

# Market Story

Photographic Documentation of the Saudi  
Capital Market History

1926 - 2020



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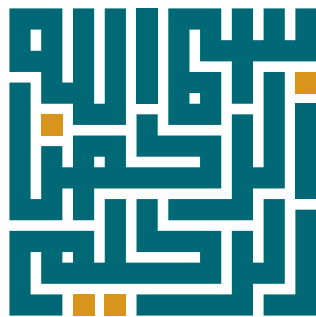
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**Capital Market Authority**

Riyadh, King Fahd Road, P.O. Box: 87171, Riyadh 11642, 800-245-1111

Call Centre: +966112053000



In the Name of God, the Most Merciful, the Most Gracious

# Introduction

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Saudi Arabia's Vision 2030 was created to express the ambitions and aspirations of the Saudi people within a thriving society supported by a vibrant economy. Vision 2030 outlines the Kingdom's long-term goals and expectations and paves the way for a thriving society and economy with ample investment opportunities and an attractive competitive environment. One of the strategic drivers for achieving these objectives is the development of an active capital market.

Under this far-reaching pioneering Vision, the Saudi capital market has made significant strides over the past several years, positioning the country as a leading market both regionally and internationally. However, today's accomplishments could not have been realised without past efforts.

This book documents the major events that have shaped the Saudi capital market over its 100-year journey, covering three phases of development. The first phase begins in 1926, with the formation of the first Saudi joint-stock companies, which was soon followed by the emergence of stockbroking firms establishing offices for the buying and selling of stocks. The second phase begins in 1983 when the Custodian of the Two Holy Mosques issued a Royal Order to regulate stock trading through local banks, followed by the formation of the Ministerial and Supervisory committees that further developed market legislation and technology. The third phase is marked by the passing of the landmark Capital Market Law in 2003, covering the formation of the Capital Market Authority (CMA) in 2004, and the various subsequent developments that have made the Saudi capital market one of the largest and most robust in the world.

And because a picture is worth a thousand words, and photos are one of the best ways to document historical events, the CMA is pleased to present this volume a photographic chronicle of the Saudi capital market from 1926 to 2020. This overview contains photographs, official documents, and illustrations. For those seeking additional information, a more detailed version of this book can be found on the CMA's website.

This book and the wealth of documentation and photographic material it contains is the result of a collaborative effort by numerous entities and prominent public figures that were part of the major historical developments of the Saudi capital market. To all those who gave so generously of their time and shared their invaluable experiences, the CMA extends its utmost gratitude and appreciation.

Lastly, this book is dedicated to you, our esteemed readers. It is hoped that this book serves as an enlightening resource and reliable reference for academics, professionals, and the general public.



# Capital Markets and the Bourse

## The Bourse (Stock Exchange)

The Arabic word "bursah," similar to "bourse" in French, is derived from the name of the Belgian Van der Buerse family of the city of Bruges who were known for their banking activities in the 15th century. They operated the Ter Buerse Inn, which was a popular destination for merchants from all over Europe. Eventually, the square where the inn was located became known as "Oude Beursplein" (Old Stock Exchange Square), and the term "bourse" came to refer to any organised securities market where securities were bought and sold by brokers on behalf of investors. The Amsterdam Stock Exchange, established in 1602, is considered the oldest "modern" stock exchange in the world.



\*The Original Bourse of at Bruges

## The Stock Exchange (Capital Market)

A stock exchange is an organised market for the buying and selling of securities, including stocks, bonds, sukuk, derivatives and more. In this market, stockbrokers and other financial intermediaries perform trades on behalf of buyers and sellers. The stock exchange is overseen by a regulatory body, such as the CMA in Saudi Arabia, that establishes a system to regulate transactions and enforces specific rules and regulations that companies issuing securities must follow before and after their securities are made available to trade on the Stock Exchange.

### Capital markets are divided into two categories:

- **The Primary Market:** where new securities are issued and sold to the public for the first time.
- **The Secondary Market:** where investors buy and sell previously issued securities.



The Saudi Capital  
Market Authority

# The Saudi Capital Market

## Spanning a century, the Saudi capital market evolved in three phases:

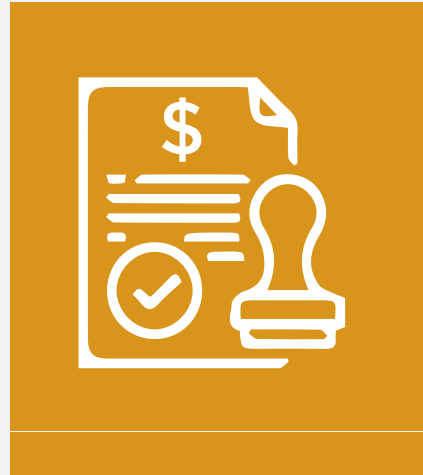
- Phase one (1926-1984): This period includes the founding of the Kingdom of Saudi Arabia, followed by the growth of the private sector, the creation of Saudi joint-stock companies, and the rise of unregulated stock trading.
- Phase two (1984-2003): This period begins in November 1984 following the issuance of a Royal Order on 24th April 1983, which transferred stock trading services to commercial banks instead of unofficial brokers, as well as the formation of the Ministerial and Supervisory Committees to oversee and regulate stock trading activities.
- Phase three (2003-2020): During this phase, a comprehensive ecosystem for the capital market was established and strengthened. This period of development saw the passing of the Capital Market Law and the formation of the CMA Board, which assumed responsibility for overseeing and regulating the Saudi capital market.





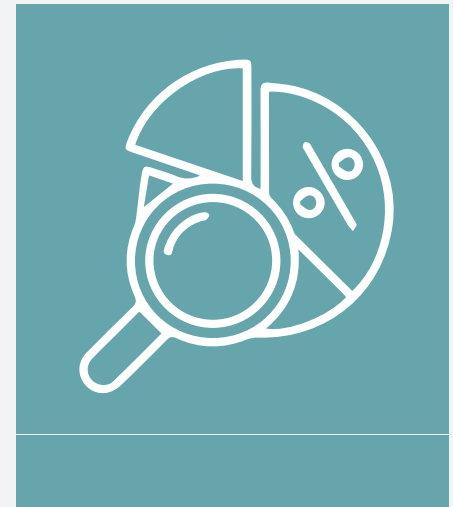
## The Beginnings

1926-1984



## Setting the Scene

1984-2003



## Regulating the Market

2003-2020



# Phase One

The Beginnings

One

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**(1926 - 1984)**

# The Concept of Shareholding Emerges in Saudi Arabia Thought

Markets have existed and thrived in the Arabian Peninsula since pre-Islamic times, and they have undergone a continuous evolution over the centuries. With the advent of the Saudi era, the Kingdom's regions witnessed unprecedented urban and economic development. Trade activities flourished, leading to a need for more investment capital, which was achieved through merchants coming together to establish companies. This led to the emergence of joint-stock companies, attracting the participation of a large number of merchants in Saudi Arabia.

## (1923)

### The National Oil Joint-Stock Company —————

The concept of shareholding was not limited to individuals and merchants only. It was well-considered by the late King Abdulaziz even before the Kingdom's unification. After the Eastern and General Syndicate was established by Frank Holmes and other English businessmen in 1920, the founding King began setting the scene for a national joint-stock oil company. On 11th September 1923, King Abdulaziz sent a letter in which he encouraged the people of the Najd region, who resided in Baghdad at the time, to subscribe for the company's shares.

بسم الله الرحمن الرحيم

من عبد العزيز بن عبد الرحمن الفيصل آل سعود إلى كافة من يراد من أهل نجد في بغداد سلمهم الله تعالى  
 السلام عليكم ورحمة الله وبركاته - وبعد عنكم معلوم في كل سبب التجارة وعدم المواصلات في أطرافنا  
 وإن لم يكن ليس من مضر بشريت بلادنا وغناة في تربية غيرها بل من المعتقد ان تربية وطننا هي  
 احسن التربيع واعناها وانما الذي غينا جعلنا واجترارها في اخراج معادن بلادهم المفضلة مستغنا  
 دوا من خزائنها وافادوا ومن العلم ان هذه الاعمال لا يمكن ان تكون الا في بلادنا ولا في بلاد  
 المصلحة العمومية قد تفقنا مع الشركة الشرقية واعطيناها امتياز اخراج المعادن المفضلة  
 في منطقة الاحسا والقطنية وعينها برقم الاتفاق بيننا وبين هذه الشركة بشروط ملائمة  
 للطرفين وقد شرطنا على ان يكون لنا ولرعاياها ثلث اسهم عشرة الف سهم نصفها ستمائة  
 الف سهم خاصة لنا والنصف الاخر ستمائة الف سهم لمن يحب الاشتراك من رعايانا كل ذلك من  
 الاشتراك السخية في مصالح بلادهم وعدم جوازهم من حيث ان اسهم هذه الشركة قد قررتة وعين  
 مقدارها وصار تخزينا احببنا ان نبرقكم بصدقة المالك للمبادرة لمنه برغب الاشتراك بهذا  
 العمل فكنا نضع المقيد فكل سهم من اسهم هذه الشركة قيمته خمسين ريال من كل ريال من  
 المبادرة ويراجع الايج عبد اللطيف باشا للتحليل فتقدم له منا التعليمات الكافية بذلك وانما يجب  
 المبادرة به كان قبل تعاقب الاسهم مما انظره من جهة المبادرة والوقت ما فيه متسع فالعلم سوف يتبدى  
 قريبا ان شاء الله تعالى التوقيع والنجاح لما فيه الخير والصلاح للبلاد منهم وكرمهم

١٩١٥  
٤٠ محرم

A letter from King Abdulaziz in which he encourages the people of Najd residing in Baghdad to subscribe for the oil company's shares in 1923\*



## Establishing Saudi Joint-Stock Companies

The Saudi state supported the formation of national joint-stock companies before the Kingdom's unification and prior to introducing a legislative framework for companies. At the forefront was transportation companies. Following the establishment of the Kingdom of the Hejaz and Najd and its Dependencies, pilgrim transportation services were one of the main economic activities of the people of the Hejaz region. In 1926, pilgrim vehicle transportation services began to be provided between the cities of Jeddah and Makkah, leading to the formation of several pilgrim transportation companies.



A pilgrim transport vehicle in 1926

**(1926)****The National Vehicle Company**

In March 1926, the Saudi National Motor Vehicle Joint-Stock Company was established, having received a charter to operate vehicles between Jeddah and Makkah for 20 years. The company's initial capital was set at 30,000 pound and divided into 6,000 shares at 5 pound each.\* Additionally, half of the company's shares were made available for subscription to Saudi citizens, which helped to further promote the concept of share ownership. The charter, even back then, included modern concepts and practices such as disclosure, public announcements, and the invitation to subscribe, as well as the election of board members. The company's articles of association were published in the Um Al-Qura newspaper - the government's official gazette - and the company continued to publicly announce its general assembly sessions, shareholder names, and annual reports in the official gazette.



Royal Decree  
granting  
the vehicle  
operation  
charter.

\*Um Al-Qura, No. 64, Friday 19th March 1926.

## (1928)

### Company Registration Law

In 1928, a Royal Decree was issued to approve the Company Registration Law. Under this Law all commercial companies were required to submit an application to the Public General Prosecutor Public General Prosecutor to obtain a registration certificate issued by the company registrar and approved by the Public Prosecutor General. The Law defined a company as an "association of two or more individuals who have come together to conduct commercial business activities."



Company Registration Law of 1928\*

## (1931)

### Commercial Law

The Company Registration Law was established to regulate existing commercial companies, but the formation of new companies was based on traditional business practices. However, on June 1st, 1931, the Commercial Law was issued by Royal Decree No. 32, becoming the first law to regulate the formation of companies in the Kingdom. The Law defined a company as an agreement between two or more parties, and it identified three types of companies: mufāwada (partnership by reciprocity), 'inān (limited liability partnership), and mudāra (profit sharing partnership). Additionally, Article 14 of the Law specifically mentioned joint-stock companies, classified as 'inān companies, and defined them as "a company with a fixed capital that is divided into equal value shares, without naming the shareholders, and is managed by appointed and dismissible representatives."\*\* The Commercial Law paved the way for the formation of several Saudi joint-stock companies, particularly those that specialised in the transportation for pilgrims.

\*Um Al-Qura newspaper, No. issue 185, 6th July 1928.

\*\*Um Al-Qura newspaper, No. issue 347, Thursday, 6th August 1931.

# أحكام القرض

[الكتاب الثاني في أحكام القرض، الجزء الثاني، ص ١٤٠]

## النظام التجاري

### الفصل الثاني

#### في الشركات

المادة ١٣ - شركة تضامن هي الشركة المتعقبة بين اثنين فأكثر يدرأس مال معلوم لكل من الشركاء حصة معينة فيه ولا يتحمل الشركاء ضرراً ولا خسارة زيادة على حصته من رأس المال.

المادة ١٤ - من فروع شركة التضامن المساهمة وهي الشركة المتعقبة على رأس مال معلوم يقسم إلى أسهم والأهم إلى حصص متساوية المبالغ من غير تسمية أصحاب الحصص ويتولى ادارتها وكلاء مختارون ويجوز تعيينهم وهزلهم ونصيبهم والمندوبون هم المسؤولون عن الاعمال الموكولة إلى عهدتهم وليسوا بمنبرين ولا كالفلين تعهدات الشركة.

Articles 13 and 14 of the Commercial Law\*

## (1926–1933)

### Merging Vehicle Companies

The use of cars became increasingly popular from 1926 onwards, and as a result of the increasing number of motor vehicle companies dedicated to transporting pilgrims in the Hejaz region, the owners proposed to the government to merge these companies into a single joint-stock company. The government referred the proposal to a specialised committee\*, which eventually recommended forming a general automobile syndicate\*\*. In October 1928, a Royal Decree was issued to establish the Automobile Syndicate in Makkah and Jeddah, composed of 14 motor vehicle companies. Sheikh Muhammad Ali Al-Maiman was appointed as a government inspector for the syndicate's operations in Makkah and Sheikh Muhammad Al-Suliman Al-Bassam was appointed as an inspector in Jeddah\*\*\*. The formation of the General Syndicate was the first step towards merging the car companies.



Pilgrim  
transportation  
vehicles in Makkah,  
1933 \*\*\*\*

\* Um Al-Qura newspaper, No.issue 188, 27th July 1928, p. 2.

\*\* Um Al-Qura newspaper, No.issue 197, 5th October 1928, p. 3.

\*\*\* Um Al-Qura newspaper, No.issue 205, 30th November 1928, p. 2.

\*\*\*\* From Aramco's historical archives.

By 1933, the number of motor vehicle companies had grown to 30, with over 800 cars in use \*. On 15th May 1935 a Royal Decree was issued to merge these companies into a single entity called the "Arabian Motor Vehicle Company," with two separate administrative bodies for the management of both government and private activities. Each motor company would transfer their assets, such as cars and equipment, to the new company after valuation, and the value of these assets would constitute the company's capital, which would be divided into shares of 10 pound each. The Decree also dissolved the existing Automobile Syndicate and transferred its management to the new company, which would be overseen by the Ministry of Finance. A second Royal Decree issued on the same day approved the formation of the company's first board of directors and the appointment of general directors for the government and private branches.\*\* The Arab Vehicle Company offered its shares for public subscription with a capital of SAR 12 million and a total of 26,000 shares.



\*\*\* A pilgrim transportation vehicle, 1935.

\* Sawt al-Hijaz newspaper, No.issue 83, 14th November 1933, p. 2.

\*\* Um Al-Qura newspaper, No.issue 546, 24th May 1935, p. 3.

\*\*\* King Abdulaziz Foundation for Research and Archives.

## Accelerated The Establishment of More Joint-Stock Companies

In addition to car companies many diverse joint-stock companies were established following the implementation of the Commercial Law, marking a new era for major economic projects in the Kingdom. These included the Arab Company for Savings and Economy, the Printing and Publishing Company, and the Artesian Wells Company. The establishment of these and other companies clearly reflected the spirit of economic cooperation and the development of the concept of share ownership. Moreover, as the number of national joint-stock companies increased, citizens began to invest in their shares. As an example, in 1936, the management of the Arab Company for Savings and Economy published its first report, in which it expressed their gratitude for people's interest in the company, as 366 shares -one-fifth of underlying shares- were sold within five months.

التقرير الأول	
لعمال الشركة العربية للتوفير والاقتصاد	
الشركة العربية للتوفير والاقتصاد وليدة شهور، وهي لازال في دور التكوين إنكل بدء وهي وإن كانت شركة تسجل للمصلحة، إلا أنها لم تطلق كثير من أعمالها تتمتع على رأس مال ثابت، بل وجدت وشكلت على حساب الأمل، وأخذت تسجل على حساب الأمل أيضاً، والأمل إذا عرّض يلهو والعمل أحر.	
أغراض الشركة	
والأغراض الأساسية التي تكونت هذه الشركة لتحقيقها هي: الس لتوفير التد بطريقة لا يمس بها الشريك فيكون السام رأس مال من حيث لا يشعر، ثم التي لتسوية هذه الدوام بطرق التجارة المشروعة ويجلس الشركة سبعة قبل كل شهر، في تجارته بتشكيل الأيدي المطلقة من أبناء هذا الوطن، وبتولية الصناعات الوطنية وتحسينها. وبالطبع فتستفي الشركة في بقاءها على طرب المشاريع تناولاً وسهولة، وعلانية التدرج في الأعمال.	
أسهم الشركة	
وطبقاً للطرق القانونية في الشركات فقد حددت الشركة أسهمها لجمعها التي سهم فاقلة لزيادة بسايرها الطرق القانونية.	
قيمة السهم الواحد	
وجعلت قيمة السهم الواحد القين ومائتي غرش دارج يدفع على أجزاء يومية متساوية وجعلت قيمة الجزء اليومي قرشاً واحداً، ولكل فرد من شركائنا سهم واحد أو أكثر، وقد راعت في هذا الوضع تسخيع الطريق لاشتراك الطبقة الفقيرة ومساقتها في تكوين رأس مالها بدين جديد ولاشقة.	
الاسهم التي تحصلت عليها الشركة	
وبالرغم من الصعوبات الجمة التي نشأت في طريق الشركة فكانها تاهت من شدة جدة ما اجتازت تلك الصعاب وتكثرت في هذه السنة البسيطة من السير في طريقها تقدم ثمانية لتسويق الرأسمال، فبلغ مجموع أسهم الشركة من مائة جدي ثمانية مئة جنية تسعة مئة فقط، فبالإضافة وستة وستين سحاً وأي أن للفرد الواحد كانت في هذه السنة الوجيزة من الحصول على ما يقرب من خمس الاسهم الأساسية.	
وطبقاً للأصول التجارية فيمثل هذه الشركات قد عقدت الشركة لهذا الاشتراك في فترة ذي الحجة سنة ١٣٥٤ حتى أول محرسة ١٣٥٥ لحفظ توازن ارباح المساهمين	
الإقبال على أسهم الشركة	
ويسر الشركة أن تعلن اغتيالها على الإقبال العظيم الذي وجدته من الشعب فهي لا تزال تتلقى يومياً طلبات اشتراكات جديدة، وتوكل الشركة أن أسهمها ستعطي قبل انتهاء مدة الاشتراك القانونية.	
وأرد الشركة من الاسهم	
أما مجموع قيمة الأجزاء اليومية الثلاثة والسنة والسنتين الذم التي تحصلت عليها الشركة في مدة السبعة الشهور فهي:	
غرش دارج	٧٨٠
مجموع قيمة ٣٦٦ سحاً	٧٨٠
الوارد منها	٧٦٠٨٠
الباقى ديون طرف خمسة مساهمين	٧٨٠
أرباح الشركة	
وبالرغم من أن المدة الماضية للشركة تعتبر في العرف التجاري مدة تأسيسية وبالرغم من عدم وجود المال الكافي للشركة في أول العمل، فإن الشركة أخذت تسجل بطرق التجارة المشروعة تنمية ما تجمع لديها من قيمة أجزاء اسهم المشتركين أولاً فوققت بفضل الله تعالى تم مجيود مجلس الإدارة من الحصول على الربح الآتي:	
غرش دارج	٩٨٧
مجموع أرباح الشركة	٩٨٧
حسم ٥ ٠٠ رسم اعانة للأعمال الخيرية	٤٩٤
الباقى	٩٣٩٢
حسم ١٠ ٠٠ مجلس الإدارة لقاء اتعابه	٩٨٧
الباقى صافي الأرباح	٤٨٠٤
أى باعتبار أن حصة السهم الواحد من الأرباح اثنا عشر وعشرون غرشاً دارجاً وثمانية وثلاثون بارة ونصف. وقد قرر مجلس الإدارة تقديم اعانة الأعمال الخيرية في هذا العام (جمعية الاعساف ودار العجزة واليتامى بمكة) مناصفة.	

First business report of  
the Arab Company for  
Savings and Economy\*\*

\* Um Al-Qura newspaper, No. issue 646, 23rd April 1937.

\*\* Sawt al-Hijaz newspaper, 12th May 1936.

Interest in forming joint-stock companies continued to grow to address the country's economic needs and further support the government's vision. On 23rd April 1937, the editorial of Um Al-Qura, issue No. 646 featured news about the success of several national companies in this regard.

﴿ العدد ٦٤٦ - المئتان ثلاثة عشرة ﴾

﴿ العدد ٦٤٦ - المئتان ثلاثة عشرة ﴾

﴿ العدد ٦٤٦ - المئتان ثلاثة عشرة ﴾

# أم القرى

بإذن من اللجنة التنفيذية لجامعة الزيتونة

﴿ العدد ٦٤٦ - المئتان ثلاثة عشرة ﴾

﴿ العدد ٦٤٦ - المئتان ثلاثة عشرة ﴾

﴿ العدد ٦٤٦ - المئتان ثلاثة عشرة ﴾

العدد	العدد	العدد	العدد	العدد
٨٦	٨٧	٨٨	٨٩	٩٠
٩١	٩٢	٩٣	٩٤	٩٥
٩٦	٩٧	٩٨	٩٩	١٠٠
١٠١	١٠٢	١٠٣	١٠٤	١٠٥
١٠٦	١٠٧	١٠٨	١٠٩	١١٠
١١١	١١٢	١١٣	١١٤	١١٥
١١٦	١١٧	١١٨	١١٩	١٢٠
١٢١	١٢٢	١٢٣	١٢٤	١٢٥
١٢٦	١٢٧	١٢٨	١٢٩	١٣٠
١٣١	١٣٢	١٣٣	١٣٤	١٣٥
١٣٦	١٣٧	١٣٨	١٣٩	١٤٠
١٤١	١٤٢	١٤٣	١٤٤	١٤٥
١٤٦	١٤٧	١٤٨	١٤٩	١٥٠
١٥١	١٥٢	١٥٣	١٥٤	١٥٥
١٥٦	١٥٧	١٥٨	١٥٩	١٦٠
١٦١	١٦٢	١٦٣	١٦٤	١٦٥
١٦٦	١٦٧	١٦٨	١٦٩	١٧٠
١٧١	١٧٢	١٧٣	١٧٤	١٧٥
١٧٦	١٧٧	١٧٨	١٧٩	١٨٠
١٨١	١٨٢	١٨٣	١٨٤	١٨٥
١٨٦	١٨٧	١٨٨	١٨٩	١٩٠
١٩١	١٩٢	١٩٣	١٩٤	١٩٥
١٩٦	١٩٧	١٩٨	١٩٩	٢٠٠

## شركاتنا الوطنية

### وخطواتها الموقفة

تشرنا في العدد الماضي تقرير مجلس إدارة الشركة العربية للتوفير والاقتصاد، مجمل ما قامت به خلال عامها الأول - وما صادقت من أقبال وتشجيع حتى تغطت أسهمها المقررة واضطرت إلى وقف قبول المساهمة فيها

ونشرت زميلتنا (صوت الحجاز) في عددها الأخير تقرير مجلس إدارة شركة السيارات الأهلية لسنة ١٣٥٥ فكان باعثا على الرضا والارتياح والاستبشار.

ولازمنا أن نبحر هذه الشركات الناشئة في منزل هذه الملة الصغيرة وفي المنزلة التي ورثها ورثم الظروف الخاصة التي تجعل ذلك في نظر الكثيرين فاحتملها جديداً ق مستقبلاً المشاريع الاقتصادية الكبرى في بلادنا ظاهرة قوية ودلائل واضحة على تهور روح التعاون الاقتصادي وتوضوح التفكير واتجاه النزعة وتضامن الأيدي على رفع مستواها من هذه الناحية المتطلبة في حياة الأمم والشعوب.

﴿ العدد ٦٤٦ - المئتان ثلاثة عشرة ﴾

﴿ العدد ٦٤٦ - المئتان ثلاثة عشرة ﴾

﴿ العدد ٦٤٦ - المئتان ثلاثة عشرة ﴾

وإذا توخنا بهذه الشركة وما يلتزمه من مجامع مطرد ولزمن قصير لقد أتمت مثيلاتها الأخرى في السيارات الأهلية والطابع والنشر والآلة الأوتوماتية في المدينة المنورة وكلها حديثة النشأة - البراعين العملية على إيمانهم ومثال الشعب إلى استنارة الأيدي العاملة والعقل المفكر والرؤوس المدبرة والأموال التي يجب أن تستخدم في المصالح العامة تشييداً صرحنا الاقتصادي المتباعد عما تعودت به من الموهبة والمساعدة على أعمال البر والاحسان - كما تنطق بذلك الأرقام الواردة في تقارير مجلسي الإدارة في شركتي التوفير والاقتصاد الأهلية وكل هذا الشركات الوطنية تتولاها طائفة مستبشرة لا ترضى إلى القائمة الخاصة والريح الفردية فقط وإنما هي تسعى وراء غاية بعيدة الشأو عظيمة النفع بالنسبة للجمهور ومصالحه العامة - كما جاء ذلك واضحاً في غضون التقارير المشار إليها آنفاً ولذلك أن في توفرها على ذلك وحرصها عليه وجهدها فيها أكبر رعاية وأقوى دعامة لكل مشروع حيوي يقدم عليه المحلصون بمهذوم وتكون لهم جهلاً الأسوة الحسنة والتفوية الصالحة ككلوا أتمم الفوز وأعلى صحتها النجاح .

Editorial of Um Al-Qura, issue No. 646, s 646th issue, titled "National Companies: Achieving New Heights" \*



## Shareholding in the Mining Sector

The state continued to promote the concept of shareholding and to encourage citizens to invest in the shares of companies and government projects, including those in the mining, electricity, cement, gypsum, and commercial banking sectors. In the mining sector, for example, the government signed an agreement with the Saudi Arabian Mining Syndicate and granted it a mining concession to extract minerals. According to the agreement, 10% of the Syndicate's common stock was to be offered to Saudi nationals for subscription within a month of the announcement. The Saudi Arabian Mining Syndicate was founded with a capital of 772,000 pound. Soon after, American mining engineer Karl Twitchell began gold prospecting in the Mahd Al-Dhahab mine in 1935. In May 1939, the Saudi Arabian Mining Syndicate offered 2,187 shares for public subscription at 30 pound per share\*.



King Abdul Aziz  
with Karl Twitchell  
in 1933\*\*

\*Sawt al-Hijaz newspaper, 28 May 1939.

\*\* Al Jazirah newspaper, Friday/Saturday 10 April 2020.



A share certificate of the Saudi Arabian Mining Syndicate Limited, issued in 1948\*

**بيان**  
**عن اسم شركة التصدير**  
**العربية السعودية**

تلقت وزارة المالية لربما حضرة صاحب الجلالة ملك المملكة العربية السعودية المزمع بانه بناماً على الامتياز الواقع بين حكومة جلالتهم وقاهه التمدن العربية السعودية بتاريخ ١٧ رمضان ١٣٥٣ الموافق ١٢-١٢-١٩٣٤ قررت النفاذ المذكورة الان استقلال منجم مهد الذهب الذي احتضنت به في المنطقة التي منح لها الامتياز فيها بموجب تلك الاتفاقية وخصصت لاستغلال سيطرة واثنين وسبعين الف جنيه استرلينى ، ولما كانت الاتفاقية تنص على وجوب عرض عشرة في المائة من اسم الشركة المستمرة على ربما حكومة حضرة صاحب الجلالة الملك المعظم للاشتراك فيها في مدة شهر من تاريخ نشر الاعلان عنها فان اثنين ومائة وسبعة وثمانين سهماً من الاسم التناسبية لنفاذ التمدن العربية السعودية مبروزة لهم الآن أي

٨-١ ٣٥٨٤-٩

An invitation to subscribe for the shares of the Saudi Arabian Mining Syndicate \*\*.

\*The journal of the INTERNATIONAL BOND & SHARES SOCIETY, London, Issue No. 101, July 2016

\*\*Sawt Al-Hijaz newspaper, Issue No. 376, May 28, 1939

## Joint-Stock Electricity Companies

The Saudi government encouraged the private sector to form joint-stock electricity companies to further promote share ownership. In 1933, the Power Generation Industry Concession Law was implemented, and local investors responded positively. Two years later, in 1935, the Jeddah Electricity Joint-Stock Company was established by Muhammad Abdullah Reda and Ibrahim Shaker, with a capital of 15,000 pound divided into 15,000 shares. In 1946, the Taif Electricity Company was founded by Ibrahim Al-Juffali and his brothers, and in 1947\*, the Saudi Electricity Generation Company was established in Madinah by Sheikh Abdul Aziz Al-Khuraiji. In 1946 several Saudi entrepreneurs founded the Saudi National Electricity and Economy Company in Riyadh, with a capital of SAR 5 million and shares were made available for subscription at SAR 100 each. By 1953, subscriptions amounted to SAR 3.5 million, further solidifying the Saudi stock market.

Announcement of founding  
the Saudi National Electricity  
and Economy Company in  
Riyadh, 1946\*\*

\* The History of Electricity, King Abdulaziz Foundation for Research and Archives.

\*\* Um Al-Qura newspaper, No. issue 11, Friday, 29th March 1946.



﴿ جريدة أم القرى في يوم الجمعة ٢٥ ذو القعدة سنة ١٣٧٤ هـ - الموافق ١٥ يولييه سنة ١٩٥٥ م ﴾

## الشركة السعودية للكهرباء

دعوة للاكتتاب في زيادة رأس المال

طبقاً لقرارات الجمعية العمومية الغير اعتيادية المنعقدة في تاريخ ١١/٧ من شهر ذي القعدة سنة ١٣٧٤ هـ الموافق ١١/٧ من شهر يوليو سنة ١٩٥٥ م المتخذة في شأن زيادة رأس مال الشركة الى ٢٠ مليون ريال لمقابلة أعمال التوسعة في مشروعات الشركة بمكة والطائف وضواحيها وذلك بإصدار أسهم جديدة مقدارها (٩٥٠٠٠) خمسة وتسعين ألف سهم قيمة كل سهم منها مائة ريال لها وعليها من الحقوق والالتزامات والأرباح والخسائر ما للأسهم السابقة على أن هذه الأسهم الجديدة سواء في ذلك أسهم المؤسسين أو المساهمين لا تدخل في حساب الأرباح والخسائر الا بعد مضي سنتين ماليتين خلاف السنة المالية الحالية حسب الشروط الواردة في قرار الجمعية العمومية الغير اعتيادية وتقبل الشركة الاكتتاب على الاساس التالي :

- ١ - يحق للمساهمين القدامى أن يسكتبوا فيما يساوي خمسين في المائة من عدد الأسهم التي يمتلكونها .
- ٢ - يقبل الاكتتاب من الجمهور من غير المساهمين القدامى في حدود عدد الأسهم المخصصة لهم ومقدارها ٢١٣٧٥ سهماً .
- ٣ - الأسهم الجديدة المطروحة للاكتتاب العام المنوه عنها في الفقرة الثانية لا يجوز أن يقتنى منها المساهم الجديد بأكثر من مائة سهم أما بالنسبة للمساهم الحالي فإذا كان ما يمتلكه من الأسهم أقل من المائة يجوز له تكملة أسهمه منها الى مائة سهم .
- ٤ - مدة الاكتتاب المحددة تبدأ من يوم الخميس ٢٤ من شهر ذي القعدة سنة ١٣٧٤ هـ - الموافق ١٤ يوليو سنة ١٩٥٥ م وتنتهي في يوم الخميس ٢٩ من شهر ذي الحجة ١٣٧٤ هـ - الموافق ١٨ أغسطس ١٩٥٥ م .
- بعد انتهاء المدة المحددة للاكتتاب في الفقرة الرابعة يلحق ما يفيض من الأسهم المخصصة للمساهمين القدامى الواردة في الفقرة الأولى للاكتتاب العام .
- ٥ - يدفع المكتتب قيمة أسهمه بالنكاحل بمقر الشركة بمكة ويستلم الايصالات الخاصة بالأسهم المكتتب بها ولا تقبل الطلبات غير المرفقة بالقيمة .

مجلس الادارة

Invitation to subscribe  
to an increase in capital  
for the Saudi Electricity  
Company. \*

## Joint-Stock Cement Companies

With the expansion of building and infrastructure projects in Saudi Arabia in the 1950s, increased demand for building materials, resulted in the establishment of a number of cement companies. Saudi Arabia also experienced growth due large-scale urbanisation and government development projects. In 1965, the Saudi Cement Company, later known as the Arabian Cement Company, was founded with a capital of SAR 20 million, divided into 200 thousand shares. Of these shares, 98 thousand were made available for public subscription at SAR 100 per share. The Arabian Cement Company is one of the oldest joint-stock companies in Saudi Arabia and its shares are still traded on the Saudi Stock Exchange.

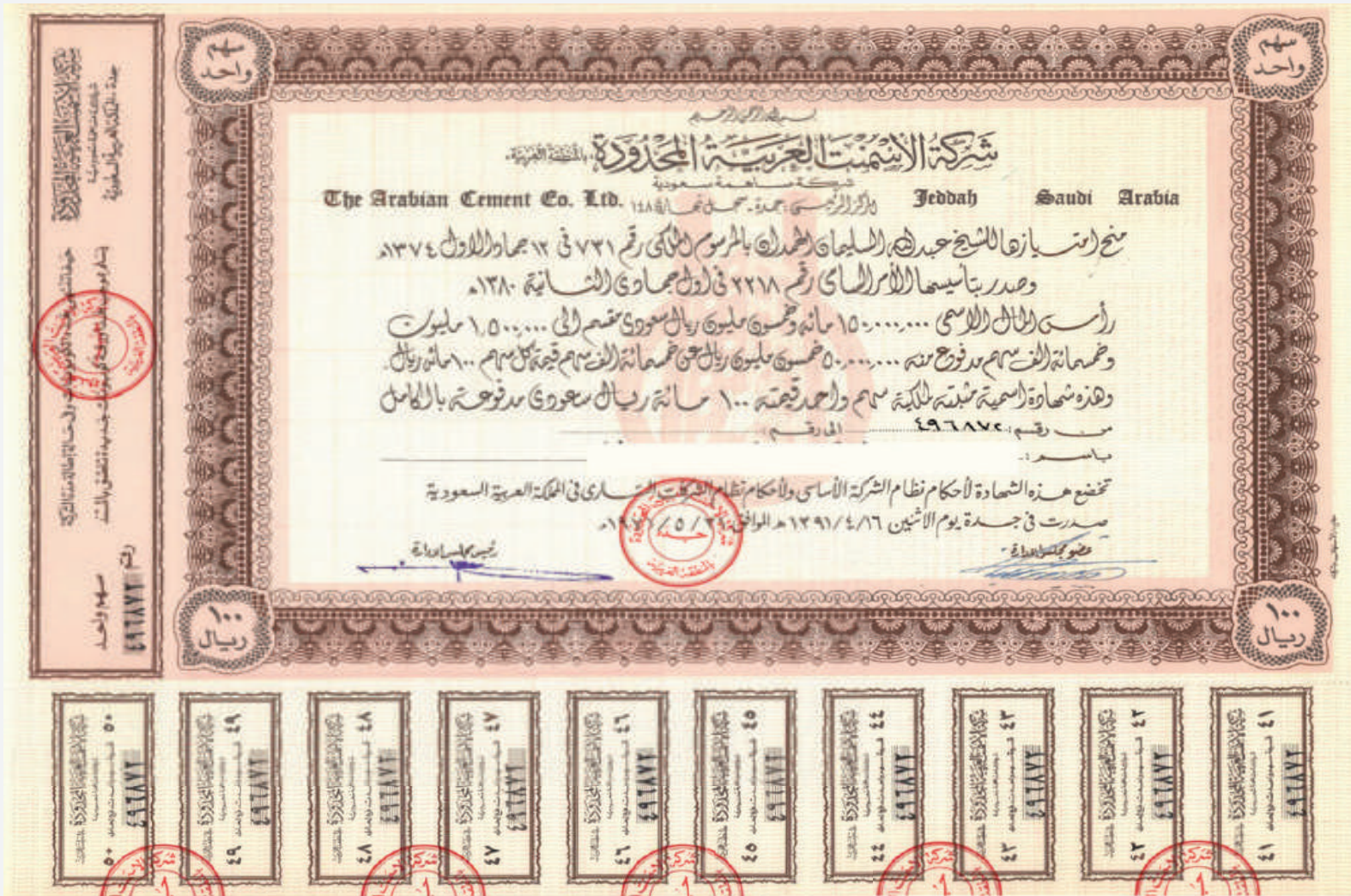
An invitation to subscribe for the shares of the Arabian Cement Company (formerly known as Saudi Cement Company) in 1956.

### دعوة للاكتتاب

#### في شركة الاسمنت السعودية المحدودة

<p>برئاسة معالي الشيخ عبدالله السليمان لمدة خمس سنوات من ضمنها مدة التأسيس ومقدارها مئتان ويتولى بعد ذلك مجلس ادارة تنتخبه الجمعية العامة للشركة مدته ثلاث سنوات بموجب نظام الشركة الداخلي وايها - مدة الشركة خمسة وعشرون سنة تتجدد من تلقاء نفسها مدة خمسة وعشرين سنة اخرى</p> <p>ويرجوؤاؤسون ان يبادر المواطنين السعوديون الكرام بالاكتتاب وتقديم الطلبات الى شركة الاسمنت السعودية المحدودة بمقدار ما يريدون في البنك الاهلي التجاري بمدة اولى فروعها في المملكة الغربية السعودية نصف قيمة الاسهم التي يقدمون طلب الاكتتاب فيها وذلك في خلال مدة تنتهي عند ظهر يوم الاربعاء الموافق ١٥ شعبان ١٣٧٥ .</p> <p>وللؤوسين الحق في اقتناص أسهم الكتبتين على التساوي الى المدي الذي يفضل الاسهم المطوية وستصدر الشركة شهادات باسم الساهمين عند دفع كامل قيمة الاسهم في الوقت الذي يبين فيما يبد . والله التوفيق . ٢-١</p>	<p>بفضله تعالى تالفت شركة محدودة الضمان لانشاء مصنع للاسمنت والجرير في المنطقة الغربية من المملكة العربية السعودية مقرها جدة ، وذلك بناء على الامتياز الممنوح لمعالي الشيخ عبدالله السليمان بموجب الرسوم الملكي الكريم رقم ٧٣١ وتاريخ ١٢ / ٥ / ١٣٧٤ .</p> <p>وان من دواعي سرورؤاؤسين لهذه الشركة وقد فطروا ٥١ ٪ من رأس المال المكتتب به بموجب ماخولهم الرسوم الملكى الكريم المشار اليه آتفا سان يوجهوا الدعوة الى المواطنين السعوديين الكرام للاكتتاب في الاسهم الباقية من رأس المال ومقدارها ٩٨ الف سهم .</p> <p>وقبا يلى بعض المعلومات التي تهم السام السعودي الكريم .</p> <p>اولا - رأس المال المطروح للاكتتاب هو عشرون مليون ريال عربي سعودي مقسمة الى مائتي الف سهم .</p> <p>ثانيا - قيمة السهم الواحد مائة ريال عربي سعودي . والحد الاعلى للاكتتاب مائة سهم فقط</p> <p>ثالثا - يتولى ادارة الشركة اؤوسون</p>
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\* Um Al-Qura newspaper, No. issue 1602, 3rd February 1956.



A share certificate from the Arabian Cement Company (formerly known as the Saudi Cement Company) in 1971.



A dividend coupon.

\*Um Al-Qura newspaper, Issue 1602, February 3, 1996

## (1957)

### Riyad Bank's IPO

The banking industry also played a significant role in the growth of local joint-stock companies. In 1957, a group of Saudi entrepreneurs established the Riyad Bank as a joint-stock company with an authorised capital of 50,000 shares at SAR 1,000 per share. The founders subscribed for 34,000 shares (SAR 34 million), while the remaining 16,000 shares (SAR 16 million) were made available for public subscription. Riyad Bank was the first national bank in the Kingdom to offer its shares for subscription. The offering was successful in sparking interest in the primary stock market and fostering a culture of subscriptions and promoting the concept of share ownership.



