

هيئة السوق المالية
Capital Market Authority



Annual Report 2007

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



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



HRH Prince Sultan Bin Abdulaziz Al-Saud
Crown Prince , Minister of Defense and
Aviation and the Inspector General

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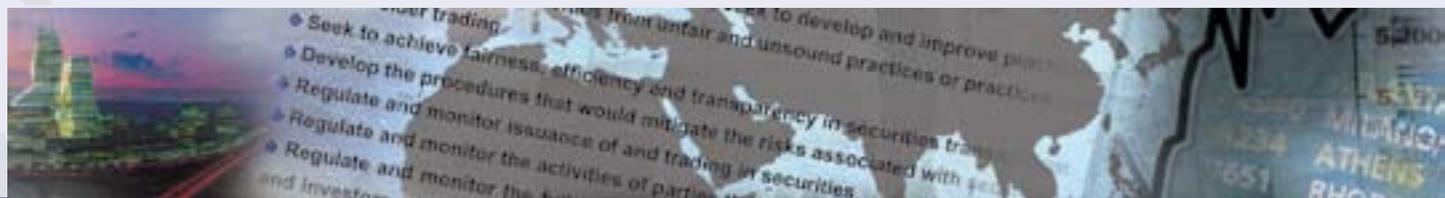




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Chairman's Statement

I have the pleasure to present CMA's annual report for 1427/1428H (2007) which summarizes the most important developments witnessed in the Saudi Capital Market, and the effective role that CMA plays in attracting funds and channeling them towards investment for the interest of both funds providers and investors, and enhancing the economic development.

During the course of 2007, the CMA took many important steps towards integrating and updating the regulatory aspects of the market, and for that specific purpose, the CMA has issued the Merger and Acquisition Regulation that provides a regulatory framework covering all merger and acquisition stages, and contains a number of significant principles aiming at protecting investors.

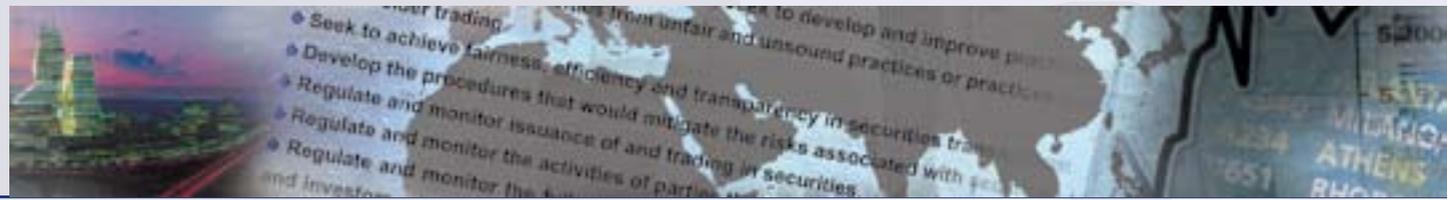
In light of CMA's strategy to develop and upgrade the Saudi Capital Market and limit any underlying risks, and to keep pace with the growth of listed companies and their diversified activities, a decision has been taken by the CMA for restructuring the stock market sectors based on the nature of business of each listed company, and its income and earnings structure. Moreover, new indices are created to better reflect the changes to the price of shares of listed companies, which were put in force as of Saturday 28/3/1429H, corresponding to 5/4/2008. According to the restructuring process, the stock market sectors have become fifteen instead of eight, and the market index and sectors' indices shall be calculated based on the tradable shares (free float).

To segregate the supervisory and surveillance functions from the operating and executive functions, and pursuant to the Capital Market Law, the Council of Ministers issued, in its session of Monday 29/2/1428H, corresponding to 19/3/2007, a decision for establishing a Saudi joint stock company under the name of "Saudi Stock Exchange Company" with a capital of SR 1200 million, divided into 120 million shares which are subscribed by the Public Investment Fund "PIF". In its session of Monday 9/11/1428H, corresponding to 19/11/2007, the Council of Ministers gave its approval to appoint the board members of the Saudi Stock Exchange Company, for three years tenure.

Commencing 8/10/1428H, corresponding to 20/10/2007, Tadawul new system was put into operation, which contains a system for monitoring and follow up of the executed transactions, ensures integrity thereof and allows trading of various and new financial investment instruments such as Sukuk and Investment Funds. In addition, the system has sufficient capacity to cope with the market's current and future requirements.

In steps that led to an increase in the multitude of financial instruments and provide new opportunities for investors, the Saudi Electricity Company "SEC" and SABIC have both issued debt instruments (Sukuk) in the Saudi market. Further, new Investment Funds were offered by the non-bank financial services companies.

In order to enhance the cooperation between the GCC markets and achieve economic integration between these countries and to enforce the Council



of Ministers decision in that respect, the CMA board approved granting the other GCC countries citizens equal treatment to that of Saudi nationals with respect to ownership and trading of shares, as of 14/9/1428H, corresponding to 26/9/2007. For increasing the market depth, widening its base and for creating more investment opportunities, the CMA has continued its efforts towards regulating and developing the IPOs market. In this connection, it made assessment of the procedures that have been in use in the securities offering process, in order to determine the fair price of the offered securities. As a result, it introduced the book building process through which the institutional investors are asked, before pricing an IPO, to provide information about their expected demand and the fair price of the offered security. The IPOs market has witnessed buoyant activity during the year 2007, as the value of the total securities offered reached SR 40.2 billion compared to SR 20.65 billion for the year 2006, with an increase of 94.7%, whereas the number of listed companies jumped from 73 companies in 2004 to 111 companies in 2007, a 52% increase.

In its continuous efforts towards the development of the Capital Market, the protection of the markets participants and provision of diversified high quality and professional financial services and to promote competition, the CMA has issued 35 new licenses for carrying on various security businesses, which increased the number of authorized persons to 80.

In the area of disclosure and dissemination of information, the CMA has continued to play a significant role in monitoring the compliance of the listed companies with outstanding requirements, which enhanced compliance of listed companies with the disclosure and dissemination requirements.

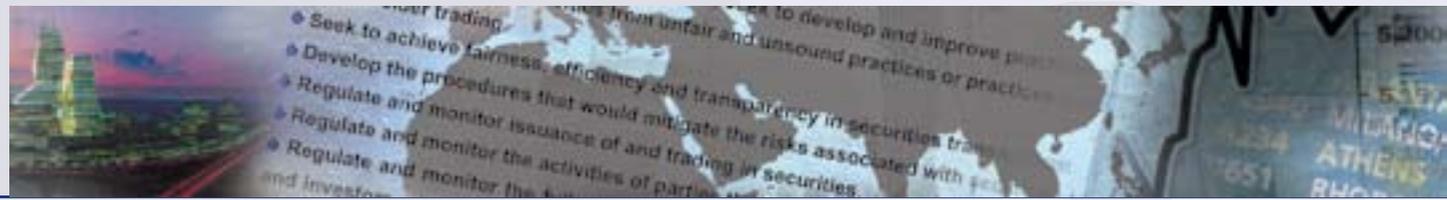
In order to put the regulations in force, the CMA has investigated, in the year 2007, 98 suspected violations of the Capital Market Law and its Implementing Regulations, most of which were concentrated in practicing of business without license, disclosure violations, fraud and manipulation, insider trading and trading during the prohibited trading period.

To improve the knowledge base and professional skills of its staff, the CMA has organized 383 internal and external specialized training courses for its employees during the year 2007. It also arranged scholarships for a number of its staff to pursue higher studies at foreign universities, and recruited 108 new staff, raising the total number of the CMA staff to 362 at the end of 2007.

Finally, I would like to extend my thanks and gratitude to the Custodian of the Two Holy Mosques, King Abdullah Bin Abdulaziz and his Crown Prince Sultan Bin Abdulaziz, Minister of Defense and Aviation and the Inspector General may Allah protect them, for their valuable and continuous support to the CMA, towards elevating and developing the capital market, to rank high among the developed international markets.

With my best wishes,

Dr. Abdulrahman Abdulaziz Al-Tuwaijri
Chairman
Capital Market Authority



CMA Board Members

CMA Board Members

The CMA Board has five full-time members:



Mr. Ibrahim Mohammed Al-Romaih
Vice-chairman



H.E. Dr. Abdulrahman Abdulaziz
Al-Tuwaijri
Chairman



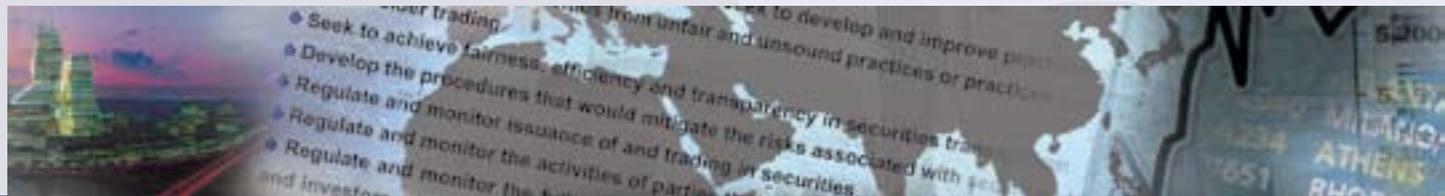
Mr. Mohamed Magnem Al-Shumrani
Member



Dr. Abdulrahman Abdulmohsen Al-Kalaf
Member



Dr. Abdullah Hassan Al-Abdul-Gader
Member



Vision, Mission and Objectives

Vision, Mission and Objectives

Vision

The CMA vision is to raise the level of Capital Market efficiency and enhance its competitiveness strength through the application of the best international standards and practices that are applied in the advanced international markets, to become a leading market in terms of performance standards, and the applicable rules and regulations, in addition to promoting adequate levels of liquidity, transparency and disclosure in the market, and to form an effective supervisory and controlling apparatus for continuous development of the market, in addition to creating a favorable and secure environment that protects and attracts investors and participants.

Mission

The CMA mission is clearly set in development of the Capital Market, protection of investors against the market risks and exerts all efforts to strengthen fairness, transparency and disclosure.

Objectives

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

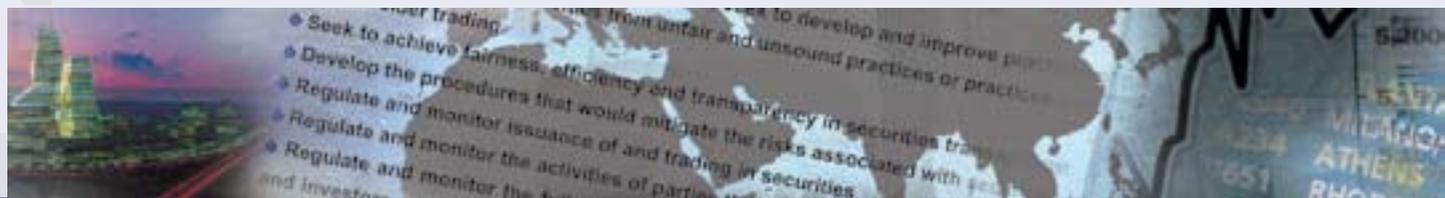
- » Promoting investment in financial securities and increase the number of listed companies.
- » Developing and elevating the Capital Market, attracting funds for investment, diversifying financial instruments and providing adequate liquidity.
- » Development of an ideal, efficient and fair capital market that ensures effective and regular disclosure of material information and enforces the rules and regulations for protection of the market and maintaining its stability.
- » Maintaining the stability of the financial system through establishing and enforcement of sophisticated rules and regulations that cope with the most advanced international standards and practices applied, in terms of transparency, licensing, supervision and regulation.



Part One: CMA Overview

Part One: CMA Overview

- » Establishment of the CMA
- » Main Functions
- » Organizational Structure
- » Parties Subject to CMA Regulation



1-1 Establishment of the CMA

1-1 Establishment of the CMA

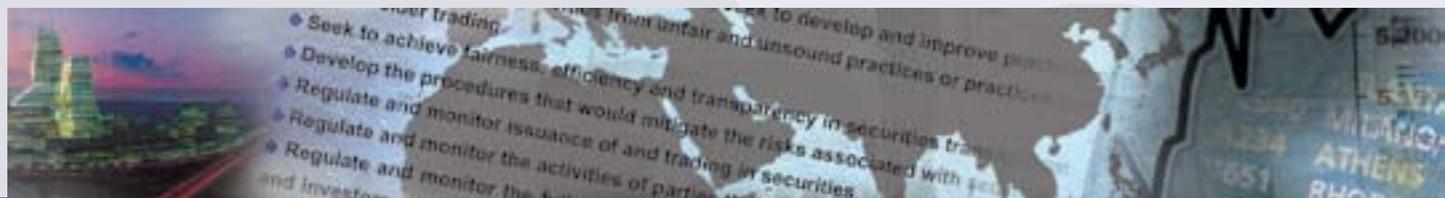
For the purpose of organizing the Capital Market in the Kingdom of Saudi Arabia on modern and advanced bases that go in line with the ongoing economic development, boosting the investors' confidence and providing more disclosure and transparency and fairness in the securities transactions, the Capital Market Authority was established under the "Capital Market Law" which was promulgated by Royal Decree No. (M/30) dated 2/6/1424H, corresponding to 31/7/2003, to assume the supervisory and controlling role over the parties that fall under its control. CMA is a government authority with financial and administrative autonomy and directly reports to the Prime Minister and is responsible for the development of the Saudi Capital Market. The Authority is vested with the organization and development of the Saudi Capital Market, and issuance of rules, directives and instructions, and implementation of the provisions of the Capital Market Law.

1-2 Main Functions

1-2 Main Functions

The Capital Market Law spells out the CMA main functions, the most important of which are to:

- » Regulate and develop the Capital Market, seek to develop and improve practices of parties involved in trading in securities.
- » Protect investors in securities from unfair and unsound practices or practices involving fraud, deceit, cheating or manipulation, or any insider trading.
- » Seek to achieve fairness, efficiency and transparency in securities transactions.
- » Develop the procedures that would mitigate the risks associated with securities transactions.
- » Regulate and monitor issuance of and trading in securities.
- » Regulate and monitor the activities of parties that under CMA regulation.
- » Regulate and monitor the full disclosure of information regarding securities and issuers, the dealings of informed persons and investors, and define and make available information which the participants in the market should provide and disclose to shareholders and the public.



1-3 Organizational Structure

1-3 Organizational Structure

The CMA is composed of seven main departments that collaborate closely to achieve the CMA's goals and objectives.

(1) Enforcement Department

Main Functions and Responsibilities:

- › Investigates into the violations to the Capital Market Law and its Implementing Regulations and institutes legal proceedings.
- › Acts to settle the disputes that may arise among the participants in the market.
- › Investigates into the investors' complaints and follows-up their settlement.
- › Enforces the resolutions issued by the CMA Board or Committee for Resolution of Securities Disputes.

(2) Corporate Finance

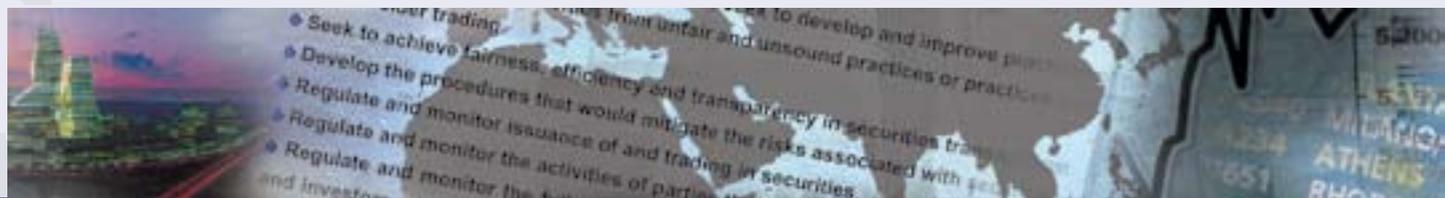
Main Functions and Responsibilities:

- › Reviews the applications for issuance offering and listing of securities, to ensure compliance with the Capital Market Law and Implementing Regulations thereof.
- › Ensures compliance of listed companies with the disclosure requirements.
- › Ensures compliance of Investment Funds with the Capital Market Law and its Implementing Regulations.

(3) Market Supervision Department

Main Functions and Responsibilities:

- › Acts to implement the instructions and controls related to corporate information.
- › Reviews interim and annual financial statements of listed companies, and monitors their publication on Tadawul website.
- › Reviews interim and annual financial statements of listed companies to ensure their compliance with the Accounting Standards.
- › Supervises trading activities On-line and off-line, reviews and analyzes trading transactions on continuous basis.



(4) Authorization and Inspection Department

Main Functions and Responsibilities:

- » Reviews applications for authorization to conduct securities business, including dealing, managing, arranging, advising, custody, as well as any other business which have to be authorized by the CMA.
- » Ensures compliance of the authorized persons with the Capital Market Law and its Implementing Regulations.
- » Inspects authorized persons, to ensure their compliance with the Capital market law and its Implementing Regulations.

(5) Research and Investor Awareness Department

Main Functions and Responsibilities:

- » Develops financial and economic researches and studies.
- » Prepares the annual as well as other periodical reports, and issues periodical awareness, statistical and analytical publications on the Saudi Stock Market.
- » Disseminates investment awareness and investment culture through various enlightenment mechanisms and programs, and promotes disclosure and transparency concepts.
- » Creates communication channels with regional and international financial and economic institutions and organizations, oversees organization and implementation of different co-operation programs with those institutions and organizations.

(6) The General Administration Department

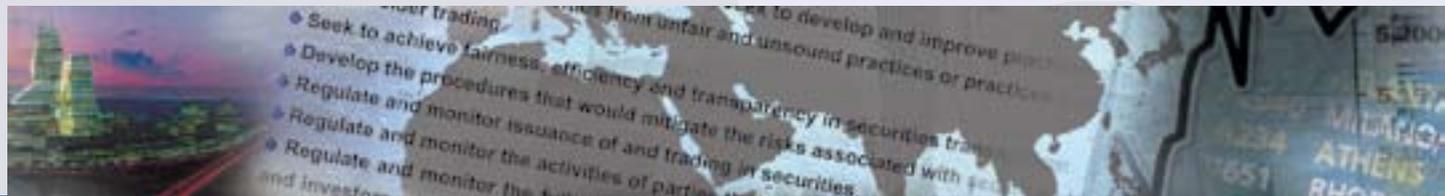
Main Functions and Responsibilities:

- » Prepares and develops the HR related policies and regulatory rules.
- » Provides the qualified human resources to meet the work requirements at the Authority.
- » Monitors and provides the necessary IT systems and devices.

