Capital Market Strategic Plan

“Financial Leadership Program”

2019-2021

هيئة السوق المالية
Capital Market Authority
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THE CAPITAL MARKET PLAYS A VITAL AND IMPORTANT ROLE IN ECONOMIC DEVELOPMENT,

as it is an important contributor and main channel for the flow of savings from economic units and sectors, that generate cash surpluses, to units and sectors, that need to meet their financing requirements. The Capital Market contributes to encouraging the listing of joint stock companies, as well as establishing of investment funds and asset management companies that allow citizens to invest their savings in shares of listed companies or investment products directed to development projects that help by turn to increase investment and employment opportunities, and reduce unemployment rates.

By the end of 2020, the Saudi Capital Market aspires to become the main Capital Market in the Middle East, the focus and the starting point for investors looking for finance and investment in the region. For this purpose, we hope that our market will attract foreign investors, both in the issuing market and in direct trading. We hope that foreign investment will increase by 15% of the market capitalization, deepening the market and attract more developing companies through a parallel market full of companies, and main market characterized by efficiency and smooth listing. The Capital Market Authority (CMA) aims to increase the number of listed companies in both main and parallel markets to more than 250 companies, as well as achieving the highest liquidity rates, that meets market participants' objectives; as well as leveraging the capital flow resulted from listing the Saudi Capital Market within the emerging global indices. Such outcomes will contribute to meet the objectives of the Kingdom’s vision 2030, as a highly efficient and attractive market.

Furthermore, purposeful initiatives have been undertaken to promote confidence among capital market investors by reducing volatility and enhancing stability in the market, protecting and compensating those affected by unfair and unsound practices, and applying preventive sanctions against Capital Market Law (CML) violators. As a result, CMA aims to double the invested capital via managed channels to reach SR 650 billion of assets under management, whether in funds, portfolios, or other innovative financial instruments including private equity funds and venture capital. We hope this will lead to the creation of an efficient and effective financial sector capable of generating more job opportunities.
The Importance of the Capital Market in Economic Development

The Capital market contributes to economic development through the following:

- **Increasing savings**: The Capital Market contributes in increasing the savings of individuals by investment in savings channels that secure additional income and provide more liquidity compared to most alternative investments.

- **Providing liquidity for investors**: The Capital Market plays an important and vital role in financing national economy projects. Further, it is a key player in the mobilization of savings and financial resources, and their redirection towards productive investments.

- **Making forecasts about the economy**: The stock exchange index is a reflection of the economy and it alerts concerned officials to help them predict potential recessions or booms in the economy, and, accordingly, implement the required reforms and take necessary measures.

- **Monitoring company performance**: The Capital Market Authority is considered a supervisory body responsible for monitoring listed companies whose securities are traded on the stock exchange. In this capacity, it imposes a comprehensive system of internal control aiming to reduce risks and ensure the commitment of listed companies as well as their employees to the implementation of applicable laws and regulations. Further, the Capital Market establishes accountability regulations to protect the resources of companies and ensure that their departments adopt effective investment, operational, and financing policies.

- **Assisting privatization**: The Capital Market plays a major role in privatization when the government adopts a policy to transform public enterprises into private businesses. International experience has proven that the success of privatization projects is directly associated with the existence of large and organized capital markets that accommodate the securities of enterprises undergoing privatization.

- **Attracting foreign investments**: The Capital Market seeks to attract foreign investments by passing legislations that build the confidence of investors in the preservation of their financial rights, in addition to providing them high and attractive returns. The flow of foreign capital increases liquidity in the recipient country, which creates a financial resource that enables listed companies to finance their projects.

- **Evaluating the efficiency of the Government’s financial and monetary policies**: The Capital Market reflects the country's economy. It also reflects the efficiency of the government's financial and monetary policies, which influence the movement of capital as well as the revival and deflation of economic activity and demand.

- **Raising economic awareness**: The Capital Market plays a role in raising the investment and financing awareness of institutions and individuals. It also promotes the transparency and reliability of any information related to the performance of listed companies and the economy as a whole.

- **Financing development projects**: The Capital Market contributes to the financing needs required to undertake investment projects targeting the infrastructure. This involves the government's offering of securities (public debt bonds) or through treasury bills and bonds to finance the government's financial deficit.

- **Controlling the national economy's inflation rates**: The Capital Market attracts the savings of institutions and individuals as well as absorbing surplus liquidity and redirecting it towards investment instead of consumption. The Capital Market also compensates for extreme increases in local credit through the long-term loans provided by banks, which eventually lead to inflationary waves.

- **Promoting the sustainability and growth of family businesses**: The Capital Market acts as a platform for the transformation of successful family-owned businesses and sole proprietorships into joint-stock companies, in addition to contributing to their sustainability and growth. Further, listing these businesses in the Capital Market leads to separating ownership from management. It also encourages such businesses to comply with measures of governance thereby enhancing the efficiency of their financing and investment Resolutions. In addition, it allows them to benefit from the financing opportunities available in the Market, which helps them expand and succeed.

- **Diversifying funding sources**: The Capital Market is considered a source of funding for both public and private sectors, and it is an alternative that helps minimize the problems caused by external loans. This is achieved by transforming debts into securities that can be traded in local and international capital markets. The financial instruments used for this purpose are referred to as asset-backed securities since they allow credit banks to transform commercial loans into tradable securities.

- **Improving productivity and performance**: Improving the performance and efficiency of CMA and the institutions participating in and supporting the development of the Capital Market, and building a professional, effective, competitive, and fair environment raises awareness of the CMAs role and promotes the culture of investment among Capital Market participants. In turn, this supports national businesses in addition to motivating their development and prosperity, and the growth and sustainability of the national economy.
Governance of Strategic Plan

The CMA started to develop its strategic plans and to work on their implementation since 2009

In 2016 “Financial Leadership Program 2020” was launched, where a set of initiatives on Financial Sector Development Program (i.e. one of the Kingdom’s vision 2030 executive programs) was enacted; achieving the strategic objectives and initiatives of the second strategic pillar with respect to developing an advanced capital market. This can be achieved through studying and reviewing the ongoing strategies and initiatives of CMA. In addition, the strategic indices and initiatives adopted by CMA within “Financial Leadership Program 2020” should be determined; those distinctive with an impact on the growth and development of the whole financial sector as well as developing the Capital Market in order to achieve the advanced markets status.