\*Riyad Bank

بنك الرياض

شركة مساهمة سعودية محدودة

رأسمالها: ٥٠ مليون ريال عملي سعودي

**دعوة**

الى الاكتتاب في اسهم الشركة  
 فريضة الشركة دعوة الشعب العربي السعودي الكريم للاكتتاب في هذا النوع الاالى بغير  
 الذي يكون دعامة كبرى من دعائم الاقتصاد العربي السعودي  
 وسيكون يوم ١٨ رمضان المبارك ١٣٧٦ هـ هو اليوم الاول للاكتتاب  
 وينتهي يوم ١٨ شوال ١٣٧٦ هـ  
 اكتتب المؤسسون ب ٣٤ الف سهم قيمتها ٣٤ مليون ريال وفي الاسهم و ١٦ الف سهم قيمتها ١٦ مليون ريال  
 فبلغ للاكتتاب العام ابتداء من ١٨ رمضان المبارك

**مركز الشركة**

مدينة الرياض: ومن للشركة ان تنشئ فروعها للبنك وفوكيلات في جميع أنحاء العالم

**أهداف الشركة**

١ حفظ ثروة البلاد	٥ تشجيع الزراعة والتربية الزراعية
٢ القيام بالأعمال المصرفية كاملة	٦ إنشاء الشركات الوطنية النافعة
٣ تشجيع الاستثمار والتصدير	٧ الاصر في الدفاع العربي الكبير في الوطن العربي
٤ تشجيع البلاد والمهارة في اعمال العرافة	٨ تشجيع التجارة مع العالم العربي والاسلام

٩ تنفيذ الشباب السعودي ثقافة اقتصاديه ومصرفيه

مدة الشركة ٥٠ سنة كاملة قابلة للتجديد

رأس مال الشركة ٥٠ مليون ريال عملي مقسم على ٥٠ الف سهم بواقع ١٠٠٠ ريال للسهم الواحد

**المؤسسون**

الساهون: محمد شريف تلي ، محمد لادوي ، حمزة الرحمن الرضوي  
 شركة التوفير والادخار ، حمزة لادوي ، صلاح الدين حمزة لادوي ، رين ودرابغ

**كيفية الاكتتاب**

يدفع الاكاتب من ضمن السهم ٢٠ في المائة ، عند الاكتتاب والباقي يدفع على ٨ أقساط شهرية بنسبة ١٠ في المائة  
 من قيمة السهم في اول كل شهر ابتداء من شهر ذي القعدة ١٣٧٦ الى جمادى الثاني ١٣٧٧

**مكان الاكتتاب**

أعتبر جميع فروع البنك الأهلي التجاري بالملكة لقبول الاكتتاب واعطاء الادوية الاكثرت الملائمة موقعة من المسؤولين  
 الجامعة والاستعلامات

الرياض	الادارة العامة لبنك الرياض - عمارة البلدية شارع الطراد	ص.ب ٢٢٨
جده	الكتب التأسيس لبنك الرياض - شارع فيصل	ص.ب ٣٧٠
الجناب	بنك الرياض - عمارة الطلوع شارع الأمير فهد	

Invitation to  
 subscribe for Riyad  
 Bank's shares in  
 1957.



## (1959)

### National Gypsum Company

The gypsum industry in Saudi Arabia began in 1956 with the establishment of the Al-Nasr Gypsum Industries Company, which was granted a 50-year concession to mine gypsum in the Najd region \*. However, the concession was later transferred to the National Gypsum Company, which was founded on 30th April 1959 as a joint-stock company by virtue of a Royal Decree. The company had a capital of SAR 12 million, divided into 300 thousand shares at SAR 40 per share, with half of the shares offered for public subscription \*\*.



King Salman Bin Abdulaziz during a visit to the National Gypsum Company in 1973\*\*\*

\* Um Al-Qura newspaper, No. issue 1637, 19th October 1956.

\*\* Um Al-Qura newspaper, No. issue 1764, 17th April 1959.

\*\*\* From the archives of the National Gypsum Company.

( جريدة أم القرى في يوم الجمعة ٨ شوال سنة ١٣٧٨ - الموافق ١٧ أبريل سنة ١٩٥٩ )

## مرسوم ملكي كريم بتأسيس شركة مساهمة عربية سعودية تسمى ( شركة الجبس الأهلية )

اذاعت المديرية العامة للاذاعة والصحافة والنشر المرسوم الملكي الآتي :

من سعود بن عبدالعزيز الى حضرة الاخ المكرم فيصل سلمه الله

السلام عليكم ورحمة الله وبركاته

لقد أطلعنا على مذكرة رقم ١٥٨٣٨ في ١٢/٩/١٣٧٨ كما اطلعنا على العقد التأسيسي لشركة الجبس الأهلية والنظام الأساسي لها ولقد وافقنا على قرار مجلس الوزراء رقم ١١١ في ٩/٢/١٣٧٨ المتخذ بشأنها فينبغي ابلاغ الجهات ذات العلاقة للعمل بها هذا ما لزم بيانه والسلام .

التوقيع الملكي الكريم  
سعود

قرار رقم ١١١ وتاريخ ٩/٩/١٣٧٨ هـ

أطلع مجلس الوزراء على النظام الأساسي لشركة الجبس الأهلية وعلى العقد التأسيسي لهذه الشركة ودرس الملاحظات التي ادلت بها اللجنة المشتركة بمجلس الوزراء في قرارها رقم ٣٤ في ٣/٧/١٣٧٨ هـ بشأن النظام والعقد المذكورين أعلاه وقرر الموافقة عليهما بالصفة الموضحة في الاوراق المرافقة لهذا ولما ذكر حرره .

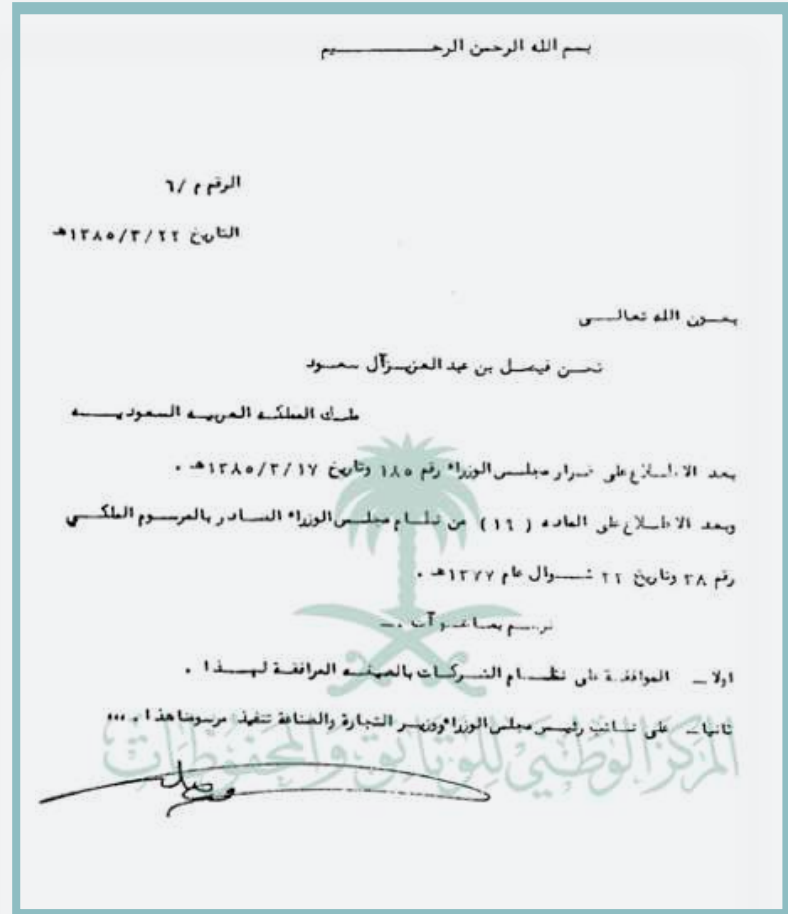
التوقيع  
فيصل  
رئيس مجلس الوزراء

Royal Decree on founding  
the National Gypsum  
Company \*

# (1965)

## Companies Law

The introduction of the Commercial Law in 1931 marked a significant change in the history of the Saudi capital market and the formation of national joint-stock companies. These companies were present in various industries playing an important role in diversifying economic activities, developing the country's infrastructure, and promoting the idea of share ownership among citizens. However, the concept of share ownership was still limited to the passive investment strategy of 'buy and hold'. Shareholders viewed themselves as business partners and were not inclined to sell their shares, particularly since the ownership of shares in large joint-stock companies such as electricity, cement, and gypsum companies was concentrated among a small number of businesspeople. Despite the early emergence of the concept of share ownership, it was not fully developed until the passing of the Companies Law by Royal Decree M/6 on 12th July 1965.



Royal Decree M/6 approving the Companies Law of 1965.

\* National Centre for Archives & Records

The Companies Law of 1965 played a crucial role in shaping the development of the Saudi stock market by establishing a modern and transparent system. This Law provided specific guidelines for public subscription, including conditions and timing, and outlined how to invite the public to subscribe through banks. Additionally, it mandated that joint-stock companies provide detailed information in their prospectuses and adhere to disclosure requirements. As a result of this law, the number of joint-stock companies that offered their shares to the public increased, particularly with the merger of electricity companies and the Saudisation of branches of foreign banks.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

## الشركة السعودية للنقل الجماعي

(تحت التأسيس)

### إعلان إكتتاب عام للمواطنين الممتنعين بالجنسية السعودية

انطلاقاً من التفويض العظيم الذي تجارته بلادنا وبإشارة على توجيهات صاحب الجلالة الملك العظيم ومناخه سعي على عهدنا الحبيب وما أبدت حكومة صاحب الجلالة من تشجيع فائز بسير مجلس إدارة الشركة السعودية للنقل الجماعي - شركة مساهمة سعودية - بأن يعلن عن صدور المرسوم الملكي رقم ١١ بتاريخ ٧-٢-١٩٦٥ هـ في شأن اللائحة على الترخيص بتأسيس الشركة السعودية للنقل الجماعي - شركة سعودية رأس مال قدره ١٠٠٠٠٠٠٠٠ ريال (ألف مليون ريال سعودي) مقسم إلى ١٠٠٠٠٠٠٠ سهم (عشرة مليون سهم) قيمة السهم الواحد ١٠٠٠ ريال (مائة ريال) وموزعة على النحو التالي:

٢٥٠٠٠٠٠ سهم (ألف مائة مليون) وخمسة آلاف سهم (لصناديق الاستثمار الخاصة)

١٥٠٠٠٠٠ سهم (مليونان وخمسة مائة ألف سهم) للمؤسسون - سعودي الجنسية

٦٠٠٠٠٠٠ سهم (أربعة ملايين سهم) للإكتتاب لمساهمين سعوديين الجنسية

**وأقرض الشركة السعودية للنقل الجماعي وهي:**

فعل الركاب بالاعتماد على شبكة الطرق الخاصة بالمملكة داخل المدن وفيها بينها والشركة في سبيل لائق مما يلي:

- أ- مشواره واستجار الأراضي والبنية اللازمة لنشاط الشركة.
- ب- إقامة المستودعات والورش والمخازن ومراكز الصيانة والحطبات والمواقف والاستراحات على الطرق الرئيسية بين المدن وكافة المرافق اللازمة لاجتازها وإدارتها.
- ج- تملك وشراء العجلات والمعدات والآلات وكافة التجهيزات التي يحتاجها المرفق.
- د- لشركة الحق في امتلاك كل ما تراه لازماً من الأموال الثابتة وغير الثابتة الشفيلة لأغراضها.

هذا القيام بكافة الأضرار اللازمة أو الكفاية لأغراضها متى اقتضت.

و- الاستعانة بالخدمات المصرفية والوطنية والأجنبية بما يراه مجلس إدارتها.

ز- يجوز للشركة أن يكون لها مصاحبة أو تشتركت بالي وجب من الوجوه في مؤسسات أو شركات أو هيئات تزاو أو لها أندية أو هيئات أخرى أو تتحقق غيرها أو تكون مكلها لها وأن تدفع فيها أو تشتريها أو تتلحقها بها.

**شروط الإكتتاب:**

- أ- يجب وحسن الملائمة من القيمة يتم إيداعها في بنك الرياض من أول بنك الأهلي أو أحد فروعها لحساب الشركة السعودية للنقل الجماعي - تحت التأسيس.
- ب- وبما في القيمة يتم سدادها في الواحد والطريقة التي يقررها مجلس الشركة بشرط أن يصدرها في حينه.
- ج- ويمكن كالتالي الحصول على:
- د- طلبات الإكتتاب.
- هـ- نسخ من النظام الأساسي للشركة.
- و- ذلك من البنوك المذكورة مقابل خمسة (٥) ريالات لنسخة الوردية.

**عن المؤسسين:** رئيس مجلس إدارة الشيخ جميل المحمدي  
 نائب رئيس مجلس إدارة الشيخ جابر بن محمد بن عبد الرحمن  
 مدير مجلس إدارة صالح عبد الله كاسر  
 أعضاء: الدكتور محمد علي - محمد بن محمد - كاتر بن محمد - علي بن محمد - علي بن محمد

A detailed subscription announcement following the implementation of the Companies Law.

## (1976 – 1981)

### Merging Electricity Companies

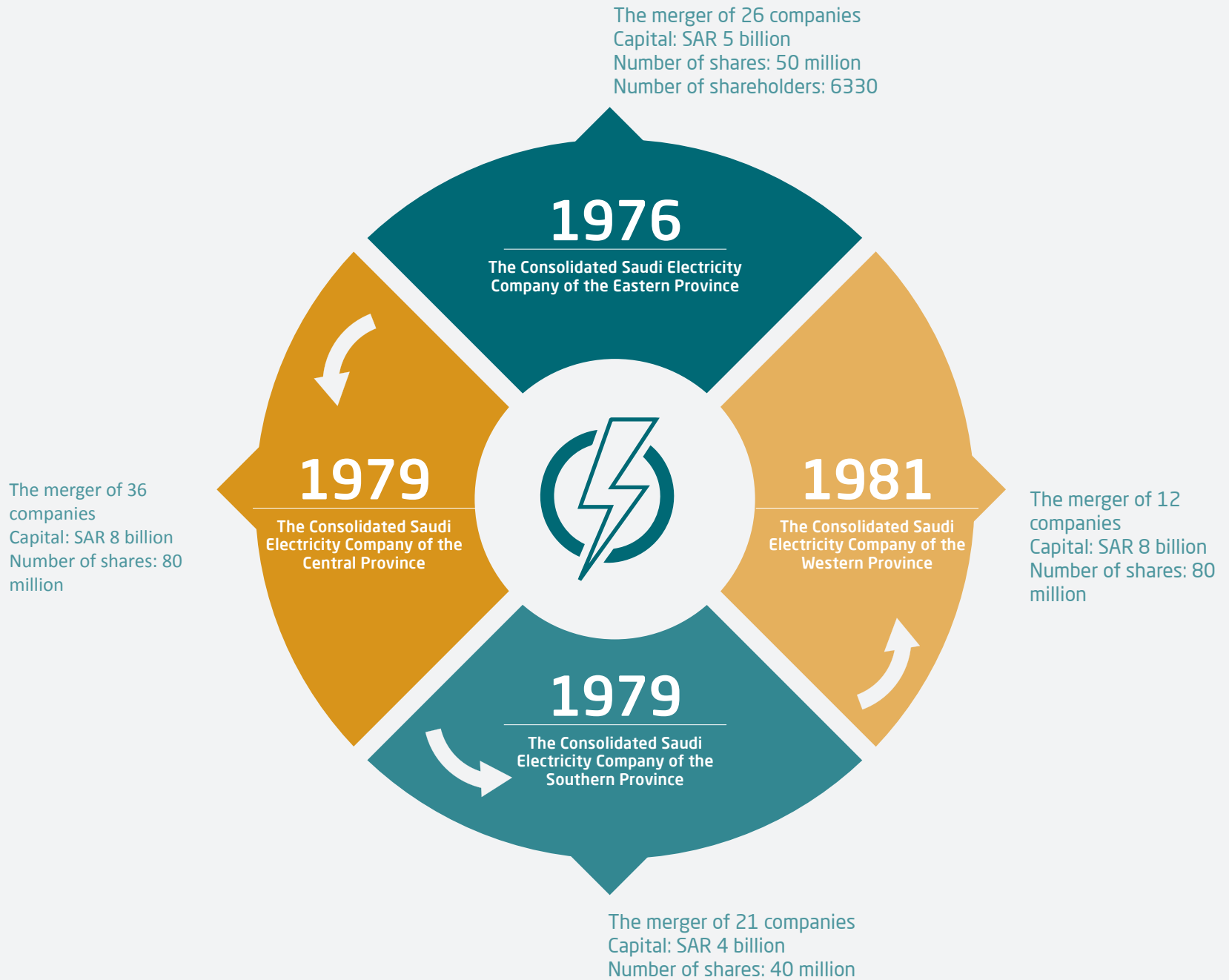
The merger of the provincial electricity companies played a significant role in the growth of the Saudi stock market and encouraged citizens to participate in public offerings. The General Electricity Corporation was established in 1976 to execute electrical projects that aligned with the national development plan and to expand access to electricity throughout the Kingdom. The consolidation process began by merging 95 smaller companies across the country, resulting in the formation of the Consolidated Saudi Electricity companies of the Eastern, Central, Southern, and Western provinces in the years 1976, 1979, and 1981 respectively. The shares of these newly formed companies were then offered to the public, which had a positive impact on stock market activity and increased interest among citizens.



The first power generation facility in Al-Khobar (built in the 1950s).

\* From the archives of the Saudi Electricity Company.

## Mergers of Provincial Electricity Companies of Various Provinces



## (1975 – 1983)

### Saudisation of Foreign Bank Branches

A major development in the Saudi capital market was the government's move to allow foreign banks to open branches in the Kingdom. This began in 1926 with the establishment of a branch in Jeddah owned by the Netherlands Trading Society, which later became the Algemene Bank Nederland. Further foreign bank branches were established, bringing their total number to ten, compared to only two national banks \*. In 1975, the government led an initiative to Saudise foreign bank branches, whereby at least 60% of the capital must be held by Saudi nationals and a cap of not more than 40% on foreign ownership. By 1983, the number of commercial banks in the Kingdom had reached ten, and their shares were made available for public subscription, which helped increase the number of publicly traded companies in the market.



The Netherlands Trading Society's branch in Jeddah in 1959 \*\*.



The late King Faisal Bin Abdulaziz (Crown Prince at the time) during a visit to the Netherlands Trading Society in 1926 to sign an agreement on the opening of a branch in Jeddah city.

\*\*\*

\* SAMA, Annual Report, 1976.

\*\* Muhammad Saeed Al-Hajj Ali, the Saudi Arabian Monetary Agency: Establishment, Journey, and Achievements (1952-2001), 2nd edition, 2001.

\*\*\* Teunis deGraaf (2012). For Trade and Society History of the Netherlands Trading Society, 1824-1964, Utrecht University, Netherlands

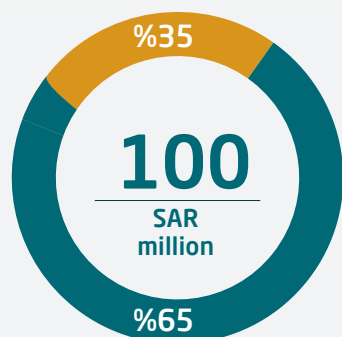
## Saudisation of Foreign Bank Branches

### June 21, 1975

Conversion of the National Bank of Pakistan's branch to Bank Aljazira (a joint-stock company)

Royal Decree No. M/46

**National Bank of Pakistan (NBP)**



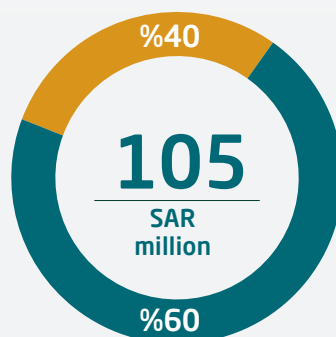
Saudi shareholders

### December 20, 1976

Conversion of Algemene Bank Nederland's branch to the Saudi Hollandi Bank (a joint-stock company)

Royal Decree No. M/85

**Algemene Bank Nederland**



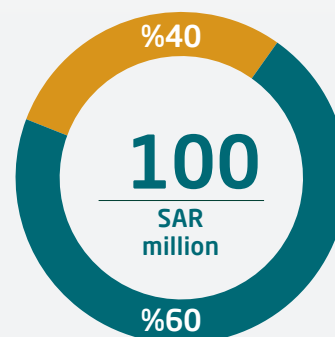
Saudi shareholders

### June 4, 1977

Conversion of Indochina Bank's branch to Banque Saudi Fransi (a joint-stock company)

Royal Decree No. M/23

**Indochina Bank**



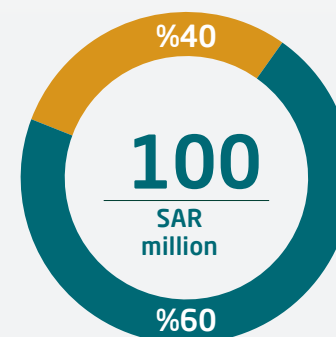
Saudi shareholders

### January 21, 1978

Conversion of the British Bank of the Middle East's branch to the Saudi British Bank (a joint-stock company)

Royal Decree No. M/4

**British Bank of the Middle East**



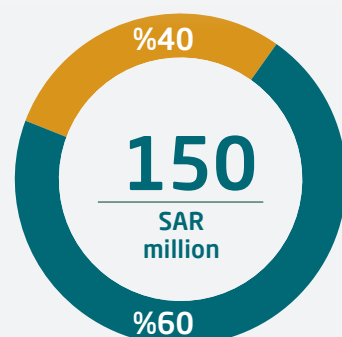
Saudi shareholders

### January 20, 1979

Conversion of Bank of Cairo's branch to the Saudi Cairo Bank (a joint-stock company)

Royal Decree No. M/7

**Banque du Caire**



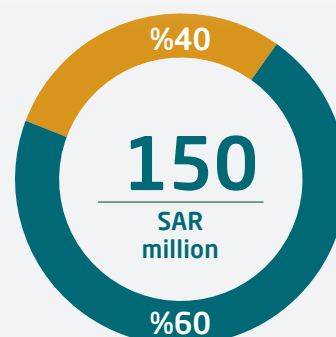
Saudi shareholders

### June 13, 1979

Conversion of the Arab Bank Limited's branch to the Arab National Bank

Royal Decree No. M/38

**Arab Bank Limited**



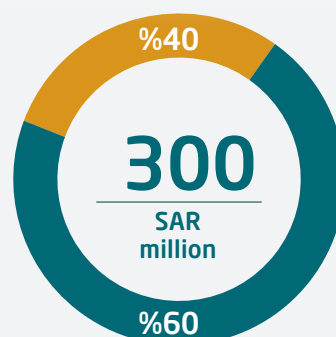
Saudi shareholders

### February 12, 1980

Conversion of the First National City Bank's branch to the Saudi American Bank

Royal Decree No. M/3

**The Saudi American Bank**



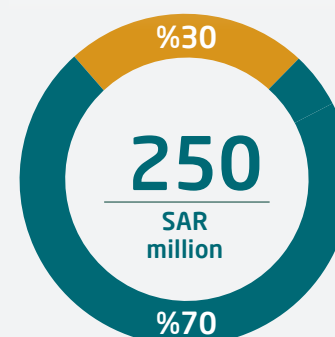
Saudi shareholders

### December 13, 1982

Merging the branches of BLOM Bank, Bank Melli Iran, and United Bank Limited to form the United Saudi Bank

Royal Decree No. M/23

**Foreign partner: 10% equally shared among the three foreign banks**



Saudi shareholders



# (1984)

## SABIC's IPO

Prior to 1983, the stock market was limited to private national companies whose owners made some of their shares available for public subscription. Additionally, foreign banks that had a presence in the country and foreign companies that were granted mining concessions also had made share offerings. State-owned companies were not a part of this market until the government made a significant privatisation move by making some of its projects and affiliated companies available for public subscription. The Saudi Basic Industries Corporation (SABIC) was the first and most notable government company to do so. SABIC was established by a Royal Decree on 6th September 1976. A few days later, on 12th September 1983, the Council of Ministers issued Resolution No. 298 approving the public offer of 20% (2 million shares) of the company's shares. 1.8 million shares were allocated for Saudi citizens and 200 thousand were allocated for GCC citizens.



Royal Decree on  
approving the  
establishment of  
SABIC in 1976\*

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



الرقم  
التاريخ  
المشروعات

المملكة العربية السعودية  
الامانة العامة لمجلس الوزراء

قرار رقم ٢٩٨ تاريخ ١٤٠٣/١٢/٥ هـ

ان مجلس الوزراء،

بعد الاطلاع على خطاب معالي وزير الصناعة والكهرباء رقم ١١٤٦/و/ص وتاريخ  
١٤٠٣/١٢/٥ هـ المتضمن الاشارة الى توجيهات العقام السامي حول تخصيص نسبة من اسهم  
الشركة السعودية للصناعات الاساسية للاشقاء في دول الخليج وذلك تعميقا لناصر الاخاء وتدعيمها  
للصلة الوثيقة القائمة بين اهل المنطقة وتعميدا للتعاون الصناعي الخليجي .  
وبناء على ذلك فقد نصت المادة (١٢) من نظام الشركة السعودية للصناعات الاساسية  
على ما يلي :-

( تكون جميع اسهم الشركة اسمية ولا يجوز لغير السعوديين الاكتتاب بها او تملكها الا بقرار من  
مجلس الوزراء ويحدد النسبة التي يجوز لغير السعوديين تملكها على الا تزيد عن ٢٥ ٪ من مجموع  
الاسهم ) .

ولما كانت الشركة السعودية للصناعات الاساسية بصدده طرح الغي مليون ريال من رأسمالها  
لاكتتاب المواطنين فان معاليه يرجو موافقة مجلس الوزراء على ان يخصص نسبة ١٠ ٪ من هذه  
الدفعة لمواطني مجلس التعاون لدول الخليج .

يقرر

الموافقة على تخصيص نسبة ١٠ ٪ من الدفعة المذكورة اعلاه لمواطني مجلس التعاون لدول الخليج .

رئيس مجلس الوزراء

Council of Ministers'  
Resolution No. 298  
on approving the  
allocation of some  
of SABIC's shares to  
GCC citizens\*.



The public offering of SABIC shares began in January 1984, reaching a total of 373,303 subscribers, who paid over SAR 3.7 billion, resulting in an oversubscription of 2.5 times. Soon after, the company's board of directors decided to increase the percentage of offered shares to 3 million, representing 30% of the company's shares instead of 20%. The SABIC share offering was a significant event in the history of the Saudi stock market, as it marked an increase in the number of subscribers and offered shares, and it also marked the first time that small shareholders entered the market in large numbers to participate in public offerings for investment purposes. As a result, stock trading operations increased.

Sample share certificate  
from SABIC \*



# الشركة السعودية للصناعات الأساسية

## شركة مساهمة سعودية

### إعلان نتيجة التخصيص

ويسر إدارة الشركة أن تعلن أنها تكت بعقداته وفي وقت قياسي من تقدم وتسع معاملات تخصص رقمها المركز الاستثماري للإستثمار والتحويل، حيث تم اعتماد واحدة منها كات مراجعة الأثرية لتسجل باسمها من -وتستخرج التخصيص وتسابته بين فئات الكنتين - وقت موافقة وزارة التجارة علىها بتاريخ ١٤٣٠ / ٦ / ٤٤م والق تعهد التوزيع المتأخر بنسبة التخصيص السعوديين أما الكنتينون الخليجيين فقد تم التخصيص لهم كاملاً -

يسر إدارة الشركة السعودية للصناعات الأساسية إعلان تقدم شركتها في مسابقة الكنتين الكثر على نقلهم التي أقرها الشركة حين بدأ عدد الكنتين السعوديين ٣٦٩٨٨٥ مكنتاً الكنتينون بما مجموعه ٤٣٠١١١ سهم كما يبلغ مجموع الكنتينون من دول مجلس التعاون ٣٤١٨ مكنتياً الكنتينون بما مجموعه ١٤١٤٥٥ سهماً، ويحدد الإحصاء أنه من مجموع الكنتينون تم استبعاد ٦٩١ مكنتياً الكنتينون بما مجموعه ٩٤٤٠ سهماً في وقت نظرنا لخالصتهم فإعداداً للإحصاءات والكثافة بالكم من مرة واحدة.

فئات الأسهم لكنتيب بيت	عدد الأسهم المخصصة لكنتيب بيت	فئات الأسهم لكنتيب بيت	عدد الأسهم المخصصة لكنتيب بيت	فئات الأسهم لكنتيب بيت	عدد الأسهم المخصصة لكنتيب بيت
٥	٥	١٠٥ - ١١٥	٢٤	٥	٥
١٠	٧	١٢٠ - ١٤٠	٢٣	٧	١٠
١٥	١٠	١٤٥	٣٥	١٠	١٥
٢٠ - ٢٥	١٢	١٥٠ - ١٩٠	٢٨	١٢	٢٥
٣٠	١٤	٢٠٠ - ٢٤٥	٤٠	١٤	٣٠
٣٥ - ٤٥	١٥	٢٥٠ - ٢٦٠	٤١	١٥	٣٥
٥٠	١٨	٢٧٠ - ٢٧٥	٤٤	١٨	٤٥
٥٥ - ٦٠	٢٠	٢٨٥ - ٢٩٠	٤٣	٢٠	٥٥
٦٥ - ٧٥	٢٢	٣٠٠ - ٣٢٠	٤٥	٢٢	٦٥
٧٥ - ٨٥	٢٥	٣٥٠ - ٣٨٠	٥٠	٢٥	٧٥
٩٠ - ٩٥	٢٧	٤٠٠ - ٤٤٠	٥٦	٢٧	٩٥
١٠٠	٣١	٤٥٠	٦٠	٣١	١٠٠

هذا وسيقوم المركز الاستثماري للإستثمار والتحويل بتسليم شهادات التخصيص لكل مكنتيب وشريك بالبلغ المتفق له بواسطة فرع البنك الذي تم الأكتتاب عن طريقه أو كامل المبلغ بالنسبة للذين استبعدوا كتبهم لعدم مطابقتهم للشروط ..  
ومسيتم الإعلان عن بدء تسلم الشهادات في وقت لاحق إن شاء الله .  
واعه الموفق

أ.م.م. رئيس مجلس الإدارة والعضو المنتدب  
إبراهيم عبد الله بن بلال

الشركات التابعة لسابك



Announcement  
of SABIC's  
share allocation  
result\*.

## Kuwait's Souk Al-Manakh Stock Market Crisis

Capital markets are often influenced by events in other markets, both regional and global, particularly when it comes to the direct or indirect effects of crises. In 1982, a market crisis occurred in Kuwait, which had an unofficial market called Souk Al-Manakh for trading shares of unlisted companies. Although the Saudi market was not directly affected by this crisis, it did contribute to a desire for better regulation to prevent similar crises from occurring in Saudi Arabia.

The Kuwaiti stock market was highly active between 1979 and 1982, with a focus on trading shares of closed Kuwaiti companies, GCC companies, and phantom companies (which did not really exist). The market attracted traders from the Kuwaiti and GCC communities, leading to speculation and causing a significant increase in share prices and trading volume. In 1982, the number of traded shares reached 3.5 billion compared to only 837 million in the official market. Many speculators sought to buy shares at inflated prices. In doing so, they resorted to forward sales, borrowing from banks, and even selling land and properties. The market value of shares in the Kuwaiti market rose from \$5 billion to \$100 billion within several months, as share prices increased between 20 and 50% monthly on average, and sometimes reached 100% growth in a day. As a result, traders and market speculators of Souk Al-Manakh market, which numbered around 100,000 individuals, accumulated massive wealth.

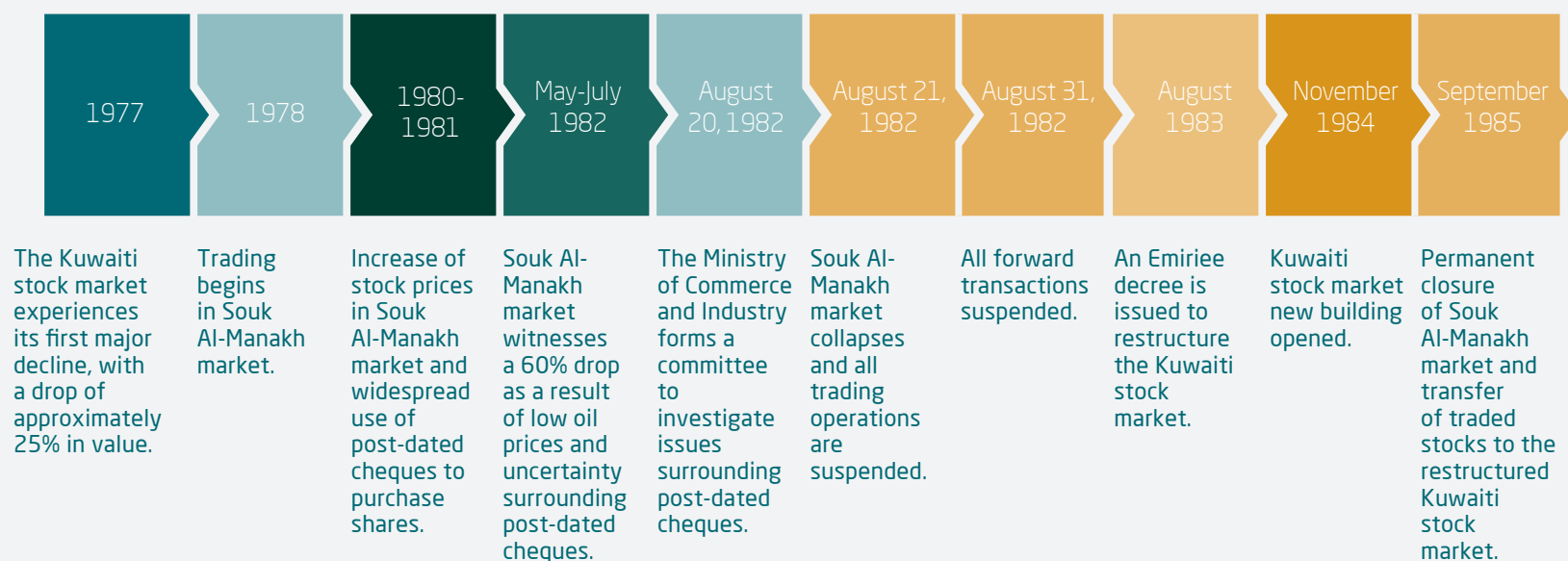


Souk Al-Manakh  
market in Kuwait  
\*

\* Al-Jarida newspaper, issue 3rd February 2013.

In August 1982, the Souk Al-Manakh market bubble burst when a leading speculator failed to pay off a large debt after presenting a post-dated cheque that was not backed by funds. This news rapidly spread among traders, many of whom were forced to sell their shares at a loss to settle their post-dated cheque debts. This led to a collapse in prices, causing the bankruptcy of many market participants. Eventually, the Kuwaiti government stepped in to restructure the stock market. The crisis highlighted the need for Saudi Arabia and other neighbouring countries to establish a legal framework for regulating stock trading.

### Souk Al-Manakh Crash Chronological Table



## Stock Brokerage Firms

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Prior to 1983, stock trading in Saudi Arabia occurred via an unregulated market made up of around 32 stock brokerage firms located in the major cities. Stock trading became a popular profession among many people in the late seventies and early eighties. The catchphrase “we buy and sell shares” became commonplace in both newspapers and hanging over doorways of businesses. The catchphrase was a common and natural part of everyday language. Prices for shares varied between brokerage firms and were based on personal relationships and access to information. The market was characterised by slow updates and low activity, and access to information was not easy for traders. Stock trading was difficult and time-consuming, which prompted the need to regulate the stock market to allow the Saudi capital market to progress to the next phase in its history, especially after the collapse of the Souk Al-Manakh market in Kuwait.



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A stock  
brokerage firm  
in the early  
1980s.

بالتصديق على الهاتف رقم:

٨٣٤٧٤٨٢  
٨٢٤٧٢٤٢

لبيع وشراء جميع أسهم البنوك والشركات  
نحن نقدم أفضل الأسعار

الدمام شمال الجامع الكبير عمارة الشيعة الدور الثاني

نبيع ونشترى  
أسهم الشركات والبنوك

شارع المخزنا - عمارة بنك الجزيرة  
حدود كفاف - بقعة رقم ١٧

بأفضل الأسعار

بيع وشراء أسهم الشركات والبنوك

الرياض - الرياض - عمارة أسمنت اليمامة مبنى ٦٠٦  
تليفون ١٠١١٨٠ - ١٠١٢٢٠ - ١٠١٢٢٠ - ١٠١٢٢٠

نبيع ونشترى جميع أنواع الأسهم

الرياض: ٤٠٥٠٤١٣ - جدة: ٦٤٣٨٥٤١ - المدينة: ٨٤٤٨٩٤٦

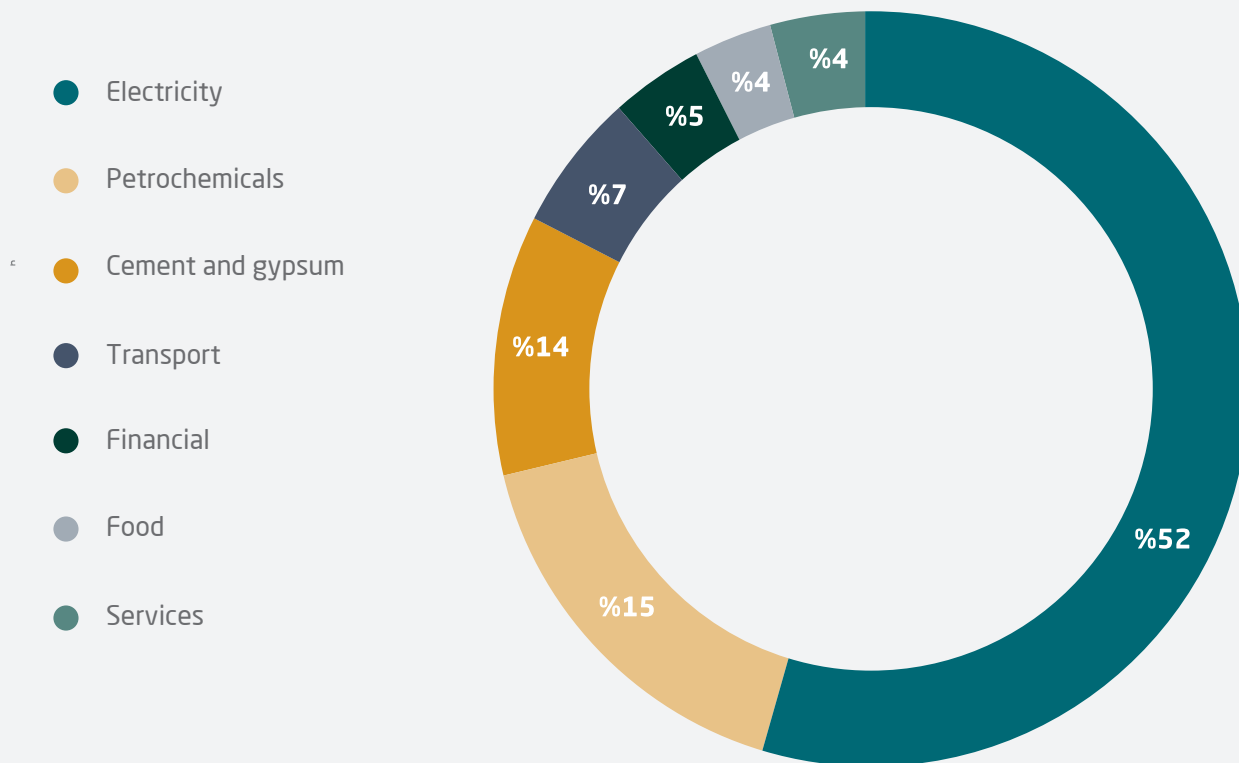
Stock brokerage  
advertisements in local  
newspapers, 1981.



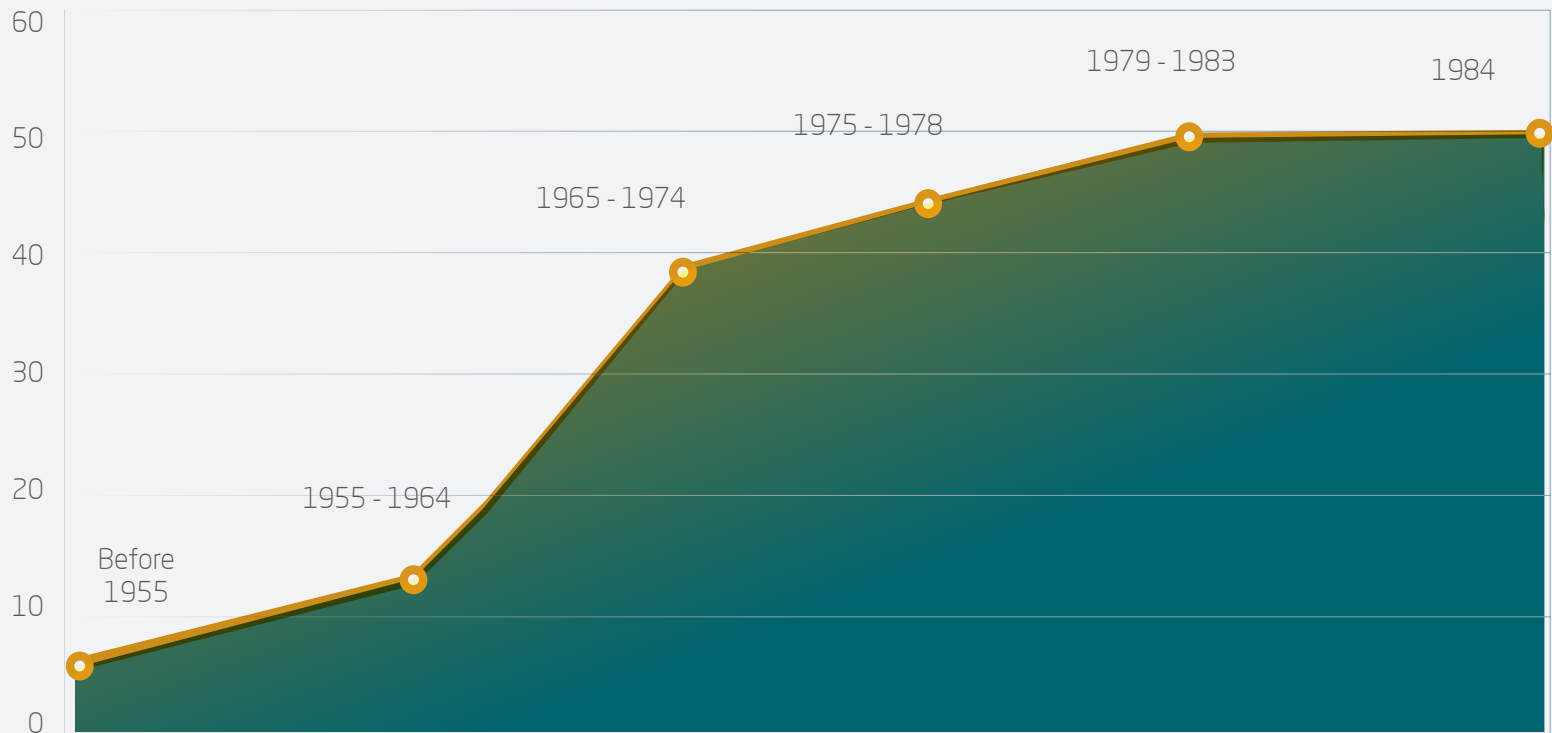
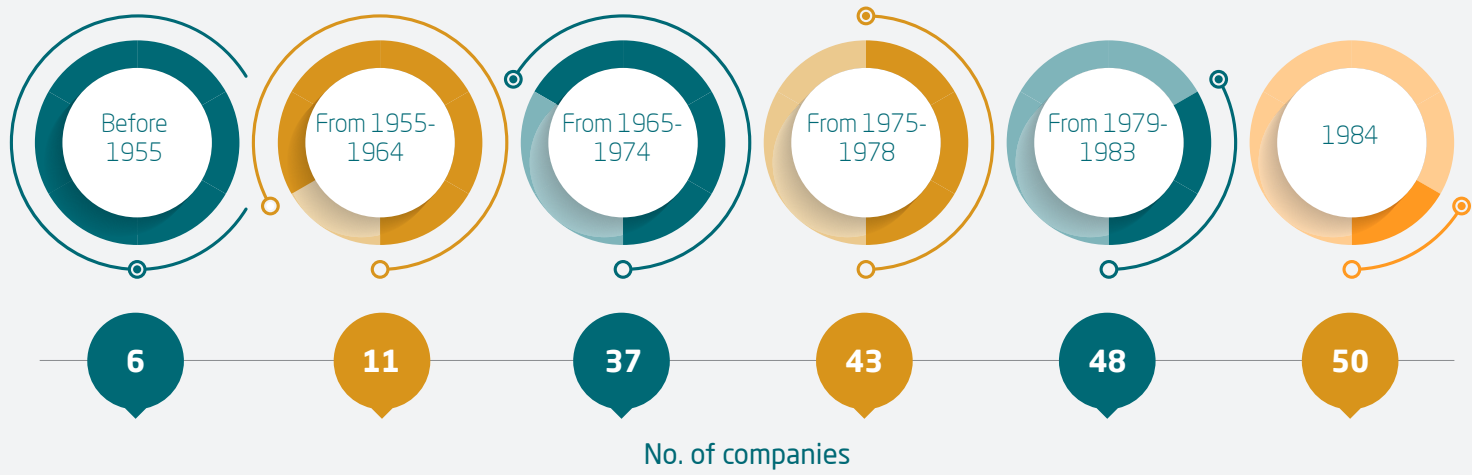
## Outcomes of Phase One

Subsequent to the offering of Arabian Cement Company's shares in 1956, the number of Saudi joint-stock companies increased, particularly in the cement production and electricity sectors, reflecting the development of the Kingdom's infrastructure and industrial growth. The number of joint-stock companies reached 14 by 1975. The period from 1976 to 1983 saw an increase in the number of companies being offered for public subscription, particularly after the state's initiative to Saudise foreign bank branches and merge electricity companies. Moreover, this period witnessed growing interest among a growing number of citizens in the stock market, especially following the government's move to offer shares at nominal prices significantly lower than their actual value. The 1984 public offering of SABIC, a government-owned company, was the largest regional offering at the time, providing a strong boost to the market. Consequently, the number of publicly traded joint-stock companies rose to about fifty, and interest in stock trading further increased. In the same year, a total of 4 million shares were traded, valued at SAR 760 million, with a market value of SAR 67 billion, and 7.8 thousand transactions were completed.