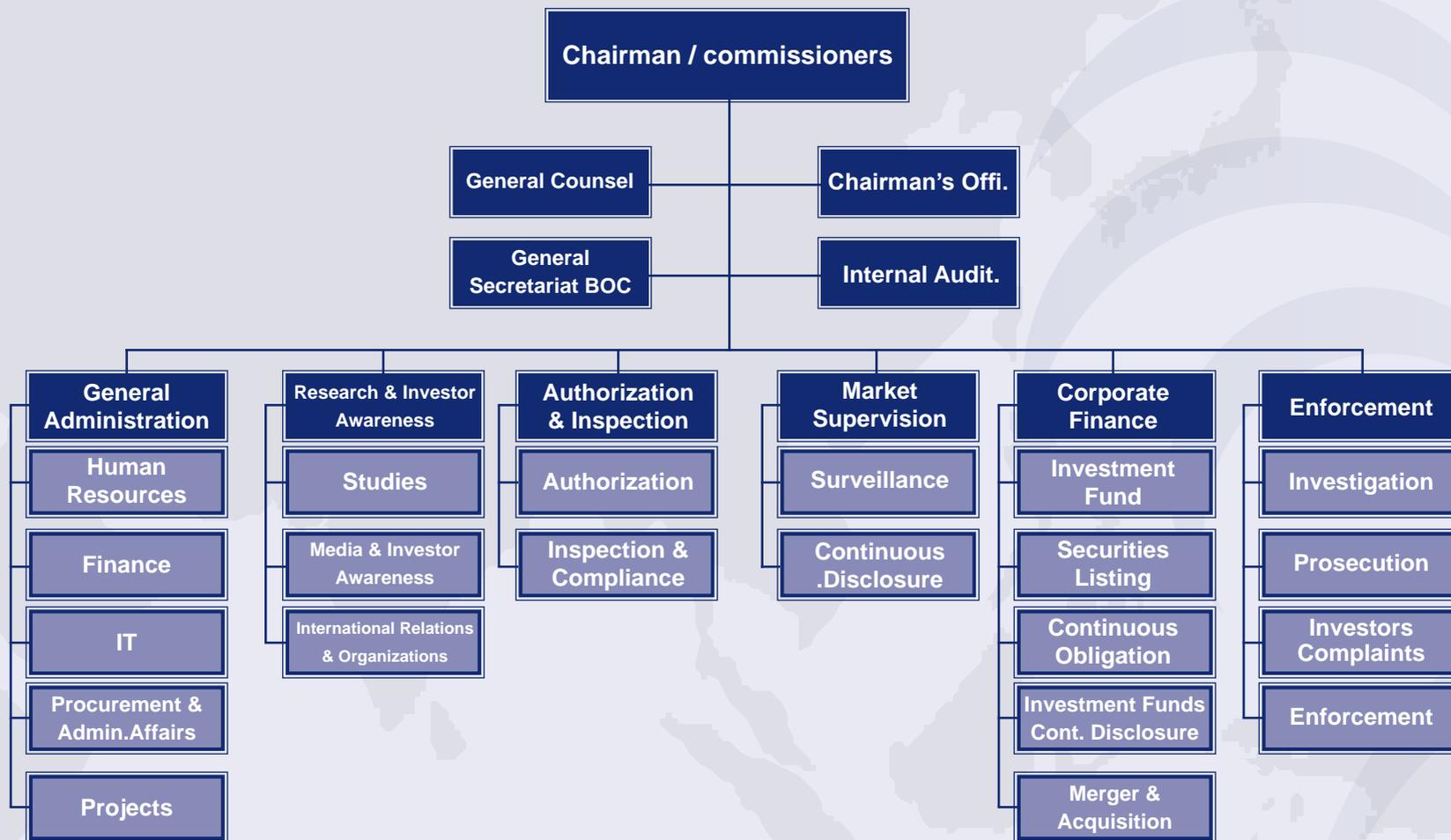
(7) Internal Audit Department

Main Functions and Responsibilities:

- » Improves performance and productivity of CMA departments.
- » Implements and develops the internal compliance policies.
- » Follows-up observance of the code of conduct by the CMA staff.



Organizational Structure





1-4 Parties Subject to CMA Regulation

(1) Saudi Stock Exchange Company (Tadawul)

According to article twenty of the CMA Law, a market shall be established in the Kingdom of Saudi Arabia for the Trading in Securities which shall be known as the “Saudi Stock Exchange”, and will have the legal status of a joint-stock company in accordance with the provisions of this law. This Exchange shall be the sole entity authorized to carry out Trading in Securities in the Kingdom and the entity which is responsible for all matters relating to operation of the Exchange. The Council of Ministers in its session of Monday 29 Safar, 1428H, corresponding to 19/3/2007 has endorsed establishing a Saudi joint-stock company under the name “Saudi Stock Exchange Company” (Tadawul), and has also endorsed, in its session of Monday 9/11/1428H, corresponding to 19/11/2007, the appointment of the board members of this company, for a three years tenure.

(2) Authorized Persons

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

(3) Listed Companies

These are the companies whose securities are traded in the Saudi Capital Market.

(4) Traders

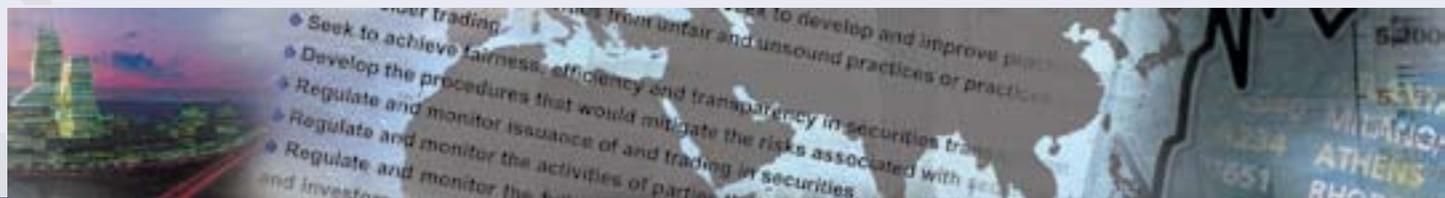
These represent the public who trade in securities in the Saudi Capital Market.



Part Two: CMA's Achievements

Part Two: CMA's Achievements

- » CMA's Achievements in Regulating the Offering, Trading and Development of Securities
 - » Implementing Regulations and Regulatory Decisions for Developing and Regulating Securities Offering and Trading.
 - » Offering and Trading in Securities and Investment Funds.
 - » Supervision of Trading, Disclosure and Investors Complaints.
 - » Authorized Persons to Conduct Securities Business.
 - » Investor Awareness.
- » CMA's Achievements in Regulating and Developing the Internal Rules



2-1 CMA's Achievements in Regulating and Developing of Securities Offering and Trading

2-1 CMA's Achievements in Regulating and Developing of Securities Offering and Trading

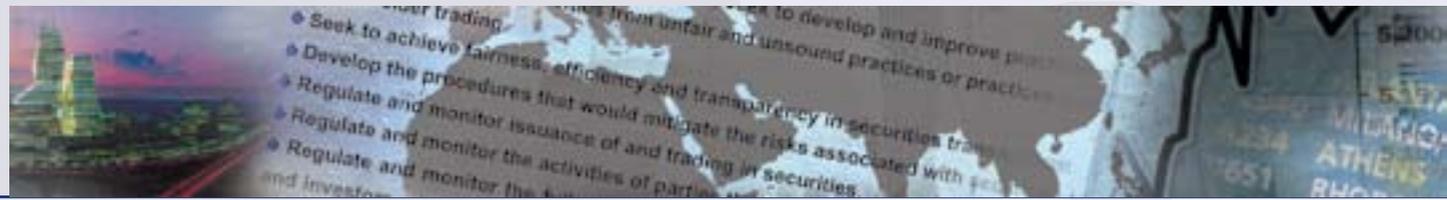
2-1-1 Implementing Regulations and Regulatory Decisions for Developing and Regulating of Securities Offering and Trading

In implementation of articles five and six of the Capital Market Law, which stipulate that the CMA shall be the agency responsible for issuing of regulations, directives and instructions, and for implementing the provisions of this law, an array of Implementing Regulations and regulatory decisions have been issued by the CMA for regulating and development of the Capital Market, and the techniques adopted by the parties involved in securities trading.

(1) Implementing Regulations

Based on the powers vested to the CMA Board under articles five and six of the Capital Market Law, the Board has issued since its creation a number of Implementing Regulations aiming at regulating and developing the Capital Market. As CMA believes in the participation of the parties concerned with and interested in the development of the implementing regulations, CMA used regularly to announce such regulations on its website to invite the opinion of concerned parties before endorsement of the same. During the period from 1/7/2004 until the end of 2006, nine Implementing Regulations were issued by the board, namely the following:

- 1- Market Conducts Regulations.
- 2- Offers of Securities Regulations.
- 3- Listing Rules.
- 4- Authorized Persons Regulations.
- 5- Securities Business Regulations.
- 6- Real Estate Investment Funds Regulations.
- 7- Corporate Governance Regulations.
- 8- Investment Funds Regulations.
- 9- Glossary of Defined Terms used in the Regulation and Rules of the Capital Market Authority .



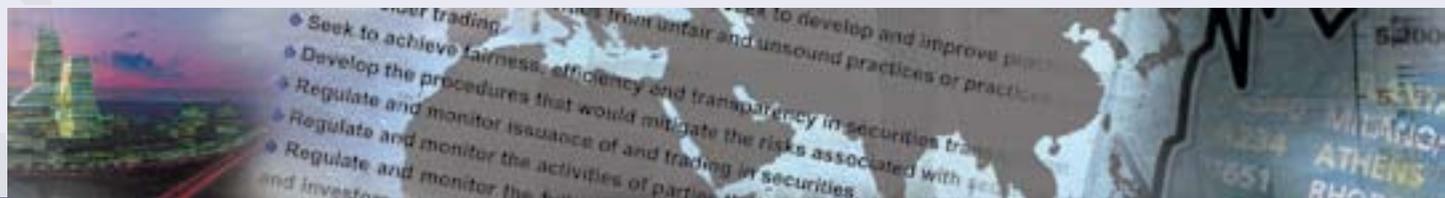
In 2007, the CMA Board has passed its decision No. 1-50-2007 dated 21/9/1428H, corresponding to 3/10/2007 approving the Merger and Acquisition Regulations. The most important points reflected by these regulations are the following:

- » Rules governing acquisition offers and associated announcements.
- » Rules governing prohibition and restrictions on dealings associated with acquisition offers.
- » Disclosure of acquisition offers.
- » Rules governing mandatory and permissive offers.
- » Nature of payment to be offered.
- » Compliance of the offer with competition laws.
- » Contents and requirements of the offer document.
- » Related party takeovers.

(2) Regulatory Decisions

During the year 2007, the CMA Board held sixty sessions and issued 265 decisions, the most important of which are:

- 1- Approved the restructuring of the market sectors and calculation of its indexes, and commissioning the Saudi Stock Exchange Company (Tadawul) to put this into effect as of Saturday 28/3/1429H, corresponding to 5/4/2008.
- 2- Issued decisions granting the GCC Countries citizens equal treatment given to the Saudi citizens regarding ownership and trading of shares, in implementation of the Council of Ministers Decision No. 267 dated 14/8/1428H which calls for cancellation of clause (A) of the Council of Ministers decision No. 49 dated 25/2/1426H.
- 3- Commenced Tadawul new system as of Saturday 8/10/1428H, corresponding to 20/10/2007.
- 4- Approved the Merger and Acquisition Regulations dated 21/9/1428H, corresponding to 3/10/2007.



2-1-2 Offering and Trading in Securities and Investment Funds

1) Securities Offerings

In implementation of clause (A) of article five and clause (A) of article 6 of the Capital Market law pertaining to the CMA function with respect to regulating, supervising, controlling and dealing with securities, the CMA exerted all efforts to encourage investment in securities through increasing the number of listed companies. It also continued its efforts to consolidate the principle of transparency among all issuers through the issuance of prospectuses which have to be approved by the CMA Board- pursuant to article forty one of the CMA Law- to ensure the quality and sufficiency of information to help investors taking appropriate and sound decisions.

1-Total Number and Value of Applications for Offerings

Table (1) below shows the total number of applications for offering of securities, that were approved by the CMA in 2007, compared to that of 2006, by type of offer. From this table, the following important points can be summarized:

- » Total number of applications received and processed by the CMA in 2007, jumped to 126 applications compared to 62 in 2006, an increase of about 103%.
- » 27 companies were offered for subscription in 2007 compared to ten companies for 2006, with an increase of about 170%.
- » In the year 2007, the CMA has accomplished the necessary procedures for the private placement of one company, 72 exempted offerings, and issue of debt instruments for two companies, in addition to four offerings of right issues, one issue for shares with the purpose of acquisition, capital reduction for one company and 18 issues of bonus shares (stock dividends).

Table (1): Total Number of Security Offerings Applications Approved by the CMA in 2007 and 2006

Type	Total Applications		% Change
	2007	2006	
Public Offering	27	10	170.00%
Private Placement	1	-	-
Exempted Offering	72	23	213.0%
Debt Instruments	2	1	100.0%
Right Issue	4	3	33.3%
Acquisition	1	3	-66.7%
Capital Reduction	1	1	0%
Bonus Shares (stock dividends)	18	21	-14.3%
Total	126	62	103.2%

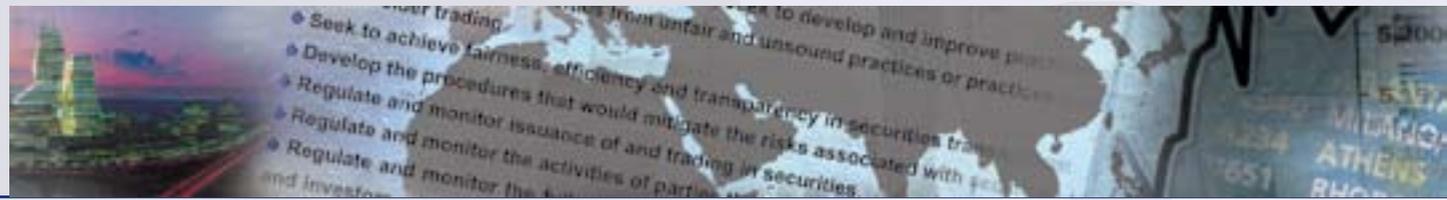
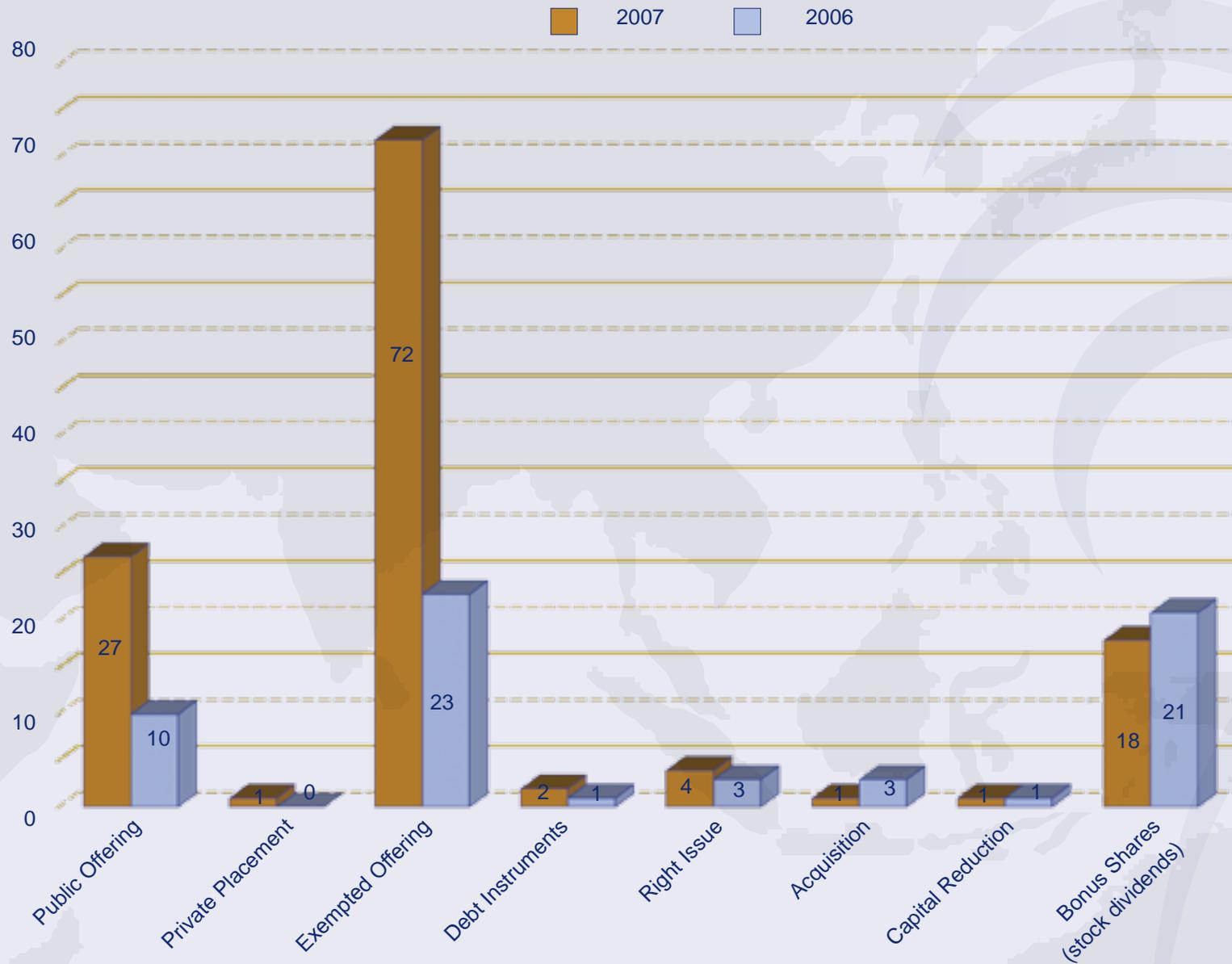


Chart (1): Total Number of Security Offering Applications approved by the CMA for 2007 and 2006



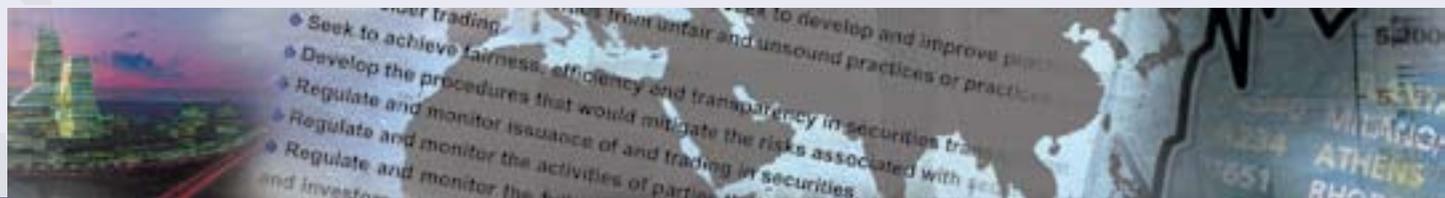


Table (2) below shows the total number of applications for offers of securities approved by the CMA for the year 2007 compared to the year 2006, excluding the exempted offers, bonus shares, capital reduction and shares for the purpose of acquisition. Table (3) shows the total amounts of securities offers by type of offer. The most important indicators that can be derived from these tables are:

- » The total number of applications for offers approved by the CMA for 2007 jumped to 34 applications compared to only 14 for 2006, an increase of 142.9%.
- » The total amounts of securities offered for 2007 stood at SR 40.2 billion, with an increase of 94.7% compared to 2006.
- » The total amount of public offering for 2007 jumped to SR 22.6 billion, with an increase of 116.6% compared to 2006.
- » The total amount of debt instruments offered for 2007 jumped to about SR 13 billion compared to SR 3 billion for 2006, reflecting an increase of 333%.
- » The total amount of right issues decreased from SR 7.2 billion for the year 2006 to SR 3.8 billion for the year 2007, with a decline of 47.2%.