The CMA, as a member in the supervisory committee of Financial Sector Development Program, seeks to contribute to the national economic development process; by developing the financial sector and capital market to become an advanced market that supports the national economy development, to enhance savings, finance and investment, and to increase the financial sector’s efficiency in order to address and meet the challenges.

The CMA has embarked on developing an integrated governance framework to ensure the institutionalization of the work, raising its efficiency and facilitating the coordination of efforts between the relevant bodies, in order to enable the CMA to effectively follow up the implementation of its strategic plan. In order to enhance the quality standards and to implement and take corrective actions in a timely manner, a methodology has been adopted to follow up the implementation of strategic initiatives periodically through the development of detailed plans for each initiative containing the implementation steps and deadlines for implementation and identification of implementation responsibilities and external partners and expected roles.

The governance framework includes a number of bilateral committees and joint committees with external parties to ensure coordination with relevant bodies to implement the strategic initiatives and common works associated therewith. In order to ensure continuity of work and flexibility in facing challenges and overcoming the obstacles related to the implementation process moreover in order to continuously improve and keep pace with the changes, CMA will review the strategic plan with all its components periodically to identify gaps and develop initiatives to achieve the objectives.

Performance Measurement

The CMA has embarked on developing a governance framework, that includes a clear Performance Measurement methodology.

To identify progress in achieving strategic objectives. The updated plan (2021-2019) included a set of performance indicators at the level of the five strategic themes, as well as specific measurement indicators for each strategic objective.

On a matter related to performance measurement, CMA works with the National Center for Performance Measurement (Adaa) on measuring some of the performance indicators of Financial Sector Development Program, included within the work scope of CMA. This can be accomplished throughout, applying the unified models, methodologies and tools to support its adequacy and effectiveness, and to issue performance reports to measure the extent of achieving the strategic objectives of Financial Sector Development Program.
General Assumptions

CMA Strategic Plan is based on achieving the following assumptions:

- Maintaining annual GDP growth by a minimum average of 3% per year until 2020.
- Continuing the privatization program of government companies at a pace supportive of the Capital Market.
- Issuing debt instruments in the local market by the Government.
- Maintaining the money supply growth rate (M1) at 3% annually.
- Ensuring that all concerned parties adopt the incentivization program’s initiatives to promote the transformation of private sector establishments into joint-stock companies.
- Establishing the procedures needed to enforce taxes on foreign investments in listed securities in a manner that attracts investment and complies with international practices.
- Profitability of listed companies increased by (4%) annually.
- Maintaining the rates of Credit Default Swap (CDS) at levels not exceeding 100 points as a base for due fixed income instruments within five years.

Any deviation in the above-mentioned assumptions may affect the objectives and capabilities of CMA to achieve them.
The CMA realizes the importance of risk management related to the implementation of the Strategic Plan; as the completion of the initiatives may be affected by some of the risks associated with the strategic plan and its assumptions with different levels of impact. To ensure effective management of the implementation of the Strategic Plan, the Commission identified the most significant risks related to the implementation of the Strategic Plan and set out the necessary preventive procedures to reduce and minimize its negative impacts on the Strategic Plan. The following is a list of the main risks of implementing the Strategic Plan:

- **Main Risks of Implementation**

  - **Deviations in other basic program assumptions:** The achievement of the strategic objectives is linked to the set of assumptions mentioned above, and any deviation in these assumptions may have a negative impact on achieving the desired results.

  - **High rates of Credit Default Swaps (CDS):** This may lead to a decline in the attractiveness of the market investment, which leads to weak liquidity and low PE ratio as well as the efficiency of the market in raising funds.

  - **Failure to address the mechanism of application and calculation of Zakat on securities for all investors:** This will affect the development of the sukuk market, debt instruments and investment funds at the hoped-for level, and may also adversely affect the business of authorized persons (APs).

  - **The inability to attract the best talent required in the financial:** The existence of high-level competencies in the financial sector contributes to raising the quality of services in the capital market, and the continuation of this risk may lead to the delay of achieving some of the strategic objectives until the capacity building of the financial sector.

  - **The high rate of failure of listed companies with the increasing frequency of issuance and listing in both the main market and the parallel market:** This may affect investor confidence in their different segments.

  - **Other countries are progressing faster in international indicators:** The decline in the Kingdom’s ranking in the global competitiveness indices may affect the attractiveness of foreign investment in the Saudi capital market.

  - **Risks of financial technology innovations:** Accelerated technological revolution in the financial sector affects the efficiency of supervision as well as Capital Market’s stability.

  - **The potential risks of inflation and the possible rise in US interest rates and their impact on the Saudi economy as the Saudi riyal is pegged to the US dollar:** This may lead to lower market value of financial assets. In which result in higher business costs for registered companies and lower actual returns of investment.

  - **Cyberattacks and technical disabling risks of highly-negative effects on the stability and effectiveness on e-systems of trading in Market institutions:** Such risk may result in investors’ data leakage and disabling trading systems; which may negatively affect the investor’s confidence and stability of Saudi Capital Market.
Vision 2030
To become the main market in the Middle East and one of the top ten Capital Markets in the World

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

Values
Continuous Development
CMA constantly develops and improves its business policies and procedures, laws, and operational programs, thereby enhancing the services provided to Capital Market participants and promoting national economic growth

Excellence
CMA is known for its competent employees. It aims to develop their skills and expertise to achieve the highest standards of quality, efficiency, and professional conduct, in addition to providing the best services to Capital Market participants

Communication and Consultation
Promoting professional cooperation, consultation, and communication as a team, which is characterized by the highest standards of respect and professionalism within and outside of CMA and with Capital Market participants