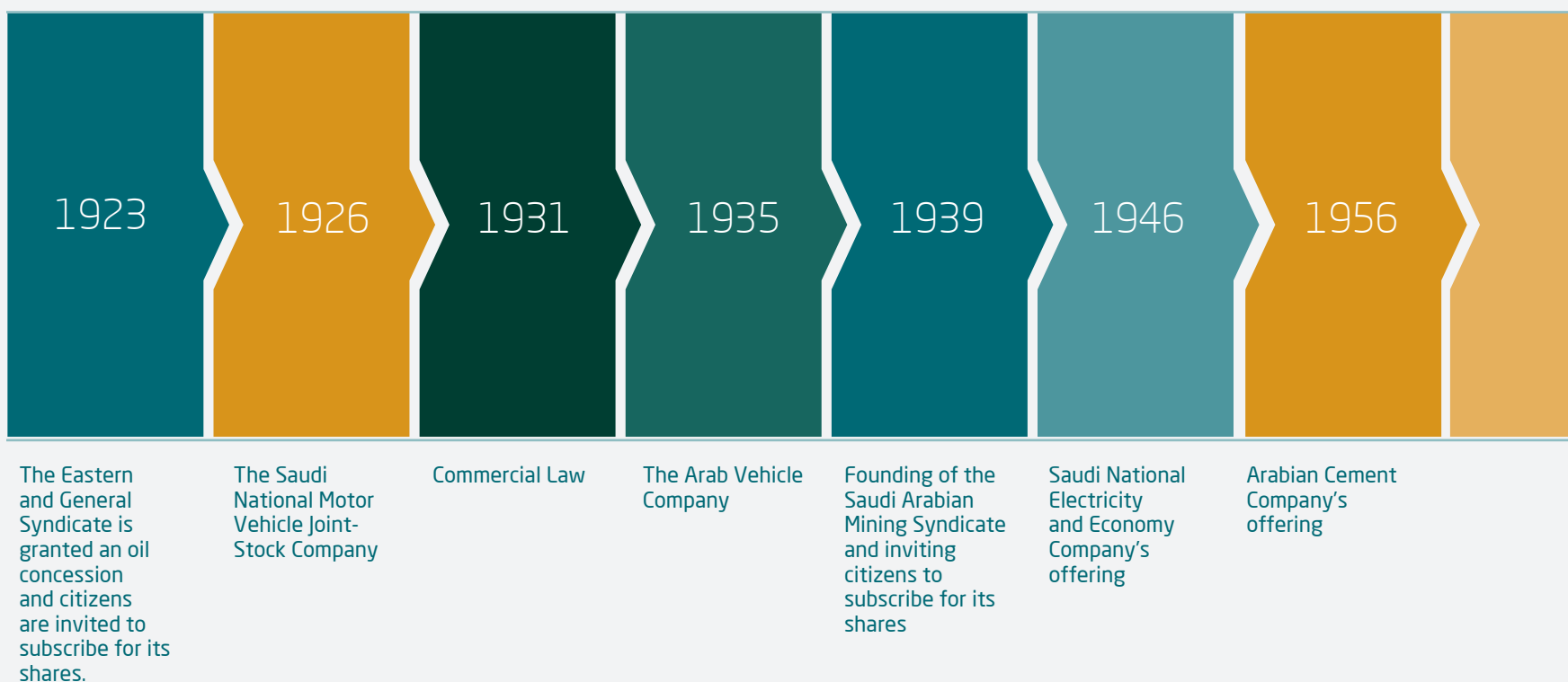
### Joint Stock Companies' Market Shares by Sector in 1984

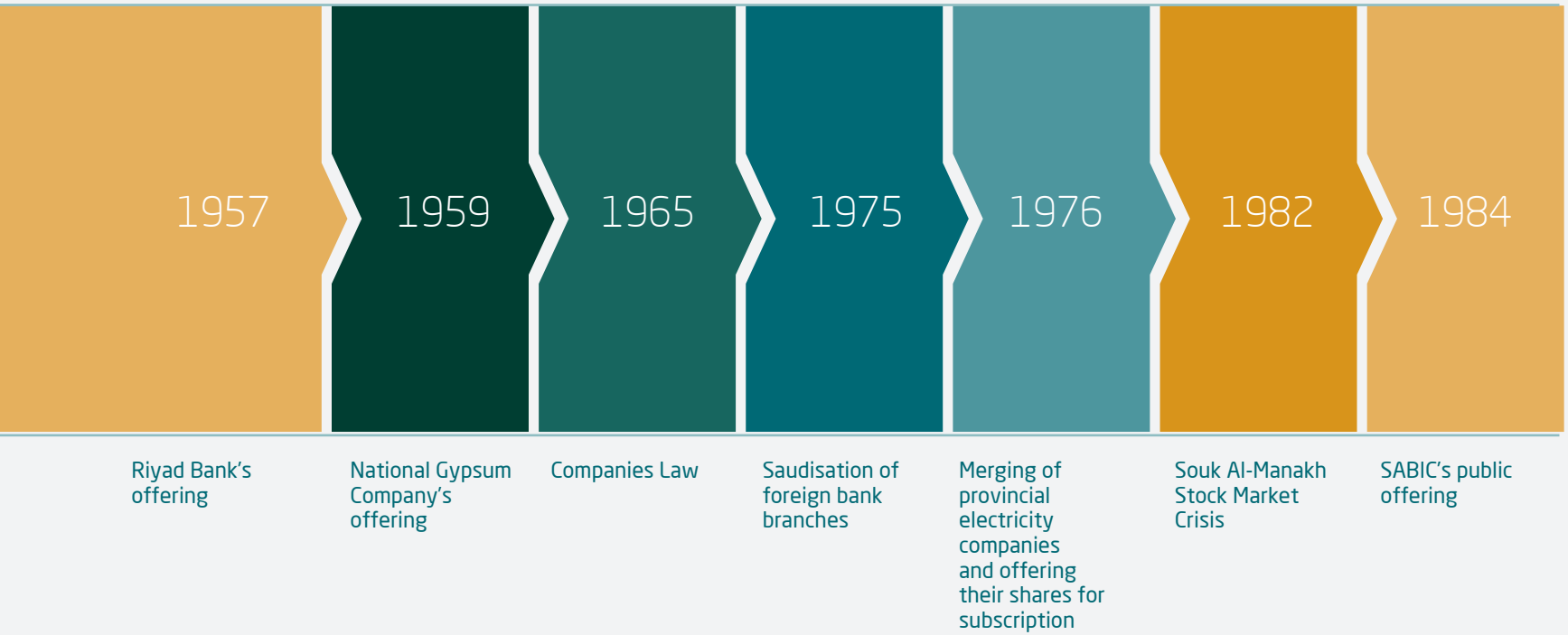


### Joint-Stock Companies' Market Share According to Sectors in 1984



## Key Developments in the Saudi Stock Market (1923-1984)





# Phase Two

Setting the Scene

Two

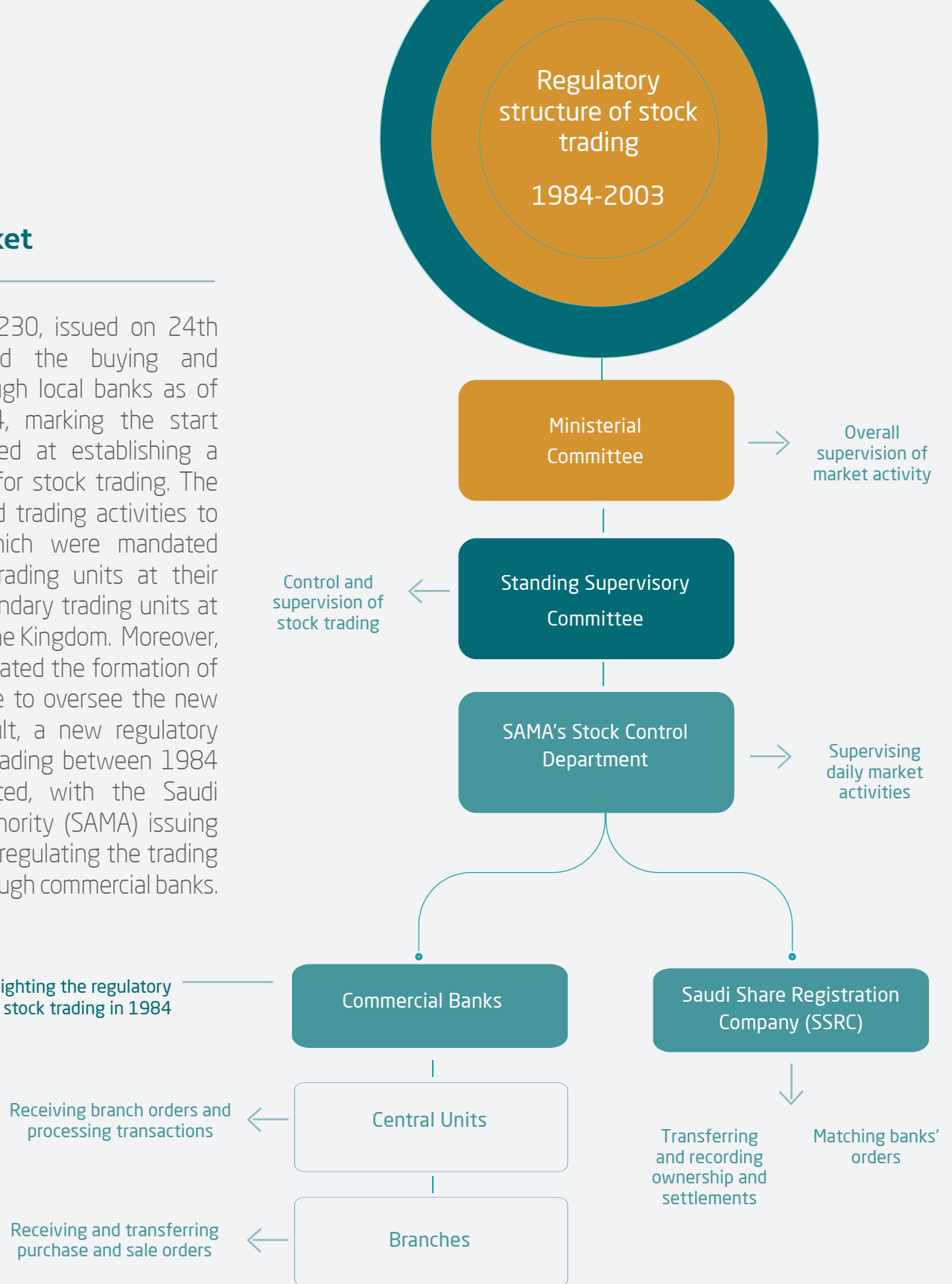
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**(1984 - 2003)**

## Regulating the Saudi Stock Market

Royal Decree No. 8/1230, issued on 24th April 1983, regulated the buying and selling of shares through local banks as of 23rd November 1984, marking the start of a new phase aimed at establishing a regulatory framework for stock trading. The Royal Decree restricted trading activities to commercial banks, which were mandated to open centralised trading units at their headquarters and secondary trading units at their branches across the Kingdom. Moreover, the Royal Decree stipulated the formation of a ministerial committee to oversee the new regulations. As a result, a new regulatory framework for stock trading between 1984 and 2003 was created, with the Saudi Arabian Monetary Authority (SAMA) issuing implementing rules for regulating the trading of company shares through commercial banks.

An infographic highlighting the regulatory structure of stock trading in 1984



القوانين التنفيذية لتنظيم عملية تداول أسهم الشركات  
على طريق البنوك التجارية

اللائحة العامة لمزاولة البنوك  
بمسئولة وزير الاقتصاد

Implementing  
Rules for  
Regulating  
the Trading  
of Company  
Shares  
through  
Commercial  
Banks



## The Ministerial Committee

In 1984, the Ministerial Committee was formed pursuant to Royal Order No. (8/1230). The Committee members were Mr. Mohammed Ali abalkhail, Minister of Finance and National Economy; Dr. Suleiman Abdel-Aziz alsleim, Minister of Commerce; and Mr. Hamad Saud Al-Sayyari, Governor of SAMA. For the next 20 years, the Ministerial Committee assumed the role of stock market supervision.



**Hamad Saud Al-Sayyari**

Governor of SAMA

(1983-2009)



**Dr. Suleiman alsleim**

Minister of Commerce

(1975-1995)



**Mr. Mohammed Ali abalkhail**

Minister of Finance

(1971-1995)

## Responsibilities of the Ministerial Committee



Introducing implementing rules for the trading shares through banks



General supervision of market activity and developing related policies



Reviewing the reports of the Standing Supervisory Committee (SSC)



Approving any amendments to trading rules

## The Standing Supervisory Committee (SSC)

The SSC was formed under the Ministerial Committee and was comprised of experts from three government entities: the Ministry of Finance, the Ministry of Commerce, and SAMA. The SSC worked in tandem with the Ministerial Committee to supervise stock market activities. Meetings of the SSC took place at the headquarters of SAMA and its decisions were passed by a two-thirds majority vote. Additionally, the SSC was obliged to submit quarterly reports to the Ministerial Committee.

### Responsibilities of the SSC



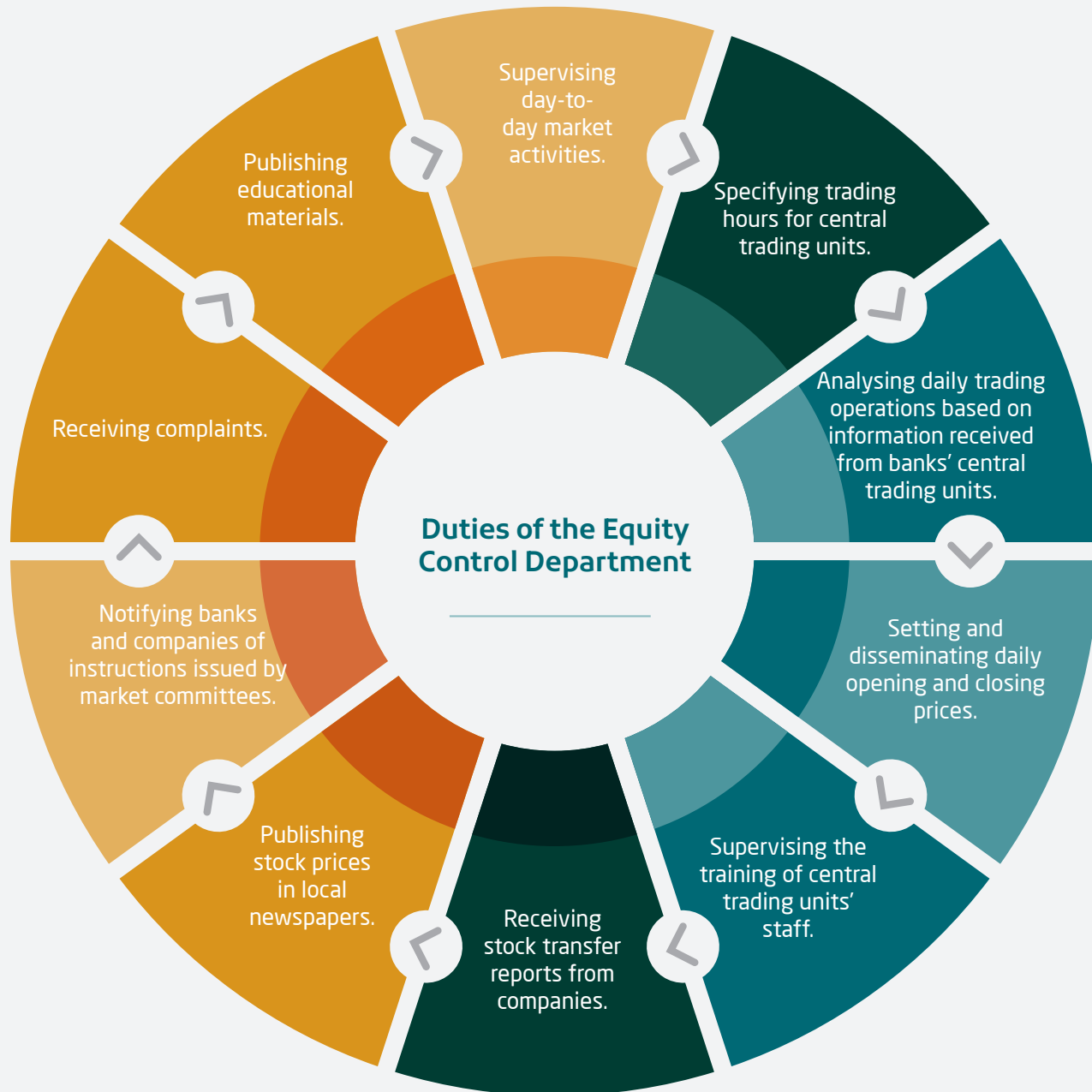
## Stock Control Department

In the early stages of market development, legislation and regulations related to the stock market were starting to be implemented, however, oversight and control did not meet the desired standards, especially as private brokerage firms remained in operation. As a result, investors struggled to access market information concerning supply and demand and daily buying and selling prices. Recognising the importance of having a specialised and independent entity for trading affairs, SAMA established the Stock Control Department in 1985. For 20 years, the Department supervised the market by enforcing regulations and directly overseeing market operations. The Department also had a limited role in proposing regulations and guidelines to govern daily market activity.



SAMA  
established  
the Stock  
Control  
Department in  
1985.

## Stock Control Department



## Trading through Banks

Subsequent to the restriction of buying and selling of shares through commercial banks, bank branches became responsible for handling trading services. They processed market orders and financial transactions. Funds were transferred to sellers within two days of completing a sale and share certificates issued within one week of the purchase. Moreover, the banks set up centralised trading units that received orders from branches and conducted interbank trading operations. There were 12 central trading units at the time.

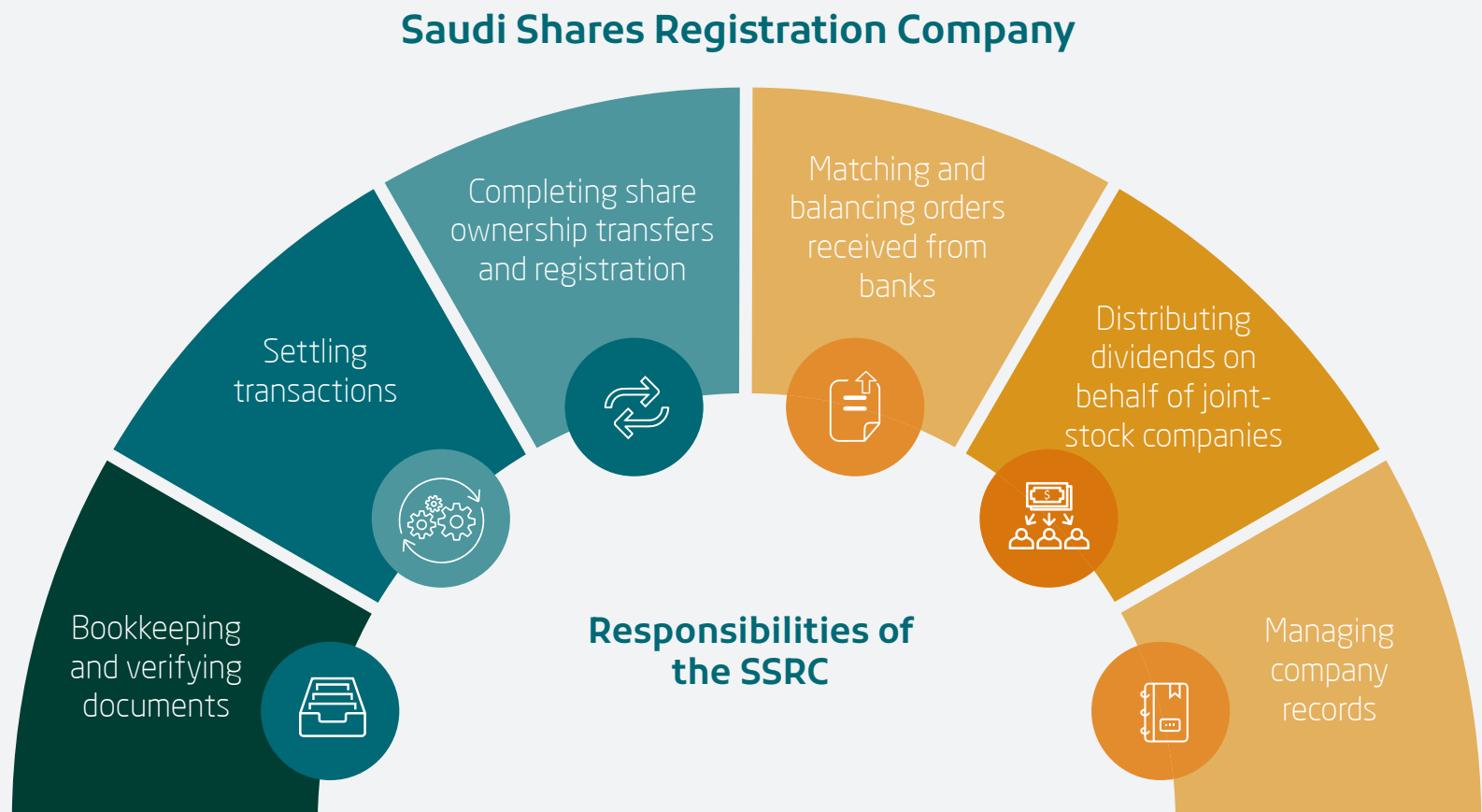


A trading hall in a local bank\*

\* Tadawul Magazine, issue 34, August 2009.

## The Saudi Shares Registration Company (SSRC)

Companies and investors faced ongoing struggles in relation to distributing and receiving dividends, chief among them being the procedures for the registration of ownership. These difficulties included issues related to the certificates issued to shareholders and problems in communicating with investors due to a lack of access to their information and missing mailing addresses. Additionally, there were delays in transferring and registering new shares as well as updating company records. These issues resulted in investors having to wait for over 15 days to complete procedures. In response to these challenges, the Saudi Shares Registration Company (SSRC) was established in 1984 with the participation of all Saudi banks, with the exception of Alrajhi bank. Each bank contributed SAR 1 million to the SSRC's capital, totalling SAR 11 million. The SSRC's board of directors included a representative from each participating bank.



## Local Stock Index

On 28th February 1985, the National Centre for Finance and Economic Information (NCFEI), an entity affiliated with the Ministry of Finance and National Economy, issued its first weekly general stock index, the NCFEI Index, which was a capitalisation-weighted stock market index calculated using the following formula:

**NCFEI = (today's market value of total shares outstanding ÷ yesterday's market value of total shares outstanding) x index value of the previous day.**



The Ministry of Finance building which housed the NCFEI in the 1980s.

## Stock Trading Activity

Following the launch of the general stock price index, local newspapers started publishing daily reports on stock trading activity. These reports included information on market sectors and the companies whose shares were traded in each sector, along with the total number and value of shares traded and the total number of transactions. This allowed investors to keep a daily watch on share prices, a more standardised approach from the previous phase where prices varied among different stock brokerage firms.

**حركة تداول الأسهم ليوم أمس**

اسم الشركة	الرمز	البيانات			ملاحظات
		عدد الأسهم	القيمة	عدد الصفقات	
بنك الرياض	100	100	100	100	
بنك الجزيرة	100	100	100	100	
بنك الاستثمار	100	100	100	100	
البنوك الأجنبية	100	100	100	100	
البنوك المحلية	100	100	100	100	
البنوك الإسلامية	100	100	100	100	
البنوك التجارية	100	100	100	100	
البنوك الصناعية	100	100	100	100	
البنوك الزراعية	100	100	100	100	
البنوك السياحية	100	100	100	100	
البنوك الترفيهية	100	100	100	100	
البنوك الخدمية	100	100	100	100	
البنوك الحكومية	100	100	100	100	
البنوك الخاصة	100	100	100	100	
البنوك الأجنبية	100	100	100	100	
البنوك المحلية	100	100	100	100	
البنوك الإسلامية	100	100	100	100	
البنوك التجارية	100	100	100	100	
البنوك الصناعية	100	100	100	100	
البنوك الزراعية	100	100	100	100	
البنوك السياحية	100	100	100	100	
البنوك الترفيهية	100	100	100	100	
البنوك الخدمية	100	100	100	100	
البنوك الحكومية	100	100	100	100	
البنوك الخاصة	100	100	100	100	

**حركة تداول الأسهم ليوم أمس**

اسم الشركة	الرمز	عدد الأسهم	القيمة	عدد الصفقات	ملاحظات
بنك الرياض	100	100	100	100	
بنك الجزيرة	100	100	100	100	
بنك الاستثمار	100	100	100	100	
البنوك الأجنبية	100	100	100	100	
البنوك المحلية	100	100	100	100	
البنوك الإسلامية	100	100	100	100	
البنوك التجارية	100	100	100	100	
البنوك الصناعية	100	100	100	100	
البنوك الزراعية	100	100	100	100	
البنوك السياحية	100	100	100	100	
البنوك الترفيهية	100	100	100	100	
البنوك الخدمية	100	100	100	100	
البنوك الحكومية	100	100	100	100	
البنوك الخاصة	100	100	100	100	

**حركة تداول الأسهم ليوم أمس**

اسم الشركة	الرمز	عدد الأسهم	القيمة	عدد الصفقات	ملاحظات
بنك الرياض	100	100	100	100	
بنك الجزيرة	100	100	100	100	
بنك الاستثمار	100	100	100	100	
البنوك الأجنبية	100	100	100	100	
البنوك المحلية	100	100	100	100	
البنوك الإسلامية	100	100	100	100	
البنوك التجارية	100	100	100	100	
البنوك الصناعية	100	100	100	100	
البنوك الزراعية	100	100	100	100	
البنوك السياحية	100	100	100	100	
البنوك الترفيهية	100	100	100	100	
البنوك الخدمية	100	100	100	100	
البنوك الحكومية	100	100	100	100	
البنوك الخاصة	100	100	100	100	

A stock trading report published in Al Riyadh newspaper, 1989.

A stock price bulletin published in Al Jazirah newspaper, 1988.



## Central Trading Hall (CTH)

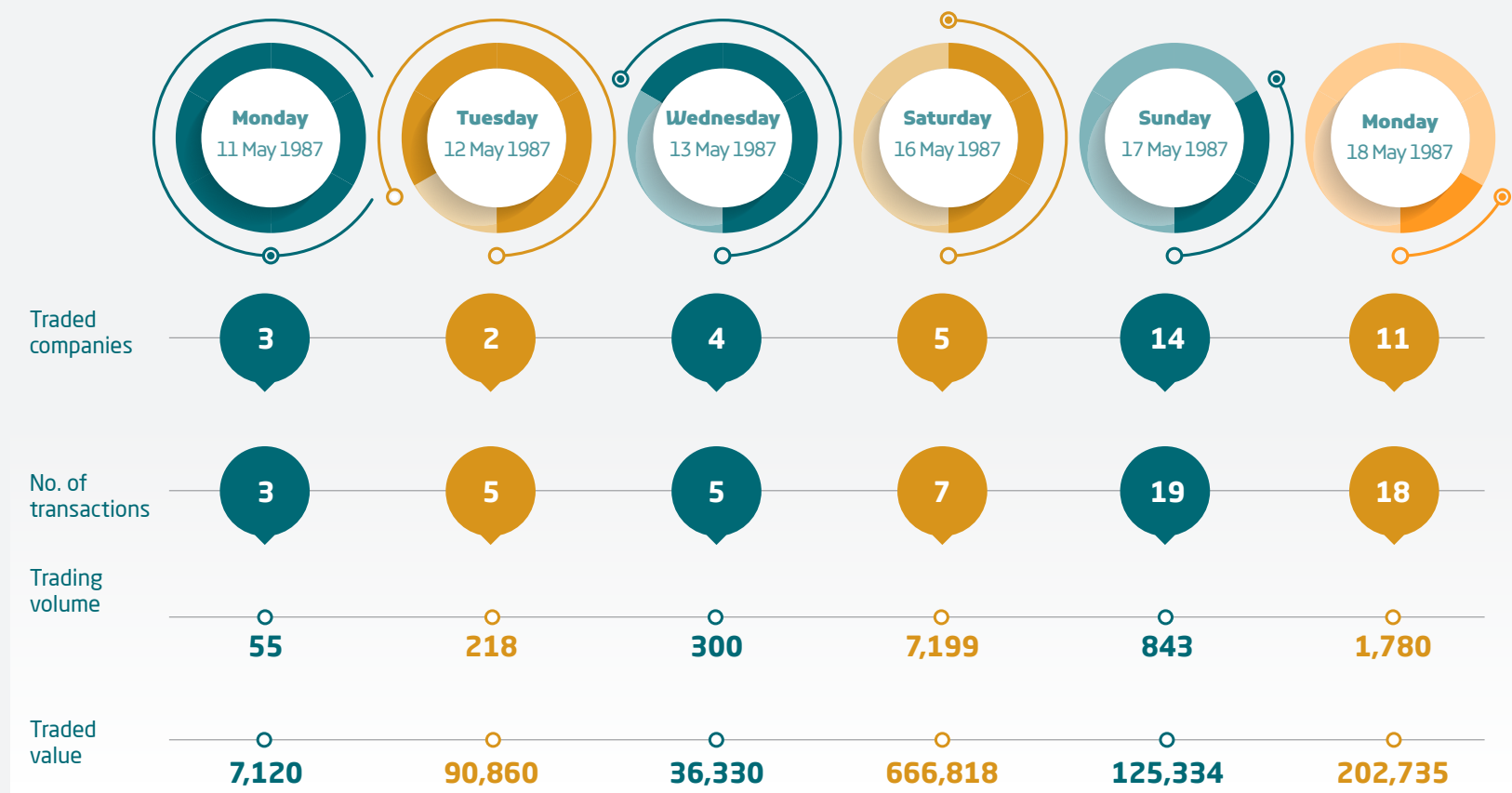
To make the registration and trading of shares easier, the Standing Supervisory Committee (SSC) proposed to the Ministerial Committee a plan for regulating stock trading through a central trading hall. As a result, the Ministerial Committee agreed to have bank representatives convene at designated times in the newly created Central Trading Hall (CTH) to match and execute buy and sell orders.



The Industrial Development Fund building, located on the old airport road (now known as King Abdulaziz Airport Road), which housed the CTH in 1987.

The CTH started its operations on 11th May 1987 on the ground floor of the Saudi Industrial Development Fund building in Riyadh. A separate office was also allocated for the Saudi Shares Registration Company (SSRC), which was located next to the CTH. However, the CTH only lasted for a week and the trading returned to the previous system of central units. The reasons for the discontinuation of the CTH were the inefficiency and high cost of trading; the global trend towards automated trading systems; reconciliation of banking payments, and trading technologies; and ambiguity surrounding the compliance of some financial transactions with Islam.

### Trading at the Central Trading Hall



#### Total



Infographics that shows trading movement in a week through CTH

## Share Ownership Notices

Joint-stock companies continued to issue share certificates to their shareholders. However, in 1987, following the brief operation of the CTH, share ownership notices were introduced as an alternative to certificates. While the issuance of certificates continued, SAMA gave notices a faster settlement feature, allowing them to be settled the next day (T+1) compared to two working days (T+2) for certificates. As an automated trading system was being implemented, share ownership notices gradually replaced certificates. The system of trading, clearing and settlement continued to accept both certificates and notices until 1996, when SAMA brought trading in certificates to an end and required their holders to convert them to notices before being able to trade them.

**البنك السعودي الأمريكي**  
**Saudi American Bank**

التاريخ: ١٤١٢/٠٥/٠٣  
الموافق: ١٩٩١/١١/٠٩

**وحدة التداول المركبة**

فرع:

الرجوع إلى قسم تداول الأوراق المالية  
إرسال تأكيد الأمر

العميل:   
العنوان:   
البريد الإلكتروني:

رقم الأمر بالعرض	نوع الأسم	وضع الأمر
٧٥٩١٤	أ. مشتق	مستحق

اسم السهم	كمية الأسهم	حد السعر	تاريخ الأسم	انتهاء الأمر	رقم الأمر بالنظام
السهم المشترك	١٠٠٠	٧٥,٠٠	١٩٩١/١١/٠٩	١٩٩٢/١١/٠٩	٧٥٩١٤

الكمية	النسبة	متوسط السعر
١٠٠٠	٠,٢٢	٧٥,٠٠
١٠٠٠	٠,٢٢	٧٥,٠٠
٢١٢,٥٠		

إجمالي الأسهم المعلقة مسبقاً  
إجمالي الأسهم المعلقة اليوم  
إجمالي الأسهم المعلقة هذا الأمر حتى تاريخه  
إجمالي العمولة المستحقة عن الأمر  
إجمالي المبلغ المستحق

عن وحدة التداول المركبة:   
التوقيع:

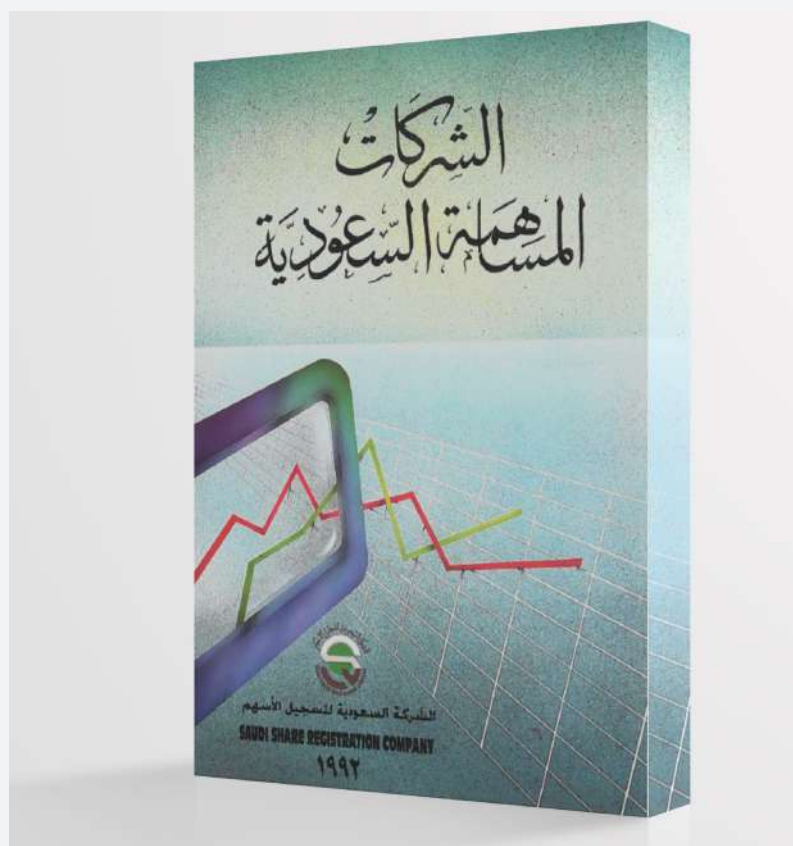
An ownership notice issued in 1991.

رقم الشهادة	عدد الأسهم	
	٣٣	
 <h2 style="text-align: center;">بنك الرياض</h2> <p style="text-align: center;">شركة مساهمة سعودية - المركز الرئيسي: الرياض سجل تجاري: ١٠١٠٠٠١٠٥٤</p>		
<p>مرخص بها بمقتضى الأمر الملكي الكريم بموجب كتاب معالي وزير المالية والإقتصاد الوطني رقم ٢/١٢٦٩ بتاريخ ١٥/٦/١٣٧٦هـ. رأس المال المدفوع ٤,٠٠٠,٠٠٠,٠٠٠ ريال سعودي (أربعة آلاف مليون ريال) مقسماً إلى ٨٠,٠٠٠,٠٠٠ سهم (ثمانين مليون سهم) عادي ونقدي. قيمة السهم الإسمية ٥٠ ريالاً سعودياً (خمسون ريالاً سعودياً). مدة الشركة: تسعة وتسعون عاماً من تاريخ تسجيل الشركة تسجيلاً نظامياً. أغراض الشركة: مزاوله جميع الأعمال المصرفية والإستثمارية داخل المملكة وخارجها.</p>		
نشهد بأن		
رقم الهوية		
سجل تجاري		
تاريخها		
وعنوانه		
مصدرها		
<p>يملك <b>**اشنان وشلدتون**</b></p> <p>صدرت بمدينة الرياض بتاريخ ١٧ ١٣ ١٤١٥ الموافق ١٤ ١٤ ١٩٩٥</p>		
رئيس مجلس الإدارة	الختم	نائب رئيس مجلس الإدارة
		
رقم السجل		رقم السجل

A share certificate of a joint-stock company (1998).

## The Electronic Securities Information System (ESIS)

The Saudi stock market implemented the Electronic Securities Information System (ESIS) on 31st July 1990, making it the first electronic stock market in the region and among emerging markets. The system provided information on market orders, trading prices as well as data on joint-stock companies, their financial statements, and announcements. Initially, the system operated a single evening session, but in October 1992, a second trading session was added. Consequently, the system operated from Saturday to Wednesday for four hours per day, divided into two sessions, morning and evening. In 1994, a Thursday morning session was added. Moreover, ESIS linked the trading screens of banks' central trading units to SAMA's consolidated information screen. As technology advanced and the automation became faster, traders began to prefer trading using the system through banks instead of the firms that previously dominated trading before 1990. Gradually, the brokerage firms went out of business with only a few remaining. Furthermore, the Saudi Shares Registration Company (SSRC) issued annually its Saudi Joint-Stock Companies publication, which contained trading and company information for the previous four years, enabling investors to track companies' performance and make informed investment decisions.



Cover of the Saudi Joint-Stock Companies publication (1992).

