

Capital Market Authority Strategic Plan

2021-2023



Introduction

The capital market plays a vital and crucial role in economic development, as it acts as a key lever and channel to direct savings flow from economic units and sectors with cash surplus towards other units and sectors that need to meet their funding requirements. It also promotes the listing of companies and the establishment of investment funds and asset management companies that allow citizens to invest their savings in listed company shares or in investment products dedicated to development projects aiming to increase investment opportunities and employment and reduce unemployment rates.

The Saudi capital market aspires to become the leading market as well as the focus of attention and starting point for funding and investment seekers in the Middle East by the end of 2023. Towards this end, we strive to attract foreign investors to our market, either through the new issues market or direct trading. We also seek to increase the rate of foreign investment in market capitalization, enhance market depth, and attract more start-ups through a parallel market with a significant number of companies and an efficient primary market with smooth listing. The Capital Market Authority (CMA) looks to increase the number of listed companies in the primary and parallel market to 270. We also hope to achieve liquidity rates in line with the objectives of capital market players, and leverage capital inflows resulting from the listing of the Saudi market on the international indexes of emerging markets, which contributes to the realization of Vision 2030 objective to achieve a highly efficient and attractive market.

On the other hand, targeted initiatives were developed to promote confidence in the capital market by reducing its fluctuation rates, enhancing stability, protecting and compensating victims of unlawful or unjust actions, and imposing deterrent penalties on capital market law (CML) violators.

As a result of these efforts, CMA seeks to double down on funds invested through managed channels, increasing the value of managed assets to SAR800 Bn, either via funds, portfolios or other innovative financial instruments including private equity funds, venture capital and fintech. We also hope that this effort will lead to an efficient financial sector able to create more job opportunities.



Our Vision..

- To become the leading market in the Middle East and among the top ten capital markets in the world



Our mission..

- A financial market that facilitates funding,
- Encourages investment,
- Promotes confidence,
- Builds capacities.



Our Values..

- We develop continuously
- We seek excellence
- We communicate and consult
- We care about our staff and community
- We take responsibility

Message from the Chairman

Further to the successes achieved by the capital market within the “Financial Leadership Program 2020”, CMA has developed its strategic plan for the next three years 2021-2023 in line with the plan of the Financial Sector Development Program, and to ensure that this plan keeps pace with developments in the financial market locally and internationally, and in a way that serves the goals of the Kingdom's Vision 2030 to build an advanced and open financial market to the world. CMA's updated strategic plan focuses on several priorities through which we seek to achieve our vision for the Saudi financial market to be the main market in the Middle East and one of the ten most important financial markets in the world.



CMA has given utmost importance to activate the role of the financial market to meet the economy's financing needs. It has put in place number of initiatives that would deepen the capital market by developing the debt instruments market and the stock market. In addition to supporting the growth and regulation of alternative financing mechanisms, among the most prominent of these initiatives is to stimulate the private sector to list in the Saudi capital market, and to support the efforts of the financial sector development program to privatize government assets and companies through offering and listing in the capital market. CMA will also work to improve the attractiveness of the capital market to local and international investors and raise the efficiency of the capital market in a way that enhances its competitiveness regionally and internationally by diversifying investment products and mechanisms available in the market, and supporting the growth of asset management and institutional investment.

On the side of the capital market regulatory environment, the Authority will adopt the risk-based supervision and control methodology. This comes in the context of the CMA's efforts to raise the level of investor protection by developing standards of governance and transparency in the market, in addition to developing a mechanism for monitoring and handling violations, which enhances participants' confidence in the capital market.

We believe that the development of the capital market depends on the level of knowledge of its participants and their capabilities, so the CMA is keen to develop the financial market institutions and create fair and competitive environment in order to raise the knowledge and professional level of human cadre, taking into account the acceleration of development in the financial sector in terms of regulations, services and available investment products.

In conclusion, I extend my sincere thanks to everyone who has contributed to the success of our efforts to develop the capital market, and we look forward to better and greater achievements in the future, which will lead us to achieve our vision.

Chairman of the Board of the Capital Market Authority
Mohammed bin Abdullah Elkuwaiz

Importance of the capital market in economic development

The capital market contributes to economic development by:



growing financial savings



Raising economic awareness



Providing liquidity to investors



Funding development projects



Forecasting economy outlook



Limiting inflation growth rates in the national economy



Monitoring corporates performance



Ensuring family business sustainability and growth



Contributing to privatization



Diversifying debt sources



Attracting foreign investments



Increasing productivity and performance efficiency



Assessing the efficiency of financial and monetary policies

General Assumptions

The CMA strategic plan is based on the following assumptions:

- ▀ Average GDP growth of no less than 3% p.a. until 2023.
- ▀ SOE privatization program continues, and 4 companies get listed every year at a supportive pace.
- ▀ The government continues to issue debt instruments in the local market.
- ▀ Money supply (M1) growth rates of no less than 3% p.a.
- ▀ All stakeholders of the “private sector stimulus program to move into joint-stock companies” implement their relative initiatives.
- ▀ Developing a mechanism in line with international practices to levy tax and Zakat on all investor securities in order to promote investment.
- ▀ Growth in the profitability of companies listed in the capital market of no less than 4% p.a.
- ▀ Credit default swap (CDS) rates stay below 100 basis points for fixed income instruments over the next 5 years.

Any deviations in these assumptions may impact CMA objectives and capabilities.

Strategic plan governance

The CMA started developing and implementing its strategic plan in 2009; then in 2016, the Financial Leadership Program was launched. In this context, a set of initiatives was adopted as part of the Financial Sector Development Program (FSDP) (one of Vision 2030 executive programs), serving the strategic initiatives and objectives of the second strategic pillar related to the development of an advanced capital market. They consisted of reviewing and studying CMA current initiatives and strategies and selecting indicators and strategic initiatives implemented in the Financial Leadership Program which have an impact on the development and growth of the overall financial sector to be on par with advanced markets.