Social Responsibility and Employee Satisfaction
CMA believes that its employees are its greatest asset and that earning their loyalty is beneficial to the society and the Kingdom. Therefore, CMA is dedicated to creating a supportive and motivating work environment, in addition to offering a variety of community service programs in the areas of development, training, and financial awareness

Responsibility
Demonstrating the sense of responsibility and duty CMA has towards its community and employees, in addition to the responsibility borne by its employees towards their tasks and the sense of dedication, hard work, and loyalty that are all required to achieve CMA’s vision and mission
Facilitating Funding

- Deepening the Capital Market and Promoting its Role in Raising Capital
- Developing Sukuk and Debt Instrument Markets
- Enhancing the Role of Funds in Financing the National Economy

Encouraging Investment

- Supporting the growth of asset management and promoting institutional investment
- Increasing Market Attractiveness to Foreign Investors
- Diversifying Investment Products and mechanisms available in the capital market

Promoting Confidence

- Reinforcing the Capital Market’s Regulatory Structure
- Promoting Capital Market Stability
- Raising the Governance Level in the Capital Market
- Raising the level of transparency and disclosure in the Capital Market.

Building Capacities

- Supporting the development of Authorized Persons
- Raising awareness of Authority role and the investment financial literacy in capital market
- Building the Capabilities of Capital Market Participants

Implementation Enablers

Promoting the role of the human resources and developing their roles....... Enhancing Organizational Excellence....... Developing the technical infrastructure to improve the work’s efficiency
### Indicators at the Level of the Strategic Plan

<table>
<thead>
<tr>
<th>Performance Indicator(1) (2) (3)</th>
<th>Baseline Year</th>
<th>Baseline Value</th>
<th>Unit</th>
<th>Actual 2018</th>
<th>Targets 2019</th>
<th>Targets 2020</th>
<th>Targets 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Market capitalization (shares and debt instruments) as a percentage of GDP(%)&lt;sup&gt;(4)&lt;/sup&gt;</td>
<td>2016</td>
<td>78%</td>
<td>Percentage</td>
<td>83%</td>
<td>86.79% =&lt;</td>
<td>88% =&lt;</td>
<td>88.70% =&lt;</td>
</tr>
<tr>
<td>#2 Assets under Management (AUM) as a percent out of GDP(%)</td>
<td>2016</td>
<td>12%</td>
<td>Percentage</td>
<td>17%</td>
<td>18% =&lt;</td>
<td>22% =&lt;</td>
<td>24% =&lt;</td>
</tr>
<tr>
<td>#3 Market concentration of top 10 companies by market cap</td>
<td>2016</td>
<td>57%</td>
<td>Percentage</td>
<td>62%</td>
<td>56%</td>
<td>55%</td>
<td>55%</td>
</tr>
<tr>
<td>#4 Institutional investors’ share of value traded (%)</td>
<td>2016</td>
<td>18%</td>
<td>Percentage</td>
<td>27.4%</td>
<td>19% =&lt;</td>
<td>20% =&lt;</td>
<td>20% =&lt;</td>
</tr>
<tr>
<td>#5 Foreign Investor Ownership of the equity market cap (%)</td>
<td>2016</td>
<td>4%</td>
<td>Percentage</td>
<td>4.7%</td>
<td>10% =&lt;</td>
<td>15% =&lt;</td>
<td>15% =&lt;</td>
</tr>
<tr>
<td>#6 Number of micro and small companies listed as a percent out of total number of listed companies (%)&lt;sup&gt;(5)&lt;/sup&gt;</td>
<td>2016</td>
<td>30%</td>
<td>Percentage</td>
<td>42%</td>
<td>39% =&lt;</td>
<td>40% =&lt;</td>
<td>40% =&lt;</td>
</tr>
<tr>
<td>#7 Share of investment accounts opened through eKYC, (%)</td>
<td>-</td>
<td>-</td>
<td>Percentage</td>
<td>-</td>
<td>5%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>#8 Volatility of the Saudi Stock market index (average volatility of 90 days)</td>
<td>2016</td>
<td>21.76</td>
<td>Rate</td>
<td>13.9</td>
<td>25 =&lt;</td>
<td>25 =&lt;</td>
<td>25 =&lt;</td>
</tr>
<tr>
<td>#9 Minimum free float of equity market cap in % of total outstanding shares (%)</td>
<td>2016</td>
<td>42%</td>
<td>Percentage</td>
<td>42.8%</td>
<td>45% =&lt;</td>
<td>45% =&lt;</td>
<td>45% =&lt;</td>
</tr>
<tr>
<td>#10 Total amounts raised from offering securities (shares, debt instruments, real estate funds, private equity funds, venture capital funds, financing funds)</td>
<td>2016</td>
<td>430&lt;sup&gt;(6)&lt;/sup&gt; Billion (SAR) (Accumulative)</td>
<td>196.78</td>
<td>375</td>
<td>506</td>
<td>630&lt;sup&gt;(6)&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>#11 Number of annually listed companies in Saudi shares market&lt;sup&gt;(8)&lt;/sup&gt;</td>
<td>2016</td>
<td>4</td>
<td>Number</td>
<td>12</td>
<td>22</td>
<td>23</td>
<td>25</td>
</tr>
<tr>
<td>#12 Growth rate of market institutions sector’ revenues.</td>
<td>2016</td>
<td>-16%</td>
<td>Percentage (Accumulative)</td>
<td>9.2%</td>
<td>30%</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>#13 The average of violations resolution time from the time of discovering the suspicion until its disposal within the CMA.</td>
<td>2016</td>
<td>10 Months</td>
<td>7.15</td>
<td>5</td>
<td>3.5</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>#14 The average period of time for litigation in securities disputes&lt;sup&gt;(9)&lt;/sup&gt;</td>
<td>2016</td>
<td>28 Months</td>
<td>12.84</td>
<td>12</td>
<td>9</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