نشرة أسعار الاسهم المتداولة اليوم الايام ١/٢٢/١٤١٣هـ (١٩٩٢/٧/٢٢)

الشركة	عدد الصفقات	عدد الاسهم المتداولة	أعلى سعر	أدنى سعر	متوسط السعر	القيمة التقديرية	السعر / الربح المتدور	الربح المتدور / السعر (%)	الربح المتدور للسهم
بنك الرياض	٢٦٨	٥.١٨٠	١١٧٨	١.٦٠	١.٩٣	٣١١	٢٦.٥	-	-
بنك الجزيرة	٥	٢٥٠	٧٤٥	٧٤٥	٧٤٥	٢٠.٢	-	-	-
بنك الاستثمار	٢	١١١	١٢٥٥	١٢٥٥	١٢٥٥	٢٩٠	٤٣.٩	-	-
السمودي البرندي	٢	١١٠	١٧٥٠	١٧٥٠	١٧٥٠	٤٤٤	٢٩.٦	-	-
السمودي الفرنسي	١٧	١.٢٣٧	١٦٧٠	١٦٤٠	١٦٥٤	٢٩٤	٤١.٩	١.٩	٢١.٠٠
السمودي البريطاني	٤٦	٢.٩٧٠	١٨١٦	١٦٨٠	١٧٧١	٢٥١	٢٨.٣	١.١	٢٠.٠٠
القاهرة	٩	١.٥٦٣	٧٨٠	٧٥٠	٧٧٢	٨٧	-	-	-
البنك العربي	١١	١.٨٢٠	١٨٠٠	١٧٦٠	١٧٨٢	٣٥٢	٣٥.١	١.٧	٢٠.٠٠
السمودي الأمريكي	٢٩	٧٠٠	٤.٥٥٠	٤.٠٠٠	٤.٠٢١	٤٠٠	٣٢.١	٢.١	٨٤.٠٠
البنك السعودي	٤١	٥٧٣	١.٠٢٠	١.٠٠٠	١.٠١٢	١٢٢	٣٠.٣	-	-
الراجحي	٣١	٢.٥٢٨	١.٥٠٠	١.٢٠٠	١.٣٩	٢٢٢	٢٢.٢	٢.٤	٢٥.٠٠
سابك	٣١	٣.٧٥٥	٣٩٥	٣٩١	٣٩٢	١٦٤	١٩.١	٢.٦	١٠.٠٠
سالكيم	١١	٩٩٦	١٦٨٠	١٦٤٠	١٦٦٠	٧٧٩	٢١.٧	٠.٩	١٥.٠٠
صالحيا	١٨١	١.٢٨٦	٧٠٨	٦٨٠	٦٩٧	٢٢٥	٢٥.٠	٢.٩	٢٠.٠٠
العصيم	٢١	٦.٢٢٥	١٦٥	١٦٠	١٦٤	٥٥	٢٥.٩	١.٥	٢.٥٠
الدرعية	٨	١٨٨	٢٢٠	٢١٣	٢١٨	١١٩	١١٢.٩	-	-
العال	٤	١.٤٠١	١٥٩	١٥٥	١٥٧	١٢٥	١٤.٠	٨.٨	١٣.٨٥
الغلافية	١٧	٢٤٧	٢١٧	٢٠٧	٢١٥	١٢١	١٧٧.٧	-	-
الكابلات	٥	٥٢٠	٣٠٠	٢٩٨	٢٩٨	١٤٦	٢٢.٩	-	-
الاسمنت العربية	٣	٤.٠٢٦	٢٢٠	٢١٤	٢١٨	١٧	٢٨.٤	٢.٩	٦.٢٥
اسمنت اليمامة	٥	١٥.٠٤٠	٤٠٠	٤٠٠	٤٠٠	١١١	٤١.٢	٢.٣	٩.٠٠
الاسمنت الجنوبية	٥	٣٦	٥١٠	٥١٠	٥١٠	١٥٦	١٩.٠	٤.٩	٢٥.٠٠
اسمنت بنيم	٢	٢٣	٢٣٩	٢٣٩	٢٣٩	١١٦	١٦.٠	١.١	٣.٧٥
الاسمنت الكرخي	١٥	٣١٢	٣٢٥	٣٢٠	٣٢٢	١٠٦	٢٠.٣	٢.١	١٠.٠٠
بيكة	١٥٥	٦.٨٧٠	٥٩٠	٥٨٣	٥٩٧	٩٧	-	-	-
طيبة	٤١	١٩.٣٢٦	١٣٠	١٢٥	١٢٩	٢٨	٨١.١	-	-
الغدادق	٩	١٤.٩٩٥	٢٠٥	٢٠٢	٢٠٥	١٤٠	٢٢.٥	٢.٤	٧.٠٠
المنارة	١	٤٥	٢٤٥	٢٤٥	٢٤٥	١٥٧	٤٤.٥	-	-
البحري	٢٤	٤.٩٣٢	١٧٤	١٧١	١٧٣	١١٥	٤.٢	١٧.٣	٣٠.٠٠
الجباهي	٢	١٢٠	١٦٢	١٦١	١٦١	١٠٦	١٢.٤	٤.٣	٧.٠٠
السيارات	١٤	٣.٩٩٤	١٠٦	١٠٢	١٠٥	٦٧	٨.٩	-	-
الرفاعي	١٤	١.٠٣٧	٩٨	٩٥	٩٦	٤٠	-	-	-
تيمامه	١	٥٠٠	١٥٦	١٥٦	١٥٦	٥٤	-	-	-
ميرد	٣٩	١.٣٤٤	١٥٠	١٤٦	١٤٨	١٠٩	٤٦.٥	٢.٤	٥.٠٠
كهرباء الوسطى	٥	٣.٢٤٤	١٢٠	١١٩	١٢٠	٩٥	-	٥.٨	٧.٠٠
نادك	١٧	١.٤٦٥	٢٢٦	٢٢٤	٢٢٥	٢١٢	١٢.٤	٤.٤	١٠.٠٠
التصميم الزراعيه	٣٧	١.٣٧١	٧٨	٧٦	٧٨	٦٣	٣٤.٥	٢.٢	٢.٥٠
حائل الزراعيه	٤١	٤.٤٩١	٢٤١	٢٣٩	٢٤٠	١٧٥	٢٢.٣	٨.٣	٢٠.٠٠
تيرك الزراعيه	٥	٢٨٠	٢٦٥	٢٦٠	٢٦٥	١٩٧	٢٠.٠	٧.٥	٢٠.٠٠
الاسماك	١	١٥٠	٦٤٠	٦٤٠	٦٤٠	٢٨٢	٢٠.٩	٢.٣	١٥.٠٠
الجزيرة الزراعيه	١٠	١.٠٢٥	١٥٣	١٥١	١٥٢	١٠٩	٦٩.٤	-	-
بيشة الزراعيه	١٣	٨٢٥	٧٠	٦٨	٦٨	٥٥	١٣.٠	-	-
الاجمالي	١.١٩٨	١١٧.٦٨١							

## Stock Price Bulletins

Following the implementation of the Electronic Securities Information System (ESIS) for the Saudi stock market in 1990, traders were able to access real-time stock prices during market hours and no longer needed to rely on daily stock price bulletins issued by banks. These bulletins used to include the names of listed companies, the number of transactions completed, the number of shares traded, the high, low, and average prices, book values, and annual earnings per share as well as dividends paid per share.

A stock price bulletin issued by Bank AlJazira (1992).

## Local Stock Investment Funds

The Saudi stock market until 1992 was primarily dominated by individual investors. Markets dominated by individual investors tend to be highly volatile reacting quickly to political and economic events. This is one of the reasons why capital markets have historically shifted towards promoting institutional investment and encouraging individuals to invest through institutional channels, such as investment funds. In Saudi Arabia, local banks were granted permission to establish stock investment funds pursuant to Resolution No. 2052 by the Minister of Finance and National Economy on 17th January 1993. This decision approved regulations for investment funds managed by local banks, and the banks subsequently began creating funds for local stocks. This was an important step in attracting the savings of individuals who were hesitant to participate in the stock market due to a lack of financial knowledge.

The regulations permitted investment funds to own shares of publicly traded companies. The following document is an ownership notice of an investment fund owning shares in the Tabuk Agricultural Development Company, issued by the SSRC in 1992.

الشركة السعودية لتسجيل الأسهم سعودي  
إشعار ملكية الأسهم القابل للتداول لتسليم رقم

رقم الإشعار: ٩٣-٠٠٣١١٤٩

تاريخ التنفيذ: ١٤١٣/١١/١٥ الموافق: ١٩٩٣/٠٥/١٧ م

اسم السهم: شركة تبوك للتنمية الزراعية

اسم مالك: صندوق المساهم  
الإشعار

رقم الهوية: ٠٩/٣٤

نوع الهوية: صندوق استثمار

عدد الأسهم: ٩٥ سهم وتسعون

مدير الشركة السعودية لتسجيل الأسهم

مسؤول قسم إصدار إشعارات الملكية

يخضع هذا الإشعار للقواعد والإجراءات الصادرة بهذا الخصوص وفقاً للضوابط والتعليمات التالية:

- ١ - الشركة السعودية لتسجيل الأسهم هي المخولة حصراً حتى إصدار هذا الإشعار ونقل ملكيته، وإلغائه، بحيث يعد باطلاً أي إصدار أو إجراء يتم من قبل غيرها أو دون علمها.
- ٢ - يعد هذا الإشعار وثيقة ملكية للأسهم المدونة في باطنه لغرض تداول هذه الأسهم فقط، عن طريق وحدات التداول المركزية.
- ٣ - يجوز إستبدال هذا الإشعار بشهادة ملكية الأسهم بطلب ذلك من الشركة السعودية لتسجيل الأسهم عن طريق وحدات التداول المركزية.
- ٤ - يتوجب في حال فقدان هذا الإشعار إعلام الشركة السعودية لتسجيل الأسهم فوراً.
- ٥ - يخضع هذا الإشعار لكافة القوانين والأنظمة السعودية السارية وتعدلها.

٠٤٧٨٠٠ \* ١٩٩٣.٥١٨\*

An ownership notice of an investment fund owning shares in the Tabuk Agricultural Development Company

## Approval of local banks' investment fund regulations.

مملكة البحرين  
البنك المركزي  
وزارة المالية والاقتصاد الوطني  
الرياض ١١١٧٧

رقم  
تاريخ  
مرفقات

مكتب الوزير

٩٠٥٩

قرار وزاري رقم ١٣ / وتاريخ ١٤١٣/١٠/١٥ هـ  
ان وزير المالية والاقتصاد الوطني  
بناءً على الملاحظات الممنوحة له

وبناءً على المادة السادسة عشرة من نظام مراقبة البنوك الصادر بالمرسوم الملكي رقم ٥/م وتاريخ ١٣٨٦/٢/٢٢ هـ التي تقضي بأنه ( يجوز لمؤسسة النقد بعد موافقة وزير المالية والاقتصاد الوطني ان تضع قواعد عامه لتنظيم المسائل الآتية : ٣... تحديد الأوضاع والشروط التي يجب على البنوك مراعاتها عند تعاملها في انواع معينة من الاعمال مع عملائها ) .

ونظراً الى ما لوحظ من نشاط البنوك في احداث قنوات استثمار جديدة بخلاف الودائع تتلائم مع ميول ورغبات مختلف المستثمرين وتواكب المستجدات الاستثمارية على المستوى الدولي ، وذلك عن طريق انشاء صناديق الاستثمار التي تديرها كإوعية استثمارية جديدة .

ونظراً الى مآلاته هذه الصناديق من اقبال متزايد من الجمهور ، ورغبة في تمكينها من جذب الاموال الوطنية واتاحة الفرص الاستثمارية المتنوعة امامها .

وبعد الاطلاع على خطاب محافظ مؤسسة النقد العربي السعودي رقم ١٨٣ م / ط / م ١ في ١٤١٣/٣/٥ هـ المرفق به مشروع قواعد لتنظيم هذه الصناديق .

وبناءً على مقتضيات المصلحة العامة .

يقرر مايلي :-

الموافقة على قواعد تنظيم صناديق الاستثمار في البنوك المحلية بالصيغة التالية :-

اولا : التعاريف :

أ) صندوق الاستثمار : هو برنامج استثمار مشترك ينشئه البنك المحلي بموافقة مسبقة من مؤسسة النقد العربي السعودي بهدف اتاحة الفرصة للمستثمرين فيه بالمشاركة جماعيا في نتائج اعمال البرنامج وتتم ادارته من قبل البنك مقابل تعاقب محددة .

ب) تعني كلمة المدير : البنك الذي انشأ صندوق الاستثمار .

ج) تعني كلمة المؤسسة : مؤسسة النقد العربي السعودي .

د) تعني كلمة المملكة : المملكة العربية السعودية .

ثانيا : الهيكل الاشرافي والتنظيمي :

١- الاشراف :

تشرف المؤسسة على جميع أنشطة البنوك العاملة بالمملكة ومن ضمن هذه الأنشطة نشاطها المتعلق بصناديق الاستثمار .

لذلك فإن على جميع البنوك التي لديها صناديق استثمار الالتزام بهذه القواعد بدقة ، وتعديل اوضاع الصناديق القائمة لديها لتتطابق مع اجراءات

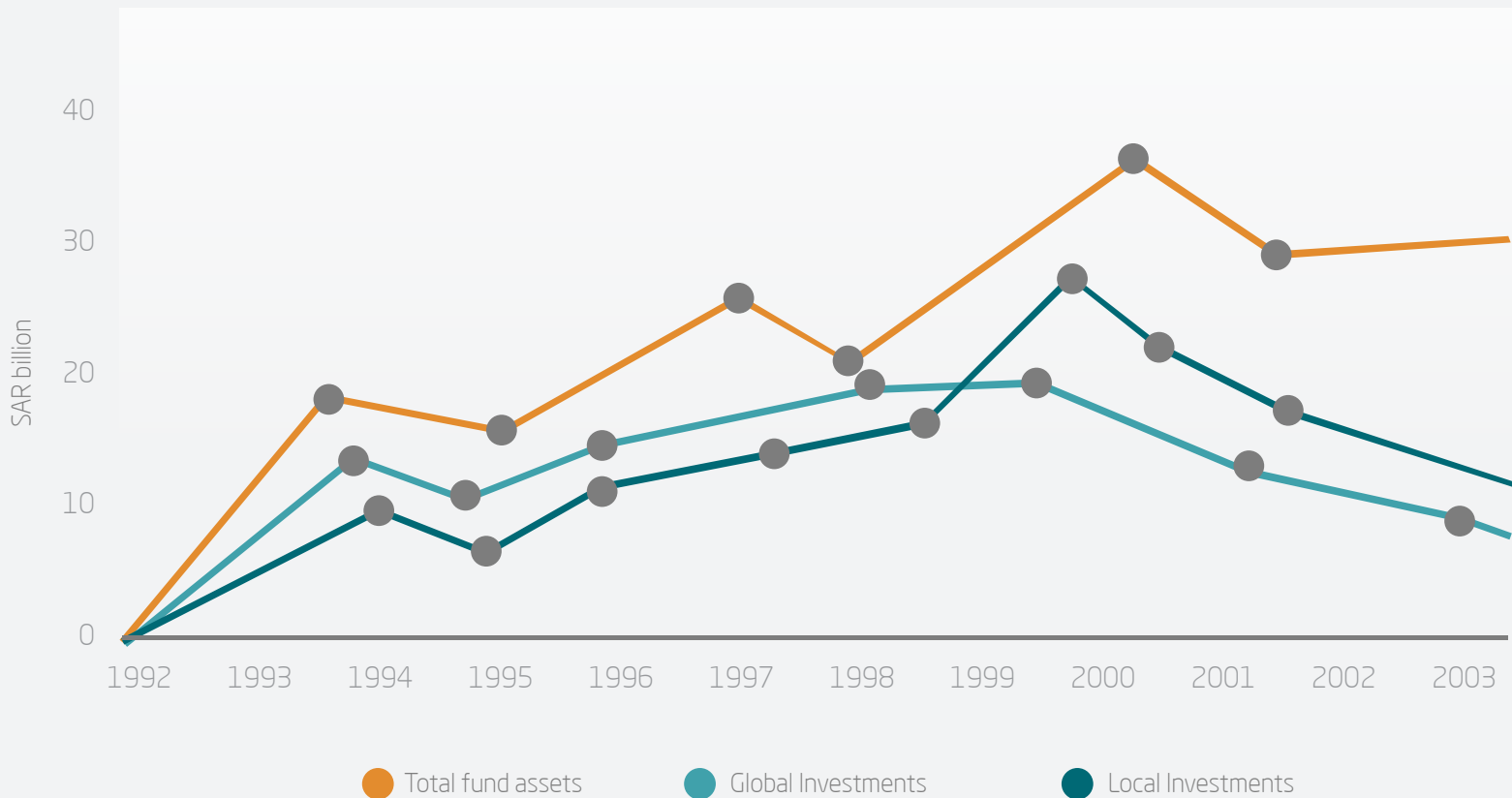
الوزير



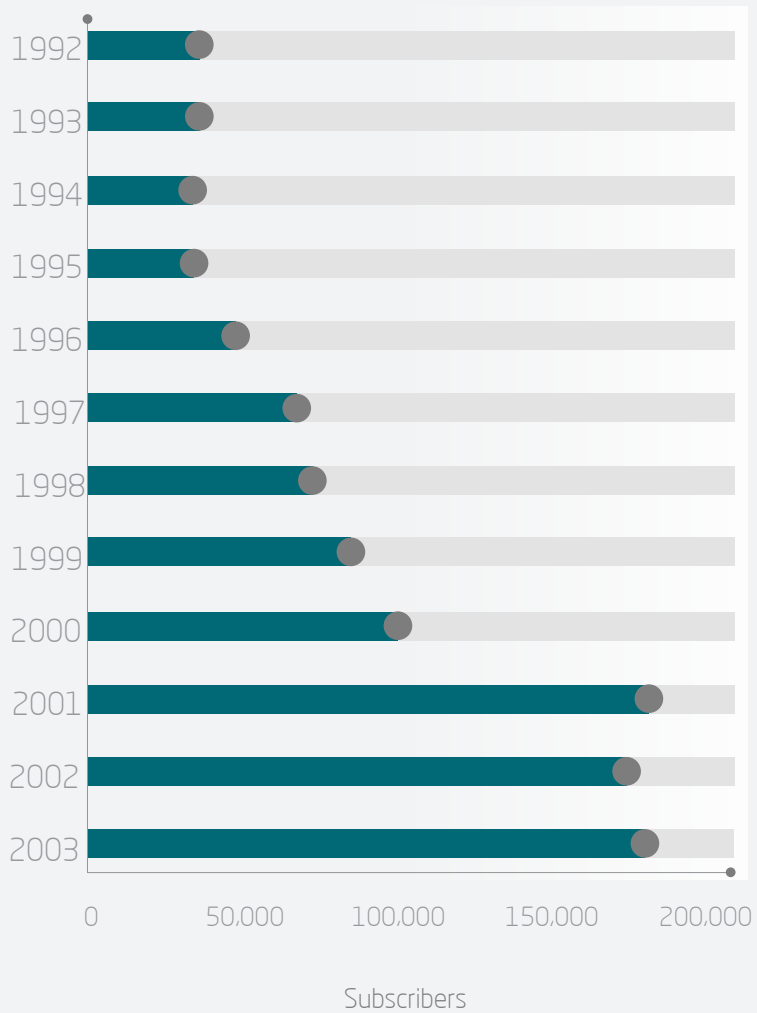
## Development of Investment Funds

Investment funds have experienced significant growth with the number of active funds growing from 52 in 1992 to 170 by the end of 2003. Additionally, the number of subscribers increased during this time, from 33,162 to 172,197. The total assets of these funds increased from SAR 12.4 billion in 1992 to SAR 53.87 billion in 2003.

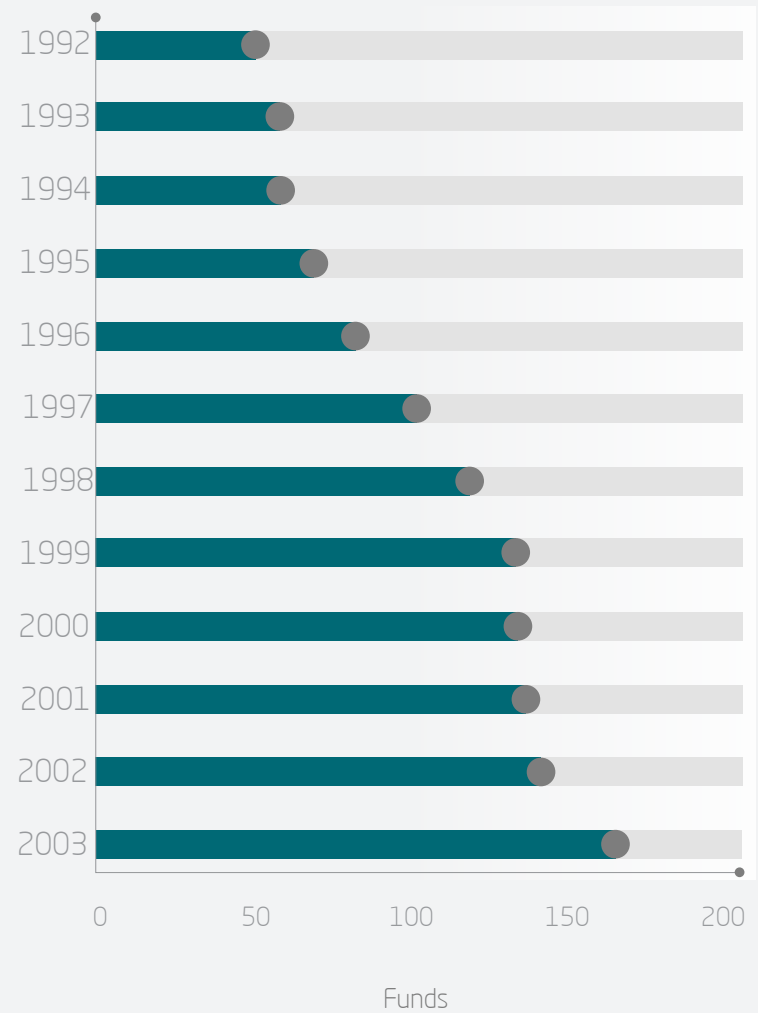
**Investment Fund Assets (SAR billion) (1992-2003)**



**Number of subscribers in investment funds  
(1992-2003)**



**Number of active funds (1992-2003)**



## First Steps Towards Foreign Investment

Prior to 1997, trading in the Saudi Arabia stock market was only available to citizens. However, as the country began to open up to the global market and having commenced negotiations to join the World Trade Organization, the government took gradual steps to open the stock market to foreign investors. The first of these steps was creating and listing the first local stock fund on the London Stock Exchange by the Saudi American Bank (SAMBA) in August 1997, known as the Saudi Investment Fund (SIF). This allowed non-Saudis to invest indirectly in the Saudi stock market; the fund raised USD 250 million from non-Saudi investors.

The next step was to allow GCC nationals to own shares of Saudi companies. In May 1997, the Council of Ministers approved the implementation of a resolution by the Supreme Council of the Gulf Cooperation Council allowing GCC citizens to own shares of companies in member countries. This decision came into effect in Saudi Arabia in January 1998. Lastly, the third step was in 1999, when for the first time, non-resident and resident non-Saudis were permitted to invest in local stock investment funds through Qualified Foreign Investor (QFI) licenses.

## Approval of the resolution of the Supreme Council of the Gulf Cooperation Council on allowing GCC citizens to own shares of listed companies in member states\*



\* Um Al-Qura newspaper, No. issue 3650, 30th May 1997.



The Supreme Council of the Gulf Cooperation Council during its 9th session in Manamah, Bahrain (1998). \*

\* An exhibition and conference on the life of the late King Fahd Bin Abdulaziz

## A New Trading System

The Electronic Securities Information System (ESIS) operated from 1991 and underwent many improvements. As technology advanced and trading volumes increased, SAMA began working on a new more advanced market system. The Tadawul Electronic System (TES) was launched on 6th October 2001, and the operations of the SSRC were integrated into this new system. This was achieved by adopting and implementing electronic investment accounts as well as ceasing to deal with physical ownership documents. Consequently, ownership was maintained in a central securities depository. Accounts registered in the name of investors were available in one or several investment portfolios that facilitated multiple operations, such as buying, selling, mortgaging, and releasing collateral. In 2002, the Tadawul website was launched and the name "Tadawul" was registered as a trademark of the Saudi Stock Exchange. Additionally, the calculation of the general stock market index was transferred from the National Centre for Finance and Economic Information (NCFEI) to Tadawul and was named Tadawul All Share Index (TASI).



Tadawul  
Electronic  
System (TES)\*\*



Cover page  
of a report  
on local stock  
trading activity  
(2001)\*

\* Archives of the Saudi Stock Exchange (Tadawul)

\*\* Tadawul Magazine, 1st issue, 2002.

## Banks' Electronic Trading Services

Historically, investors had the inconvenience of dealing with brokerage firms and then banks' trading halls in person. However, in March 2002, the Saudi American Bank introduced a service that allowed investors to trade stocks from the comfort of their own homes via the internet. The service was well received by citizens and prompted other local banks to quickly offer similar electronic trading services. This led to an increase in the volume of local stock trading and the number of shareholders of listed companies. The accounts of individual investors in banks were linked to their accounts in the TES system, enabling them to easily buy and sell shares, view their investment portfolio, monitor orders, and access market information, including prices, trading volume, transactions, and market index performance.



Beginning of  
online trading  
in 2002\*

\* Asharq Al-Awsat newspaper, Tuesday, 5th March 2002, issue 8498.

## IPO

If the public offering of SABIC was a defining moment in the history of the Saudi capital market, then the public offering of the Saudi Telecom Company (STC) was a major milestone in the market's second phase. On 9th September 2002, the Council of Ministers approved offering 30% of STC's shares, which was a government-owned joint-stock company established on 20th April 1998. The Council of Ministers also decided to increase the company's capital from SAR 12 billion to SAR 15 billion, and the number of shares to 300 million, by issuing 90 million shares for public subscription at a price of SAR 170 per share. Of these shares, 60 million were allocated for Saudi citizens, and 30 million were distributed among the Public Pension Agency and the General Organization for Social Insurance.



During STC's public offering

To achieve higher levels of transparency in the offering process, a detailed prospectus was prepared for the first time in the history of the Saudi capital market based on internationally recognised standards. It was distributed to all local banks and published on STC's website to ensure accessibility to all interested parties. The prospectus was clear and transparent, providing interested parties with a comprehensive understanding of all the necessary information. The subscription process ended on 6th January 2003 with a total volume of over SAR 36 billion (USD 9.6 billion) and an oversubscription of more than three times. At the time this was the largest public offering in the Kingdom of Saudi Arabia in the past 20 years and the company became the second largest listed company in the capital market after Saudi Basic Industries Corporation (SABIC), which was offered for public subscription in 1984. Trading of STC shares began on 25th January 2003.

### First Day of Trading STC Shares

 **1.86** SAR billion

Total trading volume in the Saudi Stock Exchange

 **1.52** SAR billion

Trading volume of STC shares



 **%81**

Of total trading volume

 **6.5** million shares

STC shares traded



 **%10.6**

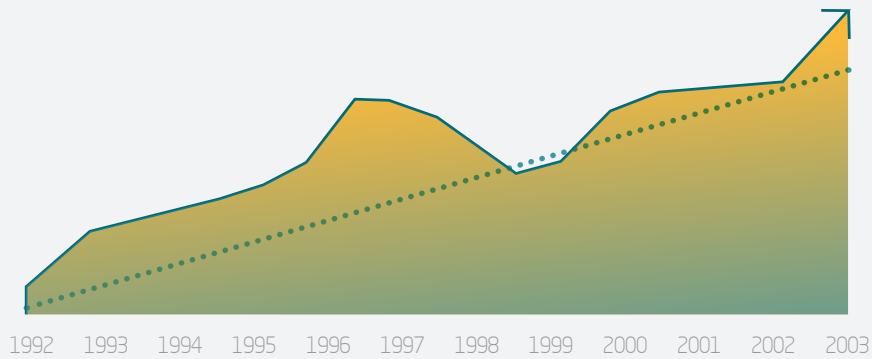
Of total subscribed STC shares



## Outcomes of Phase Two



### General Stock Price Index (1985-2003)



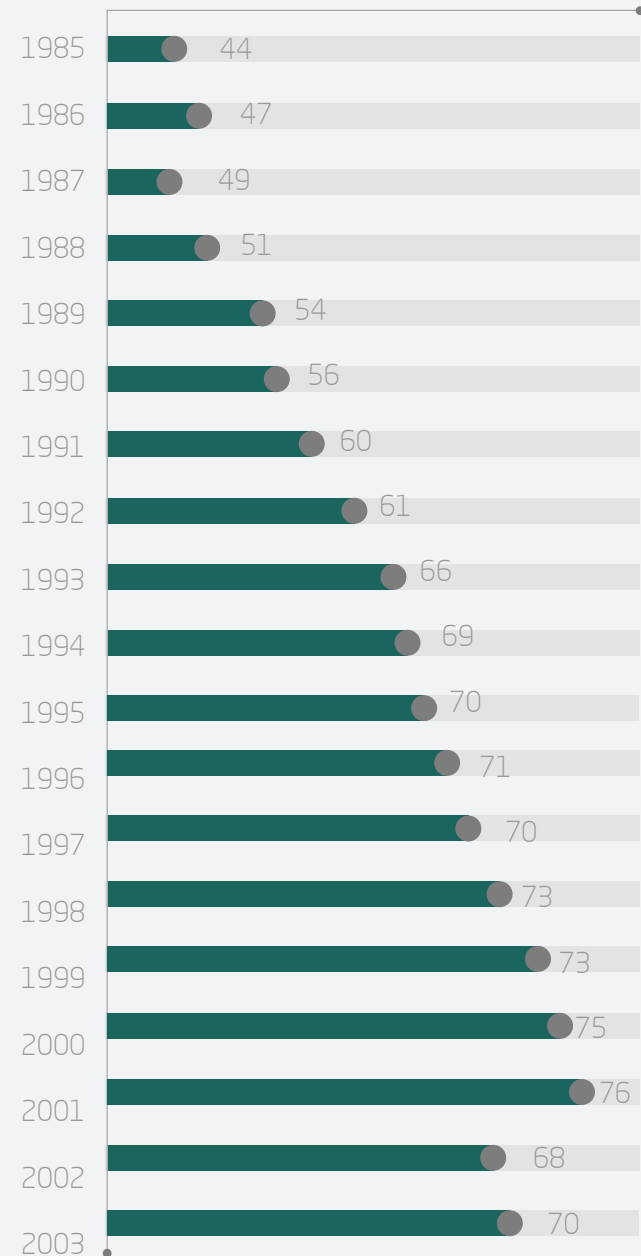
### Stock Index Growth

Following the issuance of the Royal Order in 1983 to regulate the capital market, the general stock price index has risen from 690 points in 1985 to 4,438 points in 2003.

### Joint-Stock Companies' Growth

As of the end of 2003, the number of publicly traded companies in the Saudi stock market also increased from 44 in 1985 to 70 in 2003, with an average market capitalization per company of USD 2.2 billion.

### Number of Joint Stock Companies



## Capital Market Developments

From 1985 to 2003



The value of traded shares rose from SAR 760 million in 1985 to SAR 596.5 billion in 2003.



The number of traded shares increased from 4 million in 1985 to 5.5 billion at the end of 2003.



The number of executed transactions rose from 7,842 in 1985 to 3.8 million in 2003.

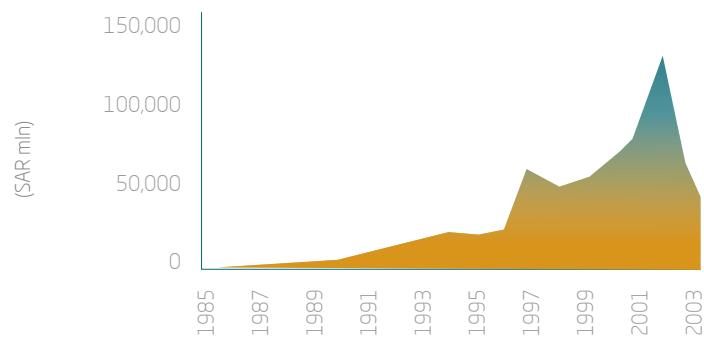


The market value of shares increased from SAR 67 billion in 1985 to SAR 590 billion in 2003.

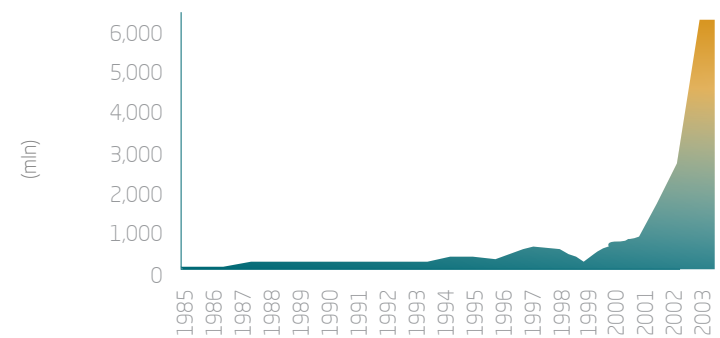
# Market Developments

## From 1985 to 2003

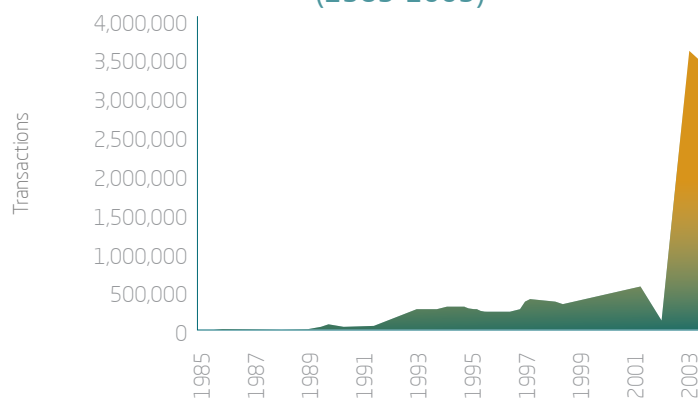
Value of traded shares (in SAR million)  
(1985-2003)



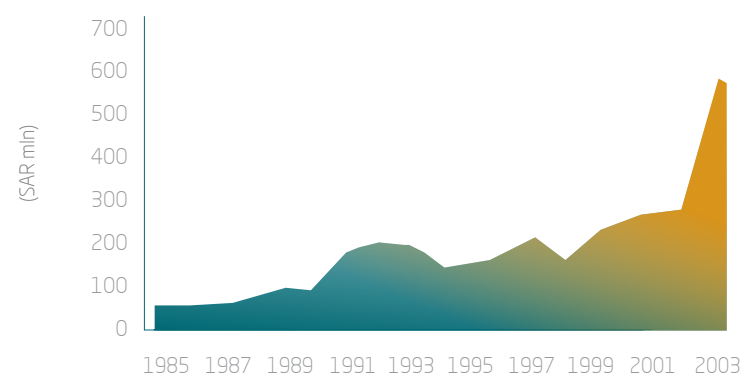
Number of traded shares (in millions)  
(1985-2003)



Number of executed transactions  
(1985-2003)



The market capitalization of traded shares  
(1985-2003)



## The World Bank Report

Subsequent to the Royal Decree of 1983 restricting stock trading to commercial banks operating in the Kingdom and the formation of the Ministerial and Standing Supervisory Committees, efforts were made to create a more organised capital market. In September 1995 a comprehensive study was conducted to establish a modern and organised capital market based on international standards. In response to Royal directives, the Ministry of Finance and National Economy requested the World Bank to study the Saudi capital market and its potential for development to support the national economy.

The World Bank presented its report to the Saudi government in November 1996, praising the steps taken by the Kingdom of Saudi Arabia in developing its capital market, but noting that these steps did not contribute effectively to achieving two goals of the country's Sixth Development Plan, which aimed to: provide more long-term investments to finance the needs of the private sector, and increase the participation of Saudi citizens in economic growth. The report also recommended some corrective measures as well as introducing a comprehensive legislative and regulatory framework for the capital market. The recommendations were as follows:



Introducing a governance structure for operating and supervising the trading system with limited government involvement.



Forming a new independent entity for market supervision.



Introducing a capital market law to address existing shortcomings and introduced binding, standardised market legislations with an emphasis on disclosure and transparency requirements.

## Forming a Task Group to Prepare the Draft Capital Market Law

In response to the World Bank's recommendations, supervisory authorities began preparing the necessary studies to implement them. In 1998 SAMA's Stock Control Department conducted a preliminary study that included proposals and recommendations for implementing a Saudi capital market development programme. In 1999, SAMA and the Ministry of Finance formed a task group to implement the World Bank recommendations, including the preparation of a draft of the Capital Market Law, and undertaking studies to establish an independent capital market authority.



A letter from the Stock Control Department about the Saudi stock market development program.

## Key Saudi Stock Market Developments (1983-2002)

- Forming the Ministerial Committee and Standing Supervisory Committee.
- Founding the Saudi Shares Registration Company (SSRC).
- Offering stock trading services by banks.

- Establishing the Central Trading Hall (CTH).
- Issuing share ownership notices.

Issuing regulatory controls on creating investment funds.

1983

1984

1985

1987

1990

1993

Royal Order (1230/8) on limiting stock trading to local banks.

- Establishing the Stock Control Department.
- The National Centre for Finance and Economic Information (NCFEI) issued the first general stock index.

Implementing the Electronic Securities Information System (ESIS).

- Rules on allowing GCC citizens to own shares of listed companies in member states.

- Listing the first closed-end fund on the London Stock Exchange

London Bourse.

Allowing non-resident and resident non-Saudis to invest in local stock investment funds.

- Launching the Tadawul website.

- Introducing the Tadawul All Share Index (TASI).

- Offering electronic trading services by banks.

- Offering 30% of STC shares for public subscription.

1996

1997

1998

1999

2001

2002

World Bank report on the Saudi capital market.

Adding the Saudi stock market to IFC's emerging markets index

Launching the Tadawul Electronic System (TES).



# Phase Three

Regulating the Market

# Three

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(2003 - 2020)

- ❑ **Regulatory Framework of the Capital Market**
- ❑ **Stock Market Bubble of 2006**
- ❑ **Securities Business**
- ❑ **Investment Companies and Products**
- ❑ **Disclosure and Governance in the Capital Market**
- ❑ **Technological Development in the Capital Market**
- ❑ **Opening the Market for Foreign Investment**
- ❑ **Investor Protection**
- ❑ **Capacity-Building in the Capital Market**
- ❑ **Financial Leadership according to Saudi Vision 2030**
- ❑ **Ascension to emerging market indices**
- ❑ **Aramco's IPO and Listing**
- ❑ **Outcomes of Phase Three**

# (1) Regulatory Framework of the Capital Market

## Capital Market Law

After the World Bank's recommendations were issued, regulatory authorities began preparing the necessary studies to implement them. A legal group of experts from SAMA, the Ministry of Finance and National Economy, and other capital market entities was formed to draft a bill for the Capital Market. On 29th December 2002, the Shura Council approved the draft bill, which was then approved by the Council of Ministers on 16th June 2003. Finally, on 31st July 2003, Royal Decree No. (M/30) approved issuing the Capital Market Law and establishing the Capital Market Authority (CMA).



Royal Decree  
approving the  
Capital Market  
Law

## The Transition

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The Council of Ministers' Resolution No. 91, which approved the Capital Market Law, included provisions on managing the transitional period to ensure market stability. Therefore, all directives, rules, and regulations of the Ministerial and the Standing Supervisory Committees were to remain in effect until they were cancelled, amended, or replaced by the CMA's Board after its formation. Furthermore, stock listing and trading practices were to remain the same until they became subject to the Capital Market Law upon its promulgation. Additionally, employees of SAMA's Stock Control Department would transfer to the Capital Market Authority.



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First headquarters of the Capital Market Authority, Tawuniya tower, Riyadh (2003).

## The First Capital Market Authority Board

The transitional period came to an end with the issuance of Royal Order No. A/114 on 2nd July 2004, which established the first Board of the Capital Market Authority. The Board consisted of Mr. Jammaz Al-Suhaimi as Chairman, Mr. Ibrahim Mohammed Al-Romaih as Vice Chairman, and Mr. Mohammed Meghnam Al-Shumrani, Dr. Abdulrahman Abdulmohsen Al-Kalaf, and Dr. Abdullah Hasan Al-Abdulghader as members.

**H.E. Mr. Jammaz Abdullah Al-Suhaimi**

(May Allah have mercy upon him)  
Chairman



**Mr. Mohammed  
Meghnam Al-Shumrani**

Member



**Mr. Ibrahim Mohammed  
Al-Romaih**

Vice Chairman



**Dr. Abdullah Hasan Al-  
Abdulghader**

Member



**Dr. Abdul Rahman Abdul  
Mohsen Al-Kalaf**

Member



## Establishment of the Saudi Stock Exchange (Tadawul)

The Capital Market Law stipulated the creation of the Saudi Stock Exchange as a joint-stock company. Following the formation of the CMA's Board, CMA and SAMA collaborated to establish the company. On 19th March 2007, the Council of Ministers issued Resolution No. 71 approving the establishment of the Saudi Stock Exchange (Tadawul) as a joint-stock company with independent legal and financial liability and the sole entity authorised to act as the Securities Exchange. On 19th November 2007, the first board of directors, consisting of nine members (three from government agencies, two from listed companies, and four from authorised brokerage companies) was approved to serve a three-year term.

الممدد ٤١٤٤ في ٢٥ ربيع الأول ١٤٢٨ هـ

رقم ١١

القرار رقم (٧١) وتاريخ ١٤٢٨/٢/٢٩ هـ

ين مجلس الوزراء

بعد الاطلاع على المعاملة الواردة من ديوان رئاسة مجلس الوزراء برقم ١٢٧١/ب وتاريخ ١٤٢٨/١/٢٤ هـ، المشتملة على خطاب معالي وزير التجارة والصناعة رقم ١٨١/٢٢٢ وتاريخ ١٤٢٧/١٢/٢٧ هـ، في شأن طلب الموافقة على الترخيص بتأسيس شركة السوق المالية - لتداول - طبقاً لأحكام المادة (الثانية والخمسين) من نظام الشركات، واستئناؤها من بعض أحكامه.

ويعد الاطلاع على نظام الشركات، الصادر بالمرسوم الملكي رقم (٦/م) وتاريخ ١٣٨٥/٣/٢٢ هـ، وتعديلاته.

ويعد الاطلاع على نظام السوق المالية، الصادر بالمرسوم الملكي رقم (٣٠/م) وتاريخ ١٤٢٤/٦/٢ هـ.

ويعد الاطلاع على النظام الأساس للشركة.

ويعد الاطلاع على المحضرين رقم (٤١٧) وتاريخ ١٤٢٧/١٠/٢٤ هـ، ورقم (٥٦) وتاريخ ١٤٢٨/٢/١٣ هـ، المتدين في هيئة الخبراء بمجلس الوزراء.

ويعد الاطلاع على توصية اللجنة العامة لمجلس الوزراء رقم (٨٢) وتاريخ ١٤٢٨/٢/٨ هـ.

يقرر ما يلي:

١ - الموافقة على الترخيص بتأسيس شركة مساهمة سعودية باسم "شركة السوق المالية السعودية (تداول) وفقاً لنظامها الأساس الرافق.

٢ - الموافقة على ما ورد في المواد (الخامسة، والسادسة، والسابعة، والثامنة والعشرين) من النظام الأساس للشركة.

وقد أعد مشروع مرسوم ملكي بذلك، صيغته مرافقة لهذا.