The CMA also aims, through its membership in the FSDP Supervisory Committee, to contribute in the national economic development by developing the financial sector and capital market to become an advanced market that supports the national economy; stimulates savings, funding and investment; and enhances the financial sector efficiency in addressing challenges.

In addition, the CMA embarked on developing an integrated governance framework to ensure

the institutionalization of work, raise its efficiency and facilitate effort coordination between stakeholders, in order to enable the CMA to effectively follow up on the implementation of its strategic plan. In an effort to enhance the quality and implementation standards of corrective actions in a timely manner, a methodology has been adopted to periodically follow up on the implementation of strategic initiatives by developing detailed plans for each initiative that specify implementation steps, delivery deadlines, responsibilities, business partners from external entities and their expected roles. The governance framework includes a number of bilateral and joint committees with external parties to ensure coordination with stakeholders in order to implement strategic initiatives and their associated joint tasks. In order to ensure continuity of work and flexibility in facing challenges and obstacles related to implementation, guarantee continuous improvement and keep abreast of changes, the CMA will periodically review all strategic plan components to identify gaps and develop initiatives in a way that contributes to the realization of targets.

Performance Measurement

The CMA developed a governance framework with a clear methodology to measure performance and evaluate progress made towards achieving the strategic objectives. The updated plan (2021-2023) included a set of KPIs across 5 strategic pillars, in addition to specific indicators for each strategic objective.

As for its ability to facilitate funding through the capital market, the CMA will monitor the amount of money collected through bond issuance and the resulting impact on the increase of share and debt instrument market value, in addition to the number of listed companies. It will take into account market depth and diversity of companies listed in the capital market by monitoring the number of listed small and micro enterprises compared to the total number of listed companies, in addition to focusing on the market value of the largest listed companies.

In order to stimulate investment in the capital market and create an attractive investment environment for all categories of local and international investors, the CMA will monitor progress in foreign investor ownership,

investment accounts created online and the impact on managed assets value, the rate of liquidity in the stock market and the value of free float out of the total market value of shares. When it comes to enhancing the confidence of market participants in the capital market, the CMA attaches importance to maintaining moderate fluctuation rates in the Saudi Stock Market Index and monitoring trading volumes of the institutional investors compared to the total trading volume, in addition to following up on the processing time of violations and litigation procedures in securities disputes in order to promote efficiency.

As for strategy governance, the CMA also works with The National Center for Performance Measurement (Adaa) to measure a number of FSDP performance indicators that fall under the CMA scope of work, by applying standard models, methodologies and tools to support its self-sufficiency and efficiency and issue performance reports to measure the progress made towards achieving FSDP strategic objectives

Major Implementation Risks

Other countries progressing at a faster pace in global indicators

The worsening KSA ranking in global competitiveness indicators affects foreign investment attractiveness of the capital market, which in turn affects the realization of some targets related to foreign investments.

Risks of Fintech innovations

The fast-paced technological revolution in the financial sector affects the efficiency of supervision and stability in the capital market, as well as the attractiveness and usefulness of capital markets.

Potential risk of inflation and increase in US interest rates, and the resulting repercussions on the national economy

This is an expected risk associated with a deflationary impact, as it results in a decrease in the market value of financial assets. And since inflation rates are above average, it may also lead to an increase in the cost of business of listed companies and a decrease in the real ROI.

Risk of cyber-attacks and technical failures with severe consequences on the stability and efficiency of technical trading systems

This risk may lead to investor data leak and disruption of critical trading systems, which may adversely affect investor confidence in the Saudi market and the stability of trading environment.

Deviations in other key program assumptions

Achieving targets set by the CMA is subject to the aforementioned assumptions. Any deviation in these assumptions will negatively and substantially impact the realization of desired outcomes.

Failure to address the mechanism of levying tax and Zakat on investors securities

This will affect the development of bond, debt instrument and investment fund market at the desired level and will negatively impact the business of capital market institutions.

Inability to attract the best talents required in the financial sector

The availability of top talents in the financial sector contributes to scaling up service quality. The persistence of this risk may lead to delays in achieving some strategic objectives until the capabilities of the financial sector employees are developed.

Increase in the default rate of listed companies, along with an accelerated pace of issuances and listings in the primary and secondary markets

This factor may damage the confidence of investors across all segments in the market and will negatively impact the capital market investment attractiveness.

Strategic plan indicators

KPIs		Unit	Baseline Year	Baseline Value	Targets		
					2021	2022	2023
Percentage of listed small and micro enterprises of total listed companies ⁽¹⁾	FSDP ⁽²⁾	%	2019	%41	%42	%43	%44
Number of listings in the capital market	FSDP	Number	2019	6	20	24	24
Market capitalization as a percentage of GDP ⁽³⁾	FSDP	%	2019	%68	%75	%77	%78.1
Volume of debt instruments market as a percentage of GDP ⁽⁴⁾	FSDP	%	2019	15.9	17.2	18.7	20.1
Assets under management (AuM) as a percentage of GDP	FSDP	%	2019	17	23.8	25.6	27.4
Percentage of foreign investor ownership of the total market value of free float	FSDP	%	2019	13.3	15	16	16.5
Institutional investor trading volume as a percentage of total trading volume	FSDP	%	2019	36	38	40	41
Percentage of investment accounts created through electronic “Know Your Customer” procedures	FSDP	%	2019	82	70=<	70=<	70=<

1. World Economic Forum definition: Micro companies have a market value of less than USD65 Mn, and small enterprises have a market value of USD200-65 Mn (Financial Sector Development Program).