Table (2): Total Number and Value of Offers (excluding exempted offer, bonus shares, acquisition shares) which are approved by the CMA for 2007 and 2006

Description	Year		% Increase
	2007	2006	
Total number of applications for offers	34*	14	142.9%
Value (billion SR)	40.20	20.65	94.7%

*Includes IPO of Rabigh Petrochemical Company which was approved by the CMA Board and offered in early 2008.

Table (3): Total Amount of Offered Securities (billion SR), by type, for 2007 and 2006

Type	2007		2006		% Change
	Amount	%	Amount	%	
Public Offering	22.63	56.3%	10.45	50.6%	116.6%
Private Placement	0.77	1.9%	0	0	-
Rights Issue	3.80	9.5%	7.20	34.9%	-47.2%
Debt instruments	13.00	32.3%	3.00	14.5%	333.3%
Total	40.20	100%	20.65	100%	94.7%

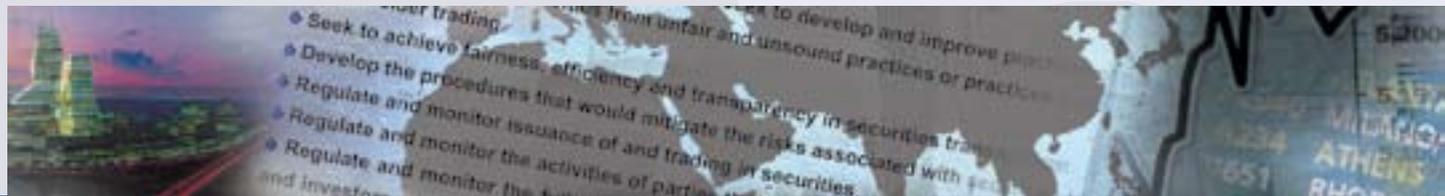
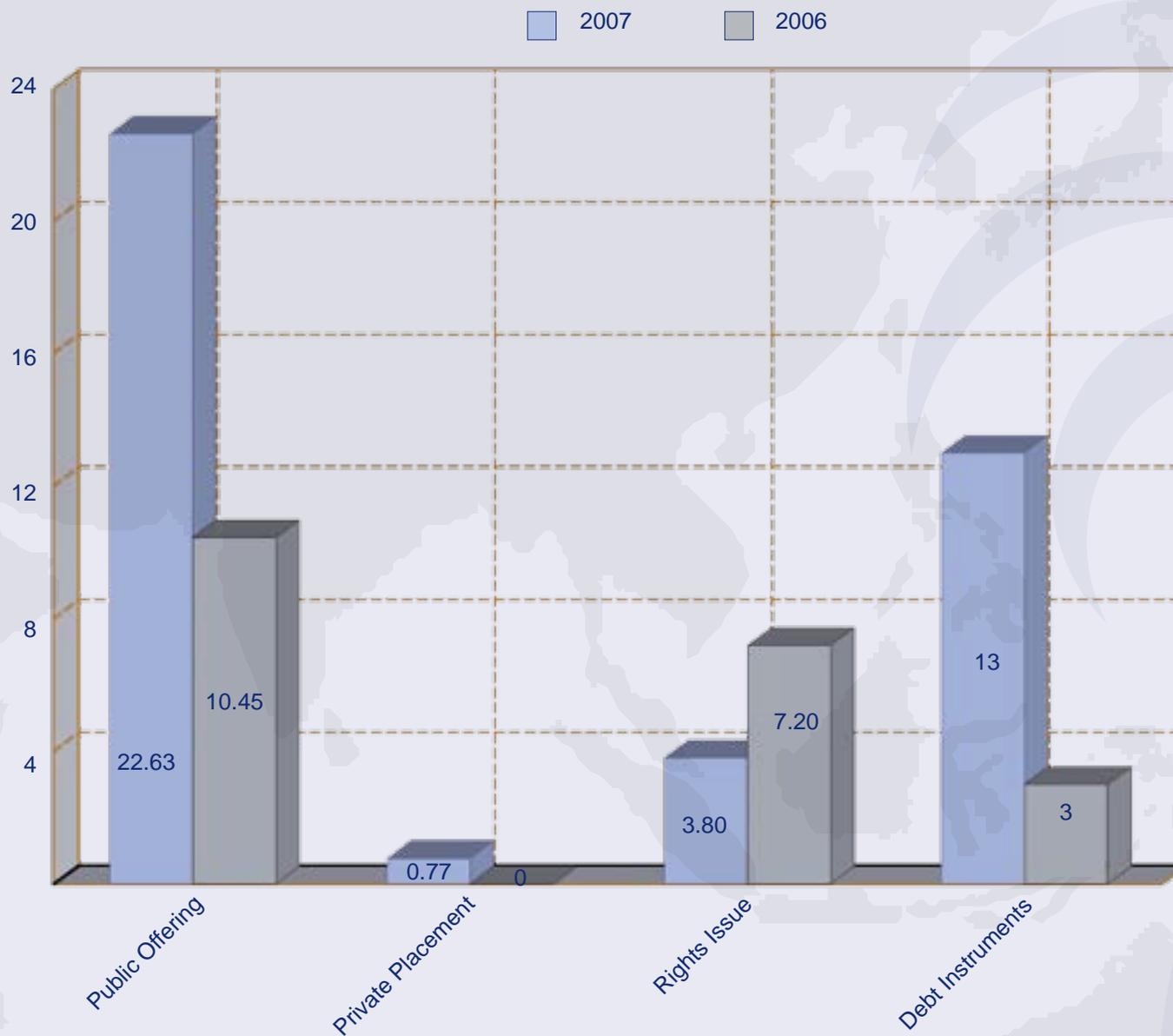
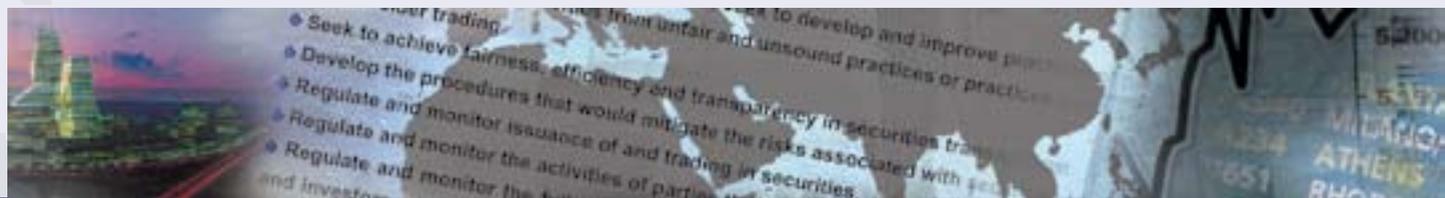


Chart (2): Total Amount of Offered Securities (SR billion), by type, for 2007 and 2006





2- Debt Instruments

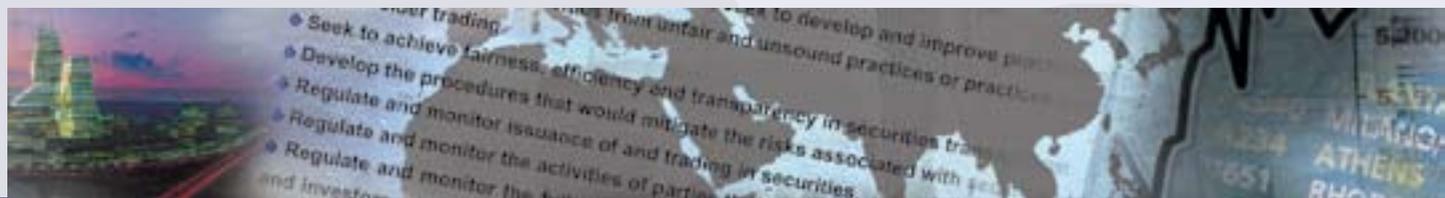
The year 2007 witnessed an increase in debt instruments issues approved by CMA. Two issues, namely a Sukuk for Saudi Electricity Company and another for SABIC have been issued in 2007, compared to only one offering of SABIC Sukuk in 2006.

3- Public Offering

Regulating the Public Offering Process

As part of the CMA efforts towards improving the public offering procedures, CMA assessed the procedures that are currently applied in the offering process in order to determine the fair price of the offered securities. The result of that assessment was application of the book building concept through communicating with the institutional investors. Prior to the pricing of public offering, information is obtained from the institutional investors about the expected demand and fair price of offered security, and allocating to them a certain percentage of the offered shares within a specified price range, with the overall objective of determining a fair subscription price.

In the year 2007, about 40 institutional investors (Investment Funds, authorized persons, investment firms, semi-government organizations) participated in the book building process, which was applied to all issues offered at premium to ensure efficient determination of fair price of offered securities and the size of expected demand.



Public Offering

In the year 2007, shares of 27 companies were offered for public subscription. Table (4) shows names of companies which offered their shares for public subscription classified by volume, type of offering, ratio of subscription shares to the company's total shares, the number of times the issue was covered and the total number of subscribers. Charts (3),(4) and(5) show volume of offered shares, number of times the issue was covered and total number of subscribers. The relevant indicators can be summarized as follows:

- » Volume of shares of companies offered for subscription for the year 2007 ranges from as small as SR 26.45 million in the case of Alahli Takaful Company issue to as large as SR 6.75 billion in the case of Saudi Kayan Petrochemical Company issue, whereas the total value of offered shares amounted to SR 22.6 billion.
- » Shares of 19 companies were offered for public subscription at nominal value, representing 70% of the total offerings in 2007, whereas shares of 8 companies were issued at premium, representing 30% of offered companies.
- » Percentage of offered shares out of the total shares of companies offered in the year 2007 ranged between 5% "Kingdom Holding Company" and 47.5% "Malath Insurance and Reinsurance Company".
- » The number of times the issue was covered for the offered shares in the year 2007 ranged between 1.46 times "Dar Alarkan Real Estate Development Company" and 14,42 times " Saudi Indian Company for Cooperative Insurance", whereas the weighted average of number of times the issues were covered stood at about 4 times.
- » Total number of subscribers in the offered shares of companies for the year 2007, ranged between 315,000 subscribers " Saudi French Cooperative Insurance Company (Allianz SF)", and 5.4 million subscribers for " Rabigh Petrochemical Company".

Includes Rabigh Petrochemical Company which was approved in the year 2007 and offered in the year 2008

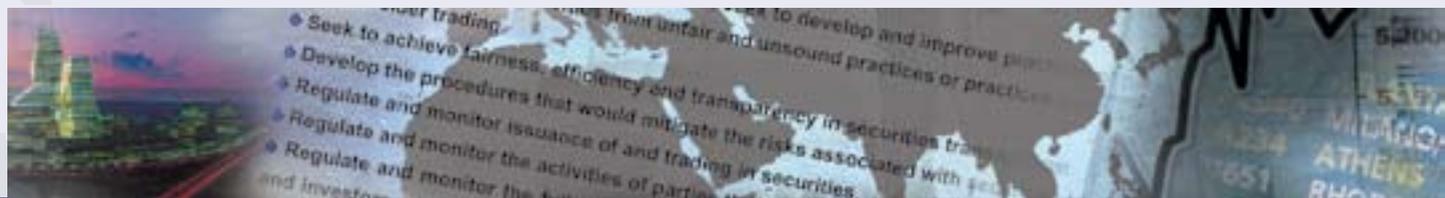


Table (4): Companies which Offered Shares for Public Subscription in the year 2007 Classified by Volume, Type of Offering, Ratio of Subscription Shares to the Total Number of Shares, Number of Times the Issue was Covered and Total Number of Subscribers:

Company	Offering		% of offered shares	Times the issue is covered	Subscribers (Thousand)
	Amount (SR million)	Premium			
Kayan Petrochemical Company	6,750	No	45%	5.61	3,701
Rabigh Petrochemical Company	4,599	Yes	25%	4.47	5,407
Dar Arkan Real Estate Development Company	3,329	Yes	11.1%	1.46	1,995
Kingdom Holding Company	3,229	Yes	5%	2.64	1,251
Jabal Omer Real Estate Development Company	2,014	No	30%	3.10	5,068
Middle East Specialized Cable Company (MESC)	442	Yes	30%	3.44	1,543
Saudi Printing and Packaging Company	396	Yes	30%	2.06	1,313
United International Transportation Company (Budget)	285	Yes	30%	4.34	1,253
Saudi Vitriified Clay Pipes Company	203	Yes	30%	2.57	463
Mediterranean and Gulf Cooperative Insurance and Reinsurance Company	200	No	25%	3.93	1,418
Al-Khaleej Training and Education Company	156	Yes	30%	7.66	1,163
Malath Insurance and Reinsurance Company	142	No	47%	4.99	1,211
Trade Union for Cooperative Insurance Company	105	No	42%	7.39	1,366
Gulf Union for Cooperative Insurance Company	88	No	40%	4.49	704
Al Sagr Cooperative Insurance Company	84	No	40%	5.64	837
Sanad for Cooperative Insurance and Reinsurance Company	80	No	40%	4.43	1,197
Saudi United Cooperative Insurance Company (Walaa)	80	No	40%	3.56	534
Arabian Insurance Company	80	No	40%	8.21	589
Arabian Shield Cooperative Insurance Company	80	No	40%	4.51	658
Saudi Arabian Cooperative Insurance Company(SICO)	40	No	40%	10.07	710
United Cooperative Insurance Group	40	No	40%	8.02	613
Saudi Indian Company for Cooperative Insurance	40	No	40%	14.42	573
Saudi IAIC Cooperative Insurance Company (Salama)	40	No	40%	5.21	399
Al-Ahlia Cooperative Insurance Company	40	No	40%	7.95	590
SABB Takaful	35	No	35%	7.06	454
Saudi Fransi Cooperative Insurance Company (Allianz SF)	31	No	31%	5.93	315
Al-Ahli Takaful	26.45	No	26%	11.21	532
Total	22,635				35,851

