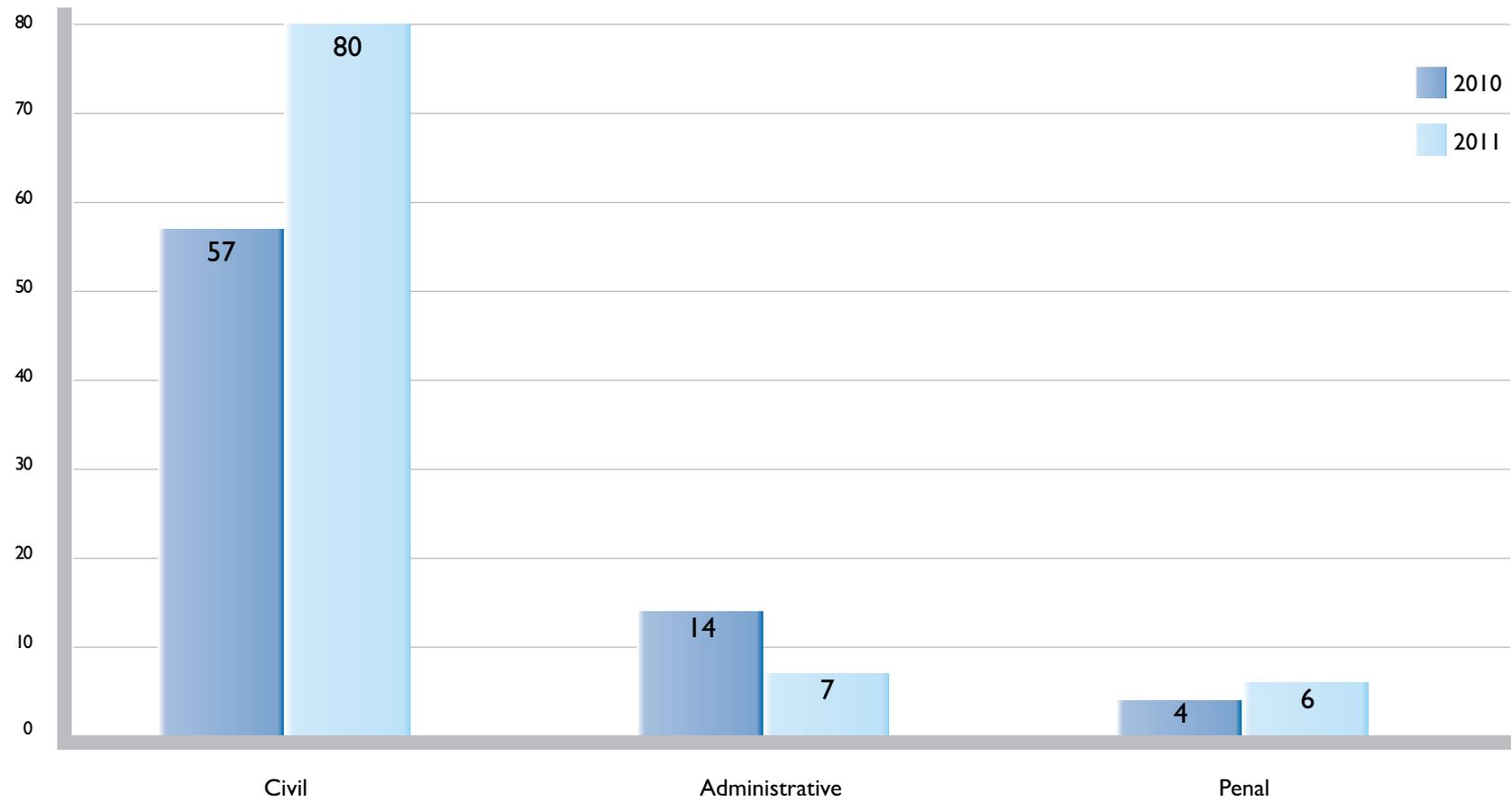
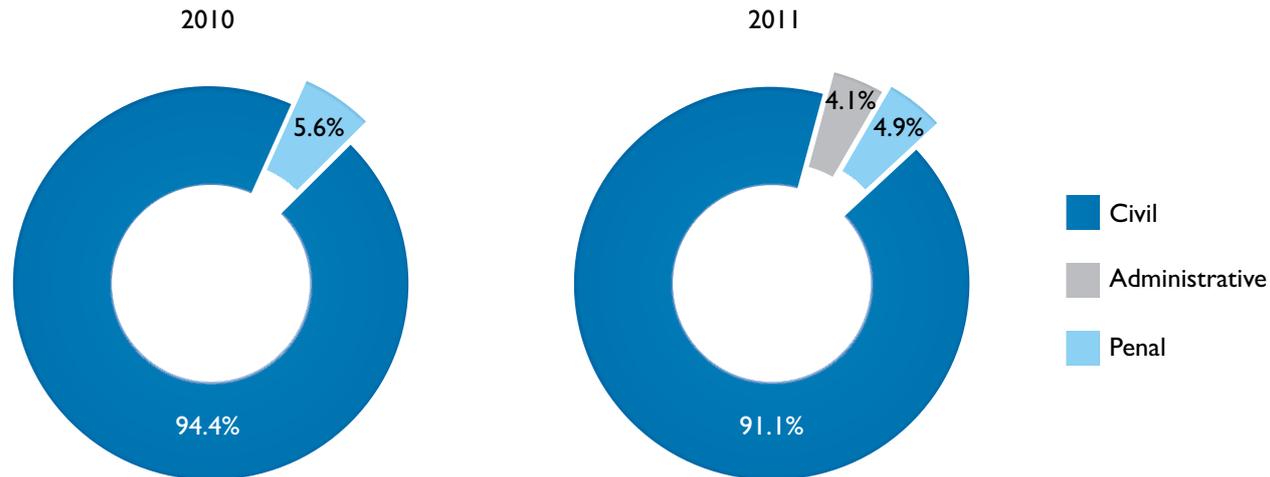