2. FSDP indicator

3. Market value of stocks excluding Aramco's debt instruments, and the market value of debt instruments according to the Depository Center data

4. Including the market value of the stock market, the value of securities and debt instruments listed on Tadawul in 2018 and the par value of unlisted debt issuances. Debt instrument markets were determined based on debt listed on Tadawul - Depository Center, including the National Debt Management Center issuances and the refinancing of the Saudi Real Estate Refinance Company

Vision

To become the leading market in the Middle East and among the top ten capital markets in the World

Mission A financial market that facilitates funding... Stimulates investments... Promotes confidence... Builds capabilities...

Objectives and Pillars



Facilitating funding

Increase the depth of the capital market and promote its role in capital formation

Develop stock and debt instrument market

Support the development of alternative financing mechanisms



Stimulating investments

Support the growth of asset management and promote institutional investment

Increase market attractiveness to foreign investors

Diversify available investment products and mechanisms in the capital market

Improve trading mechanisms available in the capital market



promote confidence

Adopt a risk-based supervision methodology while enhancing mechanisms to address qualitative violations

Enhance stability in the financial market

Optimize investor protection and dispute resolution procedures

Enhance governance and transparency for market participants



Building capabilities

Develop the capabilities of capital market institutions and CMIs

Raise awareness and promote financial culture in the market

Facilitate the development of financial data and technology solutions

Implementation Enablers

Streamline CMA digital transformation and enrich user experience

Organizational excellence

Develop human resources role and capabilities

A man in a white thobe and ghutra is standing in an office, gesturing with his hands as if presenting. He is wearing a blue lanyard. In the foreground, a desk is visible with a laptop, a calculator, and some papers. A person's hand is holding a white mug on the left. The background shows a large window with a view of a city. The entire image is overlaid with a blue geometric design consisting of diagonal lines and shapes.

CMA Strategic Plan



Theme 1:

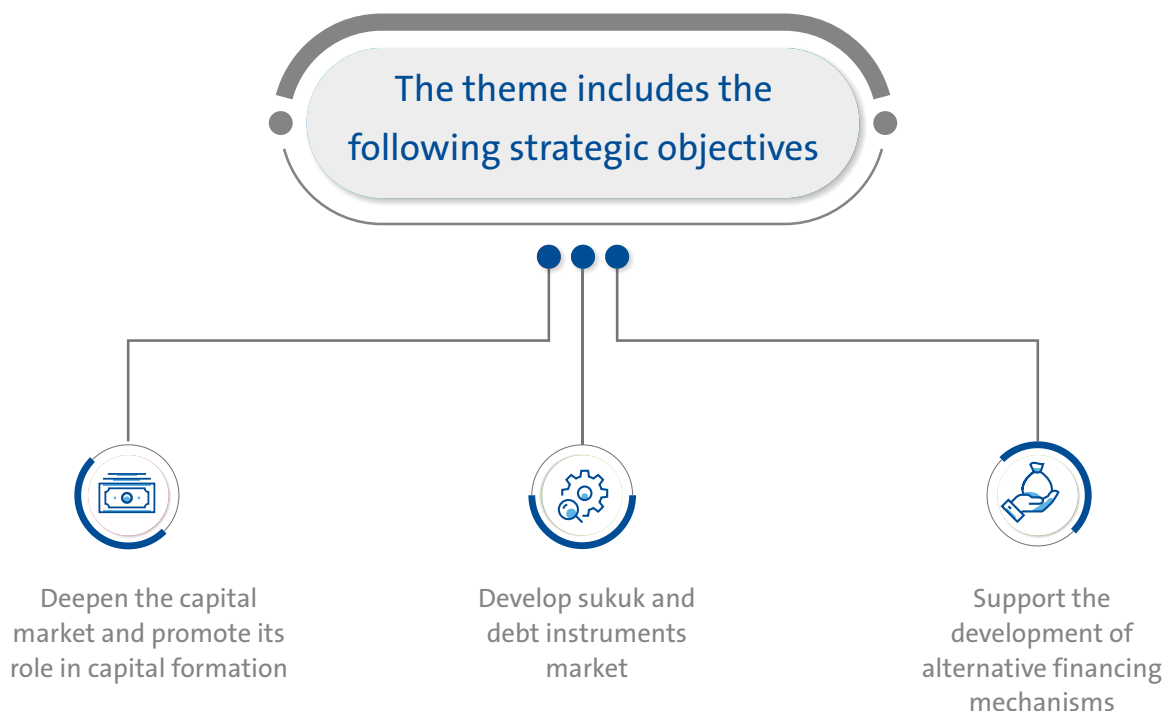
Facilitating Funding

Theme 1: Facilitating Funding

In its Vision 2030, KSA aims to establish an advanced capital market that is open to the world and capable of attracting local and international capitals, and that plays an efficient and pivotal role in meeting the economy's funding requirements. Therefore, it is essential to foster the market role as a funding channel to establish and sustain the economy's building blocks such as institutions, private companies and development projects.

As part of its strategic plan aiming to realize Vision 2030, CMA will facilitate funding in the capital market by deepening the market and fostering its role in capital formation, developing sukuk and debt instruments market, and promoting and developing the role of funds in order to contribute to the establishment of economic entities that support the growth of GDP and the national economy.

CMA will follow up on the progress made in this theme by measuring a number of strategic indicators, for example, "Percentage of market concentration for top 10 companies based on market value" and "the number of listings in the capital market."