رئيس مجلس الوزراء

Council of Ministers' approval of the establishment of the Saudi Stock Exchange (Tadawul)\*

**Abdullah Abdulrahman Al-Hamoudi**

Ministry of Commerce and Industry



**Mansour Saleh Al-Maiman**

Ministry of Finance



**Saud Majid Al-Daweesh**

Listed Joint Stock Companies



**Dr. Abdurrahman Abdullah Al-Hamidy**

SAMA



**Dr. Fahad Abdullah Al-Mubarak**

Authorised brokerage companies



**Taha Abdullah alkuwaiz**

Listed Joint Stock Companies



**Ahmed Farid Al-Aulaqi**

Authorised brokerage companies



**Ahmed Aqil Al-Khateeb**

Authorised brokerage companies



**Abdulrahman Yahya Al-Yahya**

Authorised brokerage companies



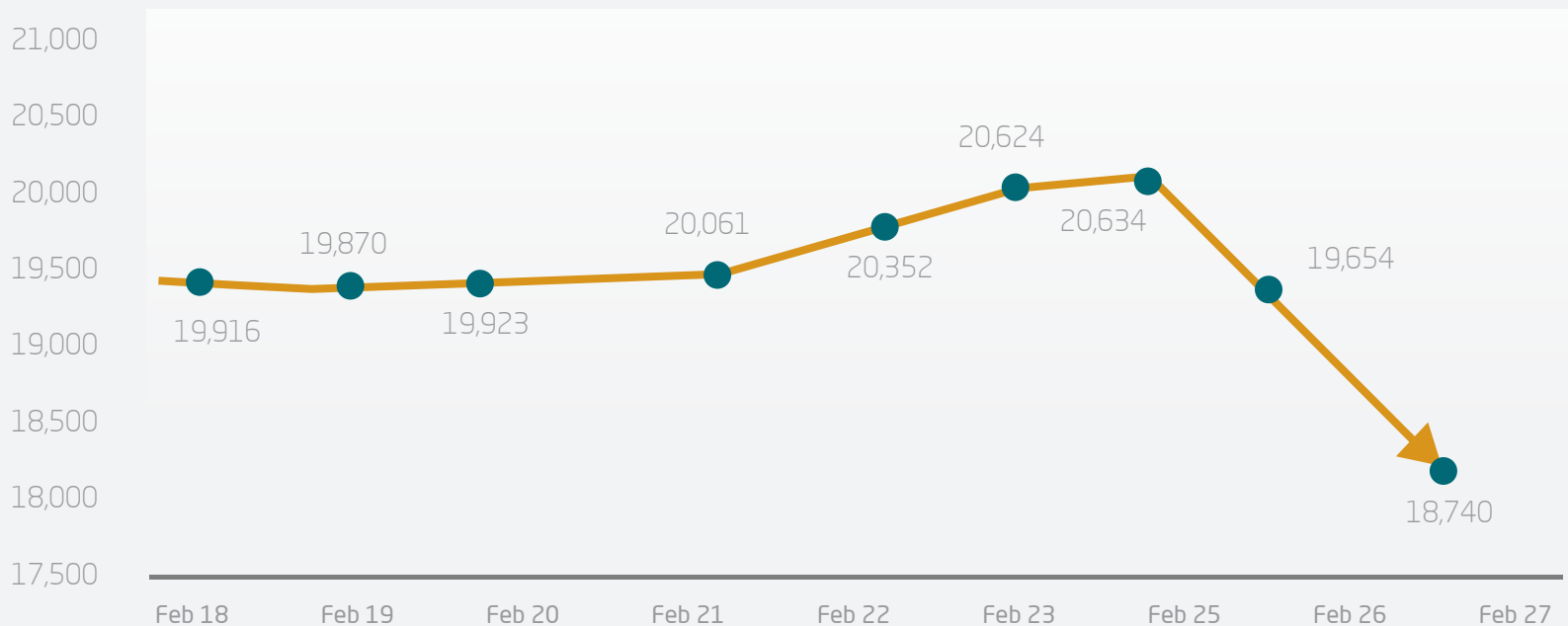
Tadawul's  
first board of  
directors



## (2) Stock Market Bubble of 2006

The Saudi stock market experienced a bubble in 2006, following the issuance of the Capital Market Law and the establishment of the CMA, and prior to the establishment of Tadawul. The NCFEI's base value, which was calculated as of 1985 at 1,000 points. In 1999, continued to steadily increase and reached 4,400 points in 2003, 8,000 points in 2004, and 16,600 points in 2005, resulting in a four-fold increase in just four years. Additionally, the market value of companies rose from SAR 255 billion in 2000 to SAR 2.42 trillion by the end of 2005, a ten-fold increase. In 2006, the index reached 18,820 points by the end of January. From the start of February, the index continued to rise until it peaked on February 25th at 20,634 points, the highest closing point in its history. However, on the following day, February 26th, the market experienced a sudden crash as the index dropped to 19,654 points, with all companies closing at sharp decreases.

### Stock Index, 18-27 February 2006



## Key factors that contributed to the stock market bubble of 2006

A rise in the number of financially inexperienced investors and the absence of institutional investors.

A rise in subscriptions, high participation from citizens, and an expansion of coverage for these subscriptions.

The rise in oil prices between 2000 and 2005 led to an increase in government spending, growth in GDP, and reduction in public debt.



The proliferation of Internet forums created a breeding ground for rumours, manipulation of stock prices, and false recommendations



A rise in subscriptions, high participation from citizens, and an expansion of coverage for these subscriptions.



Excess liquidity in Saudi banks and facilitating lending to individuals looking to invest in the stock market.



Return of national capital to the Kingdom after the September 11, 2001 events



Saudi stock market crash on 26 February 2006 \*

# Key procedures implemented by CMA during the stock market crisis of 2006

The prohibition of listed companies from trading in shares of other joint-stock companies unless their articles of association allowed it.

The decision to modify price units in the market to single denominations.

The Supreme Economic Council issues a statement on the sharp drop experienced in the market after a strong rise.

January 1, 2006

January 23, 2006

January 24, 2006

February 4, 2006

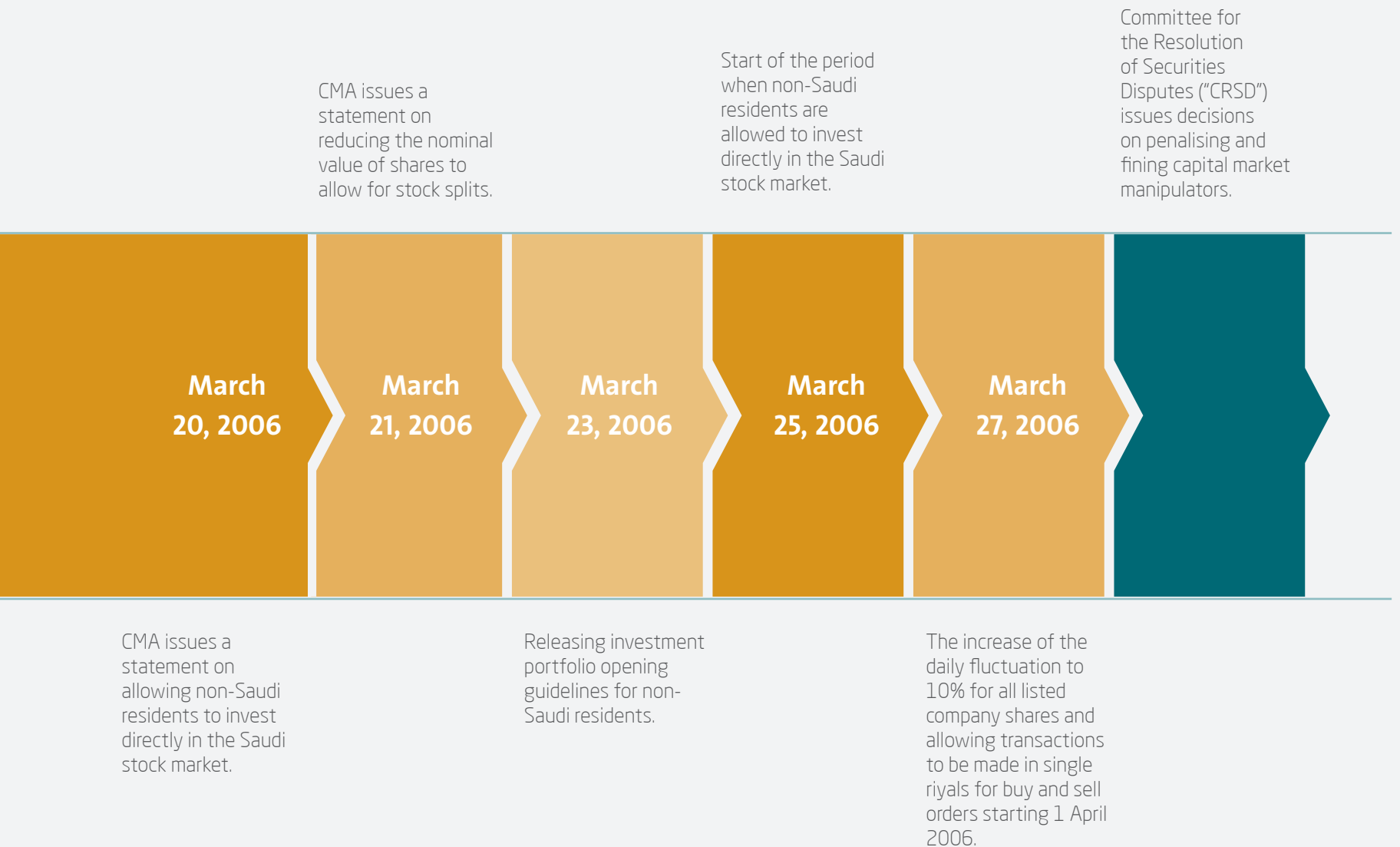
February 23, 2006

March 14, 2006

The enforcement of regulations governing consumer financing agreements provided by banks and related collateral agreements issued by SAMA.

CMA issues a decision to amend Articles 25 and 30 of the Listing Rules.

The reduction of the daily fluctuation rate of shares of listed companies from 10% to 5%.



### (3) Securities Business

Following the issuance of Royal Decree No. 1230/8 on 24th April 1983 stock trading was restricted to Saudi banks giving them had a monopoly over brokerage activities until after the establishment of the CMA. The issuance of shares by companies resulted in an unprecedented demand by subscribers. To accommodate this demand and in order to expand services, brokerage companies were licensed by the CMA.

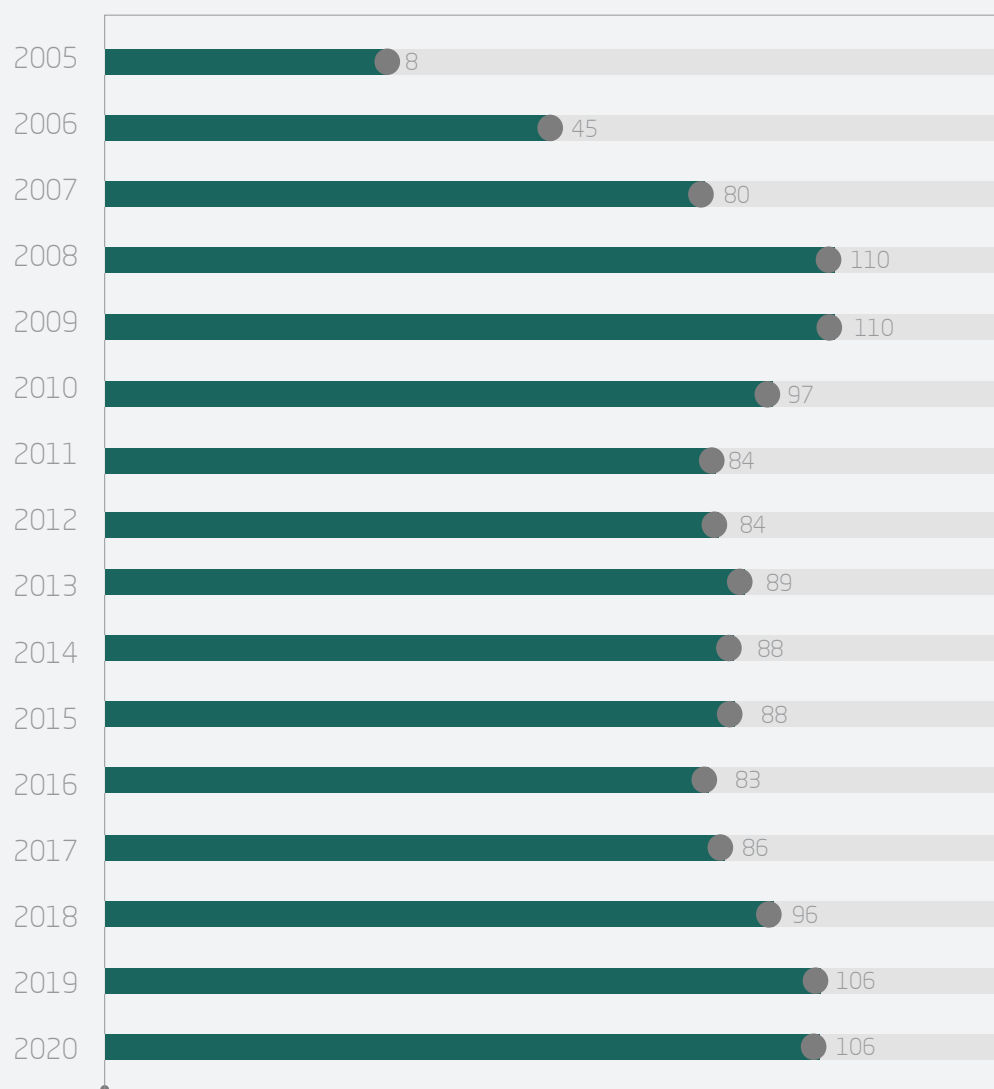


Banks witnessed a surge in subscription requests\*

\* Al Riyadh, 1st April 2012, Issue 15987

The CMA approved the Authorised Persons Regulations and Securities Business Regulations on 28th June 2005 to limit brokerage activities to persons authorised by the CMA, as per the Capital Market Law. This allowed local banks to continue conducting securities business for a maximum of two years, during which time they were required to establish a subsidiary and separate it from their commercial banking operations. The first authorisation was issued in October 2005, and 106 authorisations were granted by 2020.

### Evolution of the number of authorised persons (2005-2020)



## Deposit, Settlement, and Clearance

The deposit, settlement, and clearance operations evolved from the beginning of the second phase of the capital market history. The Saudi Shares Registration Company was founded in 1984 to handle share ownership transfers, registrations, settlements, and clearances. Subsequent to launch of the Tadawul Electronic System in 2001, the Depository Centre settled banks' TES transactions and performed daily interbank clearing. These tasks were later transferred to the Securities Depository Centre supervised by the CMA, as per the Capital Market Law. After the formation of Tadawul's Board in 2007, the management of the Depository Centre was transferred to Tadawul. The Securities Depository Centre was converted into a joint-stock company on 10th October 2015. On 2nd May 2018, Tadawul announced the establishment of the Securities Clearing Centre Company "Muqassa" as a joint-stock company which began operations on 30th August 2020.

### Deposit and clearance progress

1984

Establishment of the Saudi Shares Registration Company (SSRC) responsible for settlement, clearance, and trading

2001

Establishment of the Depository Centre to manage services for stock investors upon the launch of the Tadawul Electronic System (TES)

2004

Establishment of the Securities Depository Centre supervised by the CMA

## Securities Settlement

Prior to the establishment of the CMA, the settlement period for securities transactions was changed from three business days (T+3) to one business day (T+1) in January 1992. On 20th March 1994, the settlement period of ownership notices became T+0. On 23rd April 2017, the settlement period was once again changed to two business days (T+2) to meet the requirements for joining global market indices.



## Development of the Securities Settlement Process



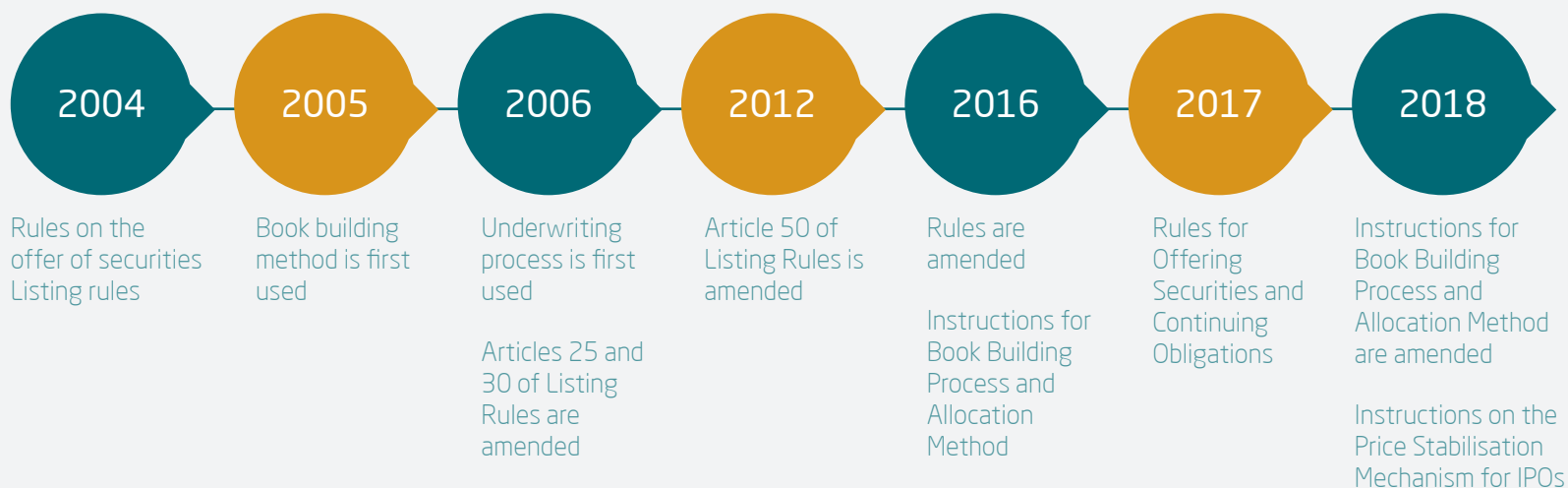


## (4) Companies and Investment Products

### Offering and Listing of Companies on the Main Market

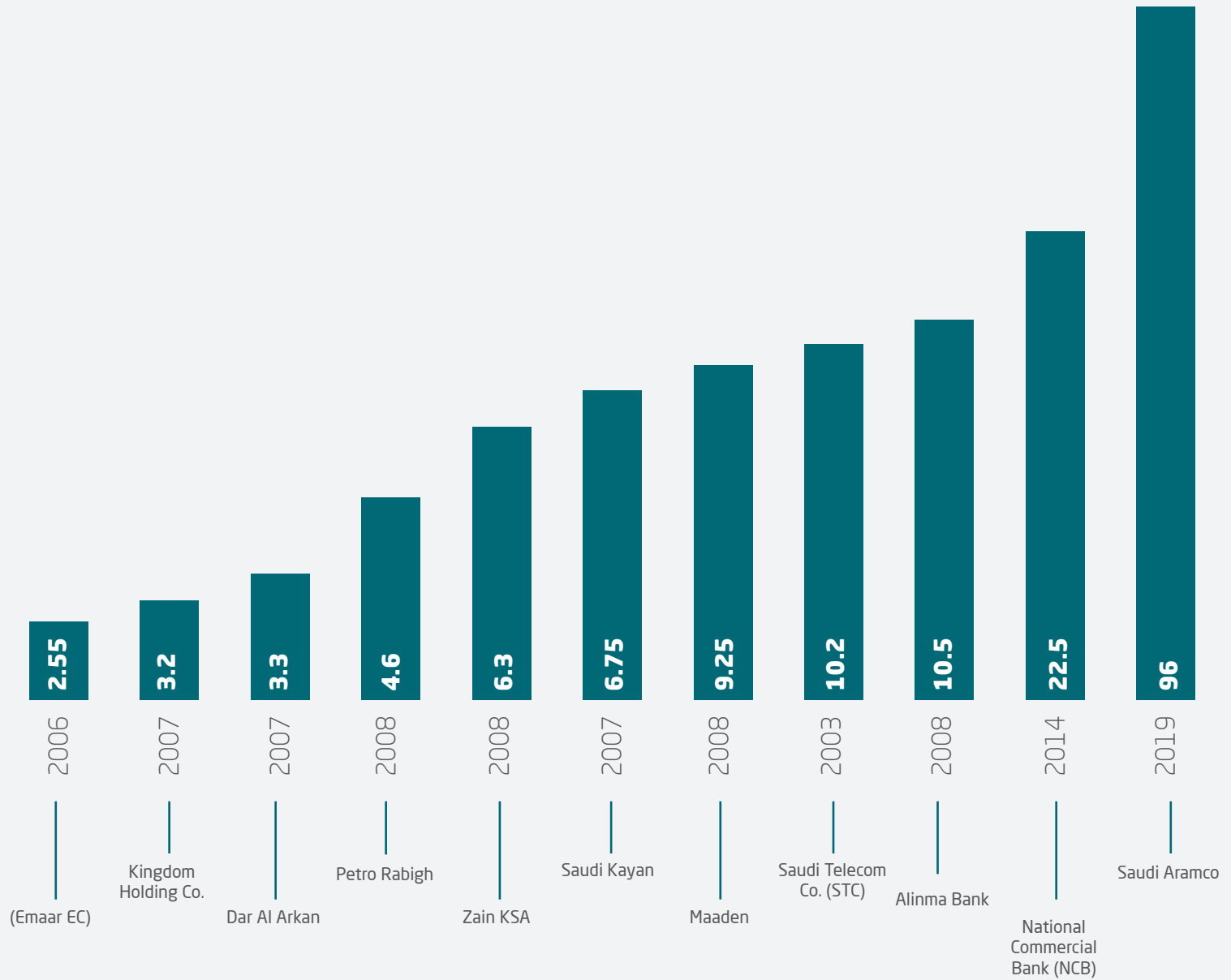
The Capital Market Law gave the CMA the power and responsibility to approve and regulate the offering and listing of securities including stocks. Joint-stock companies began to be offered and listed on the capital market according to the Rules on the Offer of Securities and Listing Rules issued on 4th October 2004. These regulations and rules were amended multiple times until the Rules for Offering Securities and Continuing Obligations and the Listing Rules were issued on 27th December 2017. The book-building method was first used in 2005 and the underwriting process in 2006. The instructions for book-building and allocation method were issued in August 2016 and updated in January 2018, and the instructions on the price stabilisation mechanism for IPOs were issued in August 2018. The capital market saw a significant increase in subscriptions and number of subscribers, leading to growth in the number of listed joint-stock companies from 73 in mid-2004 to 203 by the end of 2020 in 21 sectors on the main market.

#### Listing Rules progression



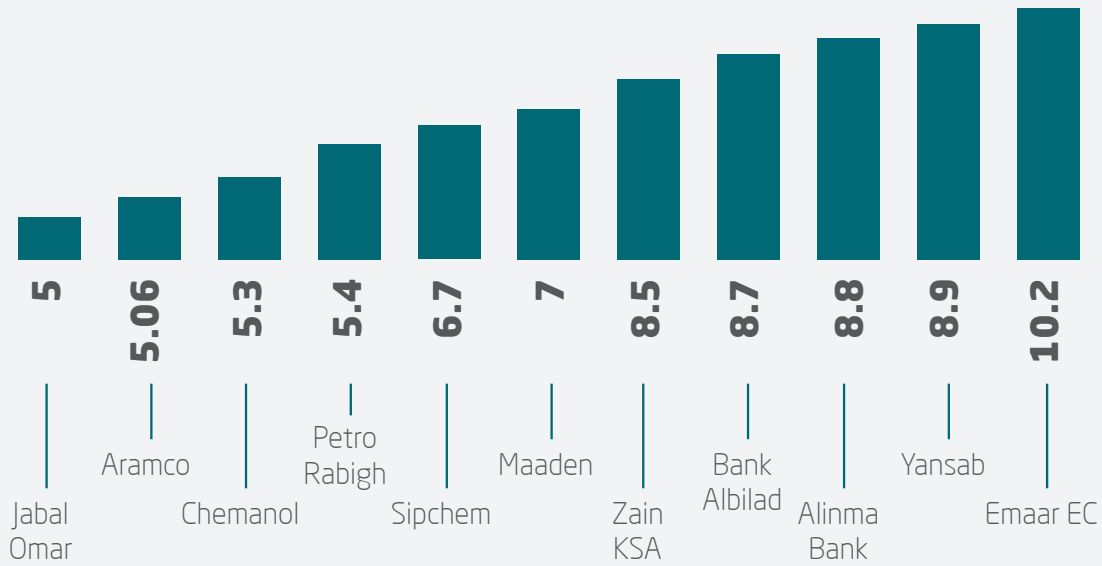
## Key IPOs in the Saudi market (2006-2020)

Regarding subscriptions surpassing SAR 2.5 billion

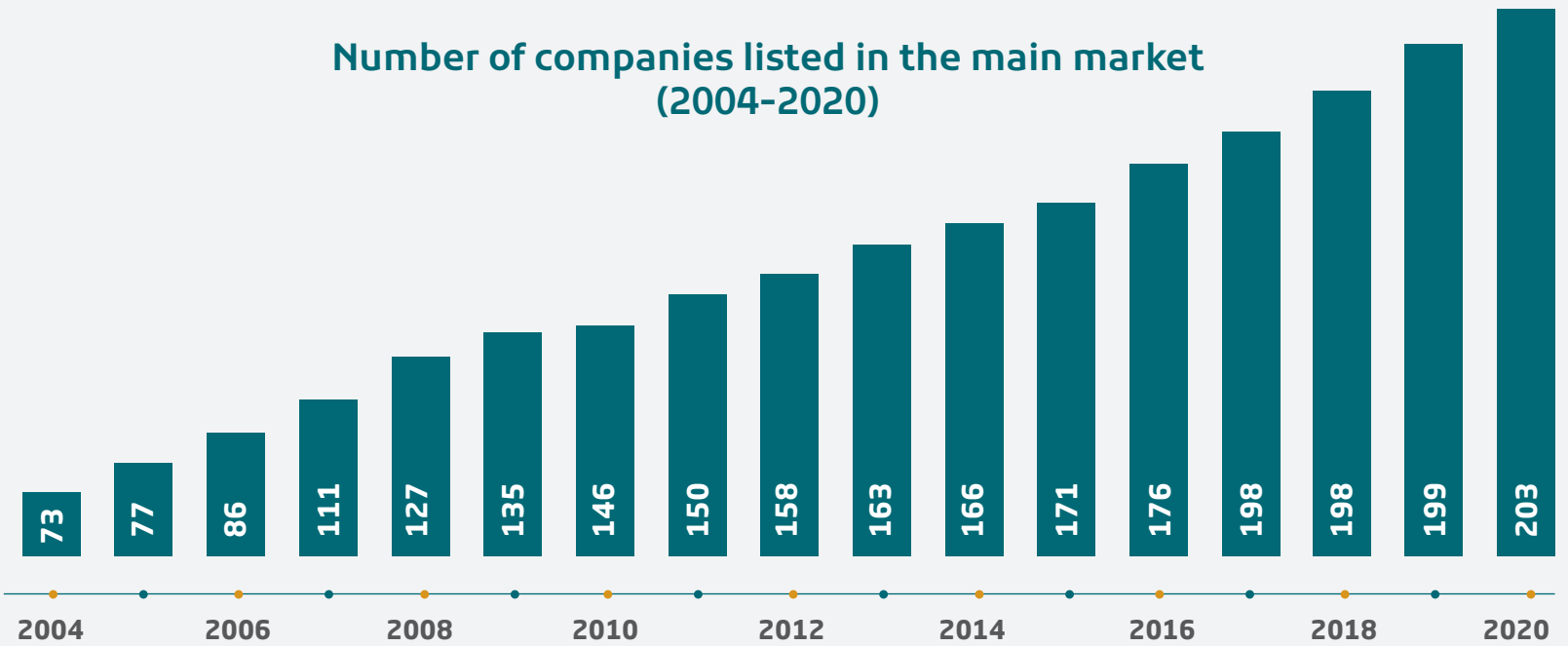


## Key IPOs in the Saudi market

In terms of number of subscribers (in millions)



## Number of companies listed in the main market (2004-2020)



## Offering and Listing of Companies on the Parallel Market

One of the objectives of Vision 2030 is to support entrepreneurship in Saudi Arabia and increase SME contribution to GDP from 20% to 35% and non-oil GDP from 33% to 35%. The Financial Leadership Programme adopted the creation of a parallel market to provide financing for SMEs and motivate them to improve governance and disclosure, which would increase opportunities for business growth and development. On 21st December 2016, parallel market listing rules were adopted and the Offer of Securities Regulations were amended to include provisions for share offerings on the parallel market. Trading of shares on NOMU, which was launched by Tadawul on 26th February 2017, is limited to qualified investors.



Launching the parallel market (NOMU)\*

\* Tadawul website

### The number of companies listed on NOMU (2017-2020)



## Regulating Joint-Stock Companies

The Companies Law remained in effect from its issuance in 1965. With the establishment of the CMA, tasks related to joint-stock companies listed on the capital market were transferred to the authority. Fifty years later, the Companies Law of 2015 was issued by Royal Decree No. (M/3) on 10th November 2015. The new Companies Law assigned regulatory, supervisory, and oversight responsibilities for companies listed on the Saudi Stock Exchange to the CMA, including regulating mergers if one of the parties is a listed company on the Saudi Stock Exchange

الجمعة ٢٢ صفر ١٤٣٧ هـ - ٤ ديسمبر ٢٠١٥ م  
السنة ٩٣ - العدد ٤٥٩٥

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أم القرى UM AL-QURA

93 القرارة وأنظمة

قرار رقم (٢٠) وتاريخ ١٠-٢٧-١٤٣٧ هـ

### الموافقة على نظام الشركات بالصيغة المرافقة

إلى مجلس الوزراء  
بعد الاطلاع على المعاملة الواردة من الديون الملكي برقم ١٦٤٧٣ ب/ وتاريخ ٧-٥-١٤٣٢ هـ.  
المنظمة على برفقية وزارة التجارة والصناعة رقم ٨٩٩ م/ وتاريخ ٢٤-١٢-١٤٢٧ هـ. في شأن مشروع نظام الشركات،  
وبعد الاطلاع على مشروع النظام المشار إليه.  
وبعد الاطلاع على نظام الشركات الصادر بالمرسوم الملكي رقم (م/٦) وتاريخ ٢٢-٣-١٣٨٥ هـ.  
وبعد الاطلاع على نظام السوق المالية الصادر بالمرسوم الملكي رقم (م/٣٠) وتاريخ ٢-٦-١٤٢١ هـ.  
وبعد الاطلاع على المحاضر رقم (٤٤٤) وتاريخ ١٩-١٠-١٤٢٩ هـ ورقم (٤٤٤) وتاريخ ١٨-١٢-١٤٢٩ هـ.  
ورقم (١٣١) وتاريخ ٥-٣-١٤٣٣ هـ ورقم (٢١) وتاريخ ٩-١٠-١٤٣٥ هـ ورقم (٢٠٨) وتاريخ ٩-١-١٤٣٦ هـ.  
ورقم (٨١) وتاريخ ٢٣-١-١٤٣٧ هـ. المعد في هيئة الخبراء بمجلس الوزراء.  
وبعد النظر في قرار مجلس الشورى رقم (١٠-١٣) وتاريخ ١٥-٤-١٤٣٢ هـ.  
وبعد الاطلاع على توصية اللجنة العامة لمجلس الوزراء رقم (١٧٢) وتاريخ ٢٦-١-١٤٣٧ هـ.

مرسوم ملكي م/ ٣/ وتاريخ ١٠-٢٨-١٤٣٧ هـ

بموجب ما يلي:  
أولاً: الموافقة على نظام الشركات بالصيغة المرافقة.  
ثانياً: عدم خضوع المستأجر الاستثمارية والمنشآت ذات الأغراض الخاصة - المنظمة وفقاً لنظام السوق المالية الصادر بالمرسوم الملكي رقم (م/٣٠) وتاريخ ٢-٦-١٤٢١ هـ، ووافقته - لأحكام نظام الشركات.  
ثالثاً: التأكد على أن الأحكام الواردة في نظام الشركات لا تخل باختصاص لجنة الفصل في منازعات الأوراق المالية. بالفصل في المنازعات التي تقع في نطاق هذه الأحكام والتي تدخل في اختصاص هيئة السوق المالية. والنظر في الدعاوي التي ترفع بناءً على تلك الأحكام والتنازل من القرارات والإجراءات الصادرة عن الهيئة تنفيذاً لها.

بعون الله تعالى  
سلمان بن عبد العزيز آل سعود  
ملك المملكة العربية السعودية  
بناءً على المادة (المبجج) من النظام الأساسي للحكم - الصادر بالأمر الملكي رقم (أ/٩٠) بتاريخ ٢٧-٨-١٤١٢ هـ.  
وبناءً على المادة (المبجج) من نظام مجلس الوزراء - الصادر بالأمر الملكي رقم (أ/١٣) بتاريخ ٣-٣-١٤١٤ هـ.  
وبناءً على المادة (الثامنة عشرة) من نظام مجلس الشورى - الصادر بالأمر الملكي رقم (أ/٩١) بتاريخ ٢٧-٨-١٤١٤ هـ.  
وبعد الاطلاع على قرار مجلس الشورى رقم (١٣-١٠) بتاريخ ١٥-٤-١٤٣٢ هـ.  
وبعد الاطلاع على قرار مجلس الوزراء رقم (٣٠) بتاريخ ٢٧-١٠-١٤٣٧ هـ.

رئيس مجلس الوزراء  
سلمان بن عبد العزيز آل سعود

قرارات مجلس الوزراء

Council of Ministers' approval of the Companies Law in 2015\*

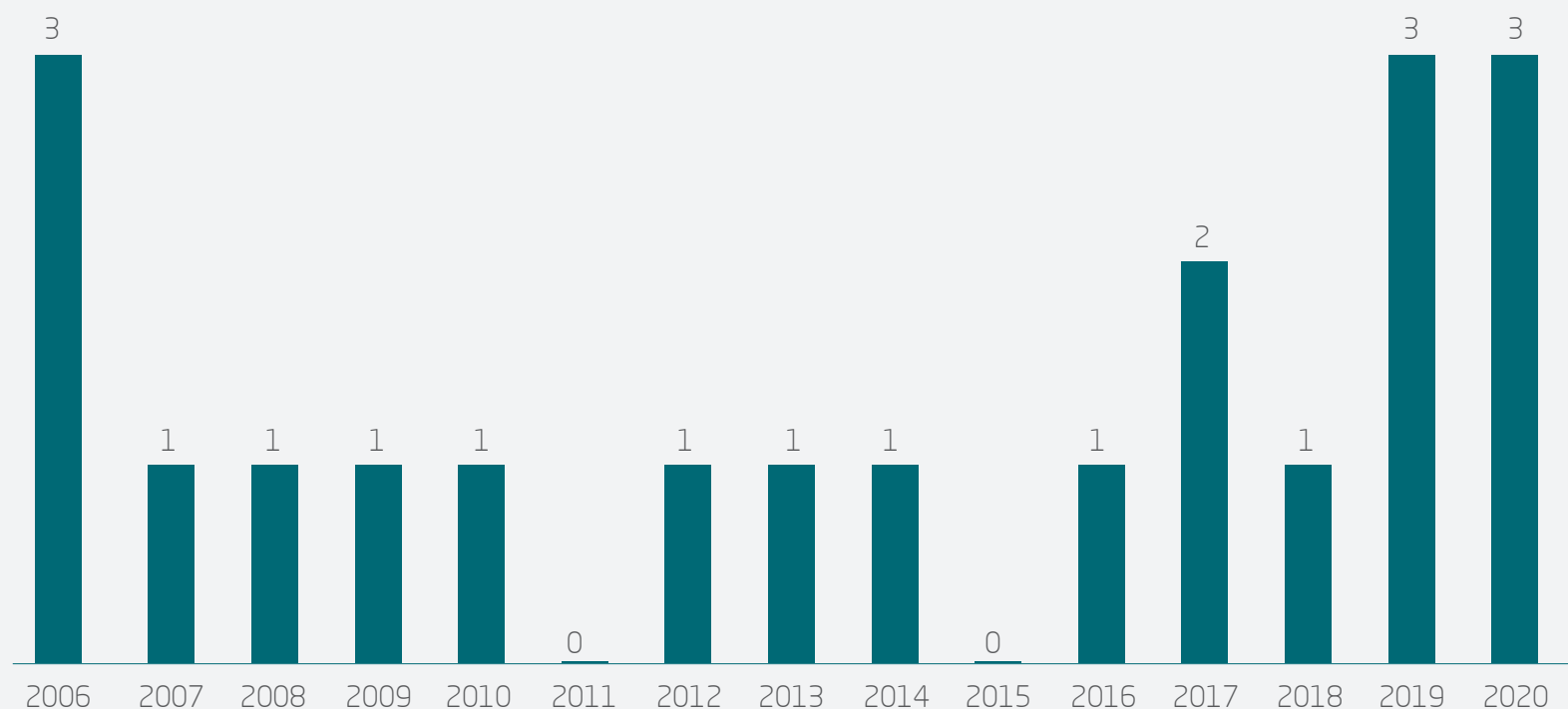
\*Um Al-Qura, Issue 4595, 4th December 2015

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## Regulating Mergers and Acquisitions

Chapter 9 of the Capital Market Law requires the approval of the CMA's Board for merger and acquisition transactions related to listed companies. On 3rd October 2007, the CMA's Board adopted the Merger and Acquisition Regulations, which outlined the rules and procedures related to acquisition offers and announcements, including restrictions on dealings and disclosure requirements, the rules for mandatory and optional offers, the method of payment, compliance with Competition Law, the contents and requirements of the offer document and the acquisition of related parties. CMA's Board updated the Merger and Acquisition Regulations on 15th October 2017, and certain provisions were modified on 23rd April 2018.

### The number of merger and acquisition requests between 2006 and 2020



## Diversified Investment Products

In the first phase of its history, stocks were the sole investment option in the Saudi capital market. In the second phase, investment funds were introduced alongside stocks. The Capital Market Law gave the CMA the authority to approve other market securities, such as debt instruments and investment units issued by investment funds. The third phase focused on expanding investment options and providing new financing channels through the diversification of financial products.

## Stocks

Starting in the early 2000s, an increasing number of citizens became interested in the stock market, with the offering of the Saudi Telecom Company (STC) shares in 2003 being a major factor. Electronic trading also contributed to the increase in traders. Following the establishment of the CMA, shares of large companies were offered such as Etihad Etisalat (Mobily) in 2004 and Bank Albilad in 2005, attracting more investors to subscribe for, and trade shares. On 10th December 2007, the CMA's Board approved a new market sector classification and index calculation methodology, which came into effect on 5th April 2008, resulting in an increase in the number of sectors from 8 to 15.





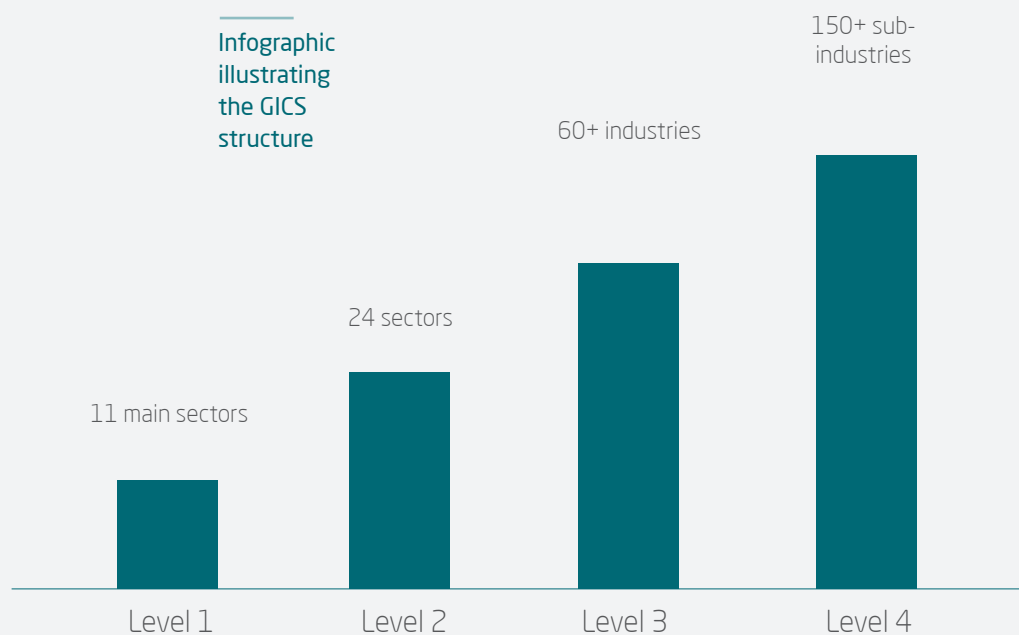
## TASI

The TASI calculation used outstanding shares until 5th April 2008 when a new methodology was applied based on free-float shares. The free-float index calculation methodology includes securities available for trading on Tadawul and excludes non-free float shares from all of Tadawul's indices calculations<sup>1</sup>.

**Index = (Today's total free-float market capitalisation / previous day total free-float market capitalisation) x index value of the previous day.**

\*\*In 2017, market sectors were re-classified using the Global Industry Classification Standard (GICS), a widely recognised worldwide standard for industry classification.

\*\*The GICS structure has four levels of detail, as illustrated in the following infographic:

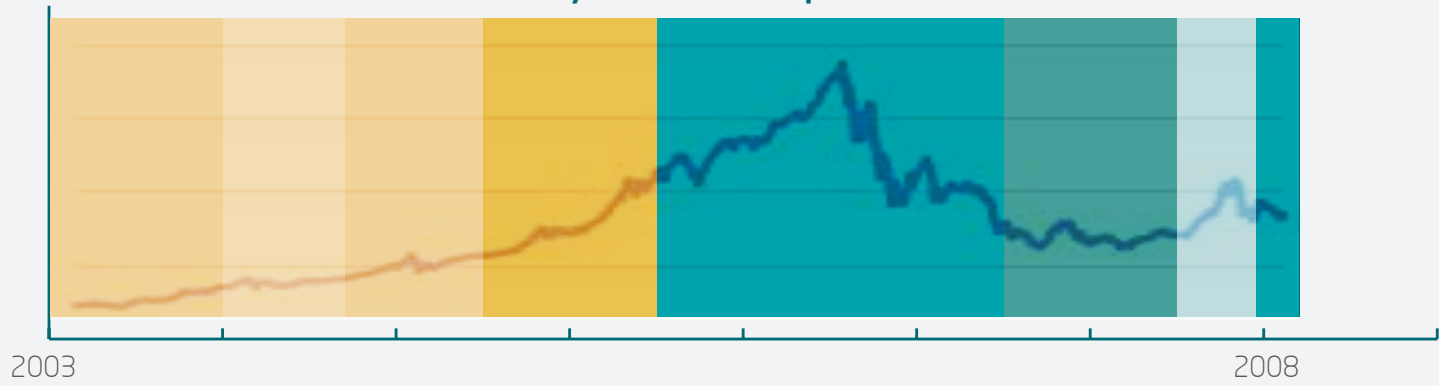


The TASI calculation methodology underwent a significant change on 5th October 2008, shifting from a daily total market value basis to one based on free-float shares. This transition occurred after a period of 14 years, commencing from 26th January 1994<sup>2</sup>.