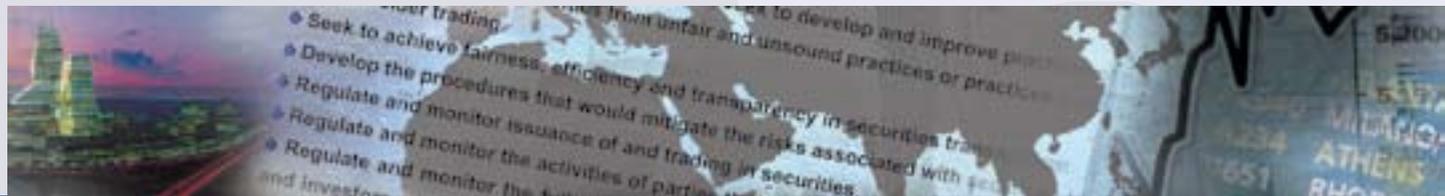
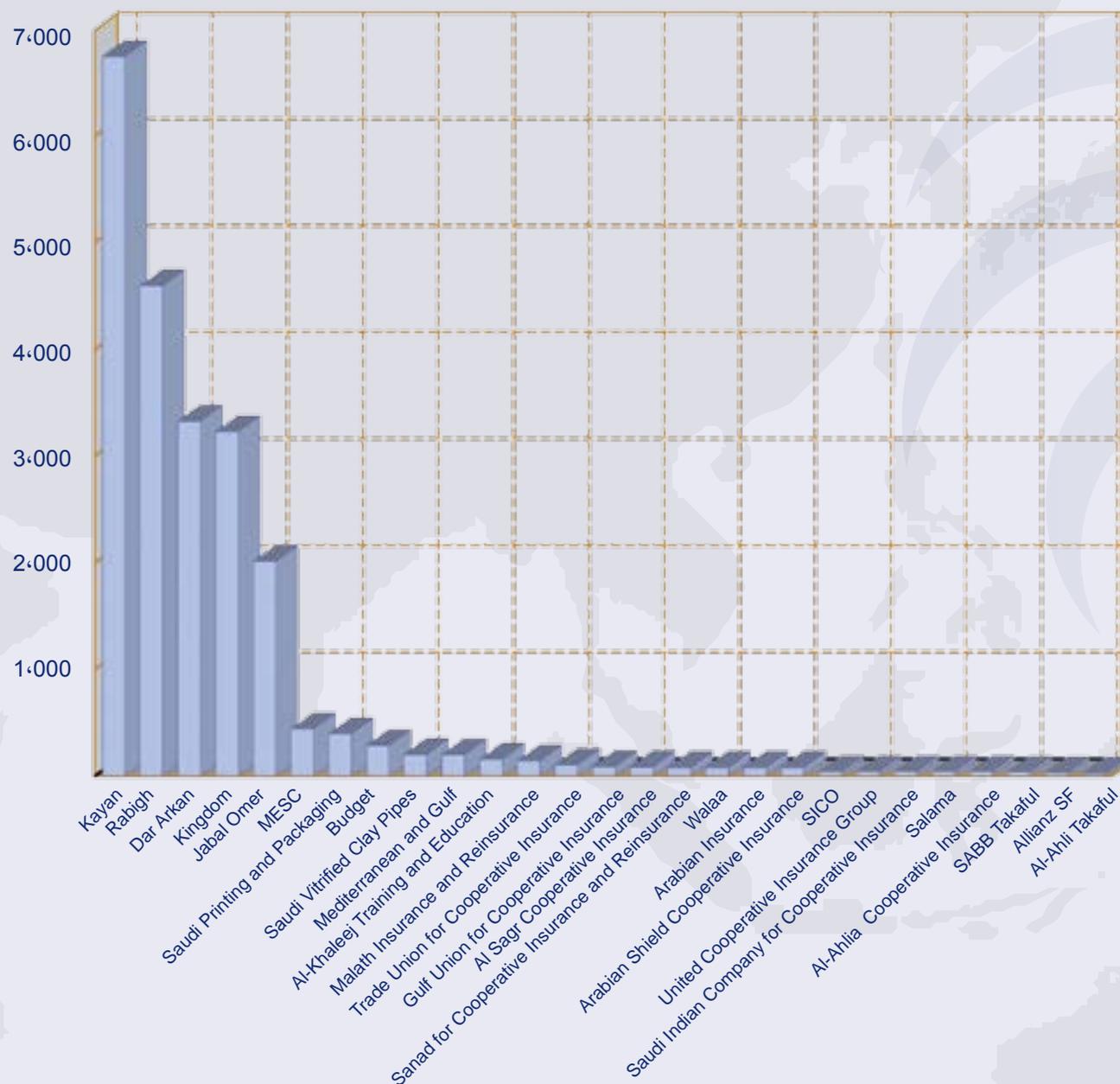


Chart (3): Volume of Shares Offered in 2007 (SR million)



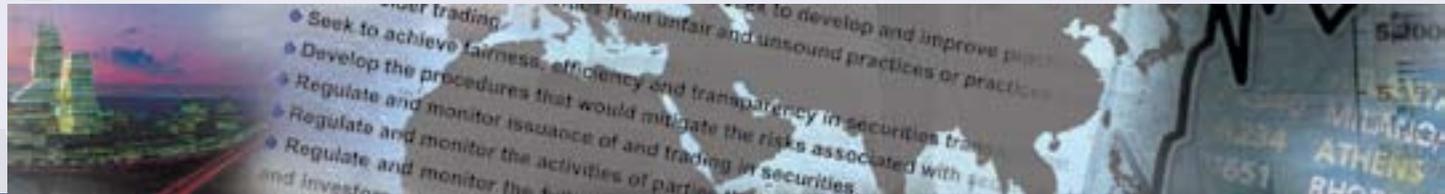
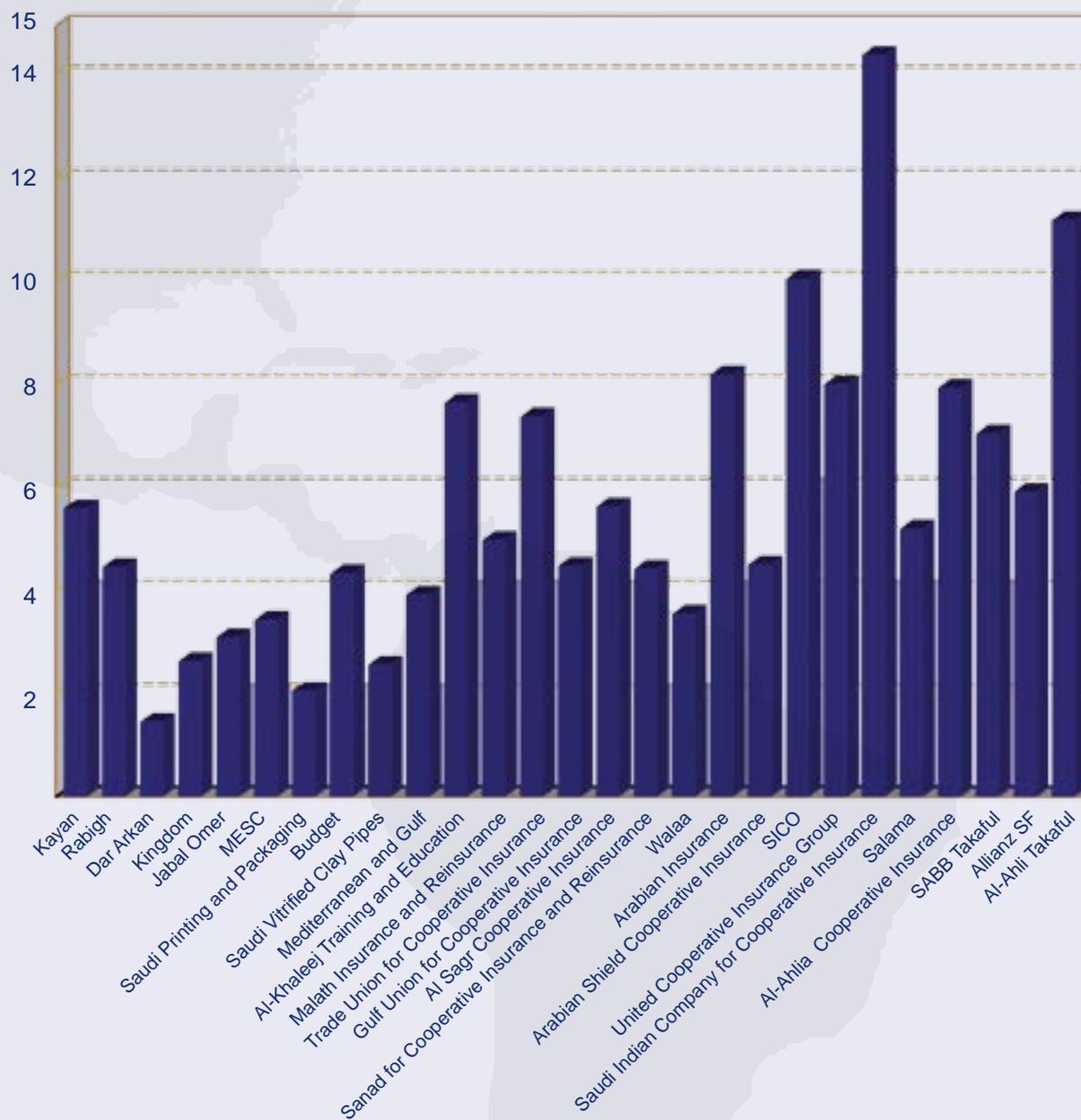


Chart (4): No. of Times Issues are Covered in 2007



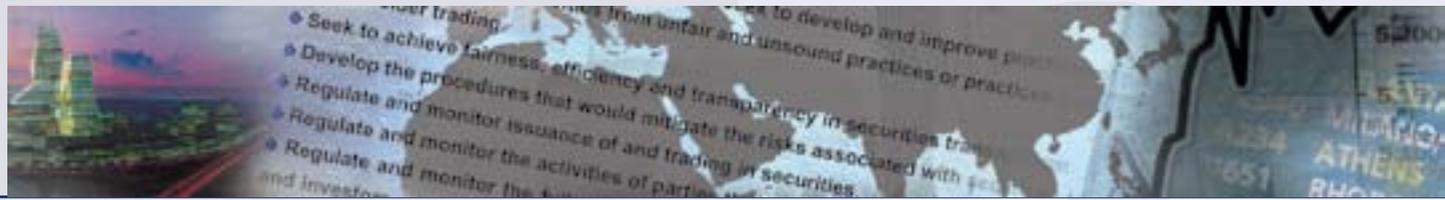
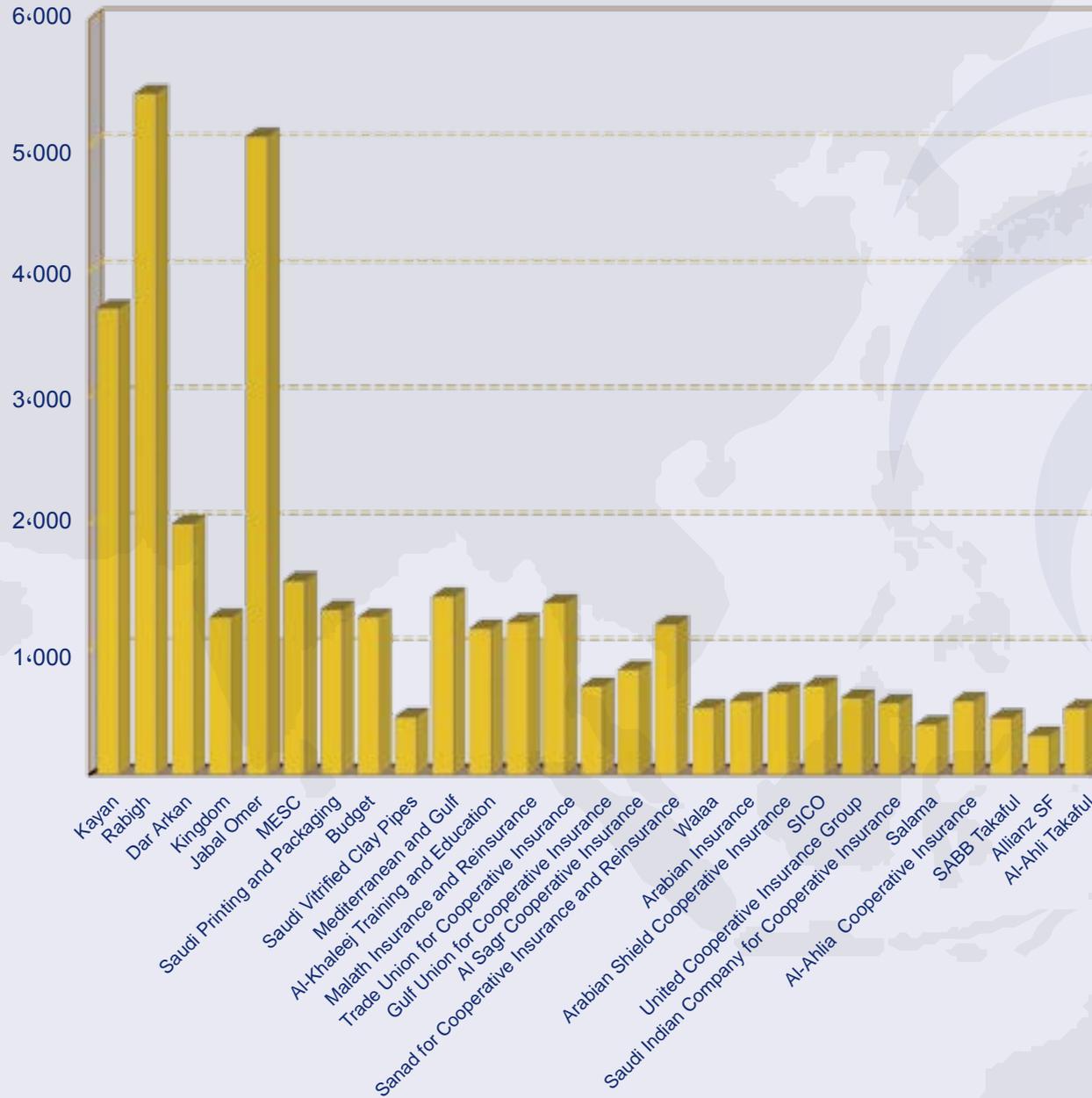
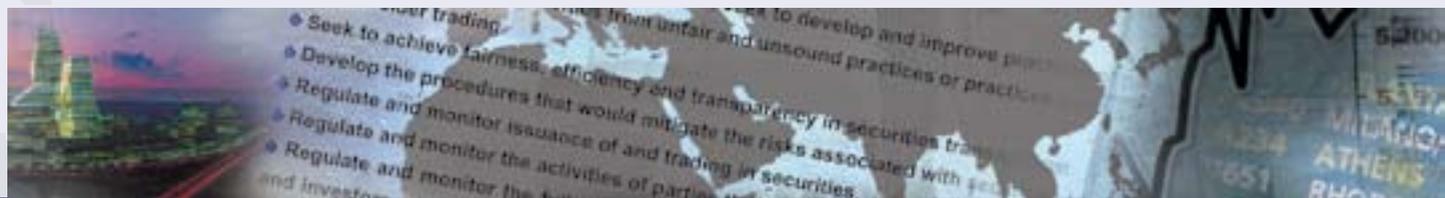


Chart (5): Total Subscribers (Thousand) During the Year 2007





4- Subscription Channels

Total Number of Subscribers Through Various Subscription Channels

The Saudi Stock Market witnessed an increase in the number of companies which offered their shares for public subscription as well as the number of subscribers over the last years. To facilitate the subscription procedures, the subscription lead managers and receiving banks, were directed by the CMA to find alternative subscription channels such as the Internet, ATMs and telephone banking and to reduce reliance on paper-based subscription through the banks' branches. Table (5) displays the total number of subscribers (in thousands) by subscription channels, for 2007 and 2006 and for the period from 1/7/2004 until the end of 2005. The table main indicators can be summarized as follows:

- » Total number of subscribers using e-devices (Phone Banking, Internet and ATM) has increased over the last few years. During the period from 1/7/2004 until the end of 2005, only 18% of the subscribers used e-devices for execution of the subscription applications. However, this ratio has increased in the years 2006 and 2007 to 66.6% and 82.8% respectively.
- » Only 17.2% of the total subscribers for 2007 have used bank branches for processing of their applications, while phone banking, internet and ATM channels were used by 25.0%, 15.8% and 41.9% of the subscribers respectively.

Table (5): Total Number of Subscribers (Thousand) by Subscription Channel in 2007 and 2006 , and for the Period from 1/7/2004 up to the End of 2005

Category	2007		2006		The period from 1/7/2004-end of 2005	
	Number	%	Number	%	Number	%
Phone Banking	8,979	25.0%	6,143	18.3%	1,944	7.7%
Internet	5,672	15.8%	4,205	12.5%	857	3.4%
Bank Branches	6,176	17.2%	11,206	33.4%	20,826	82.0%
ATM	15,020	41.9%	11,966	35.7%	1,764	6.9%
Total	35,851	100%	33,519	100%	25,391	100%

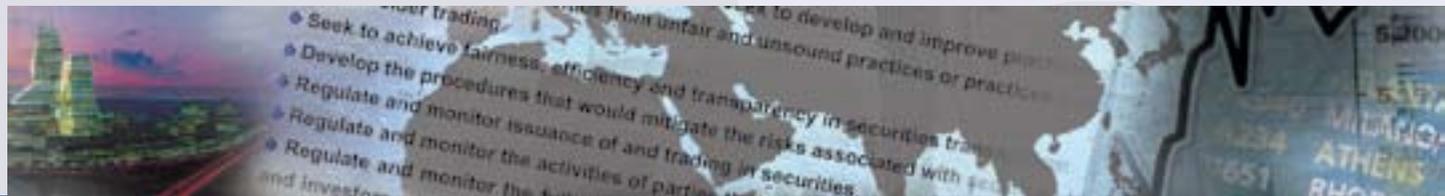
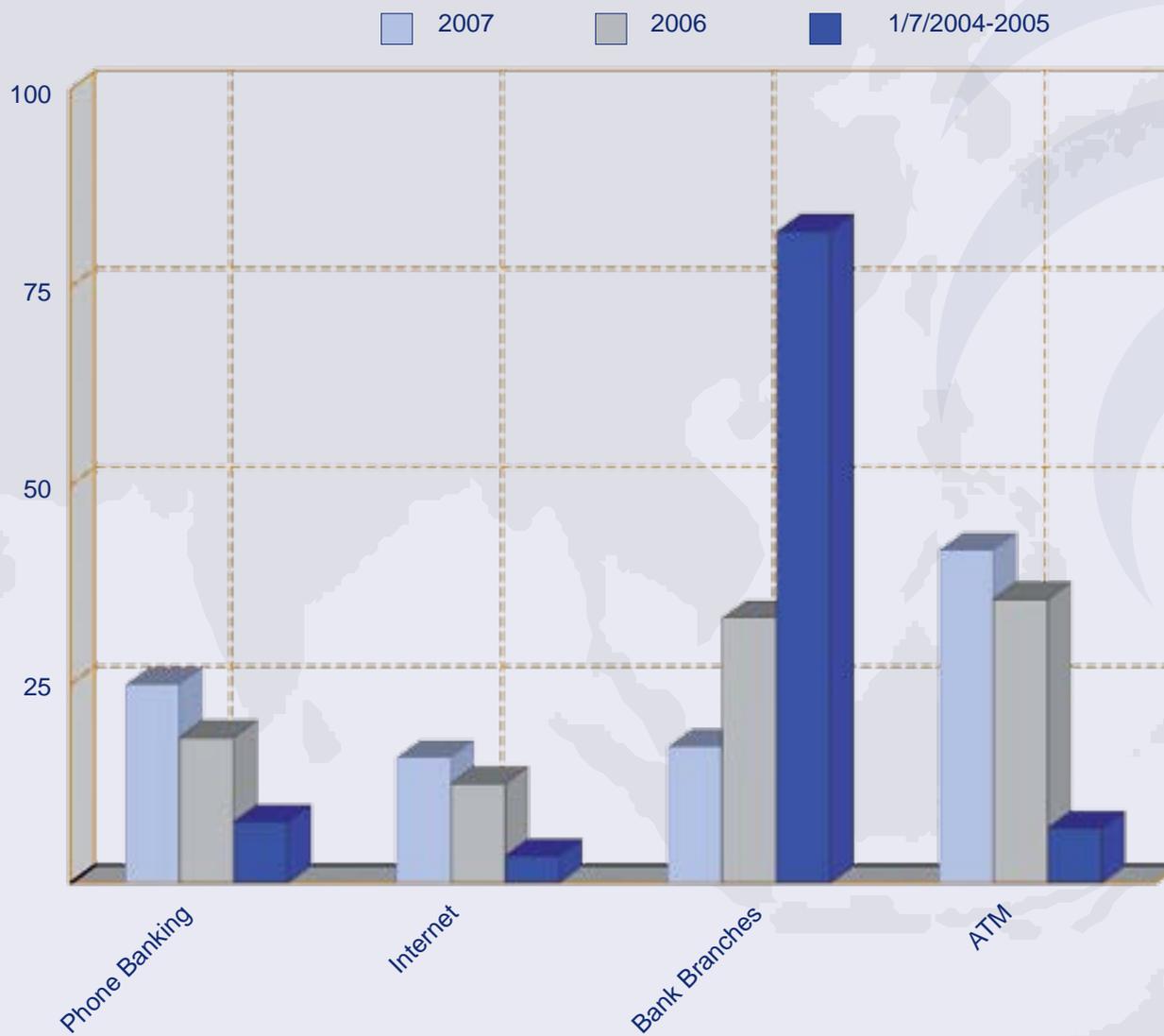
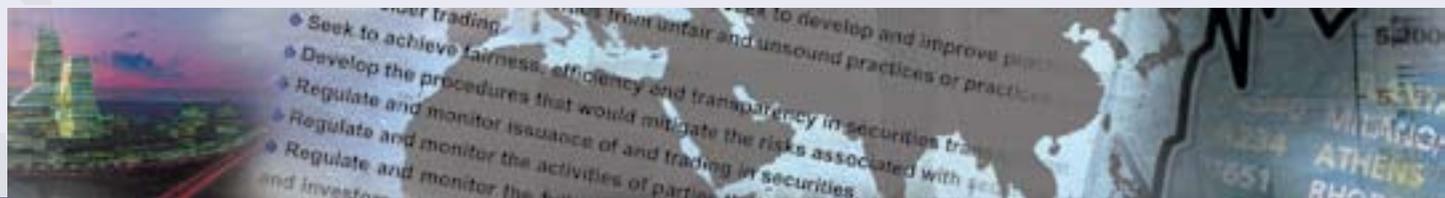