Strategic objective #1: Deepen the capital market and promote its role in capital formation

CMA recognizes the importance of the capital market as a channel for capital building and formation in order to support companies' growth and sustainability. CMA will work - based on its mandate and in coordination with Saudi Stock Exchange (Tadawul) and other stakeholders - on the development of suitable procedures and initiatives to enable different types of companies, including SOEs and other types of state-owned assets - which can be transformed into companies - to offer and list their shares in the market, reflecting the true contribution of these companies in the national economy, without jeopardizing investor protection. CMA hopes that this will lead to the establishment of economic entities capable of supporting the national economy and creating 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 list on Tadawul
- Initiative (1.1.2): Develop the parallel market
- Initiative (1.1.3): Develop regulatory concepts to regulate capital raising
- Initiative (1.1.4): Develop a regulatory framework for capital raising
- Initiative (1.1.5): Develop the demerger regulatory concepts
- Initiative (1.1.6): Develop the demerger regulatory framework
- Initiative (1.1.7): Develop regulatory concepts to regulate the offering and listing of different categories of shares according to the Saudi Companies Law
- Initiative (1.1.8): Develop merger and acquisition mechanism in light of previous experiences and the new Companies Law
- Initiative (1.1.9): Develop regulatory concepts to encourage foreign companies to offer their shares in the Saudi capital market
- Initiative (1.1.10): Develop the regulatory framework to encourage foreign companies to offer their shares in the Saudi capital market
- Initiative (1.1.11): Develop the regulatory concepts for direct offering in primary market
- Initiative (1.1.12): Develop regulatory framework of direct offering in the primary market
- Initiative (1.1.13): Develop regulatory concepts for offering Saudi certificates of deposit in the Saudi capital market
- Initiative (1.1.14): Develop the regulatory framework for the offering of Saudi certificates of deposit in the Saudi capital market
- Initiative (1.1.15): Prepare a study on the relevance of foreign companies initial offering in the Saudi capital market

Strategic Objective #2: Develop sukuk and debt instruments market

Sukuk and debt instruments market in KSA is relatively small compared to its counterparts in emerging markets. It represents a small percentage of bank financing and GDP. Developing this market requires concerted efforts and cooperation between multiple entities 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, completing the investment products ecosystem for different investor segments, and enabling investors to diversify their investments.

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

- **Initiative (1.2.1):** Work with stakeholders to support the growth and development of sukuk and debt instruments market
- **Initiative (1.2.2):** Optimize sukuk and debt instruments listing and offering procedures
- **Initiative (1.2.3):** Work with government entities to address the mechanism for calculating zakat in order to stimulate issuance and trading
- **Initiative (1.2.4):** Evaluate the performance of sukuk and debt instruments market and of sukuk and bonds committee, in addition to existing initiatives to develop the market
- **Initiative (1.2.5):** Develop the regulatory concepts for the direct offering of sukuk and debt instruments
- **Initiative (1.2.6):** Develop the regulatory framework for the direct offering of sukuk and debt instruments

Strategic Objective #3: Support the development of alternative financing mechanisms

Investment funds play an important role in providing additional sources of financing and refinancing in the economy. In order to provide significant financing opportunities and stimulate the economic and investment cycle, CMA relies on activating the role of funds as a financing instrument within CMA Vision 2030 program in order to support the economy's financing needs in the future. CMA hopes that the funds will contribute to financing many vital economic activities, such as the real estate sector, finance sector and SME sector, in addition to other financing activities such as refinancing.

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

- **Initiative (1.3.1):** Support the growth and spread of private equity funds and venture capital funds
- **Initiative (1.3.2):** Enable the growth and spread of investment funds that engage in financing activities
- **Initiative (1.3.3):** Update the investment funds regulation
- **Initiative (1.3.4):** Update SPVs regulations
- **Initiative (1.3.5):** Update the real estate investment funds regulation
- **Initiative (1.3.6):** Conduct a feasibility study for developing the regulatory framework for real estate traded funds to enable real estate funds
- **Initiative (1.3.7):** Prepare a study on raising funds for companies through private placement of shares
- **Initiative (1.3.8):** Develop a study regarding the state of Mezzanine funds and distressed companies restructuring funds and the barriers they face



Theme 2:

Stimulating Investments

Theme 2: Stimulating investments

Based on Saudi Vision 2030, which aims to create an attractive environment for all categories of local and international investors, CMA will continue to work on developing the investment environment components and facilitating access to investment, thus contributing to raising the attractiveness and efficiency of the capital market and enhancing its competitiveness regionally and internationally. To this end, CMA will work on diversifying investment products, adopting best international practices in capital markets, and enhancing asset management and institutional investment in support of market stability, in order to enable investors to make informed decisions.

CMA will follow up on the progress made in this theme by measuring a number of strategic indicators, for example, “Number of investment products and mechanics used in the capital market” and “Percentage of foreign investor ownership in the capital market”.



Strategic objective #4: Support the growth of asset management and promote institutional investment

CMA attaches utmost importance to the asset management industry as one of the main securities businesses regulated by the Authority and one of the most important sources of institutional investing. The asset management industry contributes to providing diversified investment products, managing customer assets professionally, and raising the level of professional practices and corporate behavior in the market. Markets with a large number of institutional investors are characterized by low level of volatility and high level of efficiency, transparency and governance practices, and this is hard to achieve in light of the dominance of individual investors.