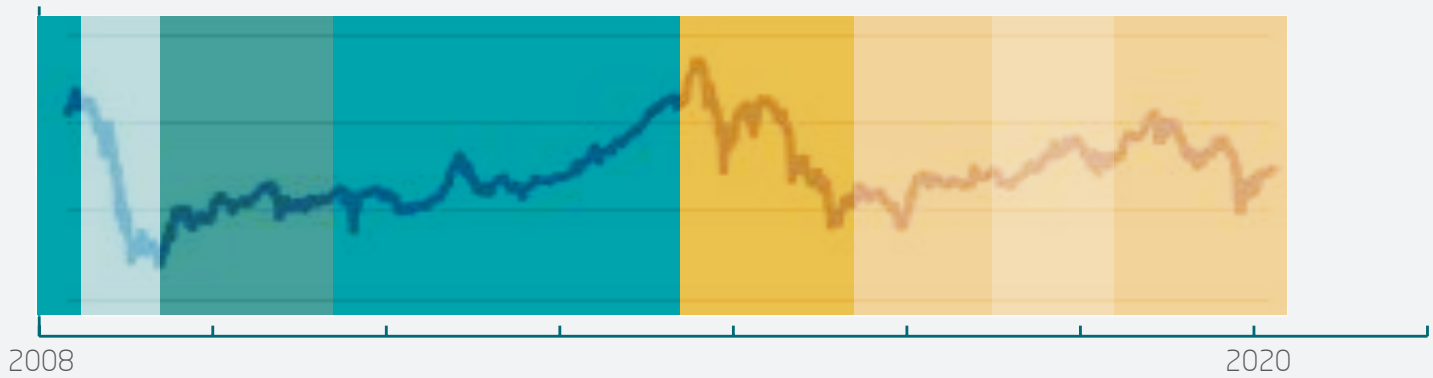
<sup>1</sup> The non-free-float includes shares of a listed company in which a government entity has a 5% ownership, restricted shares (shares that are not allowed to be traded during a period), shares acquired through buy-back by a listed company, shares owned by members of the Board of Directors, and shares representing controlling ownership (30% or more).

<sup>2</sup> Free-float shares are shares available for trading.

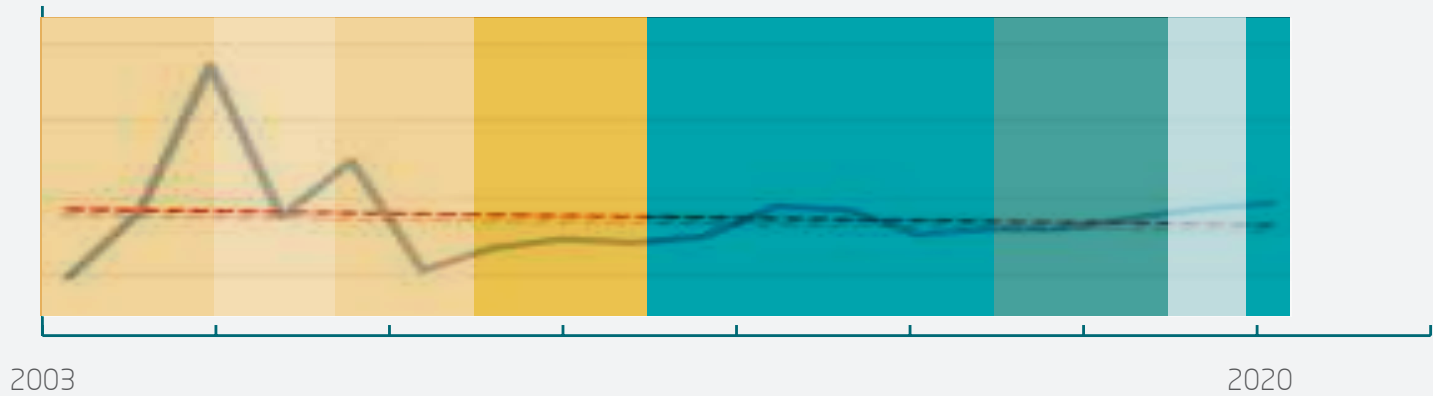
Daily evolution of Tadawul index for all issued shares based on the total market value from 1st January 2003 to 2nd April 2008



Daily evolution of Tadawul index for all issued shares based on the total market value from 5th April 2008 to 5th April 2020



General Stock Price Index (2003-2020)



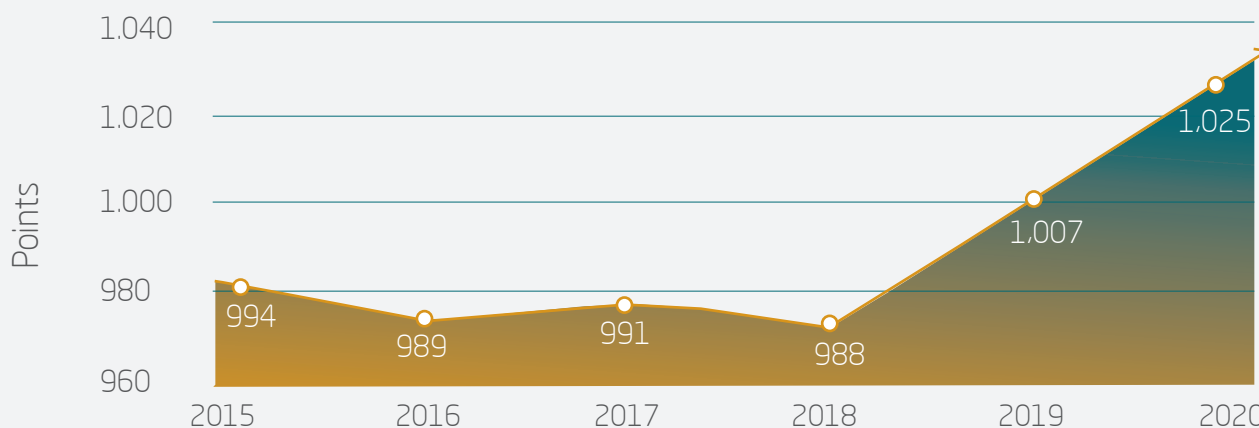
## Sukuk and Bonds

The issuance of sukuk and bonds in the Saudi stock market started in 2006, when Saudi Basic Industries Sukuk and bonds were introduced to the capital market in 2006. In the same year, SABIC issued and offered sukuk with a value of SAR 3 billion, following the CMA's approval of the offering on 3rd July 2006. Sukuk were in registered form in denominations of SAR 50,000 at a rate of 10 sukuk per subscriber and could be held in holdings of at least SAR 500,000. The offering was limited to Saudi institutional investors and proved to be very popular. The final allocation was 49% to investment funds and pension funds, 36% to Saudi banks, and 15% to investment companies and authorities. A total of 13 issuances of sukuk and bonds were offered by the end of 2015, with a value of SAR 57.34 billion.

## Sukuk and Bonds Market

On 6 June 2009, the CMA's Board approved establishing the new sukuk and bonds market, which featured various automated services, including listing sukuk and bonds, sending orders, executing transactions, settlement, publishing price data, and custody and registration. The market officially began on 13th June 2009. In June 2011, Tadawul launched the Sukuk/Bonds Market Index, which included all listed sukuk and bonds in the market and was published on the Tadawul website. This price index did not include returns. Moreover, it had a base date of 11th June 2011, and a base value of 1,000 points. Since the market's inception, private placement of sukuk and bonds has been issued alongside public offerings.

**Evolution of the Sukuk and Bonds Market (2015-2020)**



## Sukuk and Bonds

The CMA approved the listing and trading of government debt instruments on Tadawul in April 2018 to increase liquidity in the secondary market. The reliability, trustworthiness, security, and steady returns of these government debt instruments make them an attractive choice for investors. All investors can trade in government debt instruments issued by the Kingdom during their trading window.

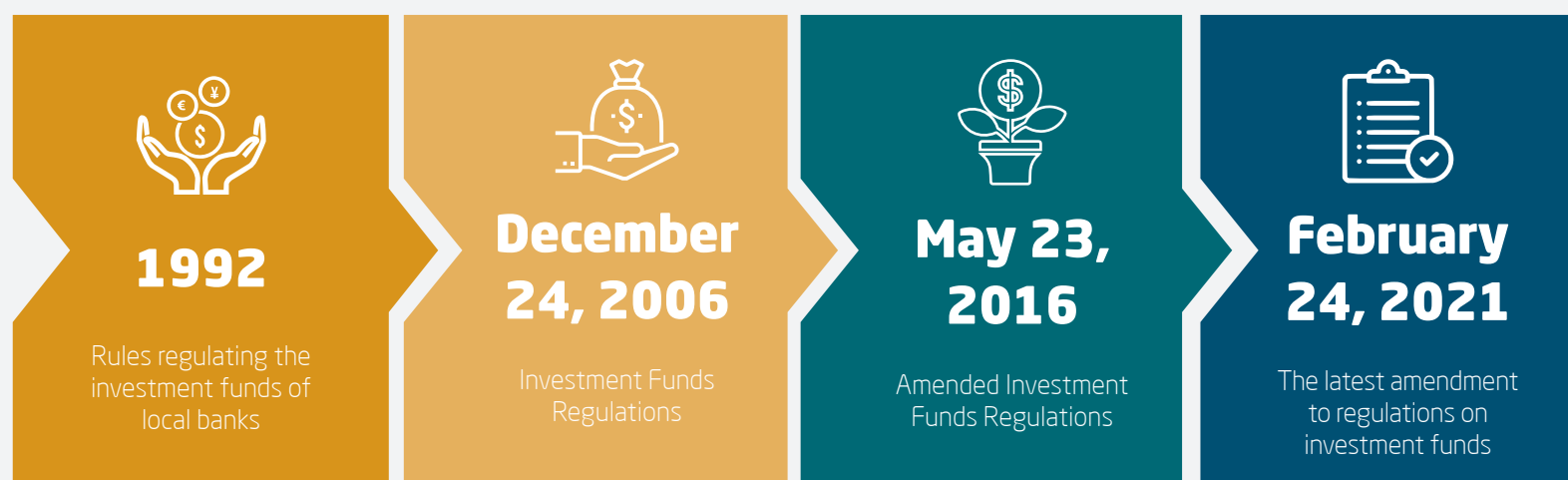


Government debt instruments listing on the Saudi capital market in 2018\*

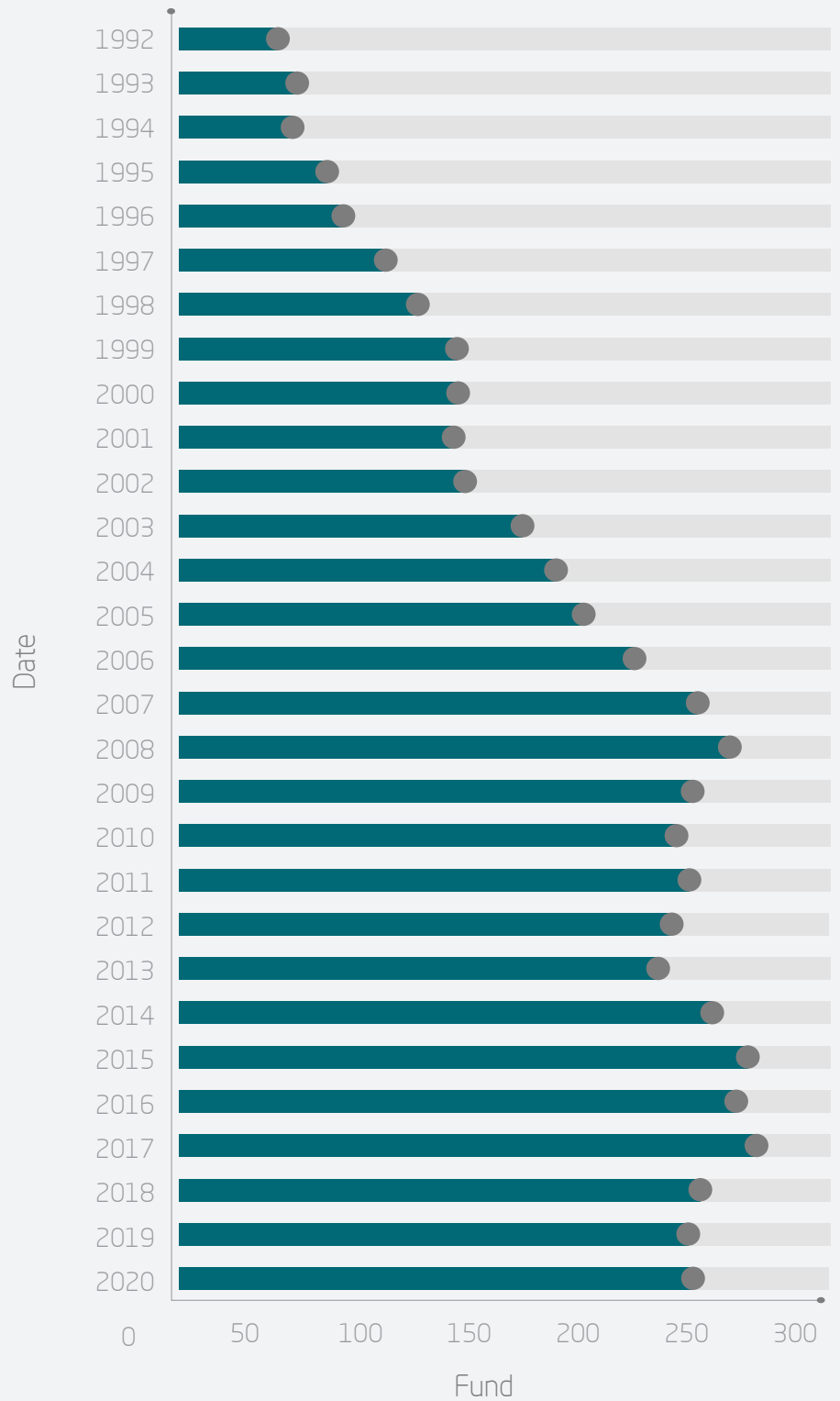
\*Tadawul website

## Investment Funds

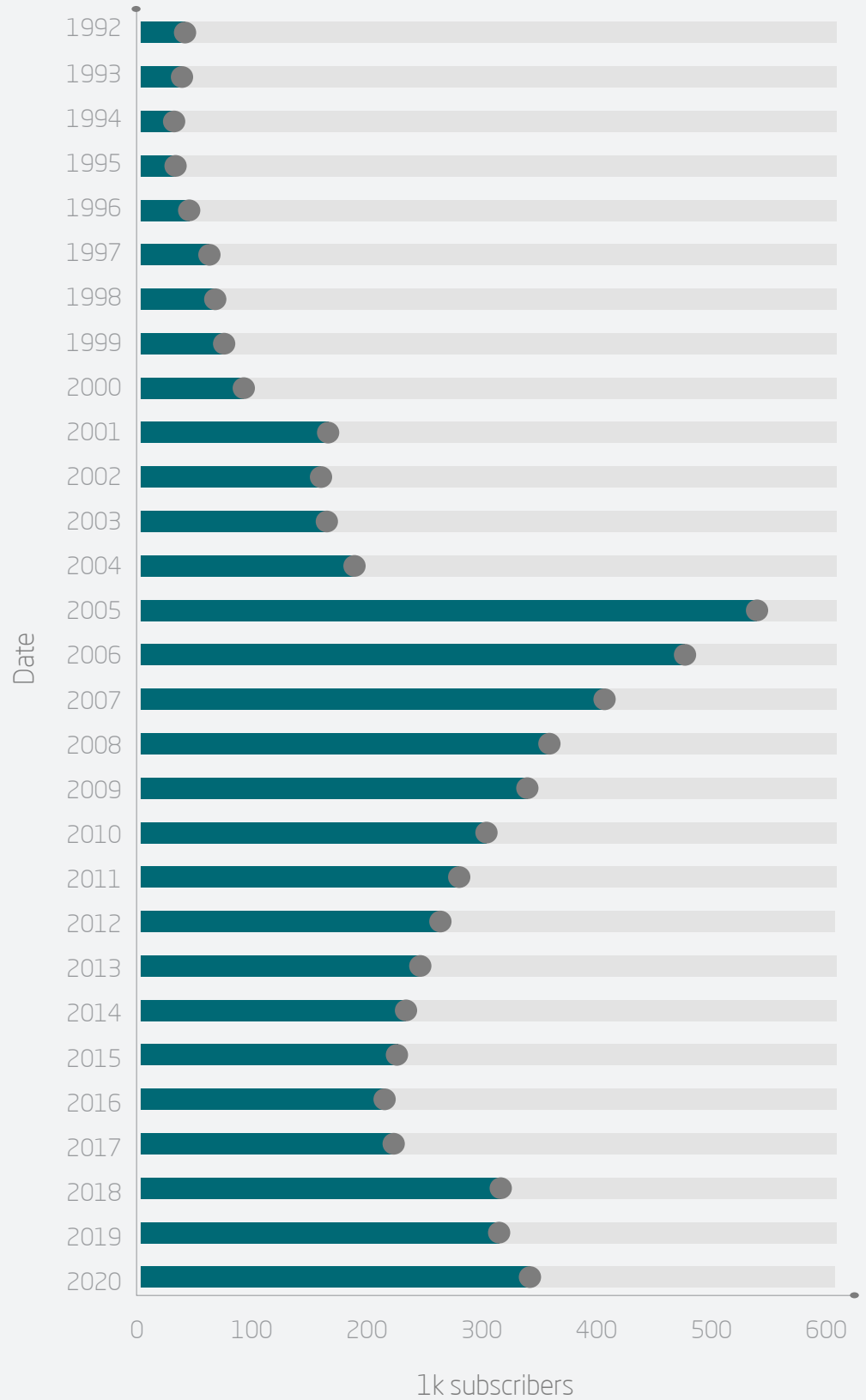
The local stock investment funds date back to 1992 when the Minister of Finance and National Economy approved their creation through commercial banks under SAMA's supervision. Chapter 6 of the Capital Market Law provides for the regulation and supervision of investment funds and collective investment schemes. The CMA introduced the Investment Funds Regulations on 24th December 2006, which outlined all provisions related to authorising the establishment and offering of investment funds. On 23rd May 2016, ten years after initial issuance, the regulations were amended. The most recent amendment occurred on 24th February 2021.



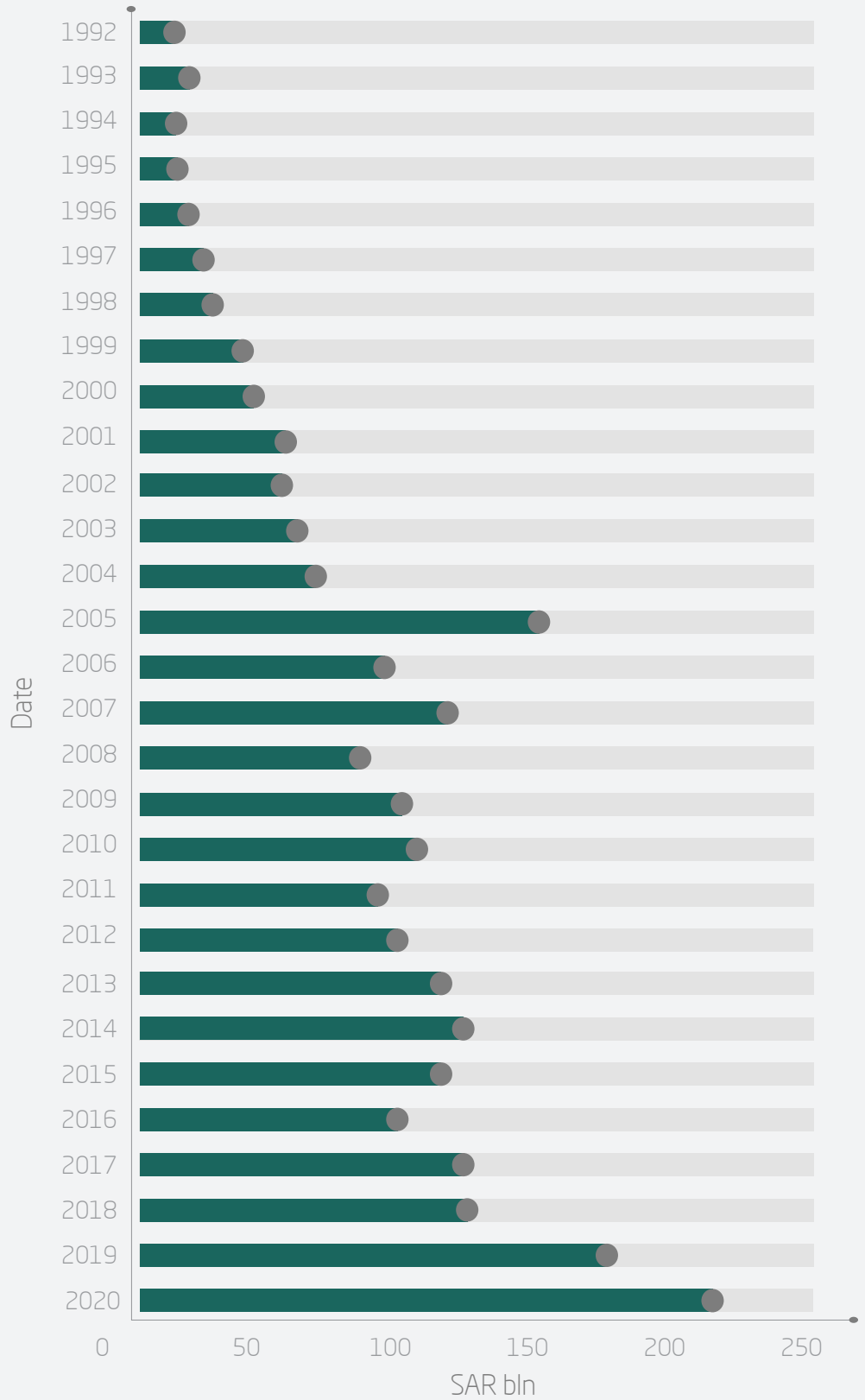
Number of public investment funds from 1992-2020



Total number of participants in public investment funds in thousands from 1992-2020



Total assets in public investment funds in SAR billion from 1992-2020

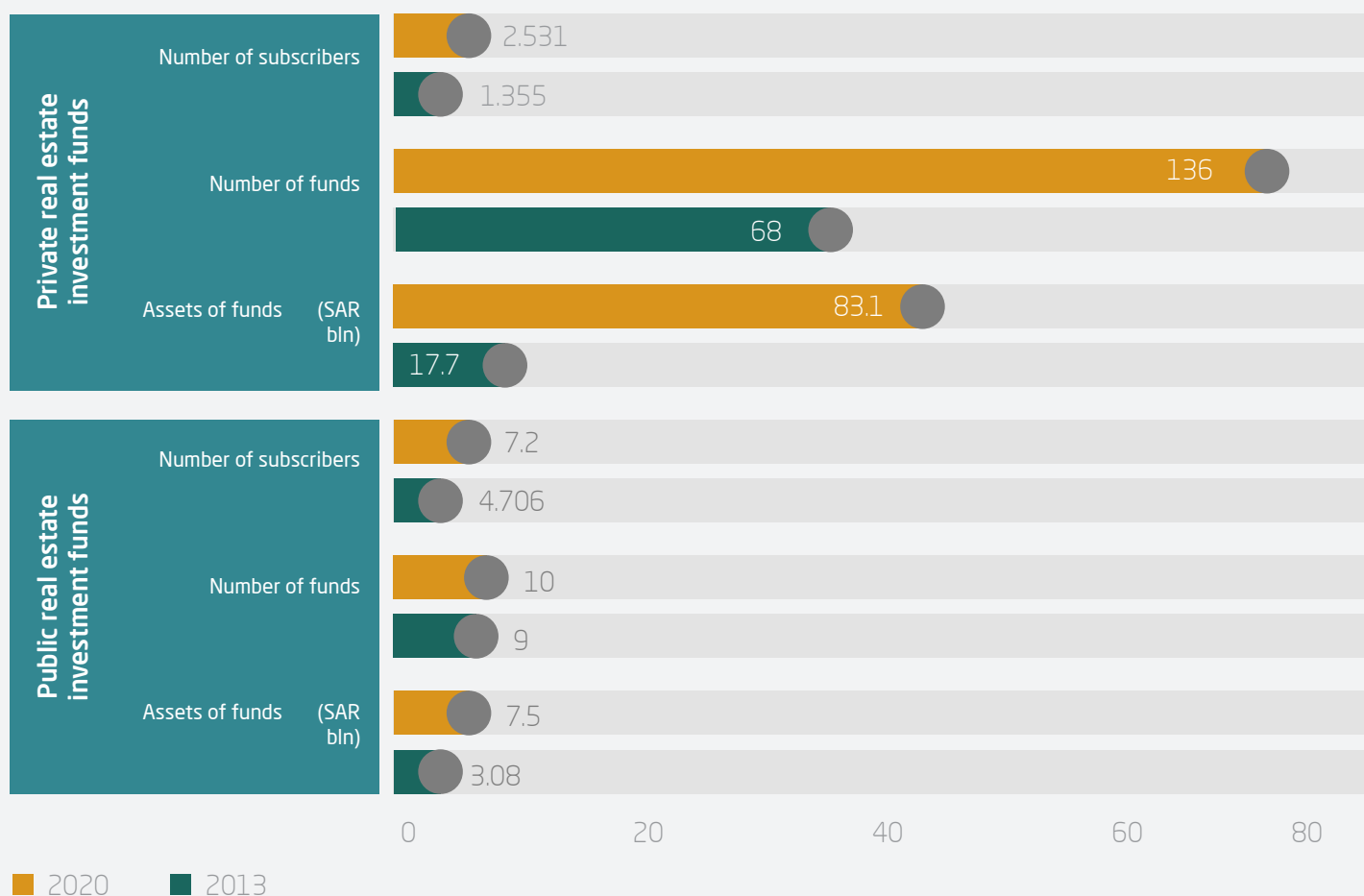




## Real Estate Investment Funds

The proliferation of real estate contributions in Saudi Arabia led the Ministry of Commerce and Industry to issue a decision on 24th January 2004 that set controls for real estate contributions. This decision defined the mechanism for real estate contributions and the conditions that must be met before a licence is granted to establish new real estate contributions. On 15th July 2006, during the third phase of the capital market's history, the CMA adopted the Real Estate Investment Funds Regulations that replaced the previous regulations and effectively ended the practice of real estate contributions, allowing them to only be made through investment funds. Real estate funds in the Saudi capital market are divided into public and private funds. The Real Estate Investment Funds Regulations were amended on 24th February 2021.

### Real estate investment funds (2013-2020)



## Real Estate Investment Traded Funds (REITs)

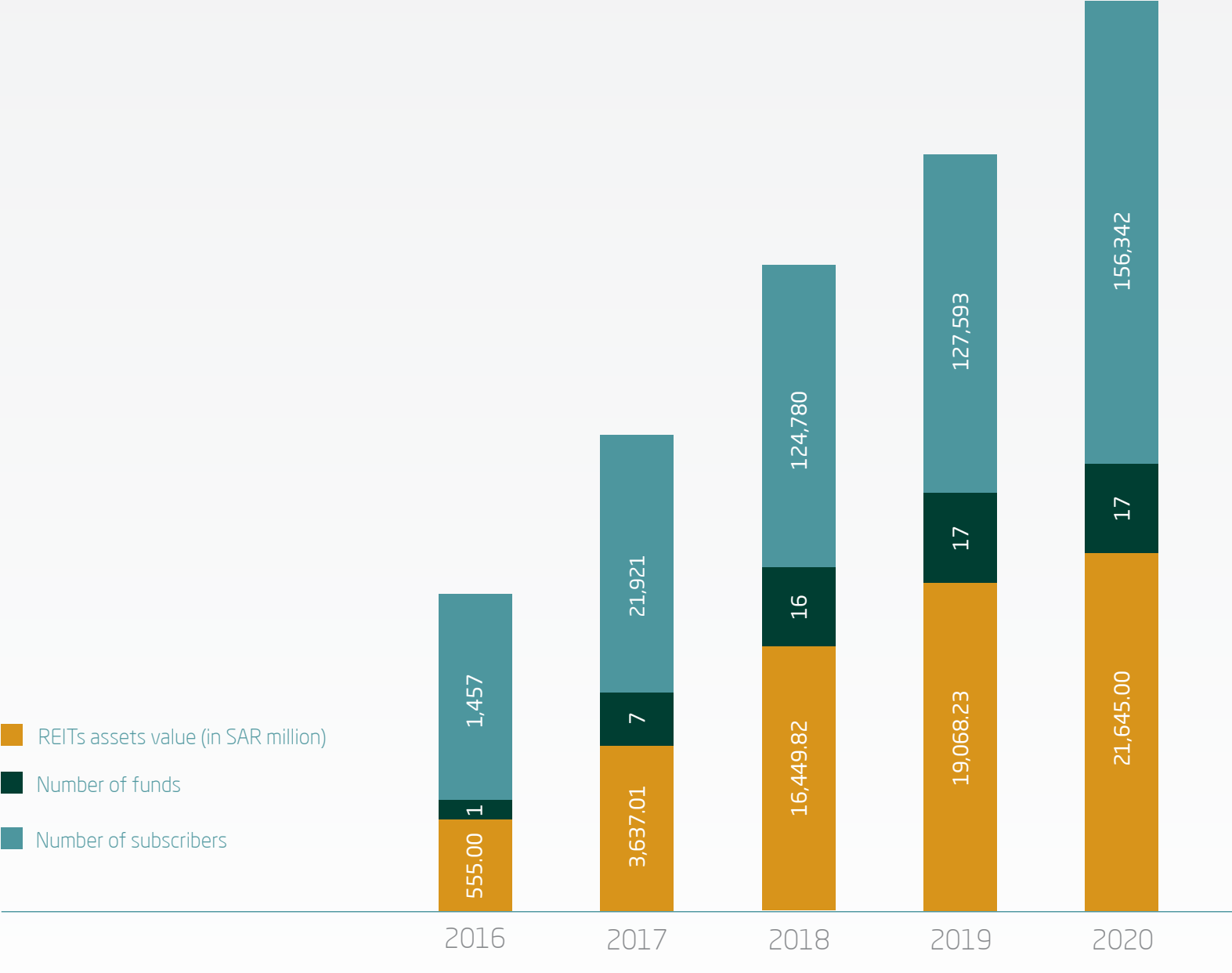
REITs, or Real Estate Investment Trusts, are funds that specialise in investing in income-generating developed real estate developments. The CMA's Board adopted the Real Estate Investment Traded Funds instructions on 24th October 2016 and amended them on 22nd October 2018. The first REIT was launched on 8th November 2016.



First REIT listing ceremony\*

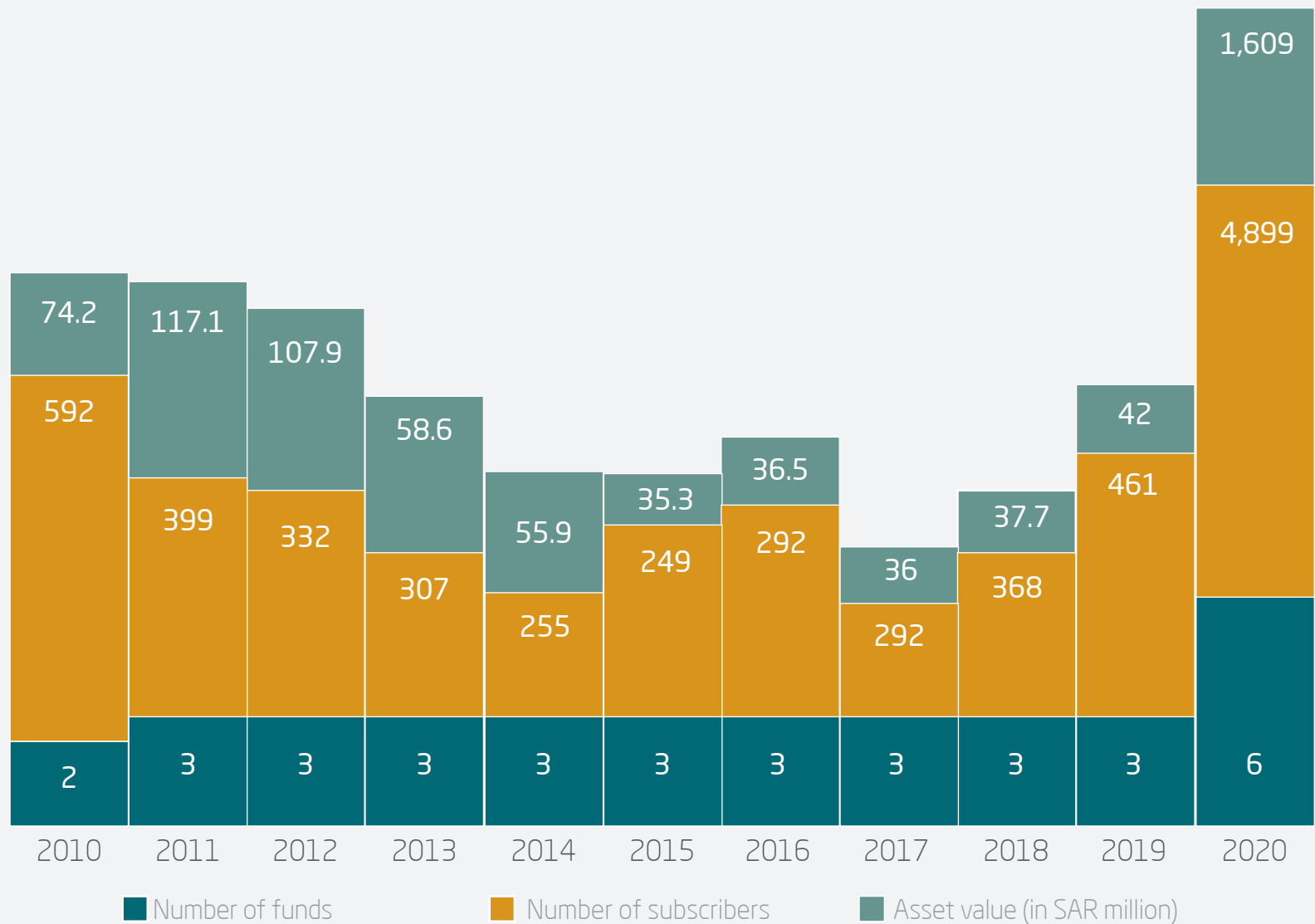
\*Tadawul website

### REITs evolution (2016-2020)



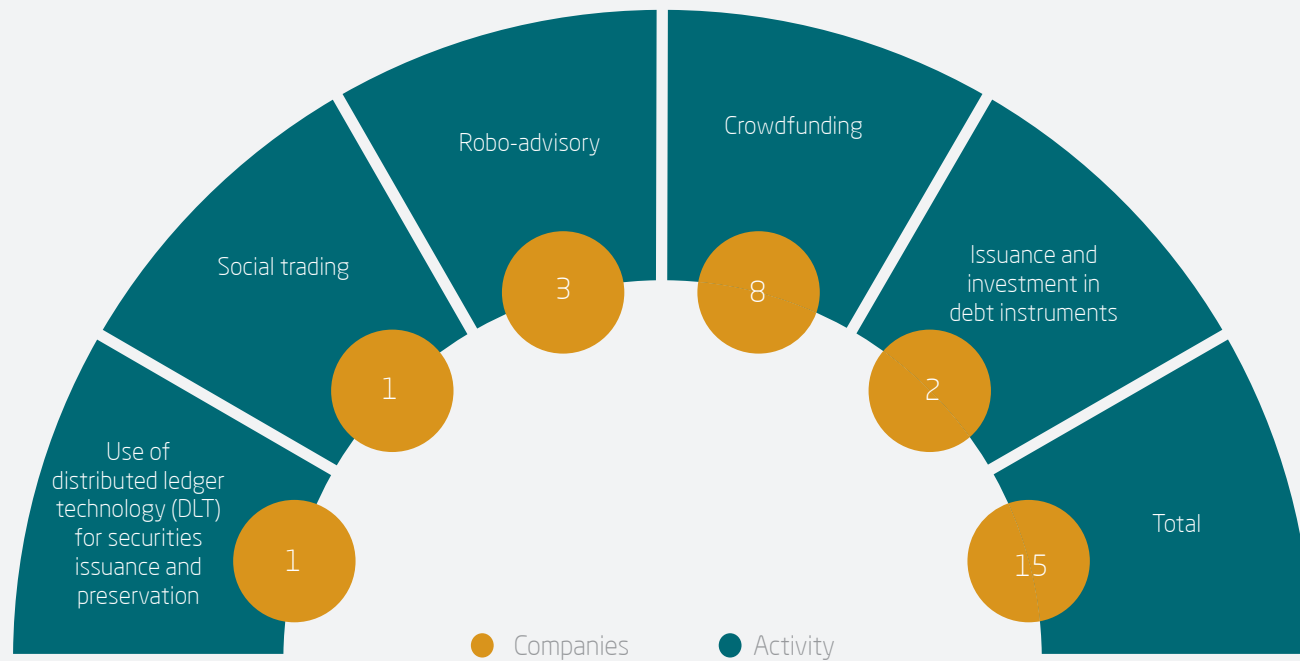
## Exchange Traded Funds (ETFs)

ETFs, or Exchange Traded Funds, are baskets of securities that track an underlying index and can be traded at any time during trading sessions. ETFs were regulated under the Investment Funds Regulations issued in 2006, with amendments in 2016 and 2021. They are open to all types of investors in the Saudi capital market, regardless of category, segment, or nationality. The first ETF was launched in March 2010.



## FinTech Lab

FinTech refers to modern technology used to improve financial products and services. The CMA approved the Financial Technology Experimental Permit Instructions on 10th January 2018 to regulate the provision of FinTech products and services in the capital market and support FinTech projects. In February 2018, the CMA began accepting applications for the first batch of permits to experiment with FinTech. By the end of 2020, 15 companies had received permission to experiment with FinTech in securities business, offering a variety of services such as collective ownership financing, automated advisor services, and the use of distributed ledger technology (DLT) for securities issuance and preservation, as well as offering and investing in debt instruments, and collective trading.



## Derivatives Market

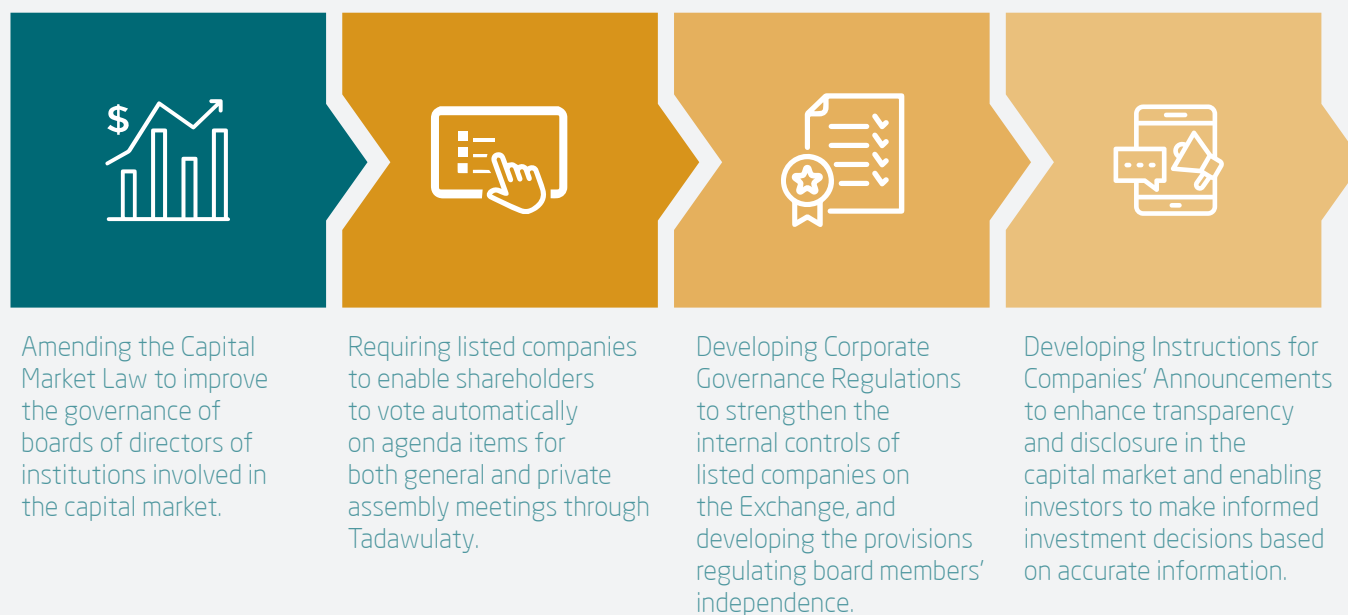
The MSCI Tadawul 30 (MT30) Index is a collaboration between Tadawul and MSCI, a global provider of index services. It was created to serve as the basis for financial products such as derivatives. The MT30 Index targets the top 30 securities of the MSCI Saudi Arabia IMI Index based on free-float market capitalisation. The maximum security weight is capped at 15%. Tadawul introduced the Saudi Futures 30 (SF30) Index Futures Contract based on the MT30 on 30th August 2020, marking the launch of the Kingdom's first exchange-traded derivatives market.

## (5) Disclosure and Governance in the Capital Market

On November 12, 2006, the CMA's Board issued Corporate Governance Regulations to protect shareholders and stakeholders' rights and promote fairness, competitiveness, and transparency in the market and business environment. These regulations were subsequently amended and on 13th February 2017. Further amendments were made in April 2018 and May 2019.