Chart (6): Percentage of Subscribers by Type of Subscription Channel During 2007, 2006 and for the Period from 1/7/2004 up to the End of 2005





Subscription Proceeds Collected Through the Different Channels:

Table (6) below shows the subscription proceeds collected, broken up by subscription channels for the years 2007 and 2006.

The main inferences of this table can be summarized as follows:

- » Total amount collected through the different subscription channels for the year 2007 stood at about SR78.4 billion, 158%, higher than in 2006 where SR 30.4 billion was collected.
- » Most of the subscription amounts for the years 2007 and 2006 were collected through the branches of the receiving banks. In the year 2007, an amount of about SR 49.4 billion, representing 62.9% of the total was collected through the branches of the banks, compared to about SR 12 billion, representing 39.4% of the total subscription amount for the year 2006.
- » During 2007, total amount collected through the phone, the Internet and ATM stood at about SR 8.3 billion, SR 7.7 billion and SR 13.1 billion respectively, constituting 10.5%, 9.8% and 16.7% of the total subscription amount.

Table (6): Amounts (Billion SR.) Collected by Subscription Channels for 2007 and 2006

Channel	2007		2006		% Change
	Amount	%	Amount	%	
Phone Banking	8,28	10.5%	5,5	18.1%	128.4%
Internet	7,72	9.8%	3,62	11.9%	-35.6%
Bank Branches	49,36	62.9%	11,99	39.4%	796.9%
ATM	13,08	16.7%	9,30	30.6%	40.6%
Total	78,43	100%	30,42	100%	157.8%

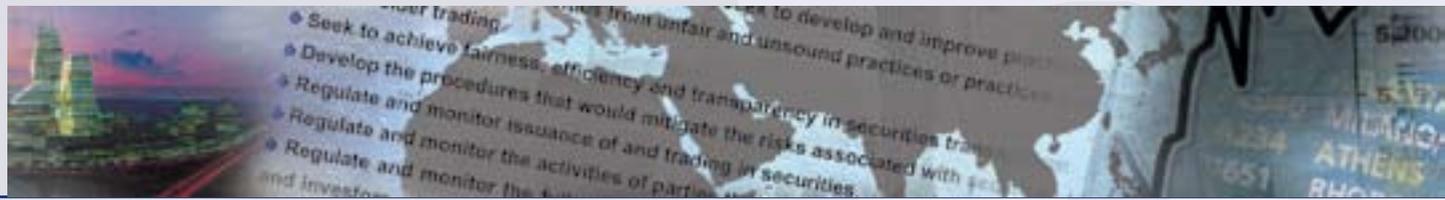
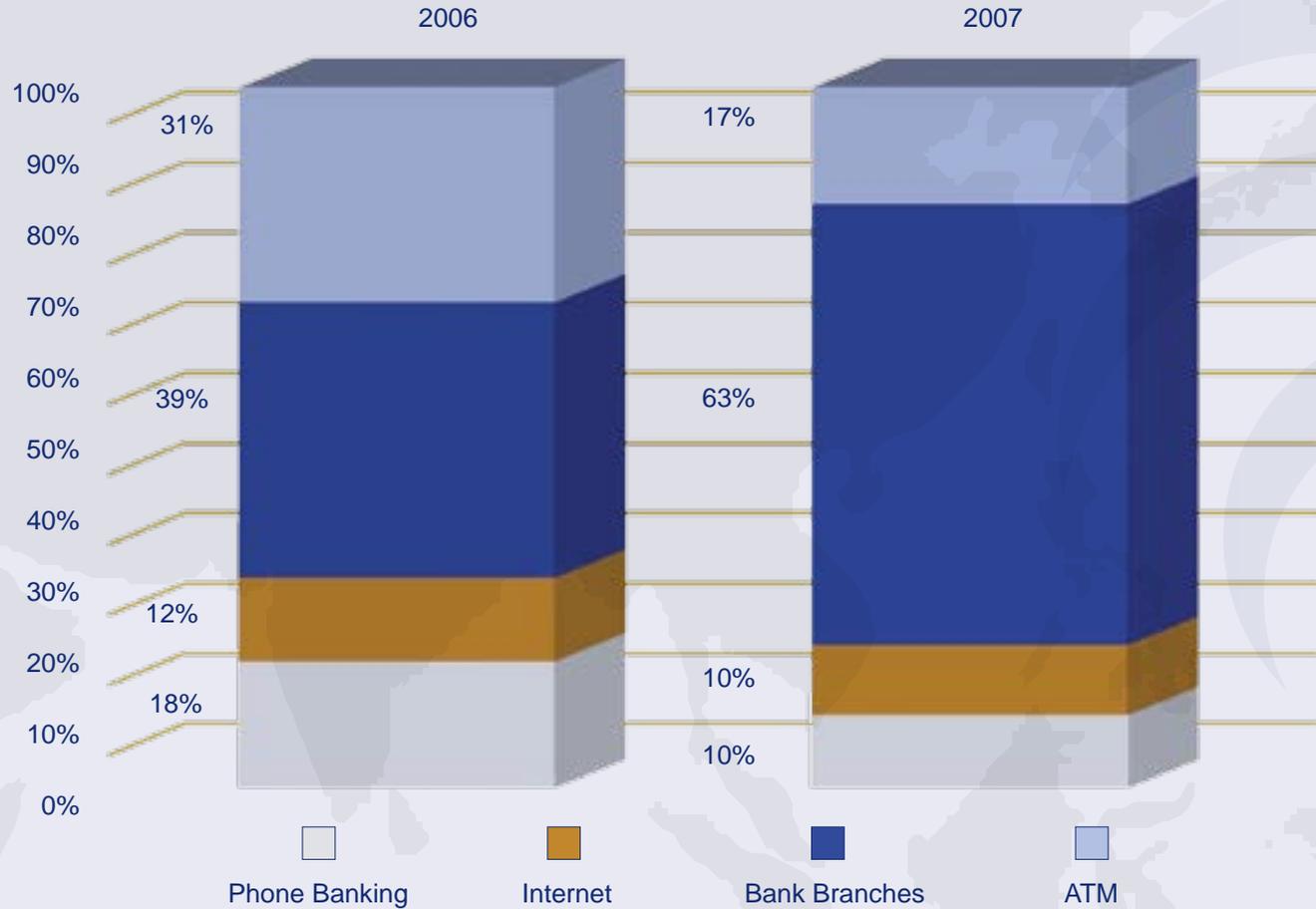
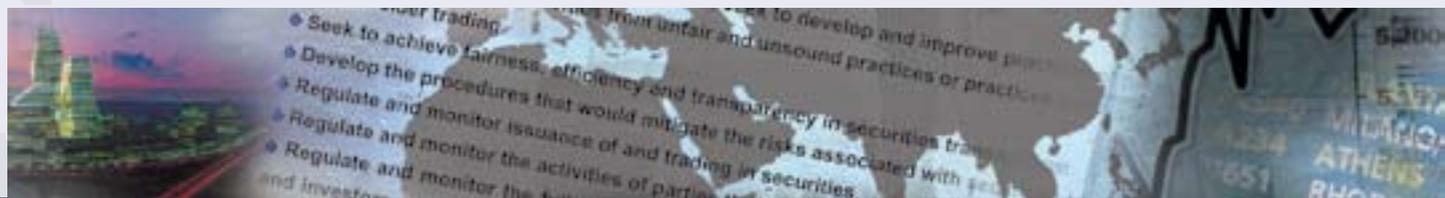


Chart (7): Percentage of Amounts Collected by Subscription Channels for 2007 and 2006





5- Treatment and Settlement of Subscription Applications Complaints

During IPO periods and thereafter, the CMA receives investors' complaints relating to subscription and takes the necessary action for handling and settlement of these complaints in collaboration with the concerned parties. Table (7) shows the total number of complaints for the years 2007 and 2006 and the actions taken for handling and settling these complaints. As indicated in the table:

- » A total of about 3000 complaints were received by the CMA for the year 2007, with an increase of 360% over the year 2006 where the number of complaints was only 653.
- » 99% of the complaints were handled and settled for 2007, and only 1% of these complaints is still under consideration and settlement.

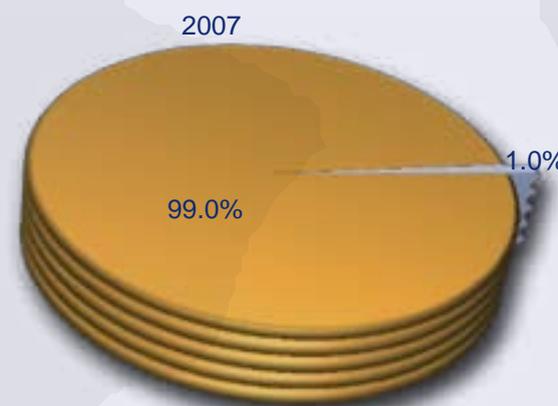
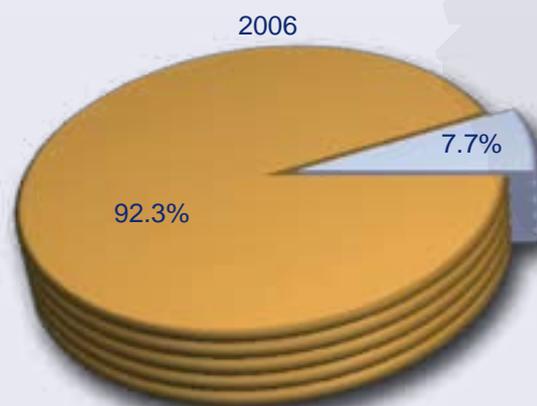
Table (7): Total Number of Subscription Complaints and Settlements for 2007 and 2006

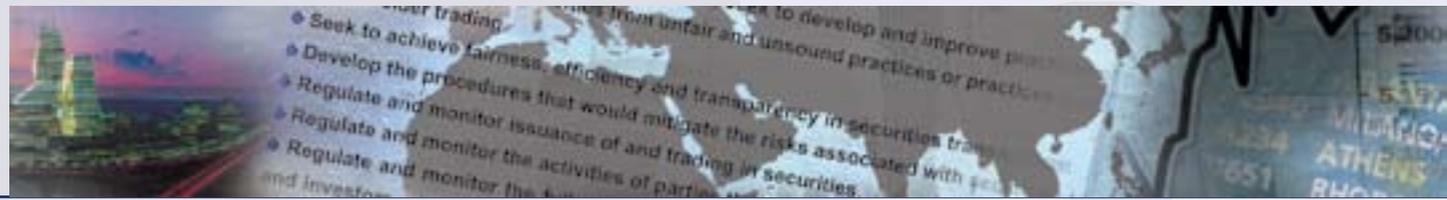
Description	2007		2006	
	Number	%	Number	%
Received Complaints	3,003	100%	653	100%
Settled Complaints	2,968	99%	603	92.3%
Complaints Under Consideration	35	1%	50	7.7%

Chart (8): Percentage of Complaints Settled and under Process to the Total Number of Complaints for 2007 and 2006

■ Settled Complaints

■ Complaints Under Consideration





(2) Investment Funds

Pursuant to article six of the CMA law, the CMA shall have the right to establish standards and conditions governing the activities of the Investment Funds, and according to article thirty nine, the CMA shall assume the power to regulate the activities of the Investment Funds including control of portfolio managers & investment advisors and supervise them. This shall include setting the relevant regulations, directives and instructions. For regulation of the Investment funds activities in respect of inception, offering & management and application of the disclosure and transparency rules, the following two regulations have been issued by the CMA:

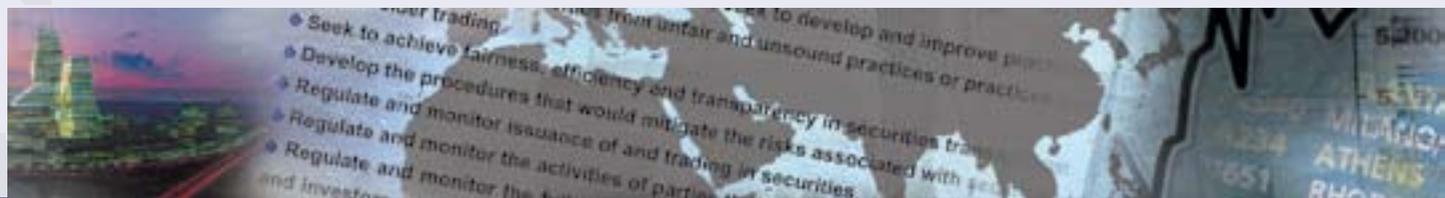
- 1- Investment Funds Regulations.
- 2- Real Estate Investment Funds Regulations.

In this report the existing Investment Funds , which are under the supervision of the CMA, shall be classified based on the type of securities invested in them: local shares, GCC shares, international shares, debt instruments, holding funds, money market funds and real estate funds.

1- Total Number of Investment Funds for the Years 2007 and 2006

Stemming from CMA's keenness to increase investment channels, the CMA encouraged offering of all types of Investment Funds. Table (8) presents total number of Investment Funds, by type, for the years 2007 and 2006. The table can be summarized as follows:

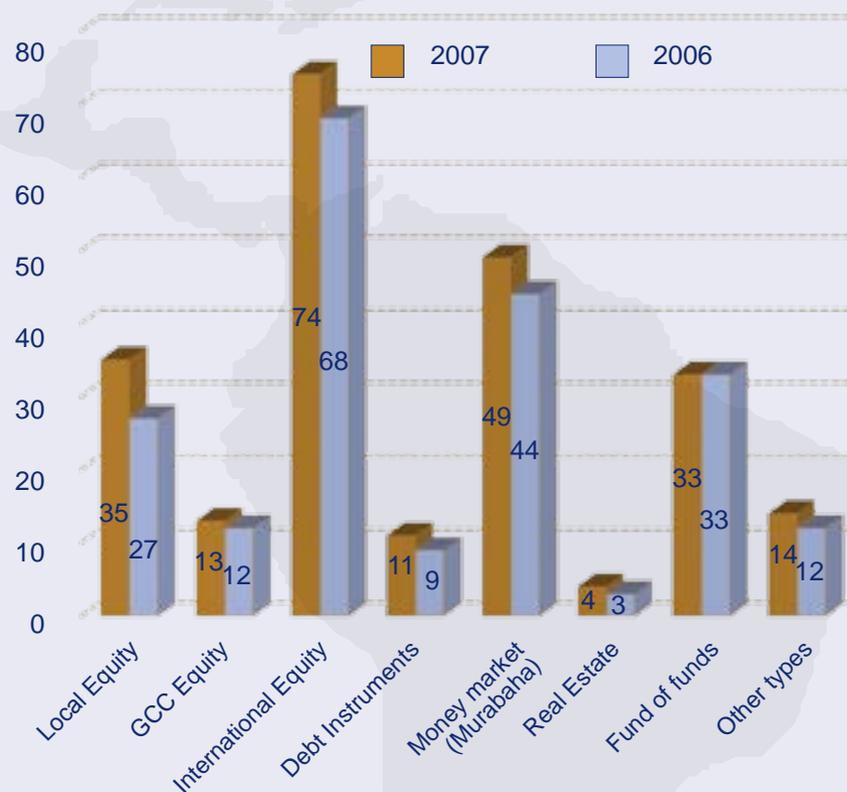
- » Total number of Investment Funds reached 233 in 2007 compared to 208 funds for the year 2006, an annual increase of 12%.
- » Total number of Investment Funds of all types, excluding holding funds, increased in the year 2007 compared to the year 2006. The rate of increase ranged between 8.3% for GCC Investment Funds and 33.3% for real estate investment funds.
- » The largest number of funds was the international stocks Investment Funds as they stood at to 74 funds in the year 2007, constituting 31.8% of the total funds and 68 funds, or 32.7% of that for the year 2006.
- » Total local Investment Funds reached 35 for the year 2007, with an increase of 29.6% over the year 2006.