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

- Initiative (2.4.1): Enable digital distribution of investment funds
- Initiative (2.4.2): Enable the establishment and growth of endowment funds
- Initiative (2.4.3): Enhance communication and the level of asset management and preservation services of capital market institutions through government entities and funds
- Initiative (2.4.4): Work with Tadawul to enable fund managers to use aggregated orders to execute client orders
- Initiative (2.4.5): Prepare a study to allow institutional investors to consolidate their investments in an investment fund
- Initiative (2.4.6): Prepare a study to assess controls of listed companies' investment in listed securities
- Initiative (2.4.7): Prepare a study to evaluate the mechanism for listed companies to buy their shares
- Initiative (2.4.8): Update the regulatory framework for listed companies to buy their shares
- Initiative (2.4.9): Motivate and encourage capital market institutions to support the National Savings Strategy and financial education
- Initiative (2.4.10): Conduct a study to raise investment attractiveness in money market funds
- Initiative (2.4.11): Conduct a study on incentivizing debt instruments funds
- Initiative (2.4.12): Conduct a study on how to develop asset management service
- Initiative (2.4.13): Study the development of the real estate traded funds market into a regional hub

Strategic Objective #5: Raise market attractiveness to foreign investors

Since its inception, the CMA adopted the step-by-step principle to open the capital market door to foreign investors. It allowed foreign investors to own economic benefits of Saudi stocks through swap agreements in 2008 and then in 2015 to access the market directly under the rules regulating the investment of qualified foreign financial institutions in listed shares, which was followed by a number of improvements to the rules governing the investment of qualified foreign financial institutions to enhance market attractiveness to the foreign investor.

The CMA will seek to raise the overall market attractiveness to local and foreign investors by enhancing the alignment of its regulatory requirements with the best international practices. The CMA hopes that such increase in foreign ownership of Saudi listed stocks will result in many desired benefits, including promoting institutional investment and market efficiency, transferring knowledge and expertise to local financial institutions and investors, elevating the status of the Saudi market and its global rating, and increasing researches and evaluations of companies and the market in general.

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

- Initiative (2.5.1): Study mutual recognition of investment products
- Initiative (2.5.2): Enable capital market institutions to carry out asset management activities outside the Kingdom
- Initiative (2.5.3): Study the feasibility of applying the sustainability concept based on ESG criteria
- Initiative (2.5.4): Review requirements and ongoing obligations of qualified foreign investors and of final beneficiaries of swap agreements
- Initiative (2.5.5): Update the regulatory framework for the requirements and ongoing obligations of qualified foreign investors
- Initiative (2.5.6): Study requirements to join major debt instruments market indicators and increase Saudi market weight in emerging market indicators
- Initiative (2.5.7): Link Saudi capital market to leading international central securities depositories (ICSDs)

Strategic Objective #6: Diversify available investment products and mechanisms in the capital market

CMA aims to establish an attractive investment environment that is fair, efficient and transparent, with multiple investment channels that serve all types of investors. The diversification of investment products and mechanisms available in the capital market is a fundamental pillar to attract and retain local and foreign capital. CMA is constantly working to provide a regulatory environment conducive to the introduction of new investment products and the implementation of market mechanisms in line with best international practices and the Saudi capital market maturity level, while meeting different needs of market participants.

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

- **Initiative (2.6.1):** Study the feasibility of increasing products available in derivatives market
- **Initiative (2.6.2):** Conduct a study to identify mechanisms to enable the operations of the minerals, commodities and products market
- **Initiative (2.6.3):** Develop convertible debt instruments regulations
- **Initiative (2.6.4):** Study the feasibility of enabling, regulating and licensing the work of index providers
- **Initiative (2.6.5):** Study the feasibility of launching investment funds indicators

Strategic Objective #7: Improve trading mechanisms available in the capital market

CMA aims to raise market efficiency and foster its position as a leading market in the region by ramping up market activity and mobilizing different capitals, leading to an increase in capital market size and attractiveness. Optimizing trading mechanisms in the market is a key pillar to increase market depth and efficiency, as well as liquidity. CMA is constantly working to develop mechanisms to improve capital market performance in line with best international practices and the Saudi capital market maturity level, while meeting different needs of market participants.

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

- **Initiative (2.7.1):** Study the feasibility of establishing links between market infrastructure institutions and GCC countries
- **Initiative (2.7.2):** Develop stock lending and short selling regulations
- **Initiative (2.7.3):** Study the feasibility of regulating OTC trades
- **Initiative (2.7.4):** Regulate market makers activity
- **Initiative (2.7.5):** Assess Closed-End Funds (CEFs) secondary market activity
- **Initiative (2.7.6):** Study the feasibility of establishing common trading and clearing links with some developed markets
- **Initiative (2.7.7):** Study the feasibility of omnibus account regulation and implementation



Theme 3:

promote confidence

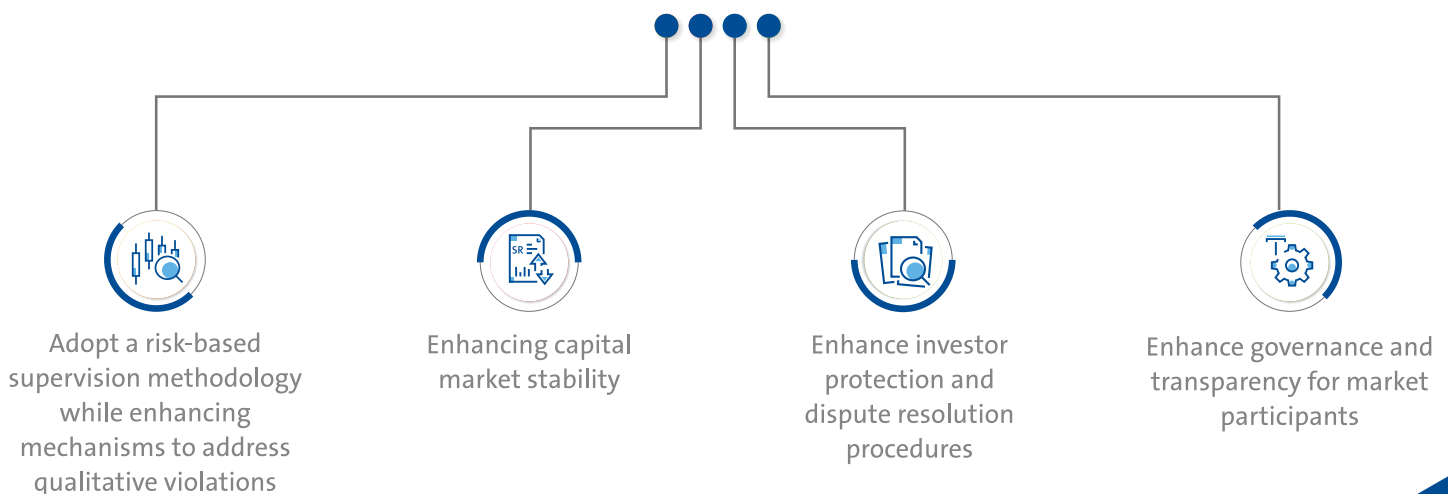
Theme 3: Promote Confidence

Among the CMA tasks stipulated by the Law is to protect investors in securities from unfair or improper practices, or those involving fraud, cheating, deceit or manipulation. From this standpoint, the CMA has worked to issue executive regulations that seek to regulate securities business and develop procedures to mitigate the risks associated with securities transactions and protect investors, thus enhancing their confidence in the capital market.

Given the importance of investors' confidence in the market for market growth and prosperity, the CMA will continue to improve and develop anything that would enhance the participants' confidence in the capital market. As part of its program to achieve KSA Vision 2030, the CMA will work on promoting the regulatory environment and stability in the capital market, by adopting a risk-based supervision methodology, while strengthening execution mechanics for financial violations and raising governance and transparency level in the market in general.

CMA will follow up on the progress made in this theme by measuring a number of strategic indicators, for example, "Average time to process violations from detection to closure within CMA" and "Average period of litigation procedures in securities disputes, including appeal".

The theme includes the following strategic objectives



Strategic Objective #8: Adopt a risk-based supervision methodology while enhancing mechanisms to address qualitative violations

Based on the CMA's mission of regulating and developing the capital market, and working to achieve fairness, efficiency and transparency in securities transactions, the CMA places the responsibility of reviewing and continuously improving the regulatory environment on its list of priorities. The CMA believes in the importance of adopting a risk-based supervision methodology in its supervision work. Therefore, it will work on unifying and integrating the risks ecosystem of the entities subject to the CMA's supervision, and developing the regulatory framework for supervision and monitoring of CMIs, in order to enhance market stability and support the participants' confidence in the capital market.

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

- Initiative (3.8.1): Develop artificial intelligence and machine learning in the monitoring system
- Initiative (3.8.2): Develop a mechanism for handling qualitative and urgent cases
- Initiative (3.8.3): Update and develop recommendation standards on the issuance of fines/prison sentences/other sanctions to address violations and crimes under CMA mandate
- Initiative (3.8.4): Standardize and integrate the risks ecosystem for the entities subject to CMA supervision
- Initiative (3.8.5): Determine the level of supervision on investment funds
- Initiative (3.8.6): Develop the regulatory framework for the supervision and monitoring of Saudi Capital Market Infrastructure Institutions
- Initiative (3.8.7): Special inspection of listed companies
- Initiative (3.8.8): Raise the level of capital market institution compliance with the CML and its executive regulations
- Initiative (3.8.9): Develop a guiding mechanism to classify the severity of violations
- Initiative (3.8.10): Conduct a study on the suitability of setting standards for nominating members of boards of directors and members of committees in listed companies

Strategic Objective #9: Enhancing capital market stability

Enhancing capital market stability and reducing market volatility and risks can help foster trust across market participants and contribute to an attractive investment environment that can in turn support growth in the national economy. The CMA will be working with various executive entities to coordinate and exchange information in order to enhance capital market stability and mitigate securities transaction risks. This in turn will increase financial data and information security and safety and maintain continuity of activities carried out by market participants. The CMA will also develop early risk warning tools to help avoid market risks and preserve market safety and integrity.

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

- Initiative (3.9.1): Ensure business continuity of capital market institutions
- Initiative (3.9.2): Conduct feasibility study on the establishment of a fund for the protection of capital market institution clients
- Initiative (3.9.3): Develop regulatory concepts to draft prudential rules
- Initiative (3.9.4): Develop prudential rules
- Initiative (3.9.5): Develop instructions and conditions for the insurance policy covering professional failures of auditors of enterprises supervised by CMA
- Initiative (3.9.6): Develop the regulatory concepts of Capital Market institutions bankruptcy
- Initiative (3.9.7): Develop the regulatory framework for Capital Market institutions bankruptcy
- Initiative (3.9.8): Prepare a study to regulate auditor withdrawal
- Initiative (3.9.9): Review the registration conditions for auditors of enterprises supervised by CMA
- Initiative (3.9.10): Prepare the feasibility study and the scope of insurance criteria for professional failures of enterprises supervised by CMA

Strategic Objective #10: Enhance investor protection and dispute resolution procedures

Since its inception, the CMA has given attention to corporate governance, as it sought to establish the best international standards in the field of corporate governance and enhance good practices in their application. The CMA's efforts to raise the level of corporate governance within its program to achieve the Kingdom's Vision 2030 are diverse, ranging from setting regulatory requirements to encouraging and incentivizing aspects to apply the best practices. The CMA takes into account a number of significant factors that are included in the governance of companies such as conflict of interest policies, the role of the Board of Directors in surveilling compliance, risk management and enhancing the role of corporate investors in this regard. The CMA believes in the importance of good governance to protect investors and achieve corporate sustainability and growth.