In an effort to further enhance transparency and disclosure, the Capital Market Law granted the CMA powers to regulate and monitor the full disclosure of issuer securities related information and authority to identify the type of information to be disclosed to the public by market participants. The CMA was also given the right to establish standards and conditions required by the auditors who audit the books and records of Exchange, brokerage companies, investment funds, and joint stock companies listed on the Exchange. The CMA issued Listing Rules in 2004 and obliged listed companies to prepare their financial statements and have them audited by independent chartered accountants certified by the Saudi Organisation for Certified Public Accountants. The implementation of International Financial Reporting Standards (IFRS) was to be reflected in the financial statements of listed companies starting 1st January 2017. On 20th December 2018, the CMA's Board adopted the Rules for Registering Auditors of Entities Subject to the Authority's Supervision.

### Key efforts to improve governance in the Saudi capital market



## Electronic Disclosure System (Ifsah)

In 2013, Tadawul launched Ifsah, the pilot version of its disclosure system that enabled listed companies to prepare, present, and display announcements and financial statements in an interactive manner on Tadawul's website. Ifsah was officially launched on 8th June 2013. Tadawul further improved the system in 2016.

## Proxy Voting

To further enhance governance and transparency, the Saudi Stock Exchange allowed proxy voting in general assemblies. This allows shareholders to express their views on the performance of companies in which they hold shares and future decisions without being physically present. The service is available at no cost for listed companies, REITs, and closed-ended investment traded funds. Proxy voting has been in place for general assembly meetings of listed companies since 2010.



Starting the implementation of proxy voting in general assembly meetings for listed companies\*

\*Asharq Al-Awsat, 16th September 2009, Issue 11250

## (6) Technological Advancement in the Capital Market

The Electronic Securities Information System (ESIS) was first implemented in 1990, the first generation of automated market systems. The second generation the Tadawul Electronic System (TES) was launched in 2001. Following the establishment of the CMA, interest in the stock market grew, leading to the expansion and diversification of financial products, the capital market progressed to the third and fourth generations of technical developments, namely the SAXESS and X-STREAM INET systems.

### SAXESS

Tadawul, in partnership with the Swedish company OMX, successfully launched SAXESS on 20th October 2007. This new system expanded market services, processed increased volumes, the listing of new products, and connectivity with other markets. It also allowed for the simultaneous operation of multiple markets and the addition of new market indices.



Tadawul  
launched  
SAXESS system  
in 2007

### X-STREAM INET

Tadawul partnered with NASDAQ OMX in 2013 to upgrade its trading systems. The new system, called X-Stream INET, replaced SAXESS and was launched on 13th September 2015 to accommodate the growing number of investors and expand the services offered by Tadawul.

\*Tadawul magazine, Q3 2007, Issue 22



## Development of Clearance and Settlement Systems

In February 2018, Tadawul and Nasdaq entered into an agreement to build the technological infrastructure for clearance and settlement systems. The project was divided into Phase 1, where infrastructure for clearance and settlement systems for the money market was developed by H2 2019, and Phase 2, where infrastructure for clearance and settlement systems for the derivatives market was completed by H2 2020.

## Electronic Trading

Online trading began in 2002 with a few banks offering electronic trading services. After the establishment of the CMA, more banks began providing these services through their websites and mobile apps. Additionally, brokerage firms began offering these services.



Trading hall in a bank offering electronic trading services in 2006\*

## (7) Opening the Market to Foreign Investment

### Foreign Residents

The Saudi capital market saw continued growth in foreign investment. After the sharp decline in the stock market in February 2006, the Supreme Economic Council convened in March 2006 under the chairmanship of the late King Abdullah Bin Abdulaziz Al-Saud to discuss the sharp drop in the stock market. The Council issued a statement directing financial authorities to allow non-Saudi residents to invest directly in the stock market, rather than just through investment funds. In accordance with this directive, the CMA's Board issued a statement on 20th March allowing residents to directly invest in Saudi stocks.

Supreme Economic Council statement allowing non-Saudi residents to invest directly in the stock market

الصفحة الأخيرة	العدد: ١٤٤٠	العدد: ١٤٤٠	العدد: ١٤٤٠
العدد: ١٤٤٠	العدد: ١٤٤٠	العدد: ١٤٤٠	العدد: ١٤٤٠

### خادم الحرمين الشريفين يرأس جلسة المجلس الاقتصادي الأعلى التي تم تخصيصها لمناقشة ما تعرضت له سوق الأسهم

رأس خادم الحرمين الشريفين الملك عبدالله بن عبدالعزيز آل سعود - حفظه الله - الجلسة التي عقدها يوم الثلاثاء ١٤ / ٢ المجلس الاقتصادي الأعلى بمقر الأمانة العامة للمجلس وخصصت لمناقشة ما تعرضت له سوق الأسهم مؤخراً من هبوط حاد بعد الصعود الحاد الذي شهدته السوق خلال الفترة الماضية.

وقد صدر عن المجلس إثر جلسته البيان التالي ..

نتيجة لحرص الدولة على مصالح المواطنين فقد خصص المجلس الاقتصادي الأعلى جلسته التي عقدت اليوم بمقر الأمانة العامة للمجلس برئاسة خادم الحرمين الشريفين الملك عبدالله بن عبدالعزيز آل سعود - حفظه الله - لمناقشة ما تعرضت له سوق الأسهم مؤخراً من هبوط حاد بعد الصعود الحاد الذي شهدته السوق خلال الفترة الماضية.

وأعرب المجلس عن ثقته في متانة الاقتصاد السعودي وقدرته على النمو والازدهار الذي سينعكس على مختلف أنواع النشاط الاقتصادي ويشر بمستقبل جيد للاستثمار فيه.

كما أعرب المجلس عن ثقته في الشركات الوطنية حيث أن الاستثمار فيها استثمار

في مستقبل الوطن ومستقبل أبنائه .  
وعبر المجلس عن ثقته بأن المواطنين لن ينساقوا وراء الشائعات والمعلومات المضللة بل سيتخذون قراراتهم الاستثمارية على أسس سليمة تعكس ثقتهم في الله والمستقبل الاقتصادي لهذا الوطن .  
ويعرب المجلس في هذا السياق عن دعمه الكامل للإجراءات التي قامت وتنوم بها هيئة سوق المال لتنظيم السوق وحماية المستثمرين فيه وبخاصة صغار المستثمرين .  
وسوف يتابع المجلس الاقتصادي الأعلى بصفة دائمة التطورات المستقبلية للسوق .

**من ناحية ثانية** وجه خادم الحرمين الشريفين الملك عبدالله بن عبدالعزيز آل سعود حفظه الله الجهات المالية القائمة على سوق الأسهم بالسماح للمقيمين من غير السعوديين للاستثمار بشكل مباشر في سوق الأسهم وعدم قصره على صناديق الاستثمار، وتخفيض القيمة الاسمية للسهم مما يسمح بتجزئة الأسهم .

## Equal Opportunities for GCC Citizens

The CMA's Board announced on 24th September 2007 that GCC citizens would have the same rights and responsibilities as Saudi citizens in terms of owning and trading shares listed on the Saudi Stock Exchange. This decision was made ten years after GCC citizens were first allowed to own stocks in Saudi companies. The change was made possible by a Council of Ministers Resolution No. 267 passed on 27th August 2007, which granted CMA the authority to implement the resolution made by the Supreme Council of the GCC in 2002 to provide equal economic opportunities for all GCC citizens. The deadline for implementation was set for 2007.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



الملك عبدالعزيز بن عبدالعزيز  
مجلس الوزراء  
الرياض

قرار رقم : ( ٢٦٧ )  
وتاريخ : ١٤٢٨/٨/١٤ هـ

إن مجلس الوزراء

بعد الاطلاع على المعاملة الواردة من ديوان رئاسة مجلس الوزراء برقم ٩٥/ب وتاريخ ١٤٢٨/١/١ هـ ، المشتملة على برقية معالي وزير المالية بالنيابة رقم ١٠٩٩٧/٣/٥ وتاريخ ١٤٢٧/١٢/١٩ هـ ، في شأن القرارات الاقتصادية الصادرة عن الدورة (السابعة والعشرين) للمجلس الأعلى لمجلس التعاون لدول الخليج العربية ، وطلب معاليه إصدار القرارات التنفيذية اللازمة فيما يخص القرارات المدرجة في برقيته المشار إليها .

وبعد الاطلاع على الاتفاقية الاقتصادية بين دول مجلس التعاون لدول الخليج العربية ، المصدقة بالمرسوم الملكي رقم (٥٨/م) وتاريخ ١٤٢٤/٨/١٥ هـ .

وبعد الاطلاع على نظام السوق المالية ، الصادر بالمرسوم الملكي رقم (٣٠/م) وتاريخ ١٤٢٤/٦/٢ هـ .

وبعد الاطلاع على قرار مجلس الوزراء رقم (٤٩) وتاريخ ١٤٢٦/٢/٢٥ هـ .

وبعد الاطلاع على المحضر رقم (١٩٩) وتاريخ ١٤٢٨/٥/١٨ هـ ، والمذكرة رقم (٢٠٠) وتاريخ ١٤٢٨/٥/١٨ هـ ، المعدين في هيئة الخبراء .

وبعد الاطلاع على توصيتي اللجنة العامة لمجلس الوزراء رقم (٤٧٦) وتاريخ ١٤٢٨/٧/٩ هـ ، ورقم (٥٤١) وتاريخ ١٤٢٨/٧/٣٠ هـ .

يقرر

إلغاء الفقرة (أ) من قرار مجلس الوزراء رقم (٤٩) وتاريخ ١٤٢٦/٢/٢٥ هـ ، وتفويض هيئة السوق المالية باتخاذ ما يلزم لتنفيذ قرار المجلس الأعلى لمجلس التعاون لدول الخليج العربية في دورته (الثالثة والعشرين) الخاص بتطبيق المساواة التامة بين مواطني دول المجلس في مجال تملك الأسهم وتداولها .

  
رئيس مجلس الوزراء

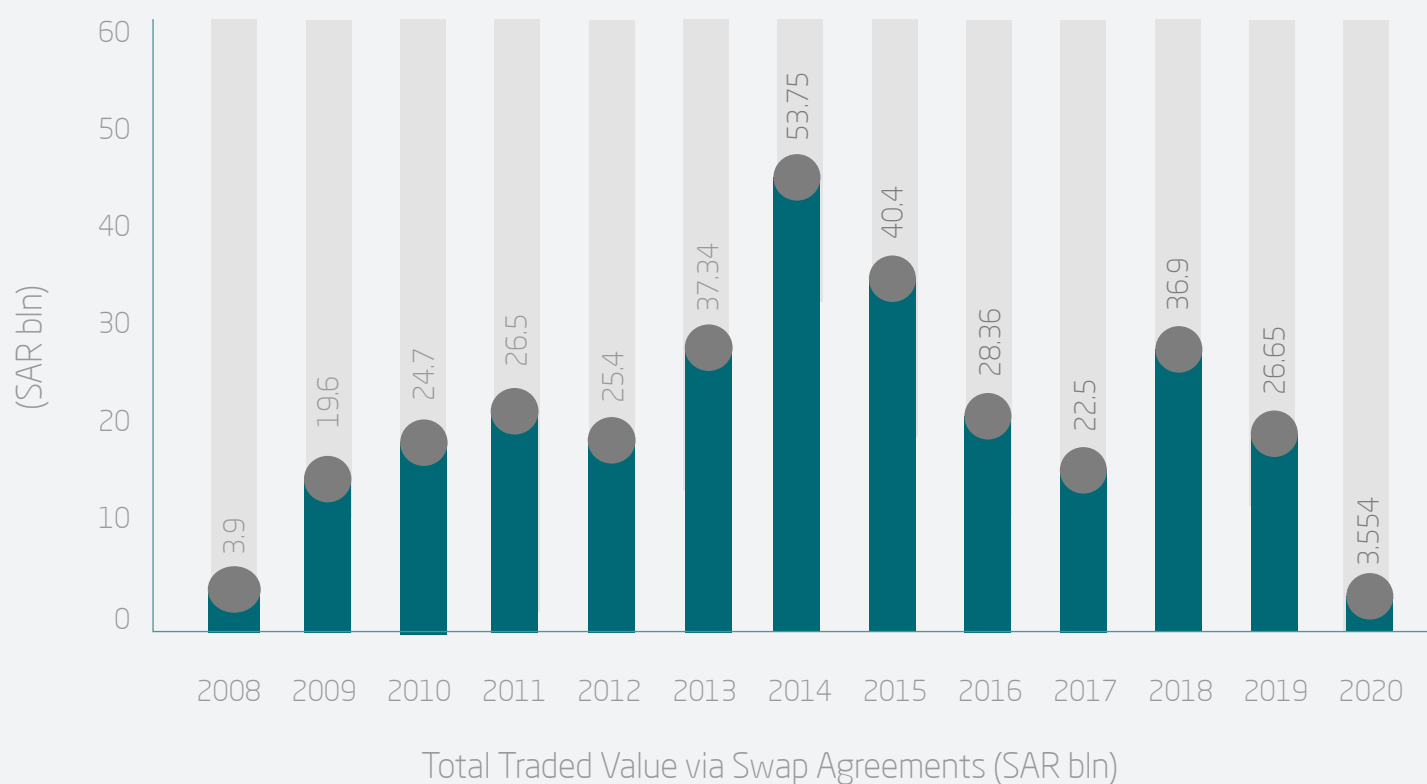


Council of Ministers Resolution granted the CMA the authority to provide equal economic opportunities for all GCC citizens

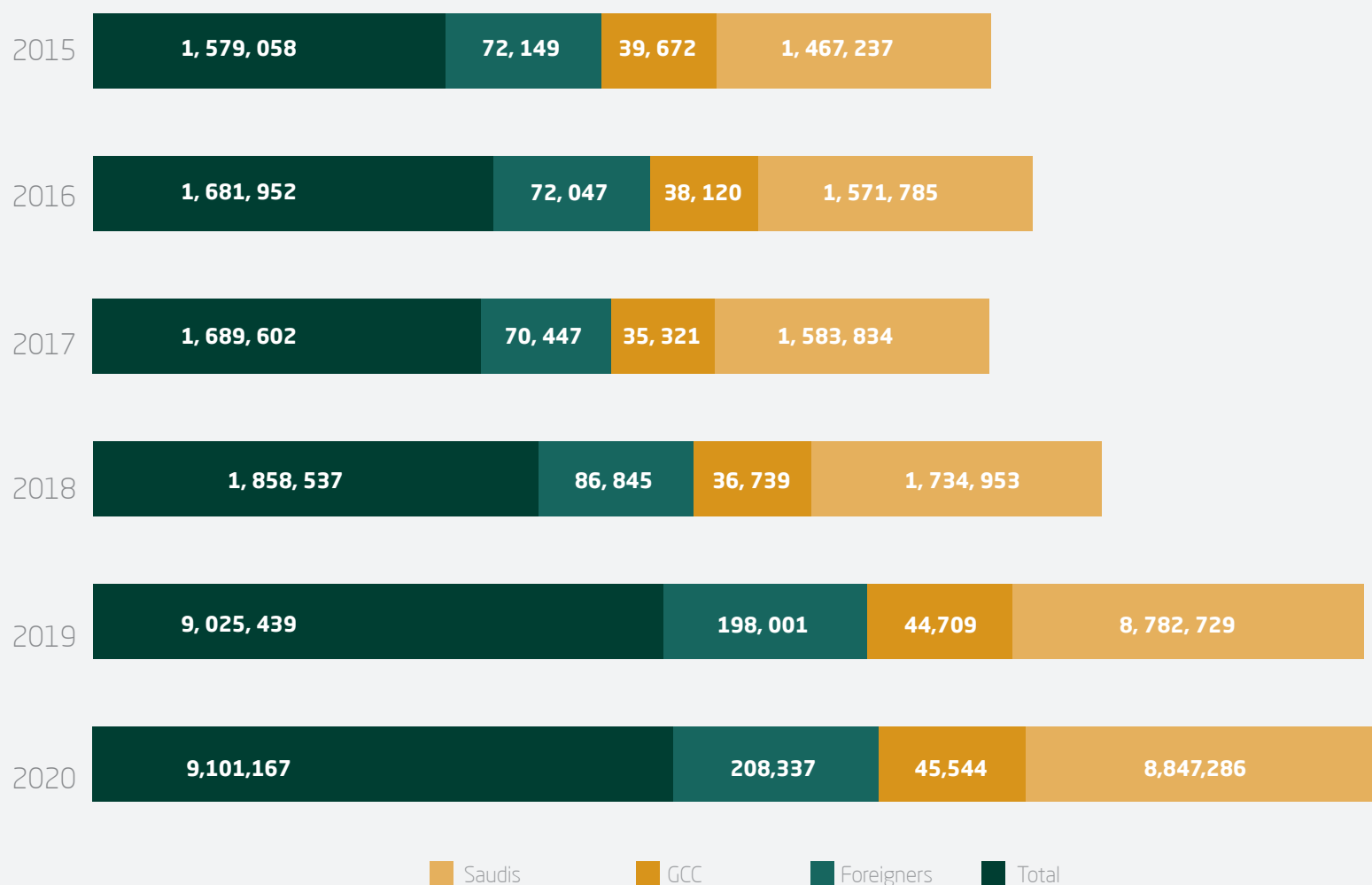
## Foreign Non-Residents

On 18th August 2008, the CMA allowed authorised persons to enter into share swap agreements with foreign non-resident individuals or financial institutions. This allowed for the transfer of economic benefits of Saudi shares to non-Saudi and non-resident investors, while the authorised persons retained legal ownership of the shares. Foreign investment in the capital market was limited to share swap agreements until 21st July 2014, when the CMA was authorised to allow foreign financial institutions to buy and sell shares on the Saudi Stock Exchange. On 4th May 2015, Rules for Qualified Foreign Financial Institutions Investment in Listed Securities were issued, allowing eligible foreign institutions to directly purchase listed shares starting in mid-June. On 26th June 2019, non-resident foreign investors were allowed to own strategic stakes of 10% or more in companies listed on the Saudi Stock Exchange.

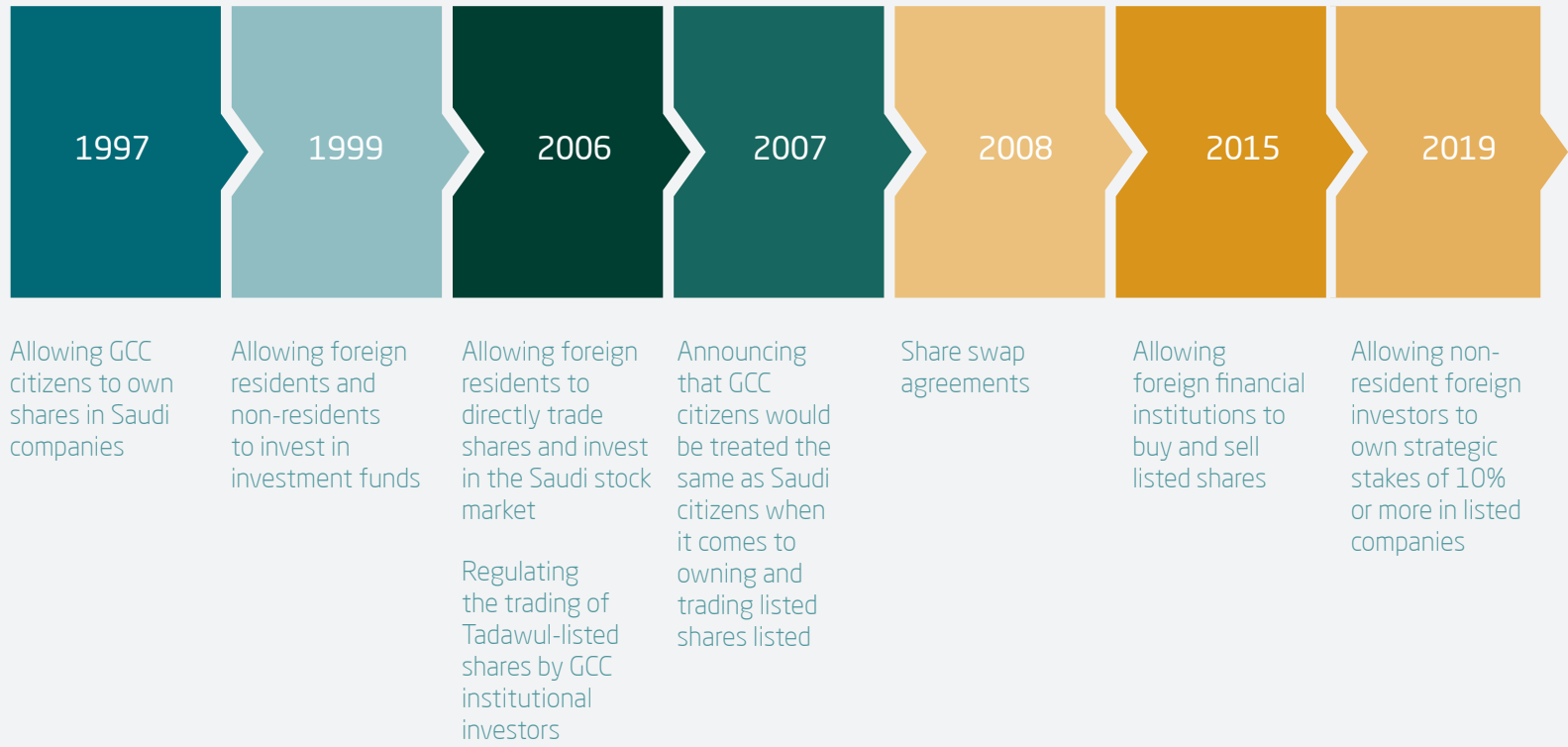
### The value of swap agreements traded (in SAR billion)



## Evolution of the value of ownership in the main market per investor type in SAR million



## Foreign Investment Journey in the Saudi Capital Market



Foreign investment  
journey in the Saudi  
capital market

## (8) Investor Protection

### Litigation of Securities Disputes

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As per the Capital Market Law, the Committee for the Resolution of Securities Disputes (CRSD) and the Appeal Committee for Resolution of Securities Disputes (ACRSD) became the judicial bodies concerned with settling securities disputes related to investors, brokerage firms, and market regulatory and executive entities. The Capital Market Law provides for the independence of both committees.

### CRSD

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The Capital Market Law stipulated the establishment of the CRSD as the first step in the dispute resolution process. On 27th February 2005, the CMA's Board issued a resolution to form the first CRSD committee with Dr. Mohammed Abdullah Al-Marzouki as chairman and Dr. Khaled Hassan Ba-Naser and Mr. Saud Abdulrahman Al-Shammari as members. The CRSD had a three-year term. The CRSD handles grievances arising from decisions and actions taken by the CMA or Tadawul, disputes between investors, and lawsuits filed by the CMA- as a public prosecutor- against violators of the provisions of the Capital Market Law and its implementing regulations.



**لجنة الفصل في منازعات الأوراق المالية**

Committee for Resolution of Securities Disputes

## ACRSD

The Capital Market Law stipulated the establishment of the ACRSD as the next step in the dispute resolution process. On 26th September 2005, the Council of Ministers issued a resolution to form the first ACRSD with Mr. Ahmed Mohammed Al-Khowaiter as chairman and representative of the Ministry of Finance, Prince Abdulrahman Bin Mohammed Bin Ayaf Al-Miqren as member and representative of the Bureau of Experts, and Mr. Falag Ali Al-Mansour as member and representative of the Ministry of Commerce and Industry. The ACRSD handles appeals of CRSD decisions within 30 days of being notified.

### خادم الحرمين الشريفين يرأس جلسة مجلس الوزراء - بقية

ساعات .. بعد الاطلاع على ما رفعه معالي رئيس  
هيئة السوق المالية بشأن تشكيل لجنة استئناف  
تنظر في منازعات الأوراق المالية التي نصت  
عليها الفقرة / ز / من المادة الخامسة  
والعشرين من نظام السوق المالية الصادر  
بالمرسوم الملكي رقم م / ٣٠ وتاريخ ٢ / ٦ /  
١٤٢٤هـ قرر مجلس الوزراء الموافقة على  
تشكيل اللجنة المشار إليها لمدة ثلاث سنوات  
اعتباراً من نفاذ هذا القرار وذلك على النحو  
التالي ..

١ / الأستاذ أحمد بن محمد الخويطر من  
وزارة المالية رئيساً

٢ / الأمير عبدالرحمن بن محمد بن عياف آل  
مقرن من هيئة الخبراء بمجلس الوزراء عضواً

٣ / الأستاذ فلاح بن علي المنصور من وزارة  
التجارة والصناعة عضواً



لجنة الاستئناف في منازعات الأوراق المالية  
Appeal Committee for Resolution of Securities Disputes

Council of Ministers  
resolution on the  
formation of the  
ACRSD



## General Secretariat of Committees for Resolution of Securities Disputes

The General Secretariat of Committees for Resolution of Securities Disputes was established on 12th May 2008 to ensure fairness and prompt decision-making by the CRSD and ACRSD. It is headquartered in the King Abdulaziz Centre for National Dialogue in Riyadh. The General Secretariat sought to improve communication with litigants. In mid-June 2010, it released an SMS service and in December of the same year it launched a website for educating stock market participants about their rights. In October 2018, the General Secretariat of Committees for Resolution of Securities Disputes introduced (Investor Protection System) (EPS) to streamline litigation processes and improve efficiency, resulting in a reduction of the average litigation period to eight months and half in 2020, down from 28 months in 2016. Additionally, the General Secretariat introduced remote hearing sessions, the first session held on Sunday 27th April 2020.



Sessions room  
in the General  
Secretariat of  
Committees for  
the Resolution of  
Securities Disputes

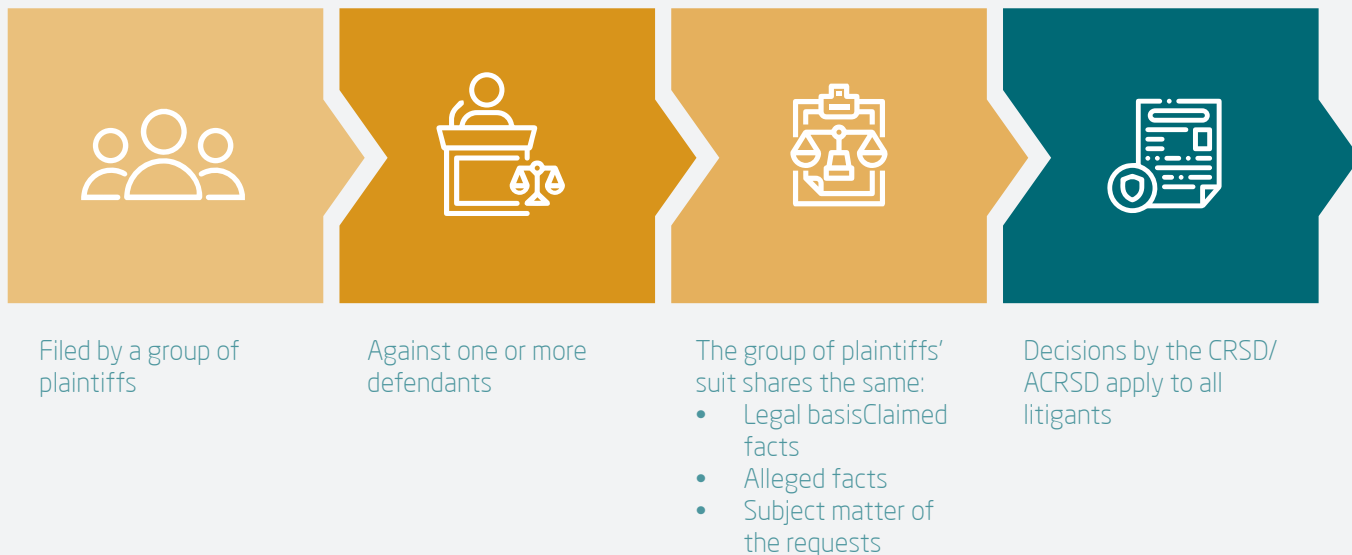
## Resolution of Securities Disputes Proceeding Regulations

On 23rd January 2011, CMA's Board issued a decision to adopt the Resolution of Securities Disputes Proceeding Regulations to regulate the procedures for pleading and litigating before the CRSD and ACRSD, thus ensuring the rights of all market participants.

## Class Action Lawsuit

In November 2017, Saudi Arabia added a section on class action lawsuits to the Dispute Resolution Regulations, comprising 25 articles (48-72), to streamline litigation procedures for cases in which the plaintiff is a large group of people with shared legal issues and alleged facts, which is particularly relevant for joint-stock companies and their shareholders. The regulations defined a class action lawsuit as a private action suit filed by a group of plaintiffs against one or more defendants, where the group of plaintiffs' suit shares the same legal basis, alleged facts, and the subject matter of the requests. Decisions by the CRSD/ACRSD apply to all litigants. The first class action lawsuit in the capital market was filed on 4th February 2019.

### A class action lawsuit is:



## Monitoring Trading

The Capital Market Law granted the CMA the power to develop procedures to reduce risks associated with securities trading and protect investors from illegitimate securities transactions. In 2007, CMA began implementing an electronic market surveillance system designed to monitor and analyse trading activity. The system includes various core components that allows users to access and review trading data in different ways, making it easier to detect any potential manipulation of securities. Monitoring trading comprises three phases:



\*\* Examining daily trades and alerts generated by the electronic market surveillance system to identify any potential improper behaviour. If any such behaviour is suspected, a supervisory alert is issued.

\*\* Analysing daily trades and transactions, examining market data, and investigating executed orders that may have violated laws and regulations within CMA's jurisdiction.

\*\* Reporting any suspected violations of laws and regulations within CMA's jurisdiction to the appropriate department for investigation, verification, and decision-making.

## Investor Protection System

The Investor Protection System (EPS), launched by the CMA in 2017, aims to improve the speed and efficiency of processing and resolving complaints and reports through an electronic system that connects the CMA with all market participants, including complainants, authorised persons, Tadawul, Securities Depository Centre Company (Edaa), listed companies, and the General Secretariat of the Committee for Resolution of Securities Disputes.

### Number of complaints received, classified by topic

Item / Year	2017	2018	2019	2020
Agreements and contracts between investors and brokers	23	35	55	49
Services provided by authorised persons	77	70	475	2,685
Investment portfolios	137	346	312	657
Corporate governance	690	441	692	1,241
Conducting unlicensed securities business	140	556	1,097	1,008
Complaints outside CMA jurisdiction	72	69	122	47
IPOs and rights issues	160	144	279	252
Investment funds	146	202	227	164
Executing securities transactions	53	87	107	224
Payment of listed company's dividends	77	277	344	847
Compensation requests related to violations of laws and implementing regulations	134	318	2,048	902
<b>Total</b>	<b>1,709</b>	<b>2,555</b>	<b>5,806</b>	<b>8,076</b>

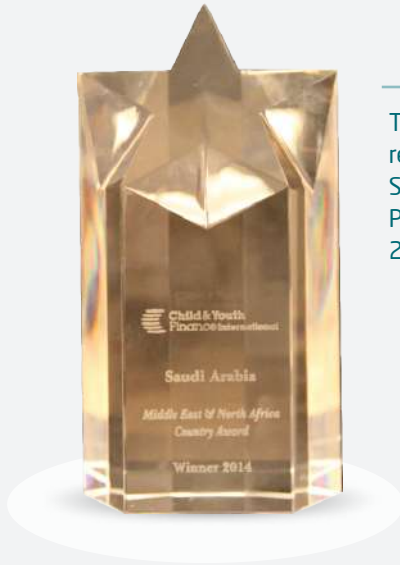
## (9) Building Capacities in the Capital Market

### Investor Education

The capital market underwent significant developments during its third phase to increase investors' understanding of their rights and promote financial stability for individuals. This included the distribution of informational brochures and booklets starting in 2006. In 2009, the Smart Investor Programme was established for a financially literate generation. As a result of this programme, Child and Youth Finance International awarded the CMA in 2013 and 2014 as the Best Institution Offering Financial Awareness in the Middle East and North Africa. Additionally, in 2018, the Thameen programme was launched to raise awareness of the Capital Market Law and its regulations, and improve the financial and investment culture.



The Smart Investor Programme visiting Tadawul



The award received by the Smart Investor Programme in 2014



Smart Investor Programme at the Riyadh International Book Fair



## Investor Rights Document

The Investor Rights Document was issued on 23rd October 2019 to inform investors and participants in the capital market about their rights under the Capital Market Law and its Implementing Regulations to enable them to actively participate in developing and promoting confidence in the capital market. The document also provides information on how to claim these rights, which is often the cause of complaints and disputes.

## Capacity Building of Improving Skills and Abilities of Capital Market Employees

The development of financial sector employees' skills and abilities started with the third phase of capital market history, when the CMA introduced a series of qualification exams, including the General Securities Qualification Examination, Compliance & AML/CTF module, Broker-Dealer Qualification Certificate, Corporate Finance Technical Foundations, and International Certificate in Wealth and Investment Management. In addition, the CMA launched Jadarat project in 2018.

### Capital Market Qualification Examinations



## Graduates Development Programme

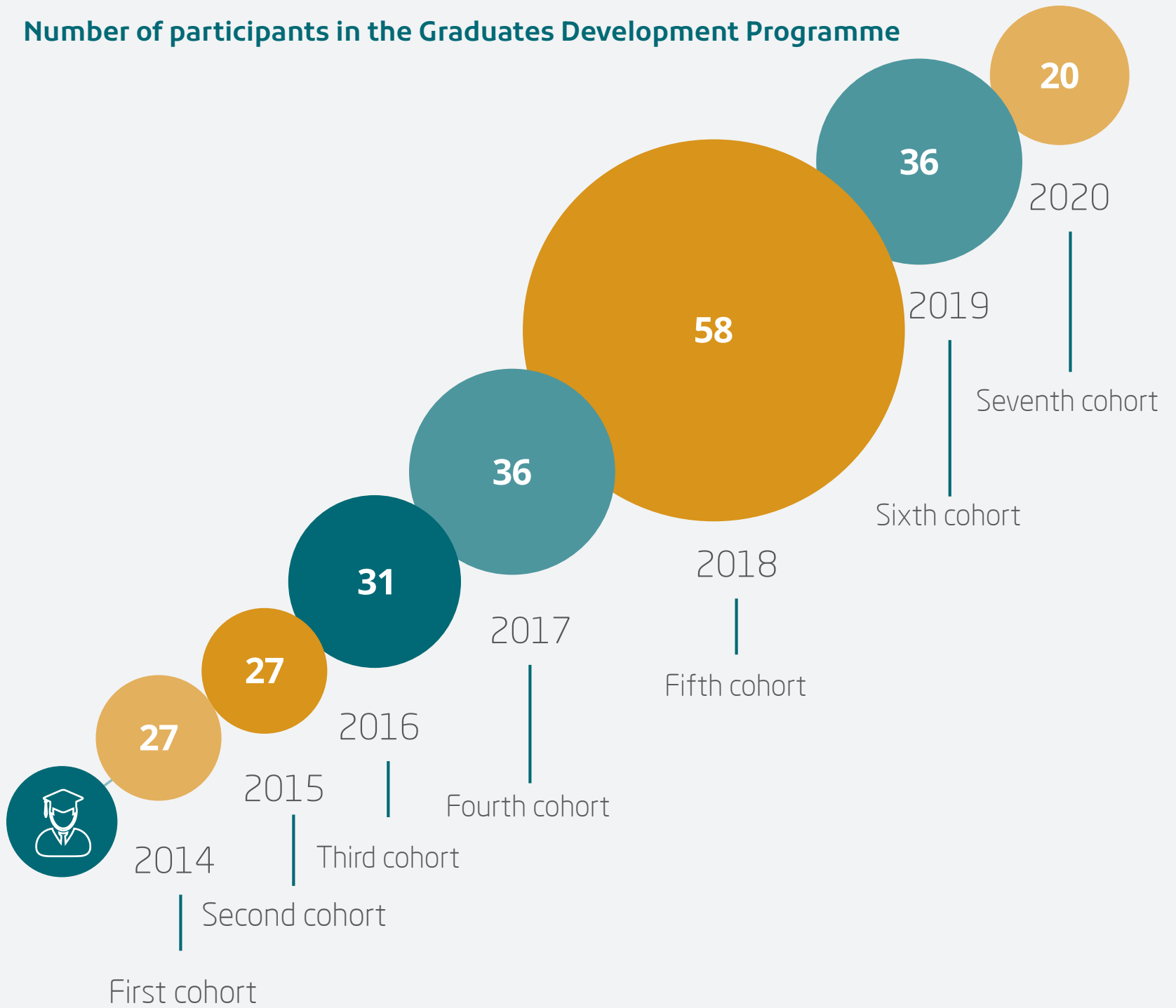
The CMA implemented the Graduates Development Programme starting in 2014 to provide employment opportunities for recent Saudi graduates and increase the Saudisation rate in the financial sector. This programme involves comprehensive training on legal and technical aspects of the capital market, including on-the-job training at the CMA. The CMA provides financial compensation during the training programme, with a monthly salary range of SAR 7,500 to 10,200, depending on the applicant's educational level. Other benefits include a paid annual leave of 21 days, social insurance, and access to medical insurance during the training period.



Graduation ceremony of the fifth cohort, Graduate Development Programme.



### Number of participants in the Graduates Development Programme



## Financial Academy

Established by SAMA in 1965, the Institute of Banking Training aimed to qualify employees of Saudi banks. In 1989 the Institute was renamed the Institute of Banking and began offering a range of diplomas and qualifying exams. When TES was launched in 2001, the Institute designed exams to qualify financial brokers to work on the Tadawul system. In 2014, it rebranded as the Financial Institute to reflect its expanded services in the insurance, finance, and banking industries. In 2019, the CMA collaborated with SAMA to establish the Financial Academy, which was granted administrative and financial autonomy. The Council of Ministers issued Resolution No. 538 dated 14 April 2020 on approving the establishment of the Financial Academy and its organisational arrangements.

5 أم القرى // UM AL-QURA

قرارات وأنظمة

السنة ٩٨ العدد ٤٨٢٨  
الجمعة ١٤٤١هـ • ٢٤ إبريل ٢٠٢٠م

قرارات رقم (٥٣٨) وتاريخ ٢١-٨-١٤٤١هـ

### الموافقة على إنشاء أكاديمية باسم (الأكاديمية المالية) وترتيباتها التنظيمية

وبعد الاطلاع على توصية اللجنة العامة لمجلس الوزراء رقم (٥٧٥٠) وتاريخ ٨-٨-١٤٤١هـ،  
يقرر ما يلي:

أولاً: الموافقة على إنشاء أكاديمية باسم (الأكاديمية المالية).  
ثانياً: الموافقة على الترتيبات التنظيمية للأكاديمية المالية، بالصيغة المرفقة.  
ثالثاً: قيام الأكاديمية المالية بالتنسيق مع الجهات ذات العلاقة في كل ما له صلة باختصاصاتها ومهامها.  
رابعاً: تغطي كل من هيئة السوق المالية ومؤسسة النقد العربي السعودي - مناصفة - أي عجز يطرأ على الميزانية المعتمدة للأكاديمية المالية.

رئيس مجلس الوزراء



قرارات مجلس الوزراء

إن مجلس الوزراء  
بعد الاطلاع على المعاملة الواردة من الديوان الملكي برقم ٦٧٦٢ وتاريخ ٢-٢-١٤٤١هـ، المشتغلة على  
خطاب معالي رئيس مجلس هيئة السوق المالية رقم ص/١٩/٦٩٠٦/١ وتاريخ ٢٦-١-١٤٤١هـ في شأن  
مشروع تنظيم الأكاديمية المالية.  
وبعد الاطلاع على مشروع التنظيم المشار إليه،  
وبعد الاطلاع على المحضر رقم (٦٨٥) وتاريخ ١٧-٥-١٤٤١هـ والمذكرة رقم (٥٤١) وتاريخ ٢٤-٧-١٤٤١هـ  
المعدين في هيئة الخبراء بمجلس الوزراء،  
وبعد الاطلاع على التوصية المعدة في مجلس الشؤون الاقتصادية والتنمية رقم (١٨-١٩/٤١/د)  
وتاريخ ١٩-٦-١٤٤١هـ.

Council of Ministers Resolution No. 538  
on approving the establishment of the  
Financial Academy and its organisational  
arrangements.\*

\* Um Al-Qura newspaper, Issue 4828, 24 April 2020

On 18th May 2020, CMA Chairman and Chairman of FA's Board of Trustees, Mr Mohammed Abdullah Elkuwaiz, announced the appointment of the members of Financial Academy's Board of Trustees. The appointees included Dr Fahad Abdullah Aldossari as Vice-Chairman and SAMA representative, Dr. Abdulrahman Abdulmohsen Al-Kalaf as a member, Mr. Tareg Abdulrahman Al-Sadhan as a member, Mr. Tariq Ziyad Al-Sudairy as a member, Mr. Tal Hisham Nazer as a member, Mr. Al-Walid Abdul-Razzaq Al-Duraiaan as a member, Mr. Abdullah Abdulqader Shibatalhamd as a member and CMA representative, and Mr. Turki Dhaif Allah Al-Mutairi as a member and SAMA representative.



The Financial  
Academy

## Significant milestones in FA history

**2020**

The Financial Academy is granted administrative and financial autonomy to develop human resources operating in all financial sectors

**2019**

The Financial Academy is established in cooperation between SAMA and CMA to include financial sectors (banking, insurance, capital market, financing)



**1965**

The Institute of Banking Training at SAMA is established

**1989**

The Institute is renamed the Institute of Banking to include financing and banking sectors

**2014**

The Institute is renamed Financial Institute to include insurance, finance, and banking sectors

## (10) Saudi Vision 2030's Financial Leadership Programme

On 25th April 2016, the Council of Ministers approved Saudi Arabia's vision for the future, a vision that expresses the country's long-term goals and expectations and reflects its strengths and capabilities. Saudi Vision 2030 is based on three pillars: a vibrant society with strong roots, fulfilling lives, and strong foundations; a thriving economy with ample opportunities, active investments, and a competitive edge; and an ambitious nation with an effective government and responsible citizens. Vision 2030 includes a wide range of economic, social, and development programmes aimed at preparing Saudi Arabia for a post-oil era.