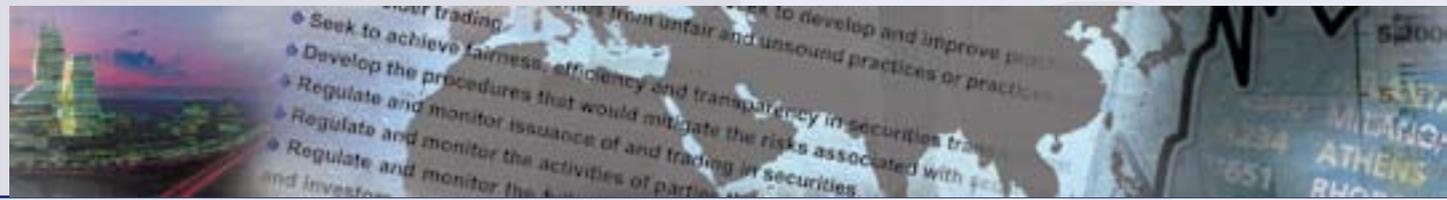


Table(8): Total Number of Investment Funds for 2007 and 2006, Classified by Type

Type	2007		2006		% of annual increase
	Number	%	Number	%	
Local Equity	35	15.0%	27	13.0%	29.6%
GCC Equity	13	5.6%	12	5.8%	8.3%
International Equity	74	31.8%	68	32.7%	8.8%
Debt Instruments	11	4.7%	9	4.3%	22.2%
Money market (Murabaha)	49	21.0%	44	21.2%	11.4%
Real Estate	4	1.7%	3	1.4%	33.3%
Fund of funds	33	14.2%	33	15.8%	0%
Other types	14	6.0%	12	5.8%	16.7%
Total	233	100%	208	100%	12.0%

Chart (9): Total Number of Investment Funds for 2007 and 2006, Classified by Type





2-Volume of Investment Funds' Assets for 2007 Compared to 2006

Table (9) presents volume of Investment Funds assets for the years 2007 and 2006. The most important highlights of the table can be summarized as follows:

- Volume of the Investment Funds assets for the year 2007 jumped to about SR 105 billion from SR 84.2 billion for the year 2006, representing an increase of 24.8%.
- Volume of assets of all types of funds, other than fund of funds, increased in the year 2007 relative to 2006. Rate of increase for the various types of funds ranged between 6.5% in international equities funds and 81.3% in debt instruments funds.
- About SR 43.7 billion was invested in the local equity funds for the year 2007, which accounts for 41.6% of the total volume of the Investment Funds assets, with an increase of 40.6% over the year 2006.

Table (10) presents value of invested assets of Investment Funds in local equity and cash, for all stock market sectors. The most important highlights of the table can be summarized as follows:

- Funds investments in local equities were concentrated in the industrial sector. Total investments in industry sector for the year 2007 stood at about SR 21.6 billion, constituting 49.5% of the total investments in all sectors, compared to about SR 11.9 billion, or 38.3%, for the year 2006.
- Investments of local equity funds in various sectors of banking, industrial, services, insurance , agriculture and liquidity position increased in 2007 relative to 2006 by percentages ranging between 6.9% for insurance sector and 104.8% for liquidity position and declined in cement, electricity and communication sectors, by percentages ranging between 2% in cement sector and 72.2% in electricity sector.

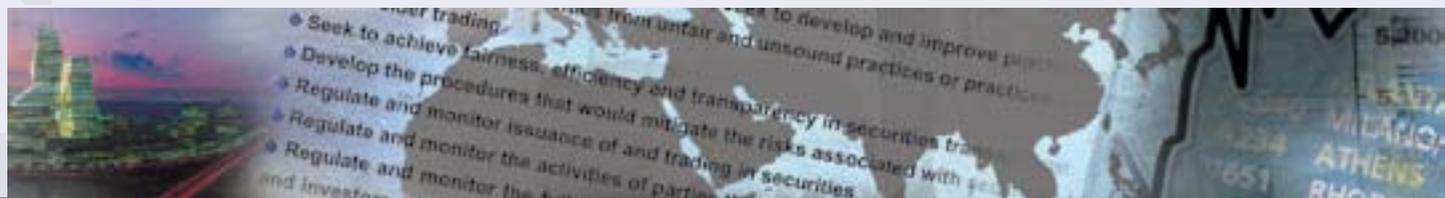
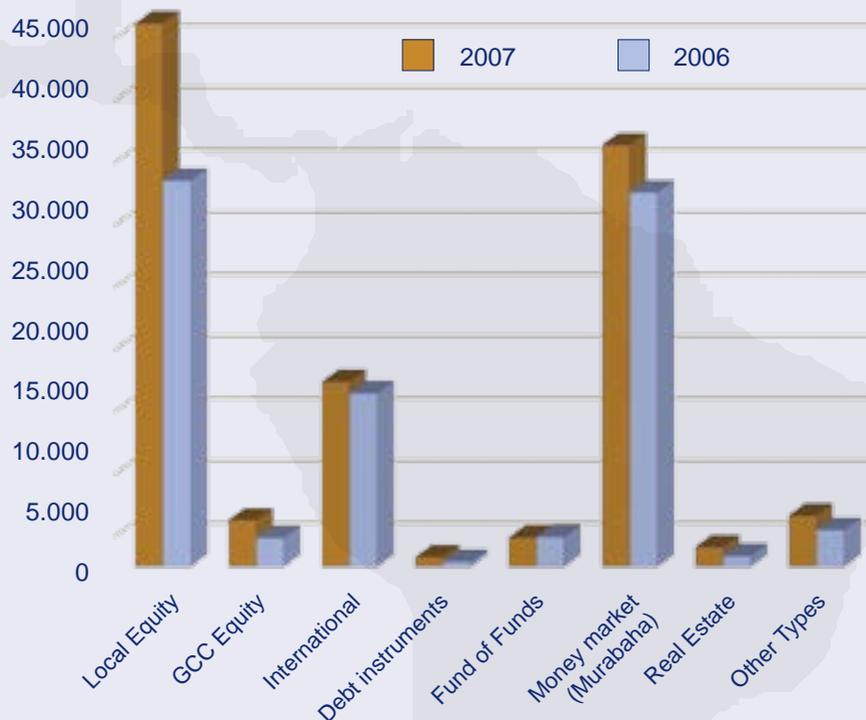


Table (9): Volume of Investment Funds Assets (Million SR), by Type, for 2007 and 2006

Type	2007		2006		% of annual change
	Value	%	Value	%	
Local Equity	43,678	41.6%	31,063	36.9%	40.6%
GCC Equity	3,760	3.6%	2,346	2.8%	60.3%
International Equity	14,879	14.2%	13,977	16.6%	6.5%
Debt instruments	808	0.8%	446	0.5%	81.3%
Fund of Funds	2,363	2.2%	2,436	2.9%	-3.0%
Money market (Murabaha)	33,893	32.2%	30,086	35.7%	12.7%
Real Estate	1,591	1.5%	899	1.1%	77.0%
Other Types	4,126	3.9%	2,985	3.5%	38.2%
Total	105,098	100%	84,238	100%	24.8%

Chart (10): Volume of Investment Funds Assets (Million SR) for 2007 and 2006, by Type



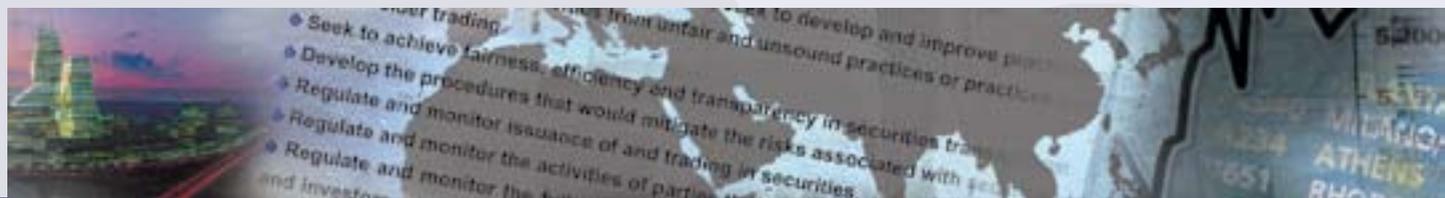
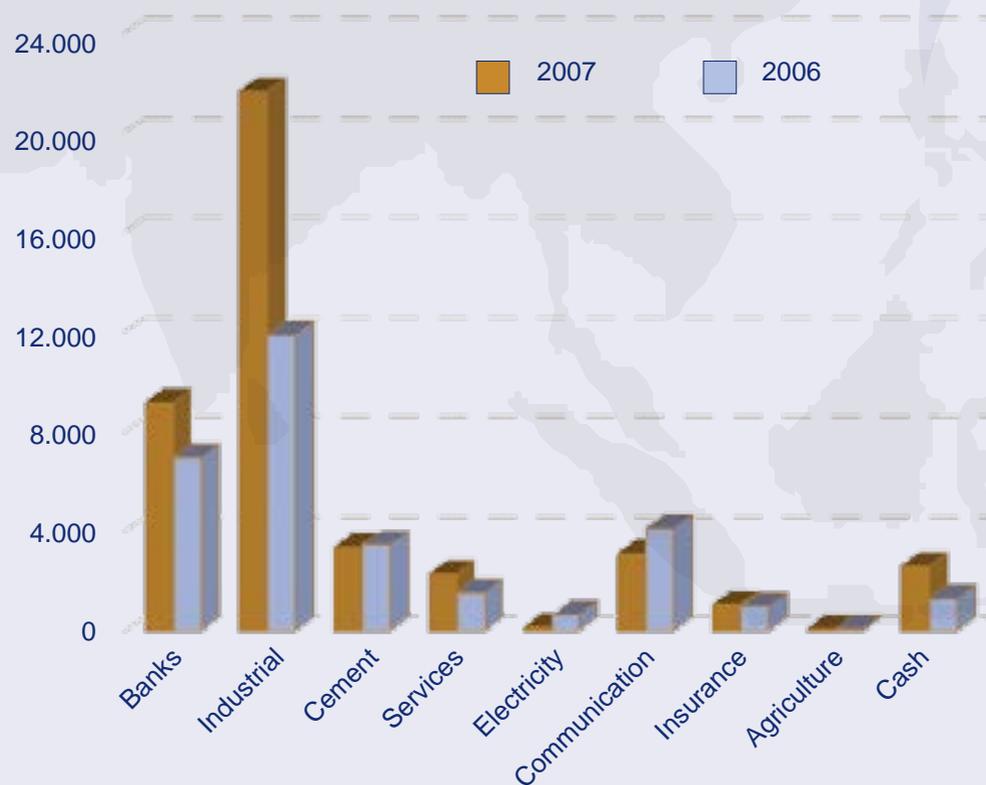
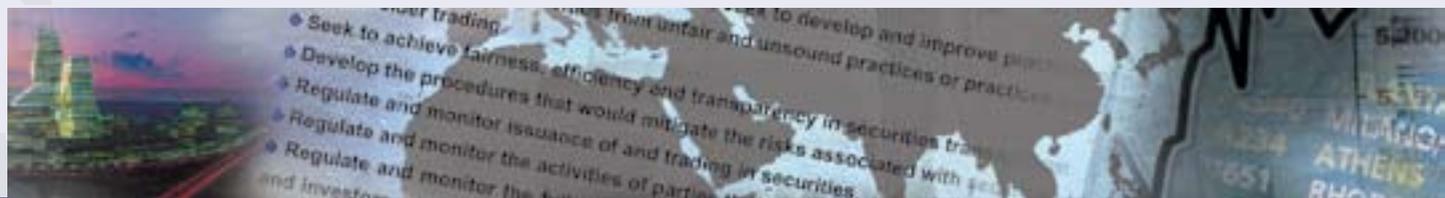


Table (10): Volume of Investment Funds Assets (SR Million), in Saudi Stock Market Sectors and Cash for 2007, 2006

Sector	Assets for 2007		Assets for 2006		% of annual change
	Value	%	Value	%	
Banks	9,175	21.0%	6,975	22.5%	31.5%
Industrial	21,640	49.5%	11,891	38.3%	82.0%
Cement	3,401	7.8%	3,461	11.2%	-2.0%
Services	2,300	5.3%	1,535	4.9%	49.8%
Electricity	191	0.4%	686	2.2%	-72.2%
Communication	3,137	7.2%	4,114	13.2%	-23.7%
Insurance	1,087	2.5%	1,017	3.3%	6.9%
Agriculture	127	0.3%	97	0.3%	30.9%
Cash	2,620	6.0%	1,279	4.1%	104.8%
Total	43,678	100%	31,061	100%	40.6%

Chart (11): Volume of Investment Funds Assets (SR Million) in the Saudi Stock Market Sectors and Liquidity for 2007 and 2006





3- Number of Investors in Investment Funds Units for 2007 Compared to 2006

Table (11) presents the total number of investors in the Investment Funds, by fund type, for 2007 and 2006, which can be summarized as follows:

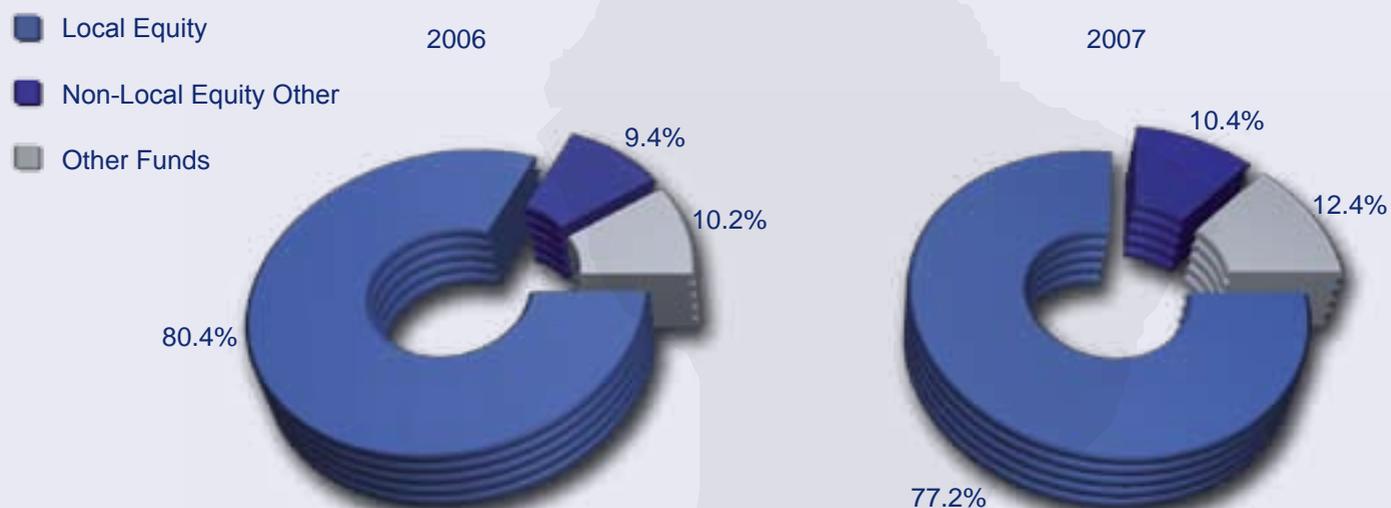
- » Total number of investors in the Investment Funds , has declined to about 426 thousand investors for the year 2007, compared to 499 thousand investors for the year 2006, a decline of 14.7%.
- » Total number of investors in local equity Investment Funds Units has declined by 18.1% for 2007 compared to 2006.
- » Total number of investors in local equity Investment Funds Units in 2007 stood at 329 thousand, constituting 77.2%, of the total investors in the various types of funds.

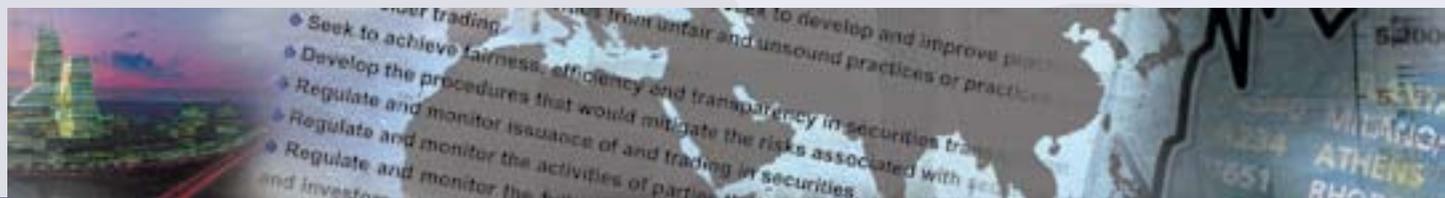
Table (11): Total Number of Investors in the Investment Funds for 2007, by Type of Fund for the Years 2007 and 2006

Type of fund	2007		2006		% Change
	Total investors	%	Total investors	%	
Local Equity	328,832	77.2%	401,640	80.4%	-18.1%
Non-Local Equity	44,205	10.4%	46,972	9.4%	-5.9%
Other Funds*	52,923	12.4%	50,787	10.2%	4.2%
Total	425,960	100%	499,399	100%	-14.7%

*Debt instruments, fund of funds, money markets.

Chart (12): Ratios of Investors in the Investment Funds for 2007, 2006 by Type of Fund





4- Number of Investment Funds Approved by the CMA in 2007

The number of Investment Funds witnessed a sharp increase in 2007 as CMA approved new 25 funds. Table (12) below presents a list of these funds classified by type, fund manager, fund name and fund currency. Tables (13) and (14) describe the Investment Funds which gained CMA approval for offering in the year 2007, classified by fund's management and fund's currency respectively. The most important results of these tables are as follows:

- » Seven funds, representing 28% of the 2007 total are managed by authorized persons belonging to banks, whereas 18 funds are managed by other authorized persons.
- » The Saudi Riyal is the currency of 15 funds (60%), and the US dollar is the currency of 9 funds (36%), whereas the Euro is the currency of only one fund (4%).