(1) Indicators Except for Aramco’s offering for the Financial Sector Program only (# 1 to 9)
(2) The sign “=<” means greater than or equal to, and the sign “=<” means less than or equal to
(3) Indicators only (# 1 to 9) are within the Financial Sector Development Program (FSDP)
(4) The debt instruments markets were determined based on the debt recorded in the Tadawul market – the Depository Center, including the issuances of Public Debt Management Office, and refinancing from the Saudi Mortgage Refinancing Company.
(5) Definition of the World Economic Forum: micro-enterprises with a market value of less than $ 65 million, small companies with a market value of $ 65 to $ 200 million (financial sector development program).
(6) For the last four years (2013 to the end of the third quarter of 2016) including government debt instruments (GDP 2015)
(7) Amount of funds for years (2017-2021)
(8) Target value for companies that in line with target values, project name “promoting private sector facilities to become public shareholding companies” according to the “key scenario”, including Real Estate Investment Trust Funds “REIT”.
(9) Including the appeal cases.
With Saudi Vision 2030 as a roadmap, the Kingdom of Saudi Arabia aims to build an advanced capital market that is open to the world and capable of attracting local and international capital as well as playing an active and central role in meeting the economy’s financial needs. This aim highlights the importance of enhancing the Market’s role as a channel to finance the establishment and sustainability of the economy’s institutions, private companies, and development projects.

CMA aims, through its program, to fulfill Saudi Vision 2030 via facilitating funding in the Capital Market by deepening the Market, emphasizing its role in raising capital, and developing sukuk and debt instrument markets as well as strengthening and developing the financing role of funds, which will create economic bodies that promote growth in local GDP in addition to the national economy.
First Strategic Objective: Deepening the Capital Market and promoting its Role in Raising Capital

CMA recognizes the importance of the Capital Market as a channel for building and forming capital in supporting the growth and sustainability of companies. Moreover, CMA will, in accordance with its statutory functions and in coordination with the Saudi Capital Market (Tadawul) and other related parties, develop appropriate procedures and initiatives that will enable companies of all types, including government owned companies and other government-owned assets that can be transferred into companies to offer and list their shares in the market. This is to reflect the real size of their contribution to the Kingdom’s economy, without prejudice to investor protection. CMA hopes that this will lead to the creation of economic entities capable of supporting the national economy and providing more investment opportunities for all investors.

In order to achieve this objective, CMA will implement the following initiatives:

- **INITIATIVE (1.1.1)**: Encourage private sector companies to offer and list their shares in the Capital Market
- **INITIATIVE (1.1.2)**: Preparing the regulatory concepts to encourage the foreign companies to list their shares in Saudi Capital Market
- **INITIATIVE (1.1.3)**: Drafting the regulatory framework to encourage the foreign companies to list their shares in Saudi Capital Market
- **INITIATIVE (1.1.4)**: Establishing a parallel Capital Market
- **INITIATIVE (1.1.5)**: Promoting companies awareness regarding the importance of listing in the market
- **INITIATIVE (1.1.6)**: Improving the offering and listing procedures to stimulate offerings
- **INITIATIVE (1.1.7)**: Drafting an regulatory framework for direct listing
- **INITIATIVE (1.1.8)**: Parallel market development
- **INITIATIVE (1.1.9)**: Expanding the scope of exempt offering
- **INITIATIVE (1.1.10)**: Preparation of the regulatory concepts for facilitating finance for listed companies
- **INITIATIVE (1.1.11)**: Preparation of the regulatory framework to facilitate finance for listed companies
- **INITIATIVE (1.1.12)**: Preparing the regulatory framework for issuing the deposit certificates outside the Kingdom
Second Strategic Objective: Developing Sukuk and Debt Instrument Markets

The sukuk and debt instruments market in Saudi Arabia are small relatively if compared to those in emerging markets; they represent a small percentage of bank financing and GDP. The development of this market requires concerted efforts and cooperation between various parties to enhance its attractiveness to issuers and investors. This is due to the importance of the sukuk and debt instruments market in finding financing alternatives for public and private sector projects, complementing the investment products of various investors and enabling them to diversify their investments.

To achieve this objective, CMA will implement the following initiatives:

- **INITIATIVE (1.2.1)**
  Collaborating with concerned parties to support the growth and development of the sukuk and debt instrument market

- **INITIATIVE (1.2.2)**
  Improving the procedures for offering and listing sukuk and debt instruments

- **INITIATIVE (1.2.3)**
  Collaborating with government bodies to address the procedures for calculating zakat with the aim of motivating issuance and trading

- **INITIATIVE (1.2.4)**
  Contributing to the development of a strategy for the regulation and development of Islamic financial services
Third Strategic Objective: Enhancing the Role of Funds in Financing the National Economy

Investment funds play an important role in providing additional sources for financing and refinance in the economy. To provide significant financing opportunities and stimulate economic and investment cycles, CMA relies on activating the role of funds. Accordingly, they become a financing instrument and a component of the CMA’s program to realize Saudi Vision 2030, which helps meet the economy’s financing needs in the near future. CMA hopes that funds will play a role in financing a number of vital projects in the economy, such as those in the real estate and financing sector, small and medium enterprises, and other financing activities including refinancing procedures.

In order to achieve this objective, CMA will implement the following initiatives:

**INITIATIVE (1.3.1)**
SUPPORTING THE GROWTH AND SPREAD OF PRIVATE EQUITY FUNDS AND VENTURE CAPITAL

**INITIATIVE (1.3.2)**
THE LEGAL FORM OF INVESTMENT FUNDS

**INITIATIVE (1.3.3)**
ENABLING THE GROWTH AND SPREAD OF INVESTMENT FUNDS THAT CONDUCT FINANCING OPERATIONS

**INITIATIVE (1.3.4)**
REVISING AND DEVELOPING INVESTMENT FUNDS REGULATIONS

**INITIATIVE (1.3.5)**
DEVELOPING THE REGULATORY CONCEPTS FOR THE REAL ESTATE INVESTMENT FUND REGULATIONS

**INITIATIVE (1.3.6)**
UPDATING THE INVESTMENT FUNDS REGULATIONS AND REAL ESTATE INVESTMENT FUNDS REGULATIONS

**INITIATIVE (1.3.7)**
UPDATING THE REGULATORY CONCEPTS FOR THE SPECIAL PURPOSES ENTITIES RULES

**INITIATIVE (1.3.8)**
UPDATING THE SPECIAL PURPOSES ENTITIES RULES

**INITIATIVE (1.3.9)**
STALLED INVESTMENT FUNDS LIQUIDATION
Driven by Saudi Vision 2030 that aims to create an attractive environment to all types of national and international investors, CMA continues to work on developing an investment-conducive environment, in addition to facilitating investment to enhance the capital market’s attractiveness and efficiency, as well as promoting its regional and international competitiveness. To this end, CMA will diversify investment products, adopt international capital market practices, and develop asset management and institutional investment to support market stability and facilitate access to financial and economic research and data to help investors make informed Resolutions.
Fourth Strategic Objective: Supporting the growth of asset management and promoting institutional investment