### برئاسة خادم الحرمين الشريفين

## مجلس الوزراء يوافق على رؤية المملكة العربية السعودية ٢٠٣٠

**الرياض - واس**

خصص مجلس الوزراء جلسة التي عقدها يوم الإثنين الثامن عشر من شهر رجب لعام ١٤٣٧هـ الموافق ٢٥ إبريل ٢٠١٦م، برئاسة خادم الحرمين الشريفين الملك سلمان بن عبدالعزيز آل سعود حفظه الله، للتفكير في مشروع رؤية المملكة العربية السعودية ٢٠٣٠ الصادر في شأنه قرار مجلس الشؤون الاقتصادية والتنمية رقم (٣٧/٣١٠٣) وتاريخ ١٢/٧/١٤٣٧هـ، وما تضمنته خطاب صاحب السمو الملكي ولي العهد النائب الثاني لرئيس مجلس الوزراء وزير الدفاع رئيس مجلس الشؤون الاقتصادية والتنمية رقم (٣٧١٩) وتاريخ ٧/١٨/١٤٣٧هـ، في شأن مشروع الرؤية، وقد قرر المجلس حياها ذلك ما يلي:

**رؤية المملكة**

أولاً: الموافقة على رؤية المملكة العربية السعودية ٢٠٣٠، الصادر في شأنها قرار مجلس الشؤون الاقتصادية والتنمية رقم (٣٧/٣١٠٣) وتاريخ ١٢/٧/١٤٣٧هـ، بحسب الصيغة المرفقة لهذا القرار.



ثانياً: قيام مجلس الشؤون الاقتصادية والتنمية بوضع الآليات والتشريعات اللازمة لتنفيذ هذه الرؤية ومتابعة ذلك.

ثالثاً: قيام الوزارات والأجهزة الحكومية الأخرى كل فيما يخصه، بالتحالفا ما يلزم لتنفيذ هذه الرؤية، وفقاً للآليات والتشريعات المشار إليها في البند (ثانياً) من هذا القرار.

**تسمية شاملة**

وإن وجه خادم الحرمين الشريفين الملك سلمان بن عبدالعزيز آل سعود حفظه الله ورحمته، الذي قامت بولنتهم على أساس التمسك بكتاب الله وهدى نبيه محمد صلى الله عليه وسلم، وهي عهد الرسالة ومهبط الوحي، شرقها أنه بئدمة

ثالثاً: قيام مجلس الشؤون الاقتصادية والتنمية بوضع الآليات والتشريعات اللازمة لتنفيذ هذه الرؤية ومتابعة ذلك.

ثالثاً: قيام الوزارات والأجهزة الحكومية الأخرى كل فيما يخصه، بالتحالفا ما يلزم لتنفيذ هذه الرؤية، وفقاً للآليات والتشريعات المشار إليها في البند (ثانياً) من هذا القرار.

الحرمين الشريفين وقاصديهما، أيها الإخوة والأخوات! لقد وضعت نصب عيني منذ أن تشرفت بتولي مقاليد الحكم السعودي نحو التنمية الشاملة من منطلق توابنا الشرعية وتوظيف إمكانيات بلادنا ومقدراتها والاستفادة من موقع بلادنا وما تتميز به من ثروات وميزات لتحقيق مستقبل أفضل للوطن وأبنائه، مع التمسك بعقيدتنا الصافية والمخالفة على أصالة مجتمعتنا وتوابنا، ومن هذا المنطلق: وجهنا مجلس الشؤون الاقتصادية والتنمية برسم رؤية المملكة لتحقيق ما تأمله بأن تكون بلادنا بعون من الله وتوفيقه، أنموذجاً للعالم على جميع المستويات.

وقد انطلقنا على رؤية المملكة العربية السعودية التي قدمها مجلس الشؤون الاقتصادية والتنمية ووافق عليها مجلس الوزراء، شاكرين للمجلس ما بذله من جهد بهذا الخصوص، وأملين من أبنائنا وبناتنا المواطنين والمواطنات العمل معاً لتحقيق هذه الرؤية الطموحة، سائحين أنه العون والتوفيق والسداد، وأن تكون رؤية خير وبركة، تحلّق التقدم والأزدهار لوطننا الغالي، والسلام عليكم ورحمة الله وبركاته.

News of the Council of Ministers' endorsement of Vision 2030\*

## Financial Sector Development Programme

The Council of Economic and Development Affairs (CEDA)'s Financial Sector Development Programme (FSDP) aims to support the national economy by enabling financial institutions and forming an advanced capital market, as part of Saudi Vision 2030's second pillar. In short, the strategic pillars of the FSDP are: 1) enabling financial institutions to support private sector growth; 2) ensuring the formation of an advanced capital market; and 3) promoting and enabling financial planning. The second strategic pillar of FSDP comprises four objectives.



## Financial Sector Development Program

## Financial Leadership Programme

The CMA launched a strategic plan for the capital market called the Financial Leadership Programme 2019-2021 as an initiative of Vision 2030's Financial Sector Development Programme (FSDP). The CMA developed a governance framework with a clear methodology to measure performance and evaluate progress to achieve the Programme's four themes.



Themes of the  
Financial Leadership  
Programme

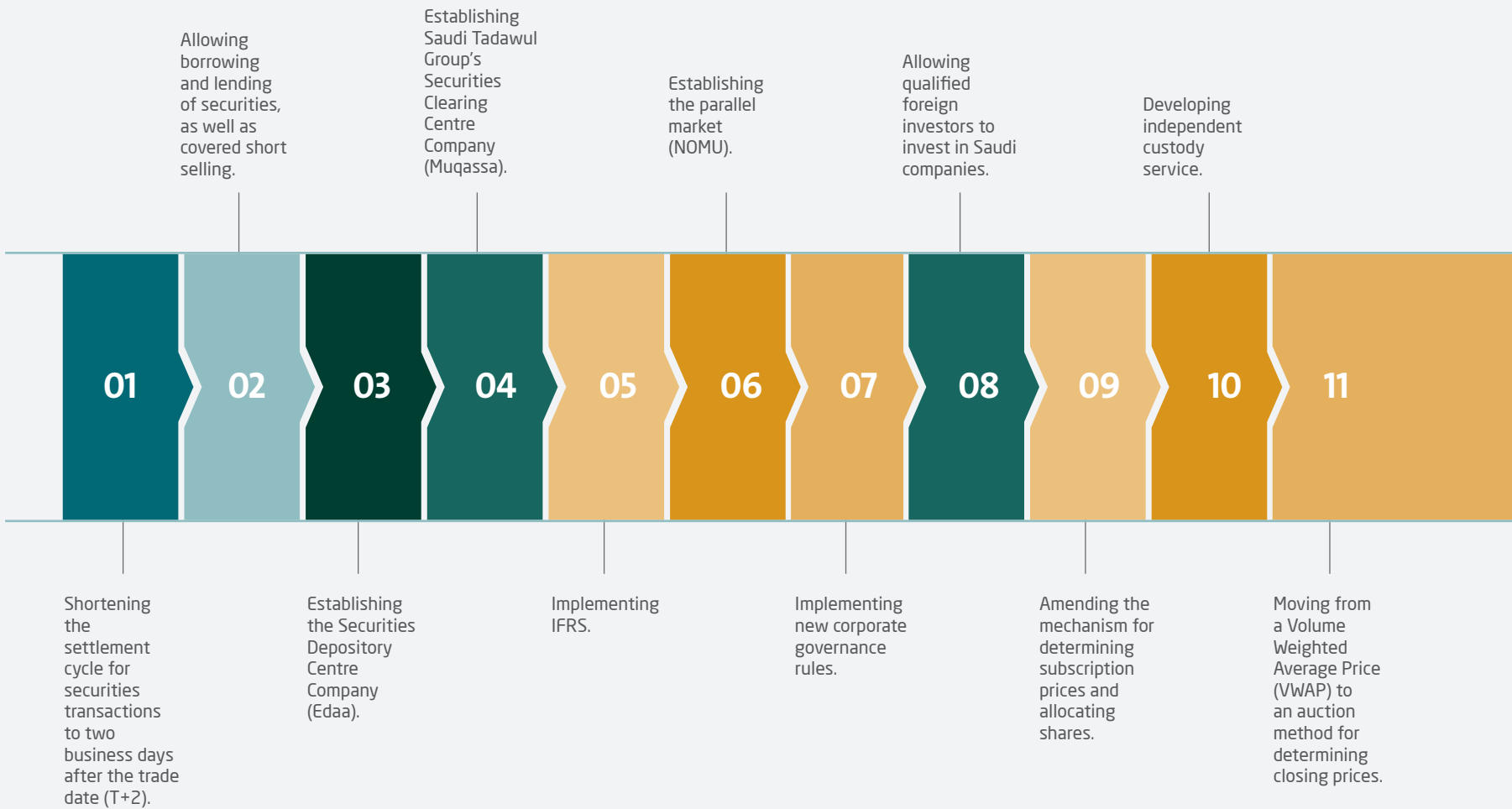
## (11) Accession to Emerging Markets Indices

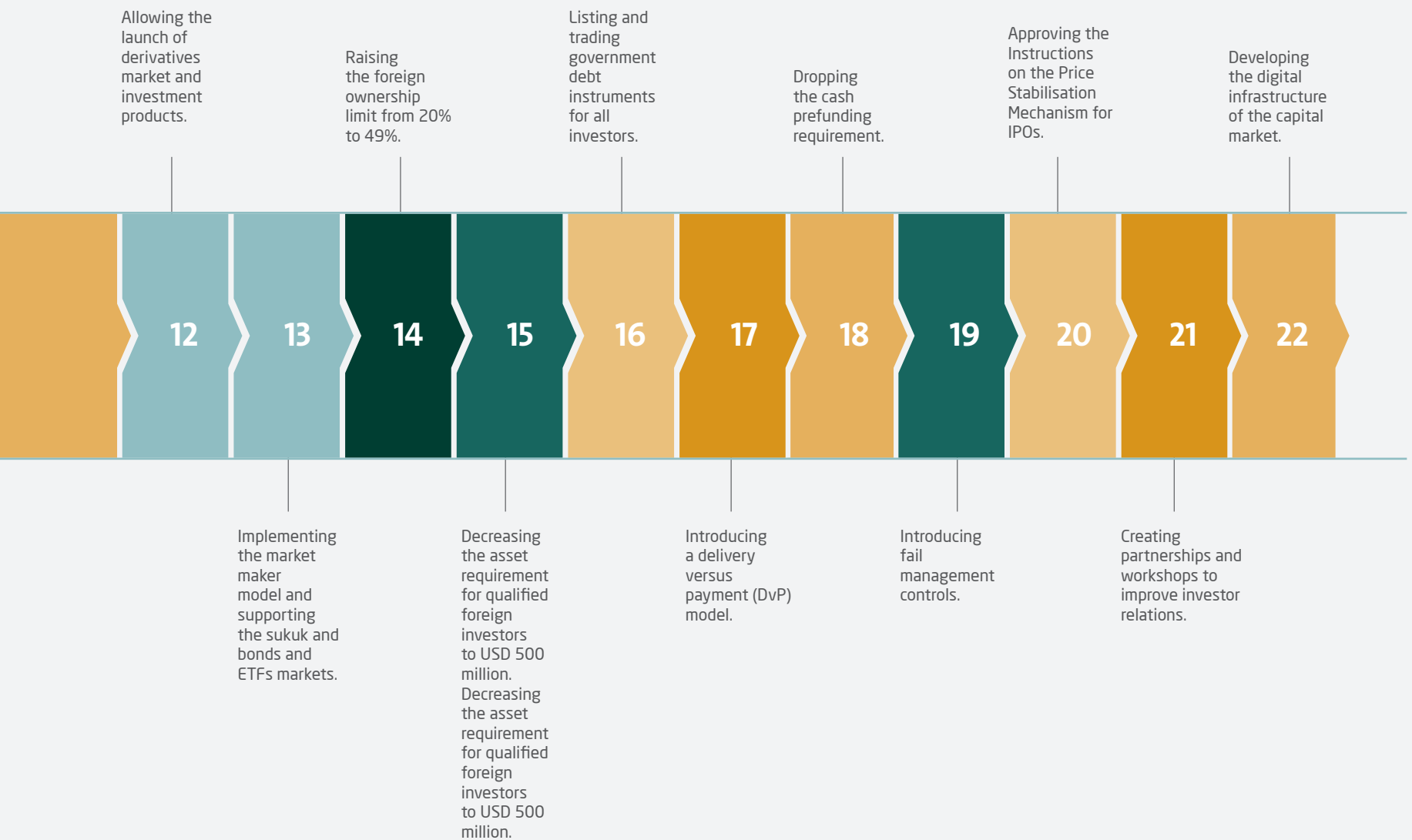
The Saudi capital market, like other markets, aimed to join major global indices and increase its accessibility to international investors. Over the years, significant progress was made, meeting the requirements for such inclusion. The market's journey was completed successfully by joining the FTSE Emerging Index and the MSCI Emerging Markets Index.





# The key factors that have led to the inclusion of the capital market in global indices





## FTSE Emerging Index

FTSE Russell is a leading global provider of benchmarks, analytics, and data solutions with multi-asset capabilities. FTSE Emerging Index, released in 2000 to measure the performance of the most liquid large and mid-cap companies in emerging markets. The inclusion process of the Saudi capital market was carried out in five phases, with the first phase implemented on 18th March 2019 and the final phase concluded on 22nd June 2020.

### Phases of including the Saudi market in the FTSE Emerging Index



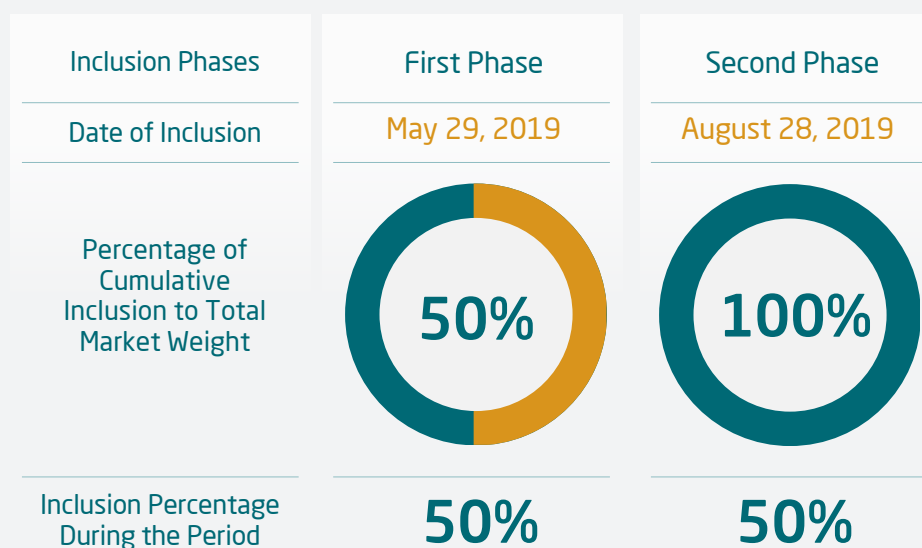
Inclusion Phases	First Phase	Second Phase	Third Phase	Fourth Phase	Fifth Phase
Date of Inclusion	March 18, 2019	May 1, 2019	July 24, 2019	Sept. 23, 2019	June 22, 2020
Percentage of Cumulative Inclusion to Total Market Weight	10%	25%	50%	75%	100%
Inclusion Percentage During the Period	10%	15%	25%	25%	25%

## MSCI Emerging Markets Index

Morgan Stanley, a global provider of indices, was founded in 1935 in New York City. It offers a wide range of tools for analysing capital market indices. In 1988, the company introduced the MSCI Emerging Markets Index, which initially covered 10 countries. By the end of 2020, the index had expanded to include 26 countries and featured 1,390 securities from large and medium companies in emerging markets, representing about 85% of the total market value. Saudi Arabia was added to the MSCI Emerging Markets Index in two phases, the first in May 2019 and the second in August 2019.



### Phases of including the Saudi market in the MSCI Emerging Markets Index



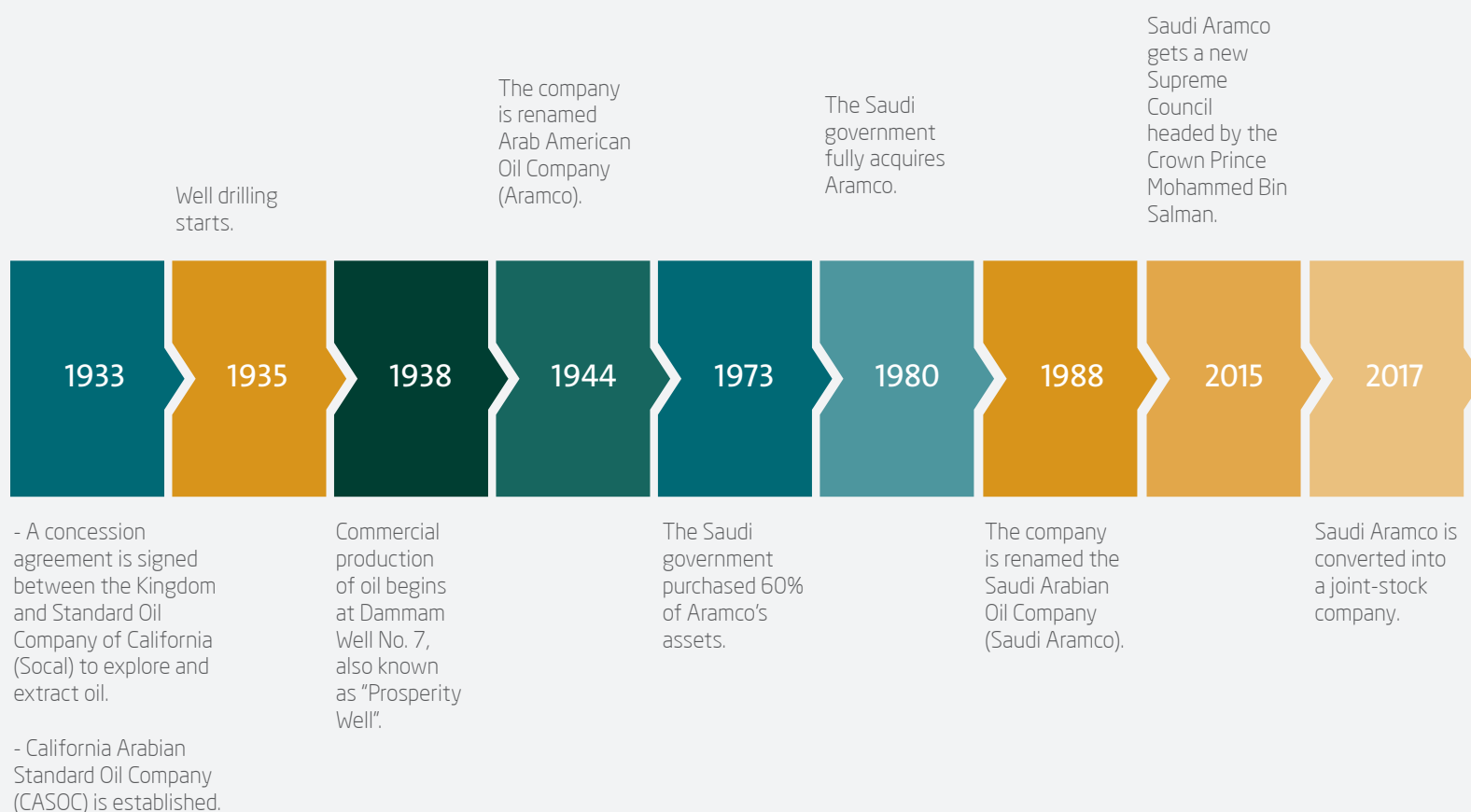
Saudi Arabia's accession to the MSCI Emerging Markets Index\*



\* [www.saudiexchange.sa](http://www.saudiexchange.sa)

## (12) Saudi Aramco's IPO and Listing

Saudi Aramco's origins can be traced back to 1933 when a concession agreement was established between the Kingdom and Standard Oil Company of California (Socal) to form the California Arabian Standard Oil Company (CASOC) to explore and extract oil. The company was renamed Arab American Oil Company (Aramco) in 1944. In 1980, the Saudi government fully acquired Aramco and renamed it the Saudi Arabian Oil Company (Saudi Aramco) in 1988. On 19th December 2017, the Saudi government approved a resolution to make Saudi Aramco a joint-stock company with a capital of SAR 60 billion divided into 200 billion shares without a nominal value per share, and authorised the Board of Directors to issue, list, and offer shares or securities for public subscription both inside and outside of Saudi Arabia.



قرار رقم (١٨٠) وتاريخ ١٤٢٩-٤-١ هـ

**الموافقة على أن تكون شركة الزيت العربية السعودية (أرامكو السعودية) شركة مساهمة طبقاً لنظامها الأساس**

رابعاً : منح التراخيص المتوقعة بالتكامل - سواءً بشكل مباشر أو غير مباشر - لشركة الزيت العربية السعودية (أرامكو السعودية) هيئة مدتها خمس سنوات لتكليف أوضاعها بما يتفق مع أحكام نظام التراخيص، ولجنس الوزراء تحديد هذه المدد عند الحاجة.

خامساً : استقالة من أعضاء المادة (الرابعة عشرة) من النظام الأساس لشركة الزيت العربية السعودية (أرامكو السعودية)، يكون لتسكين أول مجلس إدارة للتقترية بقرار من مجلس الوزراء، بناءً على اقتراح وزير الطاقة والصناعة والثروة المعدنية، وذلك إلى حين تشكيل مجلس الإدارة بموجب أحكام النظام الأساس.

سادساً : استقالة الدولة بالثقلية المباشرة لأغلبية أسهم شركة الزيت العربية السعودية (أرامكو السعودية).

سابعاً : قيام وزارة الطاقة والصناعة والثروة المعدنية باقتراح الآلية التي تمكن الوزارة من الحصول على المعلومات المتعلقة بمطوق وصلحيات الدولة - بما في ذلك ممارسة حقوقها كمتساهل - الواردة في النظام الأساس لشركة الزيت العربية السعودية (أرامكو السعودية)، ورفع ما يتم التوصل إليه.

ثامناً : على جميع الجهات السعودية عدم مخالفة شركة الزيت العربية السعودية (أرامكو السعودية)، إلا من خلال وزارة الطاقة والصناعة والثروة المعدنية وفقاً للآلية التي تنقل عليها الوزارة مع تلك الجهات، دون إحداث بحقل الجهات المختصة بتطبيق نظام الشركات ونظام السوق المالية وتوليدتها بالتواصل المباشر مع الشركة فيما يتعلق بممارسة اختصاصاتها المتولدة لها بموجب النظامين المشار إليهما ولو التمهيد.

وقد أعد مشروع مرسوم ملكي في شأن ما ورد في البندين (ثالثاً) ورابعاً) من هذا القرار، صيغته مرافقة لهذا.

**رئيس مجلس الوزراء**

إن مجلس الوزراء بعد الاطلاع على المعاملة الواردة من الديوان الملكي رقم ١٢٦١٠ وتاريخ ١٤٢٩-٣-٢٠ هـ المشار فيها إلى الأمر الملكي رقم (٧١١٤) وتاريخ ١٤٢٩-٢-١٣ هـ المشار فيه إلى برقية معالي وزير الطاقة والصناعة والثروة المعدنية رقم ١٤٢٩-١٢٤-١١ وتاريخ ١٤٢٩-١-٢٧ هـ في شأن مشروع النظام الأساس لشركة الزيت العربية السعودية (أرامكو السعودية) وبعد الاطلاع على مشروع النظام الأساس المشار إليه.

وبعد الاطلاع على نظام شركة الزيت العربية السعودية (أرامكو السعودية)، الصادر بالمرسوم الملكي رقم (٩/م) وتاريخ ١٤٠٩-٤-٤ هـ.

وبعد الاطلاع على نظام الشركات، الصادر بالمرسوم الملكي رقم (٣/م) وتاريخ ١٤٢٧-١-٢٨ هـ.

وبعد الاطلاع على المحضر رقم (٢٩٤) وتاريخ ١٤٢٩-٣-١٧ هـ والمقرر رقم (٢٩٤) وتاريخ ١٤٢٩-٣-١٧ هـ ورقم (٣٢٨) وتاريخ ١٤٢٩-٣-٢٠ هـ لجلسة في هيئة الخبراء بمجلس الوزراء.

وبعد التلقي في قرار مجلس الشورى رقم (١-١٠) وتاريخ ١٤٢٩-٣-٢٣ هـ.

وبعد الاطلاع على التوجيه الصادر في مجلس الشؤون الاقتصادية والتنمية رقم (١٩/٢٩) وتاريخ ١٤٢٩-٣-٢٤ هـ.

وبعد الاطلاع على توصية اللجنة العامة لمجلس الوزراء رقم (١٢٦١) وتاريخ ١٤٢٩-٣-٢٠ هـ.

بقر ما يلي:

أولاً : الموافقة على أن تكون شركة الزيت العربية السعودية (أرامكو السعودية) شركة مساهمة طبقاً لنظامها الأساس، بالصيغة المرفقة.

ثانياً : يكون نظام ما ورد في البنود (أولاً) من هذا القرار اعتباراً من تاريخ ٢٠١٨-١-١ م.

ثالثاً : إلغاء نظام شركة الزيت العربية السعودية (أرامكو السعودية) الصادر بالمرسوم الملكي رقم (٩/م) وتاريخ ١٤٠٩-٤-٤ هـ، وذلك اعتباراً من تاريخ ٢٠١٨-١-١ م.

مرسوم ملكي رقم (٣٦/م) وتاريخ ١٤٢٩-٤-٢ هـ

وبعد الاطلاع على قرار مجلس الشورى رقم (١-١٠) بتاريخ ١٤٢٩-٣-٢٣ هـ.

وبعد الاطلاع على قرار مجلس الوزراء رقم (١٨٠) بتاريخ ١٤٢٩-٤-١ هـ.

رسمياً بما هو آت:

أولاً : إلغاء نظام شركة الزيت العربية السعودية (أرامكو السعودية) الصادر بالمرسوم الملكي رقم (٩/م) بتاريخ ١٤٠٩-٤-٤ هـ، وذلك اعتباراً من ٢٠١٨-١-١ م.

ثانياً : منح التراخيص المتوقعة بالتكامل - سواءً بشكل مباشر أو غير مباشر - لشركة الزيت العربية السعودية (أرامكو السعودية) هيئة مدتها خمس سنوات لتكليف أوضاعها بما يتفق مع أحكام نظام التراخيص، ولجنس الوزراء تحديد هذه المدد عند الحاجة.

ثالثاً : على سجن نائب رئيس مجلس الوزراء والوزراء رؤساء الأجزاء المعنية بالاستقالة - كل فيما ينصحه - تنفيذ مرسومه هذا.

**سلمان بن عبدالعزيز آل سعود**

بعون الله تعالى

سلمان بن عبدالعزيز آل سعود

ملك المملكة العربية السعودية

بناءً على المادة (السيخين) من النظام الأساس، الصادر بالأمر الملكي رقم (٩٠/ر) بتاريخ ١٤١٢-٥-٢٧ هـ.

وبناءً على المادة (العشرين) من نظام مجلس الوزراء، الصادر بالأمر الملكي رقم (١٢/ر) بتاريخ ١٤١١-٣-٣ هـ.

وبناءً على المادة (الثامنة عشرة) من نظام مجلس الشورى، الصادر بالأمر الملكي رقم (٩١/ر) بتاريخ ١٤١٢-٥-٢٧ هـ.

وبعد الاطلاع على نظام شركة الزيت العربية السعودية (أرامكو السعودية)، الصادر بالمرسوم الملكي رقم (٩/م) بتاريخ ١٤٠٩-٤-٤ هـ.

وبعد الاطلاع على نظام الشركات، الصادر بالمرسوم الملكي رقم (٣/م) بتاريخ ١٤٢٧-١-٢٨ هـ.

The decision to convert Saudi Aramco into a joint-stock company\*

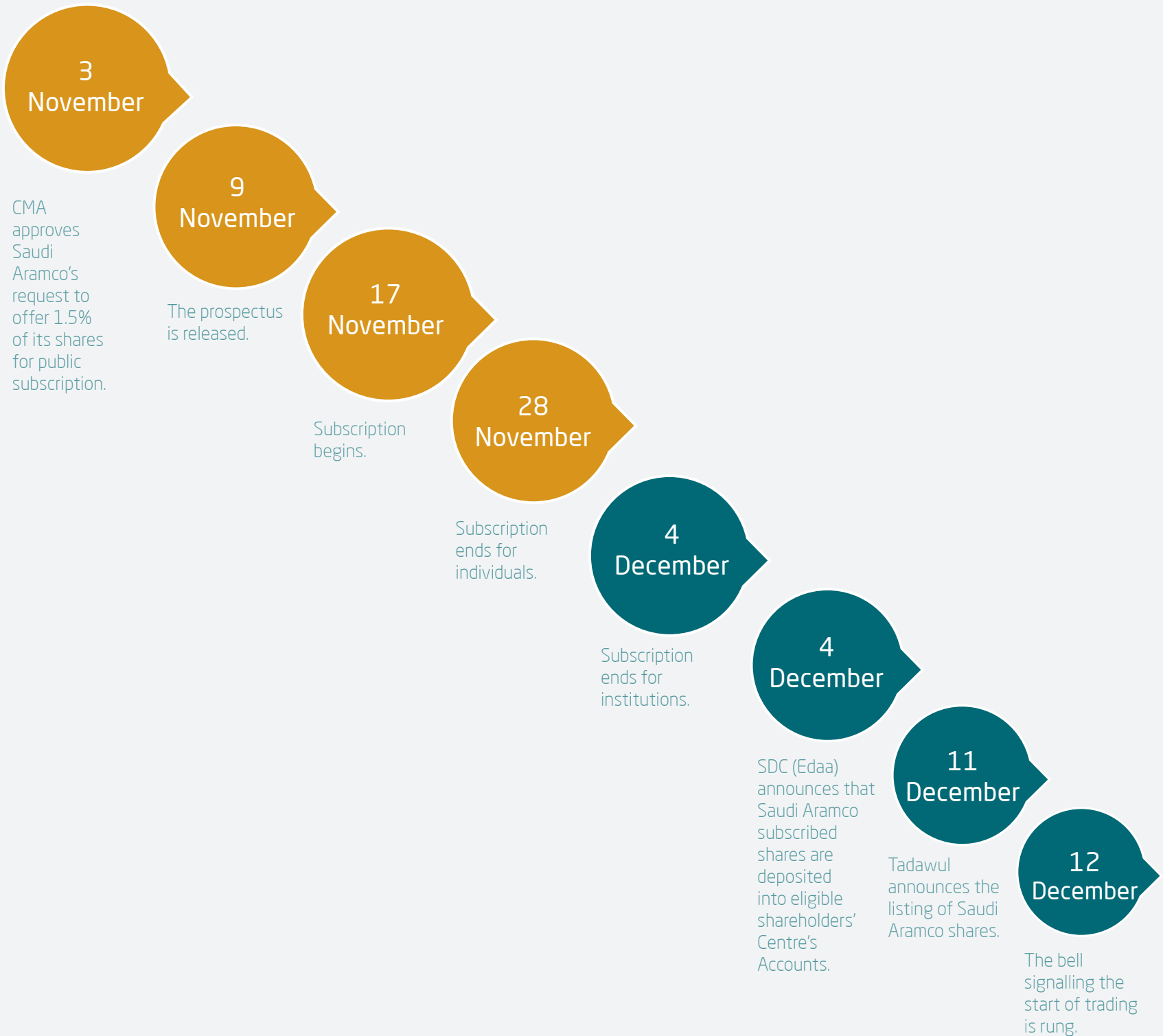
## The Largest IPO in Global Markets History

On 3rd November 2019, the CMA approved Saudi Aramco's request to offer 1.5% of its shares for public subscription and the prospectus was released on 9th November. The subscription period for the oil giant's shares began on 17th November and ended for individuals on 28th November 2019 and for institutions on 4th December. On 11th December Tadawul announced the listing and start of trading for Aramco shares. The next day, the bell signalling the start of trading rang, marking a defining moment in the history of Saudi Arabia's capital market.



The bell signalling the start of trading of Saudi Aramco shares was rung on 12th December 2019

# 2019 Aramco IPO Timetable





# The Saudi Aramco listing proved to be the largest IPO in history in terms of market capitalisation

Largest IPO in global markets



The world's largest IPO



The world's biggest market value



The world's second largest offering value

Offering value was SAR 96 billion (\$25.6 billion)

3 billion shares, or 1.5% of the company's share capital

SAR 446 billion (\$119 billion) in offer proceeds

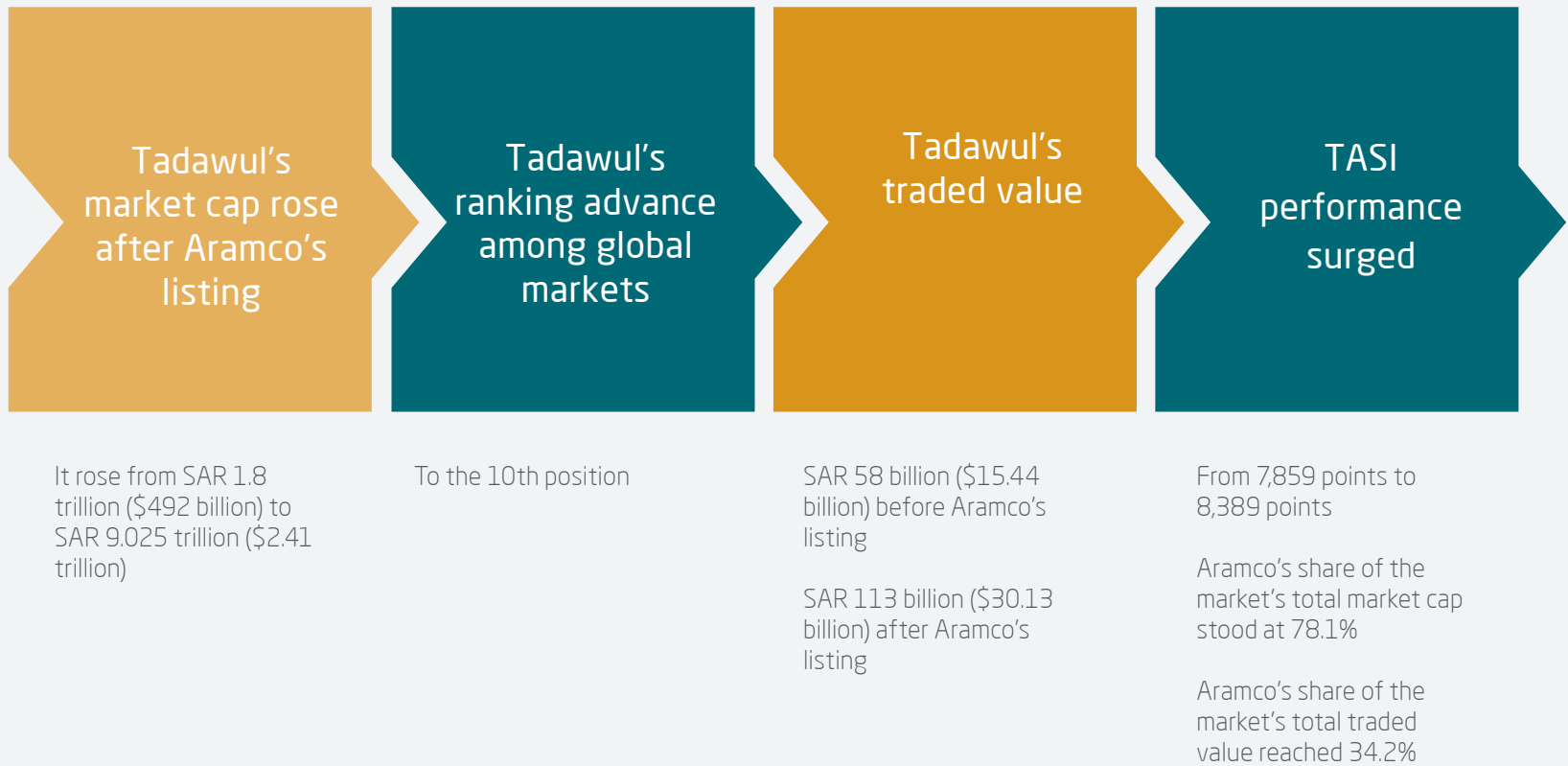
\$106 billion and \$13 billion raised from retail and institutional offerings, respectively

Coverage ratio is 465%

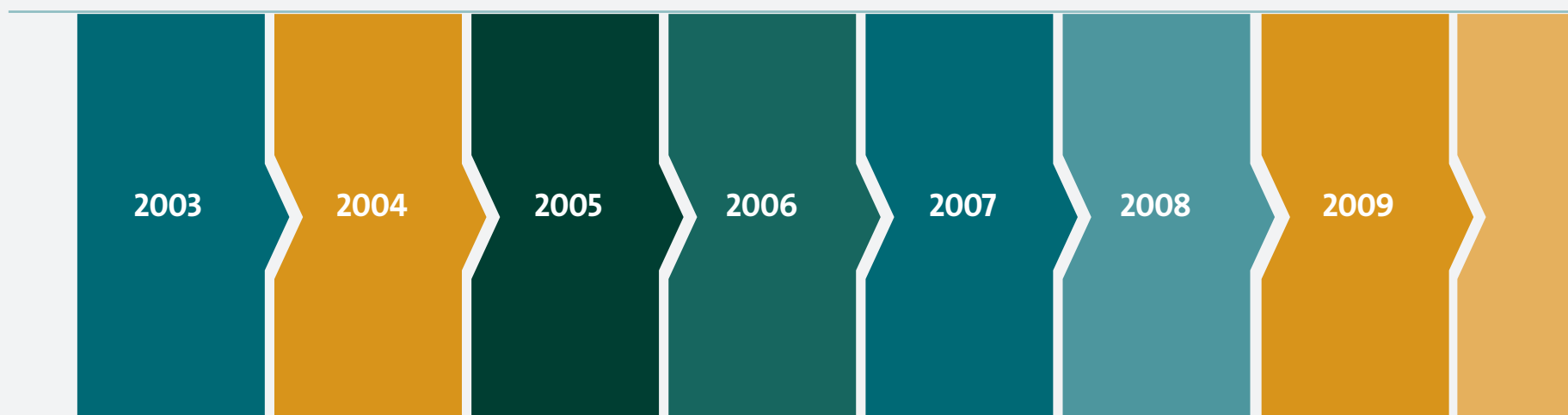
SAR 32 nominal value per share

The company is valued at SAR 6.4 trillion (\$1.7 trillion).

Alibaba's offering raised \$21.8 billion in 2014



## Saudi Capital Market Milestones (2003–2020)



Royal Decree No. (M/30) dated 31 July 2003 on approving Capital Market Law is issued.

\*The first CMA Board is formed.

\* Subscription of Etihad Etisalat (Mobily).

\* Subscription of the Company for Cooperative Insurance (Tawuniya).

\* The first CRSD is formed.

\* The first ACRSD is formed.

\* Bank Albilad is offered and listed.

\* Stock Market Bubble of 2006..

\* GCC institutional investors are allowed to trade on the Saudi capital market.

\*The issuance and listing sukuk in the capital market is approved.

\* SAXESS trading system is implemented.

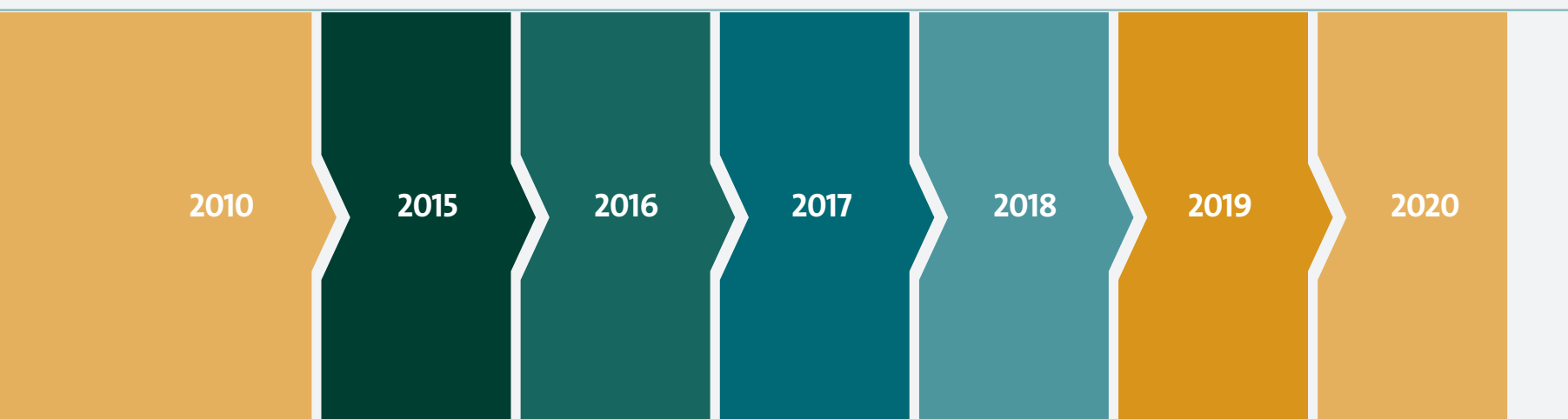
\* Market industries and add new indices are reclassified.

\* Tadawul is established.

\*GCC citizens are treated the same as Saudi citizens when it comes to owning and trading listed shares.

Authorised persons are allowed to conclude stock swap agreements.

The sukuk and bonds market is launched.



2010

ETFs are listed and traded.

2015

Foreign financial institutions are allowed to buy and sell listed shares.

2016

\* The parallel market is established.  
\* REITs are launched.

2017

\*Class action lawsuit are approved for securities disputes.  
\*The market sectors were restructured in 2017, based on the Global Industry Classification Standard (GICS).

2018

\*FinTech Lab Initiative is launched.  
\* Government debt instruments are listed.

2019

\* 1.5% of Aramco shares are offered for public subscription.  
\*The Capital Market Law is amended.

2020

\*The Securities Clearing Centre Company (Muqassa) is established.  
\* The derivatives market is launched.  
\* The Financial Academy is founded.

# **The Saudi Capital Market:**

History and Development. A Photographic Chronicle

# Market Story

Photographic Documentation of the Saudi  
Capital Market History

**1926 - 2020**