Table (12): Investment Funds Offered During 2007, Classified by Type, Fund Manager, Fund Name, and Fund Currency

	Fund Manager	Fund Name	Currency
Local Equities	Bakheet Investment Group	Bakheet Saudi Trading Fund	SR
	Falcom Financial Services Company	Falcom Saudi Equity Fund	SR
	Jadwa Investment	Jadwa Saudi Equity Fund	SR
	Rana Investment	Rana Saudi Equity Fund	SR
	Al-Rajhi Financial Services Company	Al-Rajhi Petro - Cement Sector Fund	SR
	HSBC Saudi Arabia	HSBC Index Fund	SR
	HSBC Saudi Arabia	HSBC For offering of Saudi Petrochemical shares	SR
GCC Funds	Audi Saudi Arabia	Saudi Index Fund	SR
	Jadwa Investment	Jadwa GCC Equity Fund	SR
International Equities	Jadwa Investment	Jadwa Arab Markets Equity Fund	SR
	Audi Saudi Arabia	Arabian Opportunities Fund	SR
	Riyadh Capital	Global Property Fund	US dollar
	NCB Capital	Al-Ahli Global Real Estate Fund	US dollar
	Jadwa Investment	Jadwa World Equity Fund	US dollar
Debt Instruments	Jadwa Investment	Jawda Emerging Equity Fund	US dollar
	Falcom Investment Services	Falcom SAR Sukuk Fund	SR
	Jadwa Investment	Jadwa Global Sukuk Fund	US dollar
	Falcom Financial Services	Falcom EURO Murabaha Fund	Euro
	Falcom Financial Services	Falcom US Murabaha Fund	US dollar
	Jadwa Investment	Jadwa SR Murabaha Fund	SR
Money Markets (Murabaha)	Jadwa Investment	Jadwa USD Murabaha Fund	US dollar
	Falcom Financial Services	Falcom EURO Murabaha Fund	Euro
Real Estate Funds	KSB Capital Group	Taibah KSB Real Estate Fund	SR
	SAIB Asset Management Company	Himaya International Fund – Second Issue	US dollar
Other	NCB Capital	Al-Ahli Secure Fund for Major Emerging markets "A"	US dollar

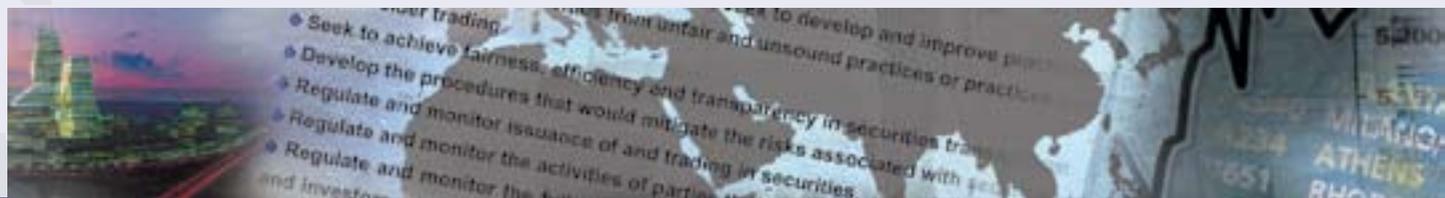
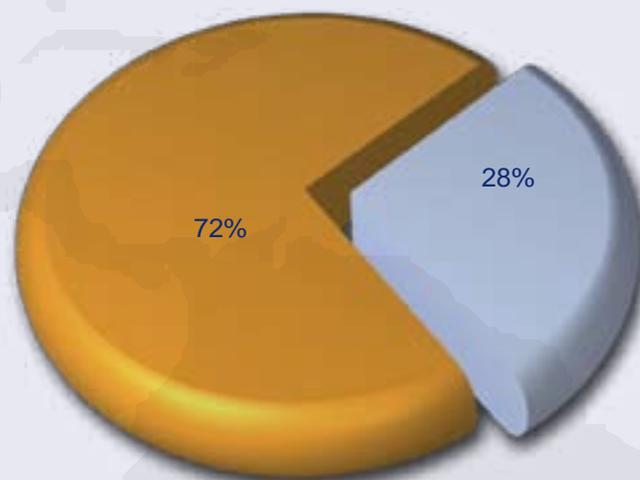


Table (13) Total Number of Offered Investment Funds, Classified by Fund Management for 2007

No.	Fund Manager	Number	%
1	Authorized persons belonging to banks	7	28%
2	Authorized persons	18	72%
Total		25	100%

Chart (13): Percentages of Investment Funds Offered in 2007 By Fund Management



- Authorized persons belonging to banks
- Authorized persons

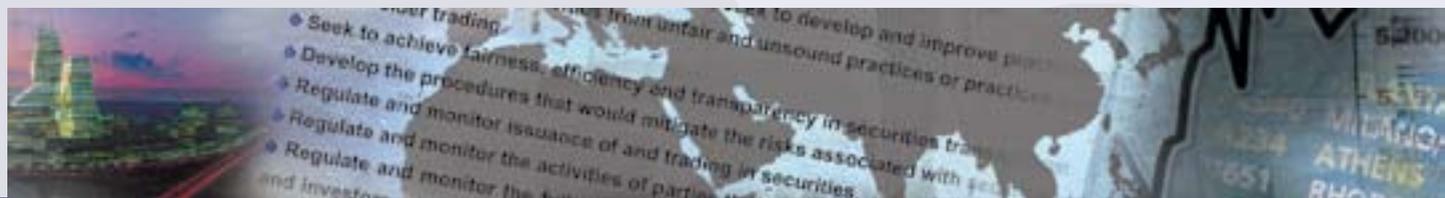
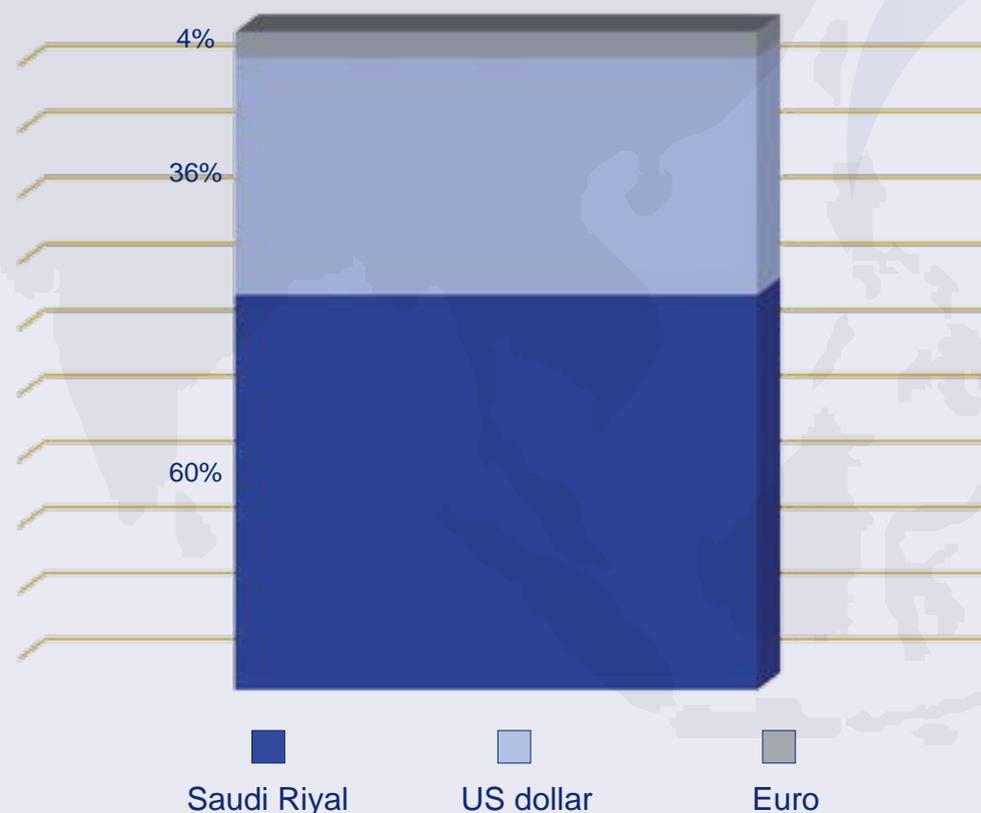
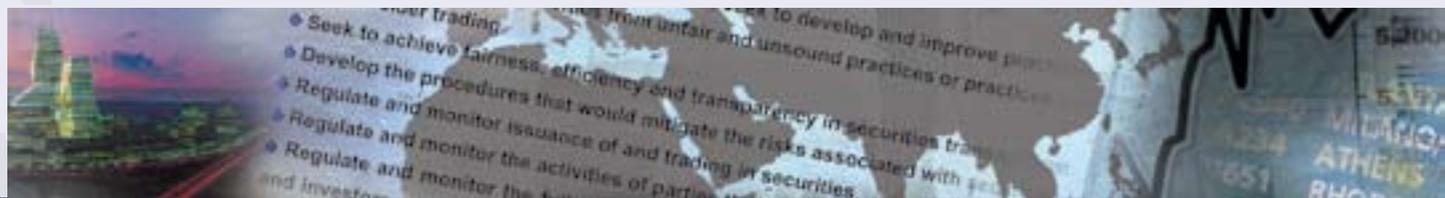


Table (14): Total Number of Offered Investment Funds in 2007 by Fund Currency

No.	Currency	Number	Percentage (%)
1	Saudi Riyal (S.R)	15	60%
2	US dollar (\$)	9	36%
3	Euro (€)	1	4%
	Total	25	100%

Chart (14): Percentage of Investment Funds Offered for 2007 by Fund Currency





5- Private Placement Investment Funds Offered in 2007

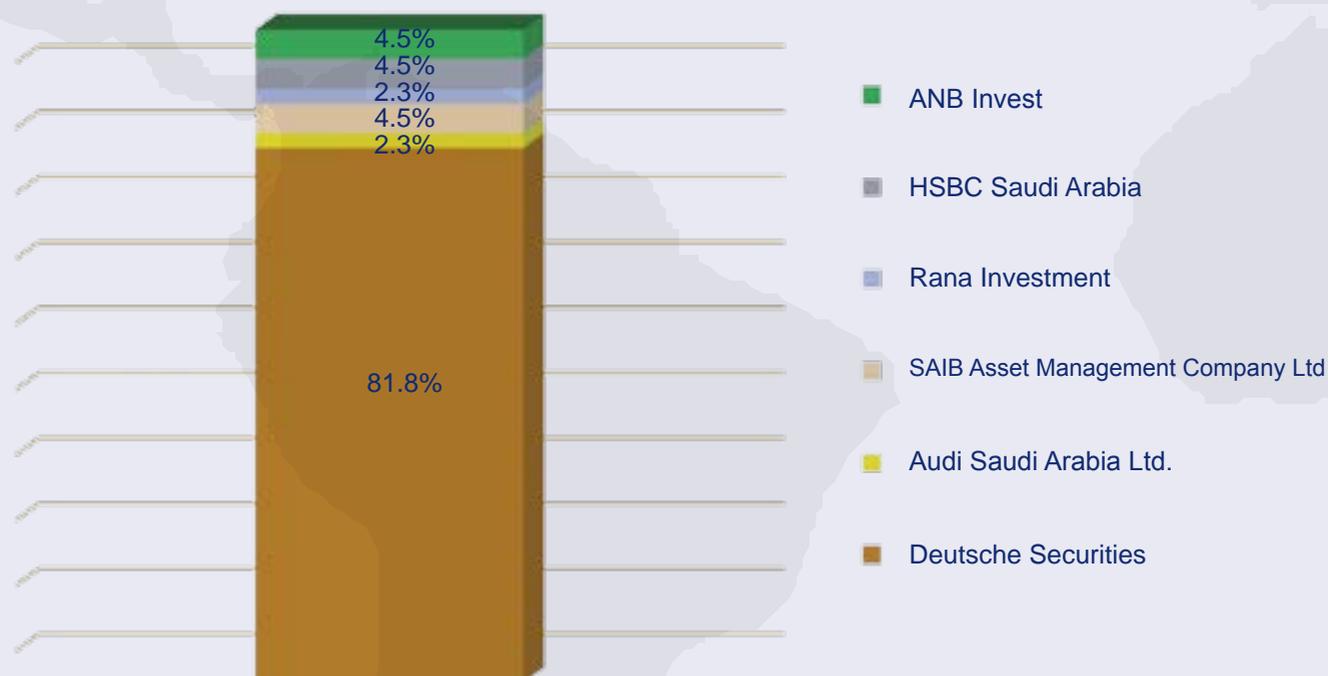
In addition to regulating the offering of Investment Funds, the CMA also regulates activities of private placement Investment Funds. In the year 2007 a total of 44 private placement funds were offered, in accordance with the Investment Funds Regulations.

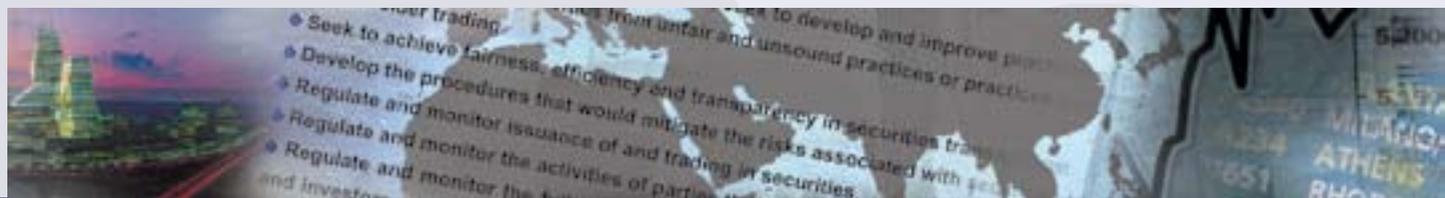
Table (15) presents the total number of these funds and their respective percentages classified by fund manager.

Table (15): Total Number of Funds Which Offered Private Placements in 2007, by Fund Managers

No.	Fund Manager	Number	Percentage (%)
1	Deutsche Securities	36	81.8%
2	Audi Saudi Arabia Ltd.	1	2.3%
3	SAIB Asset Management Company Ltd	2	4.5%
4	Rana Investment	1	2.3%
5	HSBC Saudi Arabia	2	4.5%
6	ANB Invest	2	4.5%
	Total	44	100%

Chart (15): Percentages of Offered "Private Placement" Funds in 2007, by Fund Managers





(3) Number of Listed Companies on the Saudi Stock Exchange and Number of Their Issued Shares

1-Number of Listed Companies on the Saudi Stock Exchange

Since its establishment, CMA has been exerting all efforts to expand the capital market base through increasing the number of companies listed on the Saudi Exchange. This comes in recognition of the importance of developing the Capital Market, attracting funds for investment, diversifying the investment instruments as well as enhancing the market depth, both quantitatively and qualitatively. Table (16) presents the total number of listed companies, and percentage change for the period from 1990 to 2007. The salient features of increase in the number of listed companies can be summarized as follows:

- » Total number of listed companies has jumped from 57 in 1990, to 111 in 2007, representing 94.7% increase.
- » Total number of listed companies has increased, during the period from 1990 to the date of establishing the CMA in the mid of 2004, from 57 to 73 companies, while the total number of listed companies, post to establishing the CMA, has jumped from 73 in 2004, to 111 companies in 2007.

Table (17) also presents the total number of listed companies on quarterly basis for 2007, as can be summarized below:

- » Total number of listed companies for the year 2007 has jumped to 111 from 86 companies in 2006, an increase of 29%.
- » The majority of companies were listed during the third quarter as the table shows that 11 companies, constituting 44% of the total number of listed companies, were listed during that quarter whereas only two companies were listed during the first quarter.

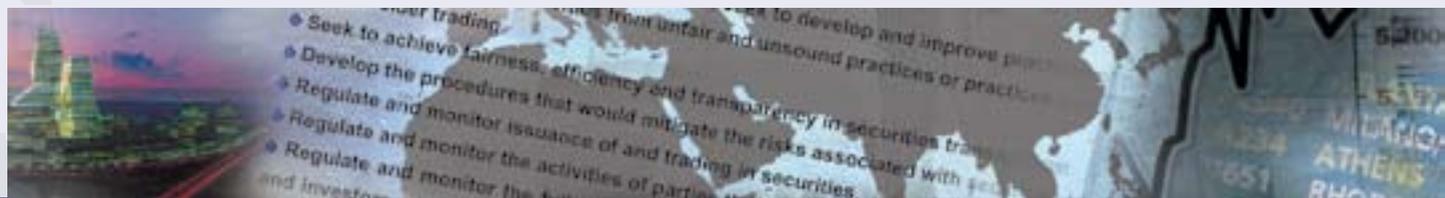


Table (16): Total Number of Listed Companies for the Period from 1990 to 2007 and Percentages of Change

Year	Total number of companies	Percentage change
1990	57	-
1991	60	5.3%
1992	60	0%
1993	65	8.3%
1994	68	4.6%
1995	69	1.5%
1996	70	1.4%
1997	70	0%
1998	74	5.7%
1999	73	-1.4%
2000	75	2.7%
2001	76	1.3%
2002	68*	-10.5%
2003	70	2.9%
2004	73	5.3%
2005	77	5.5%
2006	86	11.7%
2007	111	29.1%

*Number of listed companies decreased as a result of merger of the electricity companies in a single company.