CMA attaches significant importance to the asset management industry as one of the main CMA-regulated securities business activities and one of the most important sources of institutional investment. The asset management industry provides a variety of investment products and the professional management of client assets, as well as enhancing professional practices and institutional conduct in the market. Capital markets with a wide range of institutional investors are characterized by low volatility, in addition to increased efficiency and governance and transparency practices. This is difficult to achieve under the prevalence of retail investors.

In order to achieve this objective, CMA will implement the following initiatives:

**INITIATIVE (2.4.1)**
DEVELOPING AN ELECTRONIC PLATFORM FOR INVESTMENT FUNDS DISTRIBUTION

**INITIATIVE (2.4.2)**
ESTABLISHING ENDOWMENT FUNDS

**INITIATIVE (2.4.5)**
REDUCING RESTRICTIONS ON MANAGEMENT AND CUSTODY LICENSES

**INITIATIVE (2.4.6)**
COLLABORATING WITH TADAWUL TO ENABLE FUND MANAGERS TO PLACE AGGREGATE ORDERS FOR THE EXECUTION OF CLIENT ORDERS

**INITIATIVE (2.4.7)**
ENCOURAGING EXPERIENCED INDIVIDUALS TO INVEST IN INVESTMENT FUNDS

**INITIATIVE (2.4.8)**
COLLABORATING WITH INTERNATIONAL INVESTMENT RESEARCH AGENCIES TO COVER THE INVESTMENT FUND MARKET

**INITIATIVE (2.4.9)**
STUDYING ENABLING THE INSTITUTIONAL INVESTORS TO COMBINE THEIR INVESTMENTS IN AN INVESTMENT FUND
Fifth Strategic Objective: Increasing Market Attractiveness to Foreign Investors

Since its establishment, CMA has been committed to gradually opening the Capital Market to foreign investors. CMA permitted foreign investors to possess the economic benefits of Saudi stocks through SWAP agreements in 2008. In 2015, they were also granted direct access to the Market in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. This was followed by a number of improvements to the regulations governing the investment of experienced foreign financial institutions that would increase the attractiveness of the market to foreign investors.

CMA intends to increase market attractiveness in general, for local and foreign investors, by aligning its statutory requirements with international best practices. By increasing foreign investment in listed securities, CMA hopes to achieve a number of anticipated benefits including promoting institutional investment and market efficiency, transferring knowledge and expertise to local financial institutions and investors, improving the Saudi Market’s international ranking, and enhancing the level of research and assessment of companies and the Market as a whole.

In order to achieve this objective, CMA will implement the following initiatives:

- **INITIATIVE (2.5.1)** Modifying the transaction settlement period of market listed shares to T+2
- **INITIATIVE (2.5.2)** Carrying out the transformation of the Securities Depository Center (EDAA) into an independent company
- **INITIATIVE (2.5.3)** Establishing a clearing house based on the Central Counterparty Clearing House (CCP)
- **INITIATIVE (2.5.4)** Supporting efforts to raise the Kingdom’s competitiveness ranking in international indices
- **INITIATIVE (2.5.5)** Fostering regulatory convergence with regional and international capital markets
- **INITIATIVE (2.5.6)** Fostering the adoption of international financial reporting standards (IFRS) by listed companies and market institutions
- **INITIATIVE (2.5.7)** Increasing compliance with the standards of the international organization of securities commissions (IOSCO)
- **INITIATIVE (2.5.8)** Intensify targeted promotional efforts of foreign investors on the Saudi Stock Exchange
- **INITIATIVE (2.5.9)** Fostering the entry of qualified foreign investors and the process of opening accounts to enter the Saudi Stock Market
- **INITIATIVE (2.5.10)** Establishing joint trading and clearing links with some developed markets
- **INITIATIVE (2.5.11)** Digital empowerment for the investment account opening process
- **INITIATIVE (2.5.12)** Allowing foreign investors to own strategic shares in listed companies
- **INITIATIVE (2.5.13)** Instructions for foreign investors to own strategic shares in listed companies
- **INITIATIVE (2.5.14)** Mutual recognition of investment products
- **INITIATIVE (2.5.15)** Marketing investment product outside the Kingdom
- **INITIATIVE (2.5.16)** Conducting a study on raising the attractiveness of Saudi capital market for the international capital institutions
Sixth Strategic Objective: Diversity of investment products and mechanisms available in the Capital Market

CMA seeks to create an attractive investment environment that is fair, efficient and transparent and has multiple investment channels that serve all categories of investors. Diversification of investment products and mechanisms in the financial market is a key pillar for attracting and maintaining domestic and foreign capital. CMA continuously works to provide a stimulating regulatory environment to offer a new investment products and implementing market mechanisms in accordance with the best international practices, in line with the level of maturity of the Saudi Capital Market and to meet the different needs of market participants.