Table (70): Number of Decisions Issued by the ACRSC in 2010 and 2011 by Type

Case Type	2010		2011		Change (%)
	Number	Percentage out of Total (%)	Number	Percentage out of Total (%)	
Civil	102	94.4%	112	91.1%	9.8%
Administrative	0	0.0%	5	4.1%	--
Penal	6	5.6%	6	4.9%	0.0%
Total	108	100%	123	100%	13.9%

Chart (49): Percentages of Decisions Issued by the ACRSC in 2010 and 2011 by Type





## Chapter Four

The CMA's Aspirations for 2012





## The CMA's Aspirations for 2012

Believing in its mission towards developing the capital market, protecting investors and applying the principles of transparency, fairness and disclosure, the CMA spares no effort to continue and sustain its achievements. In 2012,

the CMA intends to execute several projects in various areas of capital market development and regulation including the following:

### Legislative and Regulatory Aspect

- Develop and update the Implementing Regulations to keep up with the latest developments in the capital market in accordance with the best relevant practices and standards.
- Issue the Credit Rating Agencies Regulation.
- Issue Prudential Rules.
- Issue the updated Investment Funds Regulations:

### Capital Market Development

- Devise methods to trade rights issues on the Saudi Stock Exchange.
- Enable electronic acceptance of acquisitions.

### Disclosure of Listed Companies

- Develop the capital market disclosure mechanism to convert to electronic-form-based disclosure.
- Achieve a higher level of market disclosure of and monitor listed companies and investors according to continuous disclosure requirements.
- Monitor capital market institutions and encourage transparency in disclosing financial statements and submitting them in a timely manner.
- Ensure the soundness of structures and practices of corporate governance in capital market institutions.
- Boost the level of transparency, disclosure and investment funds' governance.



## Trading Surveillance

- Increase the efficiency and effectiveness of surveillance systems to keep up with developments by upgrading current surveillance tools to reach best international practices.
- Capitalize on global markets' expertise through mutual cooperation and experience exchange.
- Enhance surveillance programs and tools in inspection, authorization, enforcement, compliance and anti-money laundering.
- Ensure the protection of shareholders' and stakeholders' rights by improving compliance with the Corporate Governance Regulations and best practices of governance.

## Capital Market Decisions and Cases

- Provide electronic services on the CRSD website, enabling parties of the litigation to follow their cases and offer pleas in Arabic and English.
- Continue to summarize and translate the issued final decisions and publish them on the CRSD's official website.

## Authorized Persons

- Continue to develop and update the business procedures for authorization, inspection, prudential, compliance, anti-money laundering and counter-terrorist financing according to best professional and international practices.
- Review and update the rules and implementing regulations and their follow-up mechanisms to develop and support capital market institutions and raise the level of the regulatory environment.
- Apply corporate governance practices and transparency of disclosures at capital market institutions and develop follow-up procedures to ensure compliance.
- Continue to develop and implement an integrated framework to supervise capital market institutions which promotes effective risk management and ensures sound capital adequacy and investor protection.
- Enhance the professional level of financial institutions to offer high quality services, instill solid structures with sound standards, and improve communication with global financial institutions and regulatory bodies.
- Strengthen professional standards and technical qualification of employees of authorized persons through a series of securities business examinations offered by the CMA's examination center.
- Continue to enhance supervision and monitoring programs and tools on capital market institutions' operations and businesses with respect to authorization, inspection, prudential, compliance, anti-money laundering and counter-terrorist financing.



## Investor Awareness and Protection

- Increase awareness among investors and market participants on market conduct.
- Increase awareness among listed companies and board members by conducting awareness workshops on the requirements of listing rules and corporate governance.
- Raise the level of public awareness by publishing new educational materials and a weekly awareness page in one of the local newspapers.
- Raise the level of public awareness by publishing the regulations for the resolution of securities disputes.
- Increase the number of interaction channels with the public by adding a service for investors via smart phones applications and increase the CMA's awareness channels on social networking websites.
- Translate awareness booklets into English to benefit as great a number as possible of non-Arabic speakers and readers domestically, regionally and internationally.
- Enter into strategic partnerships with the private sector and external parties to take part in the CMA's awareness programs and activities.
- Increase the awareness of market participants on corporate governance, ongoing obligations and Market Conduct Regulations.