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

- **Initiative (3.10.1):** Enhance the efficiency of the Secretariat and the two CRSDs
- **Initiative (3.10.2):** Develop a mechanism to improve CML violation reporting and executive regulations thereof
- **Initiative (3.10.3):** Develop market conduct regulation
- **Initiative (3.10.4):** Develop the regulatory framework for investment accounts and securities pledging and relevant funding (margin funding)
- **Initiative (3.10.5):** Process and settle complaints
- **Initiative (3.10.6):** Document judicial principles agreed upon by the Committees for Resolution of Securities Disputes
- **Initiative (3.10.7):** Develop the drafting process of decisions issued by disputes resolution committees
- **Initiative (3.10.8):** Development of guidelines and policies governing financial work at the General Secretariat of Committees for Resolution of Securities Disputes
- **Initiative (3.10.9):** Develop e-system for the General Secretariat of Committees for Resolution of Securities Disputes
- **Initiative (3.10.10):** Develop the bases of judicial principles for compensation in securities dispute cases
- **Initiative (3.10.11):** Develop regulatory concepts for the drafting of procedures for the settlement of securities disputes

- Initiative (3.10.12): Develop procedures regulation for the settlement of securities disputes
- Initiative (3.10.13): Develop alternative means for securities disputes settlement
- Initiative (3.10.14): Develop internal rules and procedures for affected capital market investors compensation funds
- Initiative (3.10.15): Develop guiding standards for the determination of the liability of listed companies board members for committed violations
- Initiative (3.10.16): Develop the laws and regulations page on CMA website
- Initiative (3.10.17): Raise the qualification level of litigators handling proceedings before resolution committees
- Initiative (3.10.18): Standardize and align violation classification between CMA and resolution committees
- Initiative (3.10.19): Develop a study to prioritize disputes and develop dispute resolution criteria
- Initiative (3.10.20): Study compensation mechanisms of the victims of capital market violations
- Initiative (3.10.21): Enhance investor protection and procedures efficiency

Strategic objective #11: Enhance governance and transparency for market participants

Raising the level of disclosure and facilitating the flow of important information to investors and the public leads to enhanced transparency and reduced risks in securities transactions. In order to ensure availability of necessary information to help investors make their investment decisions, CMA constantly seeks to benefit from international best practices to achieve the highest levels of transparency. In light of this, CMA will evaluate regulatory requirements of disclosure and make adjustments aimed at increasing quality and comprehensiveness of disclosure in the Capital Market, the continuity of compliance therewith, and increase disclosure channels for investors.

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

- Initiative (3.11.1): Regulate the provision of Capital Market data
- Initiative (3.11.2): Conduct a study on the appropriateness of forcing listed companies to publish Q4 interim financial statements
- Initiative (3.11.3): Develop Companies Law and its executive regulations
- Initiative (3.11.4): Develop regulatory concepts for corporate governance regulation drafting
- Initiative (3.11.5): Amend corporate governance regulation
- Initiative (3.11.6): Conduct a study to support the adoption of best corporate governance practices by corporate investors in listed companies
- Initiative (3.11.7): Activate the role of the investor relations function in listed companies
- Initiative (3.11.8): Develop internal standards and procedures on processing the request for CMA to call for a general assembly meeting according to Article 90 of the Companies Law
- Initiative (3.11.9): Analyze the situation of committees in listed companies
- Initiative (3.11.10): Conduct a study to evaluate the role of the compliance function in listed companies
- Initiative (3.11.11): Organize the work of internal Sharia audit and control in financial institutions
- Initiative (3.11.12): Organize work of the Sharia compliance function in financial institutions
- Initiative (3.11.13): Regulate the work of Sharia committees in financial institutions
- Initiative (3.11.14): Develop a framework to establish a Central Sharia Board for the capital market sector
- Initiative (3.11.15): Conduct a study on raising the efficiency of the Board of Directors report
- Initiative (3.11.16): Assess investment fund indicative indicators



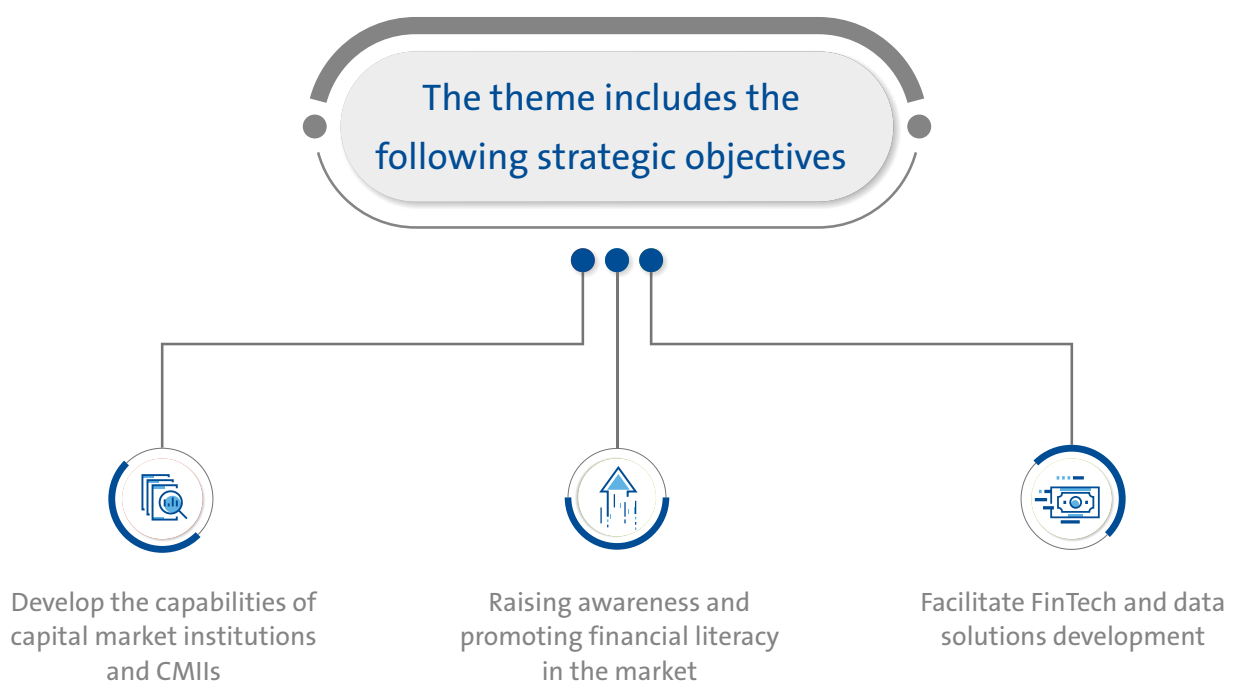
Theme 4:

Building Capacities

Theme 4: Building Capacities

The development of the capital market depends on the level of knowledge and capacity of its participants. The CMA strives to make the securities sector a source of capacities that is in the same time attractive to competencies. It will therefore support the development and competitiveness of capital market institutions as a key player in raising the capabilities of the securities sector. The CMA will also raise awareness and promote the financial investment culture in the market, convinced that the awareness of market participants plays a key role in promoting the level of commitment and protecting savings. Given the importance of qualified human capital in the development of the securities sector, the CMA will seek to create multiple programs aiming at providing the sector with qualified human resources.

CMA will follow up on the progress made in this theme by measuring a number of strategic indicators, for example, “Number of Manpower in the financial market sector” “Number of training hours provided to market participants”.



Strategic Objective #12: Develop the capabilities of capital market institutions and CMIs

Since its inception, the CMA has been constantly regulating and developing entities dealing with securities under its supervision, enhancing their monitoring procedures, financial adequacy, and resource management efficiency to help them provide their customers with better services in line with international best practices. The CMA is keen on developing the work of capital market institutions. It seeks to create a fair competitive environment and raise the level of knowledge and professionalism among their employees, taking into consideration the rapid development of the financial sector in terms of regulations and available services and products.

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

- Initiative (4.12.1): Develop the regulatory framework for the admission of commercial banks to the Depository Center and the exercise of derivatives activities
- Initiative (4.12.2): Develop preservation activities
- Initiative (4.12.3): Develop the work of the Authorized Financial Institutions Committee
- Initiative (4.12.4): Study the feasibility of outsourcing some of the tasks carried out by capital market institutions
- Initiative (4.12.5): Launch the CMA scholarship program that allows capital market institutions' distinguished employees to pursue their education in prestigious universities
- Initiative (4.12.6): Develop a cooperation framework between CMA and the training entities to build the capacities of Saudi cadres in the capital market sector
- Initiative: (4.12.7): Professional certificates subsidy program for the interested cadres of the securities sector
- Initiative (4.12.8): Study the creation of a KYC data consolidation center
- Initiative (4.12.9): Develop a CMII supervision mechanism
- Initiative (4.12.10): Develop the CMII regulatory framework
- Initiative (4.12.11): Prepare a study to develop arranging activities
- Initiative (4.12.12): Prepare a study to develop advising activities
- Initiative (4.12.13): Study the qualification of real estate fund managers
- Initiative (4.12.14): Implement the culture of continuing vocational education

Strategic Objective #13: Raising awareness and promoting financial literacy in the market

CMA Vision 2030 program attaches utmost importance to raising awareness and promoting investment literacy among market participants (investors, issuers or securities service providers). Awareness and investment literacy represent the first line of defense against unfair or improper practices. Investment literacy helps understand the role and responsibilities of both regulators and financial institutions. Also, the awareness and literacy of investors, as well as other segments of market participants, play a positive role in enhancing corporate governance in the capital market.

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

- Initiative (4.13.1): Develop awareness programs for all segments of investors
- Initiative (4.13.2): Support the establishment of an association to protect and educate individual investors
- Initiative (4.13.3): Documenting the history of the financial market
- Initiative (4.13.4): Develop awareness programs for market participants
- Initiative (4.13.5): Awareness programs for litigants before the Committee for Resolution of Securities Disputes

Strategic objective #14: Facilitate FinTech and data solutions development

In continuation of the CMA role in regulating and developing the Capital Market, and in order to keep pace with the rapid technological revolution in the Capital Market, CMA follows best practices in regulating and benefiting from FinTech and using data solutions in the market. This is based on CMA legislative role to enable FinTech companies to conduct their business efficiently within a supportive regulatory environment, thus contributing to supporting the national economy in line with the Financial Leadership Program 2020 and Saudi Arabia Vision 2030

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

- Initiative (4.14.1): Develop FinTech ExPermit instructions
- Initiative (4.14.2): Develop FinTech permit and supervision procedures
- Initiative (4.14.3): Prepare the regulatory framework for security token offering (STO)
- Initiative (4.14.4): Digital enablement of Capital Market Institutions for the delivery of products and services
- Initiative (4.14.5): Prepare the electronic financial institutions (EFI) enablement study
- Initiative (4.14.6): Prepare the digital enablement study for the opening of investment accounts for non-KSA residents
- Initiative (4.14.7): Develop the regulatory concepts of Equity Crowdfunding
- Initiative (4.14.8): Develop the regulatory framework of Equity Crowdfunding



Thank You