In order to achieve this objective, CMA will implement the following initiatives:

- **INITIATIVE (2.6.1)**
  Encouraging the establishment of citizen savings schemes

- **INITIATIVE (2.6.2)**
  Work on launching financial instruments and applying new mechanisms in the market

- **INITIATIVE (2.6.3)**
  Allowing the initiation of a derivatives market

- **INITIATIVE (2.6.4)**
  Developing the rules regulating securities lending and short-selling

- **INITIATIVE (2.6.5)**
  Regulating real estate investment trusts (REITs) in the Capital Market

- **INITIATIVE (2.6.6)**
  Laboratory of financial technology

- **INITIATIVE (2.6.7)**
  Distributing the crowdfunding programs through entities other than authorized persons

- **INITIATIVE (2.6.8)**
  Developing instructions for real estate investment funds

- **INITIATIVE (2.6.9)**
  Preparing a regulatory framework for closed-ended investment traded funds

- **INITIATIVE (2.6.10)**
  Studying the benefits and obstructions of employees’ savings program

- **INITIATIVE (2.6.11)**
  Conducting a study to establish a market for goods and metals

- **INITIATIVE (2.6.12)**
  Updating the mechanism of listed companies repurchasing its shares

- **INITIATIVE (2.6.13)**
  Conducting a feasibility study of developing financial technology experimental permit instructions

- **INITIATIVE (2.6.14)**
  Conducting a study on developing the financial technology-supported environment

- **INITIATIVE (2.6.15)**
  Conducting a feasibility study on regulating the digital and encrypted assets
One of the CMA’s main tasks—as stipulated by its regulations—is to protect securities investors from unfair and unsound practices, or practices involving fraud, deceit, cheating, or manipulation. Accordingly, CMA has issued implementing Regulations that seek to regulate the securities business, develop sufficient procedures to minimize risks associated with securities transactions, and guarantee protection for investors to boost their confidence in the Capital Market.

Due to the importance of investor confidence to market growth and prosperity, CMA intends to continue improving and developing all aspects that help boost the confidence of Capital Market participants. Additionally, CMA—through the program it has designed to help achieve Saudi Vision 2030—will seek to develop the Capital Market’s statutory environment and promote Market stability, governance, and transparency.
Seventh Strategic Objective: Reinforcing the Capital Market’s Regulatory Structure

Driven by its responsibility in regulating and developing the capital market and seeking to achieve fairness, efficiency, and transparency in securities transactions, CMA places high importance on its role in the continuous review and development of the market’s statutory environment. Further, it believes in the importance of including regulatory concepts within its implementing Regulations and the impact this has on capital market development and growth. Therefore, CMA intends to review the components of the capital market's statutory environment for the purpose of developing them to work in parallel with Saudi vision 2030's goals and approaches. This will ultimately promote investor protection and boost the confidence of capital market participants.

To achieve this objective, CMA will implement the following initiatives:

**INITIATIVE (3.7.1)**
Increasing the Autonomy of Committees Concerned with the Resolution of Securities Disputes

**INITIATIVE (3.7.2)**
Enhancing the Efficiency of the Secretariat and Committees Concerned with the Resolution of Securities Disputes

**INITIATIVE (3.7.3)**
Revising CML Sanctions and Proposing Amendments to Enhance Deterrence

**INITIATIVE (3.7.4)**
Establishing Compensation Procedures for Harmed Investors in the Capital Market

**INITIATIVE (3.7.5)**
Establishing a Whistleblowers Program

**INITIATIVE (3.7.6)**
Reviewing and Developing the Implementing Regulations in the Light of the Kingdom’s Vision 2030

**INITIATIVE (3.7.7)**
Developing Procedures for Detecting and Handling Violations

**INITIATIVE (3.7.8)**
Strengthening Collaboration with Other Relevant Bodies Regarding Implementation Issues

**INITIATIVE (3.7.9)**
Create a Code of Resolutions of the Committees of Adjudication and Appeal in Securities Disputes for Use in Settlement of Complaints

**INITIATIVE (3.7.10)**
Modifying the Capital Market System

**INITIATIVE (3.7.11)**
Preparation of Regulatory Concepts for Developing the Instructions of Investment Accounts

**INITIATIVE (3.7.12)**
Developing the Instructions of the Invested Accounts

**INITIATIVE (3.7.13)**
Preparation of Regulatory Concepts for Developing the Market Conduct Regulation

**INITIATIVE (3.7.14)**
Developing the Market Conduct Regulations

**INITIATIVE (3.7.15)**
Preparing the Regulatory Concepts for Developing the Securities Business Regulations

**INITIATIVE (3.7.16)**
Developing the Securities Business Regulations

**INITIATIVE (3.7.17)**
Preparation of Regulatory Concepts for Investment and Securities Accounts and Related Financing (Margin Financing)

**INITIATIVE (3.7.18)**
Preparing the Regulatory Framework for the Pledge of Investment and Securities Accounts and Related Financing (Margin Financing)

**INITIATIVE (3.7.19)**
Studying the Possibility of Adopting the Mediation and Arbitration in Securities Disputes by CMA

**INITIATIVE (3.7.20)**
Considering and Assessing the Available Solutions for the Application of AI in Supervisory Practices

**INITIATIVE (3.7.21)**
Risk-Based Categorization of Listed Companies Project

**INITIATIVE (3.7.22)**
AI Development and Machine Learning in the Supervisory System

**INITIATIVE (3.7.23)**
Studying the Alternative Penalties in Securities Disputes

**INITIATIVE (3.7.24)**
Handling and Settling of Complaints

**INITIATIVE (3.7.25)**
Unifying the Definition of Free Float Shares
Eighth Strategic Objective: Promoting Capital Market Stability

The capital market stability and low risk and fluctuation plays a role in boosting confidence levels of Market participants as well as contributing to creating an investment-conducive environment that supports the growth of national economy. CMA will work with different executive bodies to coordinate and exchange information to promote market stability and minimize risks associated with securities transactions, in addition to enhancing the safety and security of financial information and data, and supporting the sustainability of the businesses of participating entities in the Market. CMA will also develop early warning instruments of risks to facilitate effective risk management and maintain market soundness and integrity.

In order to achieve this objective, CMA will implement the following initiatives:

**INITIATIVE (3.8.1)**
CYBERSECURITY DEFENSE

**INITIATIVE (3.8.2)**
ENSURING THE BUSINESS CONTINUITY OF CAPITAL MARKET INSTITUTIONS

**INITIATIVE (3.8.3)**
DEVELOPING MARKET RISK SURVEILLANCE AND ANALYSIS TOOLS

**INITIATIVE (3.8.4)**
EVALUATING THE FEASIBILITY OF ESTABLISHING A PROTECTION FUND FOR THE CLIENTS OF APS

**INITIATIVE (3.8.5)**
ELECTRONIC CONNECTIVITY AND INTEGRATION WITH RELATED ENTITIES

**INITIATIVE (3.8.6)**
PREPARATION OF REGULATORY CONCEPTS FOR DEVELOPING THE RUTHLESS OF FINANCIAL EFFICIENCY

**INITIATIVE (3.8.7)**
DEVELOPING THE RULES OF THE FINANCIAL EFFICIENCY

**INITIATIVE (3.8.8)**
CONSOLIDATING AND INTEGRATING THE RISK SYSTEM FOR ENTITIES SUBJECT TO CMA SUPERVISION

**INITIATIVE (3.8.9)**
RISK-BASED METHODOLOGY FOR INVESTMENT FUNDS CLASSIFICATION

**INITIATIVE (3.8.10)**
DEVELOPING RISK ASSESSMENT MODEL FOR ACCOUNTING OFFICES

**INITIATIVE (3.8.11)**
DEVELOPING INSTRUCTIONS AND CONDITIONS OF THE INSURANCE POLICY AGAINST THE PROFESSIONAL FAILURES OF THE AUDITORS OF THE INSTITUTIONS UNDER CMA’S SUPERVISION

**INITIATIVE (3.8.12)**
A FEASIBILITY STUDY ON COORDINATING OVER-THE-COUNTER (OTC) TRANSACTIONS
Ninth Strategic Objective: Raising the Governance Level in the Capital Market

CMA had given attention to corporate governance since its establishment, as CMA sought to establish the best international standards in the field of corporate governance and enhancing the good practices in applying it. The Authority’s efforts to raise the level of corporate governance within its program to achieve the Kingdom’s Vision 2030 diverse ranging from regulatory requirements to encouraging and incentives aspects to apply the best practices.

CMA takes into account a number of significant factors that are included in the listed governance such as conflict of interest policies, Board of Directors’ role in observing obligations, risks management and enhancing the institutional investors’ role in this regard. CMA believes in the importance of the corporate governance in the investors’ protection and corporate sustainability and growth.

In order to achieve this objective, CMA will implement the following initiatives:

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<tr>
<th>INITIATIVE (3.9.1)</th>
<th>INITIATIVE (3.9.2)</th>
<th>INITIATIVE (3.10.1)</th>
<th>INITIATIVE (3.10.2)</th>
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<tbody>
<tr>
<td>ENHANCING THE REGULATORY REQUIREMENTS AND GOVERNANCE PRACTICES APPLICABLE IN THE LISTED COMPANIES IN LIGHT OF GOVERNANCE PRINCIPLES ISSUED BY THE ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT</td>
<td>STUDYING SUPPORTING THE ADOPTION OF BEST GOVERNANCE PRACTICES BY INSTITUTIONAL INVESTORS IN THE LISTED COMPANIES</td>
<td>CONDUCTING FEASIBILITY STUDY ON THE ESTABLISHMENT OF AN REGULATORY ENTITY (BOARD/DEPUTY) FOR MONITORING THE OFFICES</td>
<td>IMPROVING THE LISTED COMPANIES DISCLOSURE</td>
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<td>INITIATIVE (3.9.3)</td>
<td>INITIATIVE (3.9.4)</td>
<td>INITIATIVE (3.10.3)</td>
<td>INITIATIVE (3.10.4)</td>
</tr>
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<td>IMPROVING THE AUTHORIZED PERSONS’ GOVERNANCE</td>
<td>ENCOURAGING DEVELOPING AN INDEX TO ASSESS THE APPLICABILITY OF THE GOVERNANCE PRACTICES IN THE LISTED COMPANIES SPONSORED BY INDEPENDENT ENTITIES</td>
<td>IMPROVING THE DISCLOSURE OF THE INVESTMENT FUNDS AND THE INVESTMENT PRODUCTS</td>
<td>IMPROVING THE DISCLOSURE OF CAPITAL MARKET’S INSTITUTIONS</td>
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<td>INITIATIVE (3.9.5)</td>
<td>INITIATIVE (3.9.6)</td>
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<td>INITIATIVE (3.9.7)</td>
<td>INITIATIVE (3.9.8)</td>
<td>INITIATIVE (3.10.7)</td>
<td>INITIATIVE (3.10.8)</td>
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<tr>
<td>IMPROVING THE INSPECTION PROCEDURES CARRIED OUT ON THE LISTED COMPANIES</td>
<td>STUDYING THE ASPECTS RELATED TO CORPORATE GOVERNANCE REGULATIONS AND COMPANIES LAW</td>
<td>REGULATING THE PROVISION OF THE CAPITAL MARKET DATA</td>
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<td>INITIATIVE (3.9.9)</td>
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<tr>
<td>DEVELOPING THE INVESTMENT PRODUCTS GOVERNANCE STANDARDS</td>
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Tenth Strategic Objective: Raising the level of transparency and disclosure in the Capital Market

Raising the level of disclosure and facilitating the flow of the important information to investors and the public leads to transparency enhancement and risk reduction in securities transactions. To ensure that information is available to help investors make their investment decisions, CMA continuously seeks to leverage global best practices to achieve the highest levels of transparency. In light of this, CMA will assess the regulatory disclosure requirements and adopt amendments aimed at increasing the quality and completeness of disclosure in the capital market, following up its compliance and increasing the disclosure channels for investors.

In order to achieve this objective, CMA will implement the following initiatives:

<table>
<thead>
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<tr>
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<td>INITIATIVE (3.10.6)</td>
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<tr>
<td>SUPPORTING THE PROVISION OF RESEARCH ECONOMIC AND FINANCIAL INFORMATION RELEVANT TO CAPITAL MARKET</td>
<td>DEVELOPING THE INSTRUCTIONS OF THE COMPANIES’ ANNOUNCEMENTS</td>
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<tr>
<td>INITIATIVE (3.10.7)</td>
<td>INITIATIVE (3.10.8)</td>
</tr>
<tr>
<td>REGULATING THE PROVISION OF THE CAPITAL MARKET DATA</td>
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</table>
Developing the capital market depends on the level of knowledge and capacity of its participants. The Capital Market Authority (CMA) seeks to ensure that the securities sector is a source of capabilities and attractiveness. CMA will support the development and competitiveness of the licensed individuals as a key player in raising the capabilities of the securities sector. The Authority will also raise awareness and financial investment culture in the market, believing that the awareness of market participants has a key role in raising the level of commitment and protecting savings. In view of the importance of qualified human capital in the development and growing the securities sector, the Authority will work to create many programs that seek to provide the sector with qualified human resources.

Theme Four: Building Capabilities
Eleventh Strategic Objective: Supporting the development of Authorized Persons

Since its inception, CMA has been constantly regulating and developing the entities under its supervision, which carries out the securities business, enhancing the supervisory procedures, the level of financial efficiency and increasing the efficiency of managing the resources of these institutions to provide better services to its customers in line with the international best practices. CMA is very interested in developing the work of licensed persons. It works to create a fair competitive environment and raise the level of knowledge and professionalism of the employees, taking into consideration the rapid development of the financial sector in terms of regulations, services and products available.

In order to achieve this objective, CMA will implement the following initiatives:

- **INITIATIVE (4.11.1)**
  Creating a competitive environment among the Authorized Persons

- **INITIATIVE (4.11.2)**
  Developing qualifying examination for registered persons and applying the continuing professional education culture

- **INITIATIVE (4.11.3)**
  Improving authorized persons’ compliance with the capital market law and its implementing regulations

- **INITIATIVE (4.11.4)**
  Developing securities business activities and methods of submitting them

- **INITIATIVE (4.11.5)**
  Developing custody activities work

- **INITIATIVE (4.11.6)**
  Developing the regulatory concepts for amending the authorized persons regulations

- **INITIATIVE (4.11.7)**
  Developing the authorized persons regulations

- **INITIATIVE (4.11.8)**
  Developing the works of the authorized persons’ committees

- **INITIATIVE (4.11.9)**
  Developing the supervisory and monitoring works within market infrastructure institutions

- **INITIATIVE (4.11.10)**
  Regulating forex activities with the authorized persons

- **INITIATIVE (4.11.11)**
  Studying the establishment of investment fund units’ by EDAA Center

- **INITIATIVE (4.11.12)**
  Promote assigning supporting services related to the authorized persons to external entities

- **INITIATIVE (4.11.13)**
  Contributing to the achievement of bankruptcy system’s objectives relevant to the authorized persons
Twelfth Strategic Objective: Raising awareness of CMA’s role and investment financial literacy in the Capital Market

CMA’s program pays great importance for achieving the Kingdom Vision 2030 in order to raise the awareness and investment literacy of market participants, including investors, exporters and securities service providers; as awareness and investment literacy represent the first defense line for protection from unfair or inappropriate practices. Investment literacy assists in understanding the role and responsibilities of regulators and financial institutions. In addition, the awareness and culture of the investor and other participants in the market play positive role in improving the corporate governance level in the capital market.

In order to achieve this objective, CMA will implement the following initiatives:

- **INITIATIVE (4.12.1)**
  ESTABLISHING AWARENESS PROGRAMS FOR DIFFERENT CATEGORIES OF INVESTORS

- **INITIATIVE (4.12.2)**
  ESTABLISHING EDUCATIVE AND INTERACTIVE PROGRAMS FOR THE YOUNG

- **INITIATIVE (4.12.3)**
  ISSUING A LIST OF FAQS ON IMPLEMENTING REGULATIONS

- **INITIATIVE (4.12.4)**
  SUPPORTING THE ESTABLISHMENT OF AN ASSOCIATION TO PROTECT INDIVIDUAL INVESTOR AND TO RAISE THEIR AWARENESS

- **INITIATIVE (4.12.5)**
  INVESTOR RIGHTS DOCUMENT

- **INITIATIVE (4.12.6)**
  DEVELOPING A MECHANISM FOR ADDRESSING FAQS RELEVANT TO LAWS AND REGULATIONS

Thirteenth Strategic Objective: Building the Capabilities of Capital Market Participants

CMA pays attention to quality of qualification provided for national cadres and its suitability for labor market demands regarding availability of job opportunities in capital market sector. In this regard, CMA intends to extend bridges of mutual cooperation with financial and educational institutions, aiming at improving technical and professional capacities of human cadres affiliated to securities sector, who look forward working in it, in order to meet this sector needs and raising its service quality. To this end, CMA will work on several various initiatives and make partnerships with concerned parties in capital market.

In order to achieve this objective, CMA will implement the following initiatives:

- **INITIATIVE (4.13.1)**
  ESTABLISHMENT OF FINANCIAL ACADEMY TO SERVE THE FINANCIAL SECTOR

- **INITIATIVE (4.13.2)**
  DEVELOPING CMA’S PROGRAM FOR FRESH GRADUATES AND COOPERATIVE TRAINING

- **INITIATIVE (4.13.3)**
  SUPPORTING GROWTH OF NUMBERS OF SAUDI CHARTERED FINANCIAL ANALYSIS FELLOWS

- **INITIATIVE (4.13.4)**
  STUDYING THE QUALIFICATION OF THE REAL ESTATE FUNDS MANAGERS

- **INITIATIVE (4.13.5)**
  LAUNCHING CMA PROGRAM FOR DELEGATING CAPITAL MARKET INSTITUTIONS’ DISTINGUISHED EMPLOYEES TO PRESTIGIOUS UNIVERSITIES

- **INITIATIVE (4.13.6)**
  ISSUING A LIST OF FAQS ON IMPLEMENTING REGULATIONS

ALIGNING THE EDUCATIONAL OUTPUTS WITH THE CAPITAL MARKET REQUIREMENTS