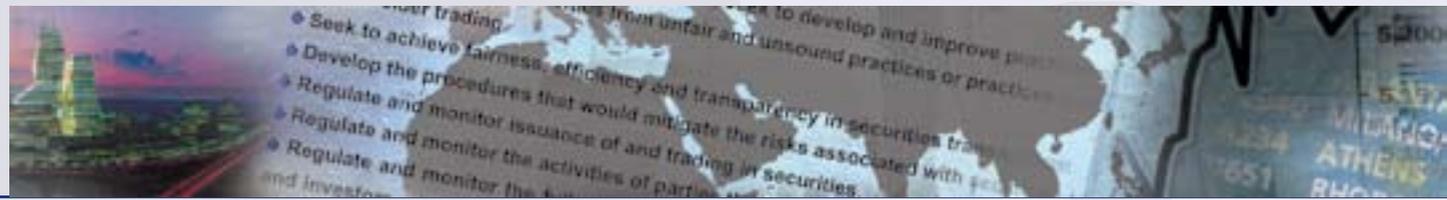


Chart (16): Total Number of Listed Companies on the Saudi Stock Exchange for the Period 1990 - 2007



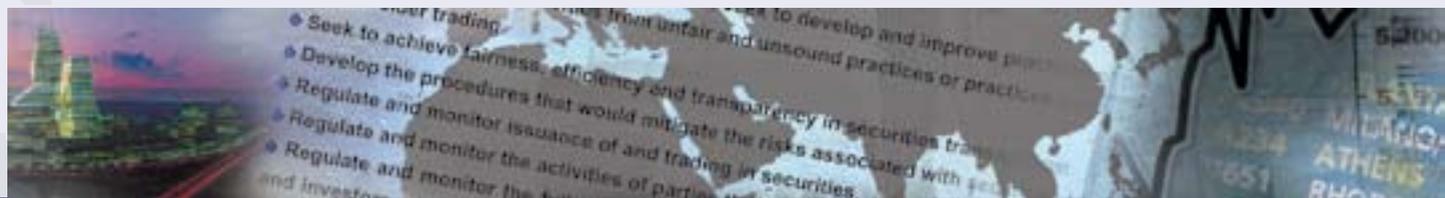
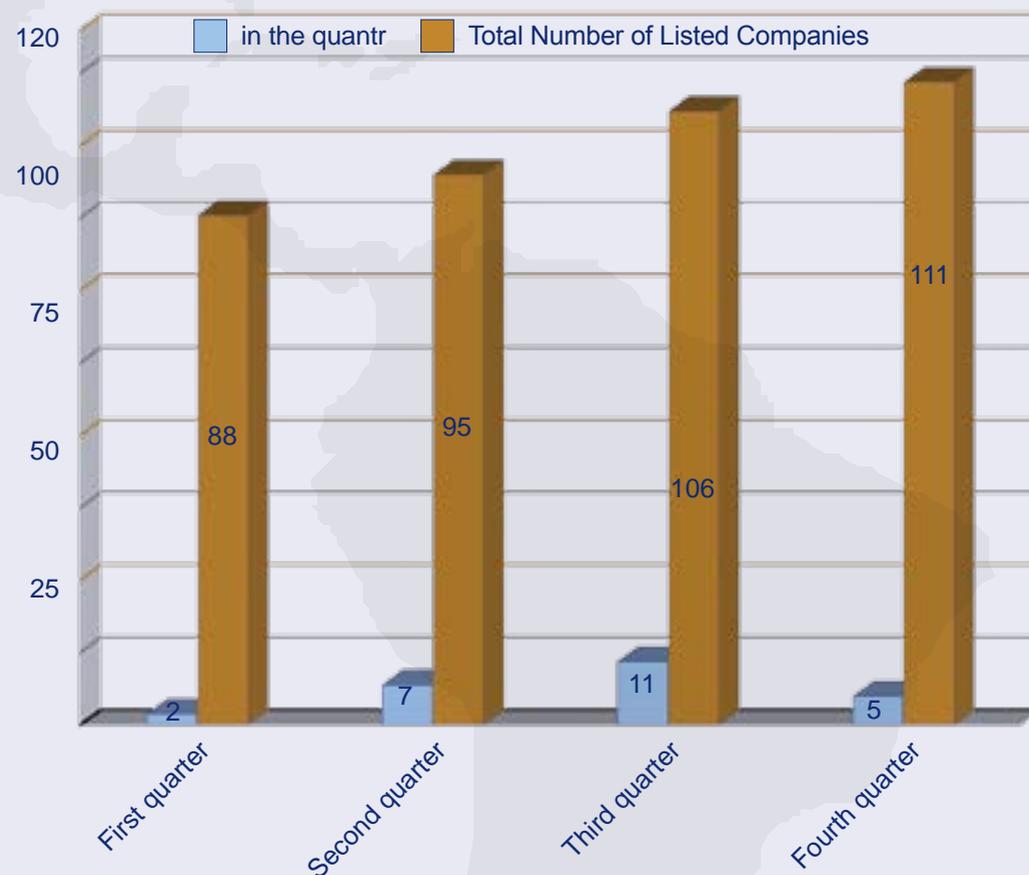
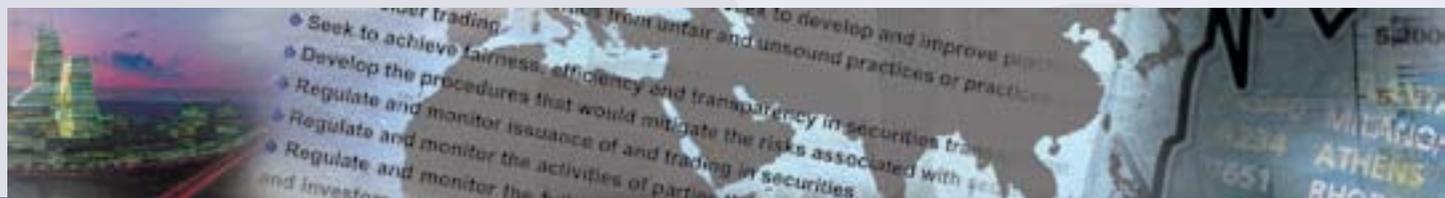


Table (17): Total Number of Listed Companies in 2007, on Quarterly Basis

No.	Quarter	Total Number of Companies		% out of the total
		Listed	Total at end of the quarter	
1	First	2	88	8%
2	Second	7	95	28%
3	Third	11	106	44%
4	Fourth	5	111	20%
	Total	25	111	100%

Chart (17): Total Number of Listed Companies in 2007, on Quarterly Basis





2-Total Number of Listed Companies Issued Shares

Table (18) presents the total issued shares of listed companies on the Saudi Stock Exchange and percentage of change for the period from 1996 to 2007. Main features of the increase in issued shares can be summarized as follows:

- » The Total number of issued shares of listed companies surged from 3,921 million shares in 1996 to 30,728 million shares in 2007, with a whopping increase of 683.7%.
- » The Total number of issued shares of listed companies jumped sharply for the period from 1996 until the date of establishing the CMA at mid of 2003, from 3,921 million to 13,021 million shares, whereas total number of shares post to establishing the CMA jumped to 30,728 million for the year 2007.

Table (18): Total Number of Issued Shares (Million) of Listed Companies and Percentage of Change for the Period from 1996 to 2007

Year	Total number of issued shares	% change
1996	3,921	-
1997	3,983	1.6%
1998	6,497	63.1%
1999	7,423	14.3%
2000	7,857	5.8%
2001	8,195	4.3%
2002	9,807	19.7%
2003	11,736	19.7%
2004	13,021	10.9%
2005	14,827	13.9%
2006	19,328	30.4%
2007	30,728	59.0%

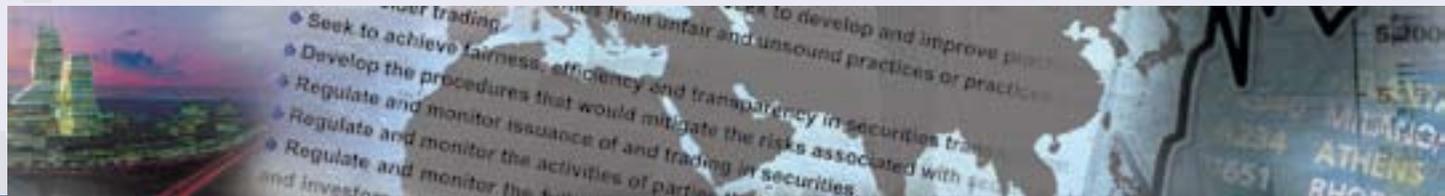
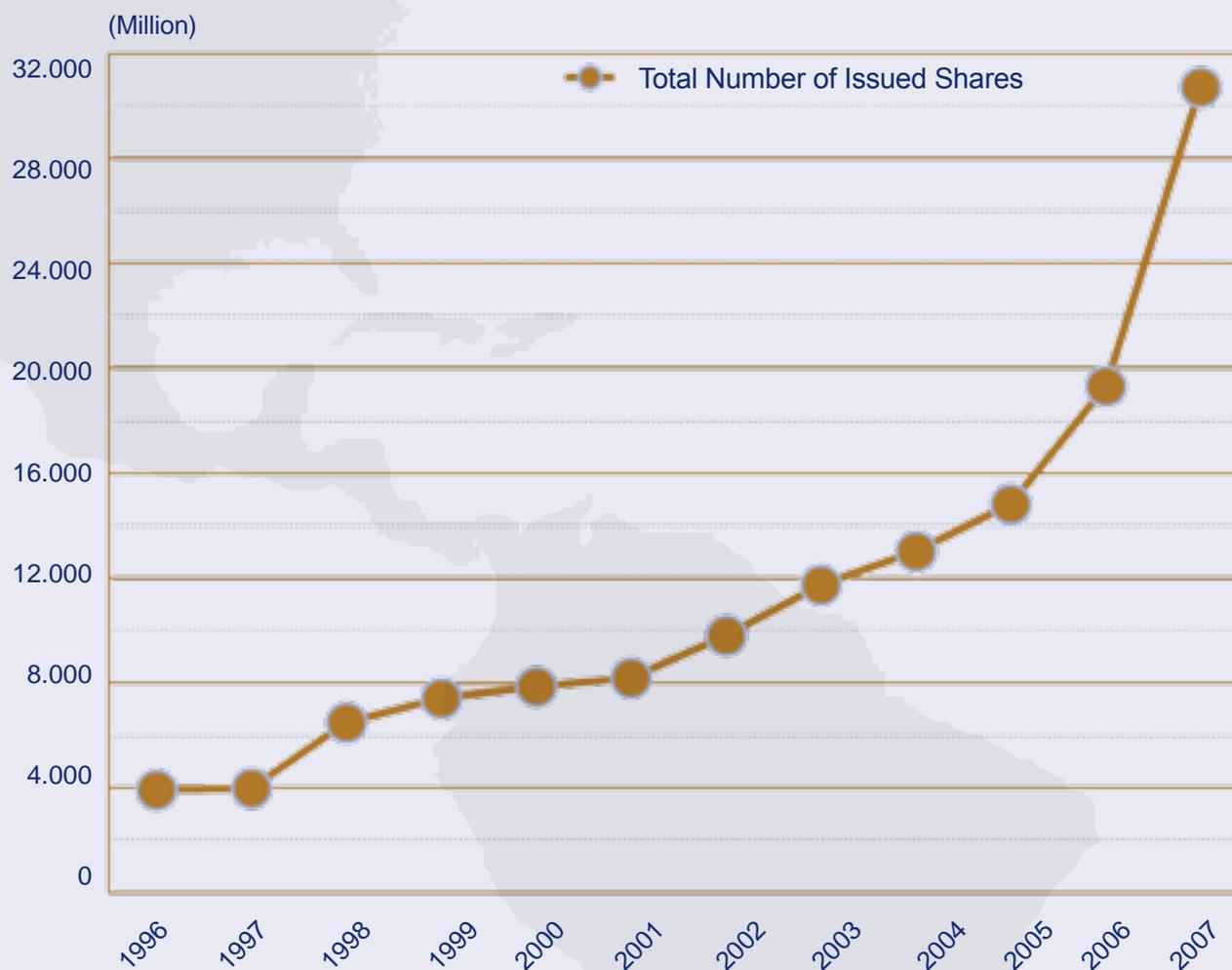
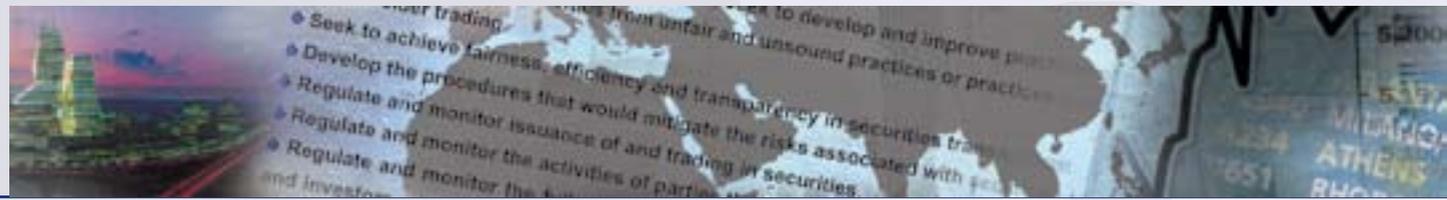


Chart (18): Total Number of Issued Shares of Listed Companies for the Period from 1996 to 2007





2-1-3 Supervision of Securities Transactions, Disclosure and Investors' Complaints

(1) Monitoring of Securities Trading

Articles five and six of the Capital Market Law stipulate that, the CMA seeks to develop the procedures that would reduce the risks related to securities transactions and monitor securities and dealing in securities to protect investors from unfair and unsound practices. Further, Articles forty nine and fifty of the Capital Market Law set forth the practices which constitute violation to the law. In line with its supervisory role, the CMA has continued its efforts towards enhancing its supervision on securities transactions through the following:

- › Development of new supervisory techniques and systems.
- › Developing internal policies and procedures for improving the supervisory performance of the CMA.
- › Maintaining close monitoring of trading transactions to ensure participants compliance with the Capital Market Law and its Implementing Regulations.

Development of Systems for Supervision and Monitoring of Trading

As part of its endeavors to enhance work efficiency and develop supervisory systems, the CMA, in the year 2007, provided a new supervisory system (SMART) for monitoring of trading similar to what is adopted in the international capital markets, the system helps achieve the following:

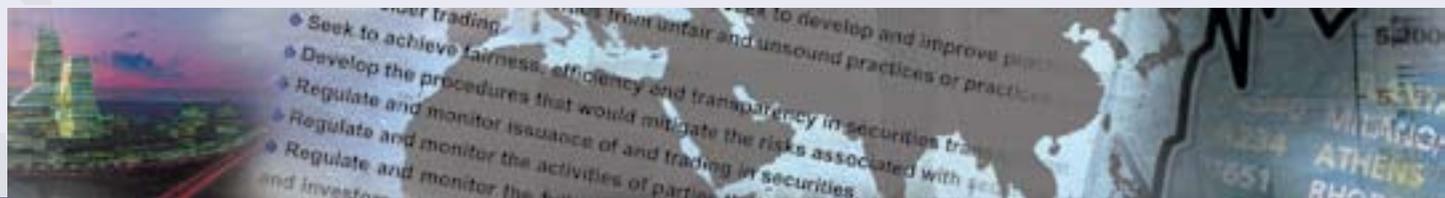
- › Following up, monitoring and analyzing trading in the Saudi Stock Exchange to identify any suspected violations to the Capital Market Law and its Implementing Regulations.
- › Identifying trading that might involve unfair or unsound practices, fraud, deceit or manipulation.

The (SMART) system generates many alerts in case of any practices or transactions that may involve suspected violations to the Capital Market Law and its Implementing Regulations.

Trading Supervision Mechanism

Trading is supervised in accordance with the following:

- 1- The electronic supervision system (SMART) generates alerts in case of any practices involving suspected violations to the Capital Market Law and its Implementing Regulations.
- 2- An intensive search of the tradings and dealings which are the subject of the alert, will be conducted through analysis of the market data, review and analysis of the executed transactions.
- 3- Produces report about any suspected violations to the Capital Market Law and its Implementing Regulations, which is communicated to the concerned parties within the CMA for further investigation and appropriate decision.



Reports on Trading Supervision Activities

Two types of supervisory reports are generated:

- 1- Reports on the market activity describing the daily trading transactions.
- 2- Reports on suspected and/or actual violations to the Capital Market Law and its Implementing Regulations .

Table (19) presents total number of reports issued regarding the market activity and their daily average for the years 2007 and 2006. In the year 2007, and within 248 trading days, a total of 4780 reports on the market activity were generated, with an average of 19 reports a day. In the year 2006, and within 265 trading days, a total of 3580 reports were produced, at an average of 13 reports a day.

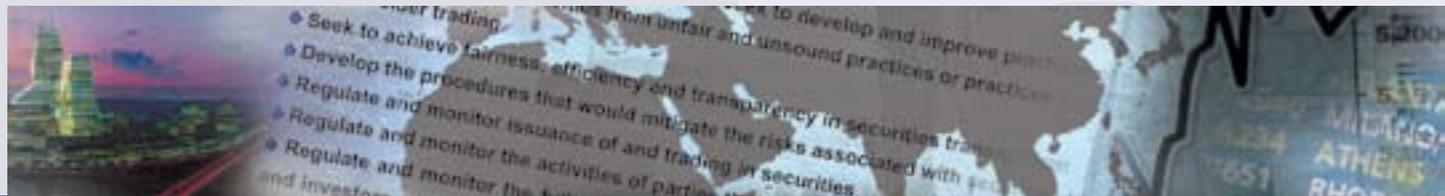
Table (19): Total Number of Reports Generated on the Market Activity and Their Daily Average for 2007and 2006

Year	Element		Daily average
	Reports on market activity	Total trading days	
2007	4780	248	19.3
2006	3570	265	13.5

Table (20) presents the intensive examinations of the transactions that were the subject of alerts, and total number of suspected violations to the Capital Market Law for the years 2007, 2006. In the year 2007, a total of 283 examinations of transactions that were subject to alerts were carried out, and 41 of these transactions were spotted, representing 14.5% of the suspected violations. In the year 2006, a total of 252 examinations were effectuated and 66 of these transactions were spotted, representing 26.2% as suspected violations.

Table (20): Total Number of Intensive Examinations of Tradings and Dealings which were Subject to Alerts, and Suspected Violations to the Capital Market Law for the Years 2007, 2006

Case	2007		2006	
	Total	%	Total	%
Full examination of dealings and tradings that were subject to alerts	283	-	252	-
Suspected violations	41	14.5%	66	26.2%



(2) Disclosure

Disclosure and provision of information to the investors is one of the basic drivers of the efficiency and effectiveness of any capital market. According to article five of the Capital Market Law, the CMA regulates and monitors the full disclosure of information regarding securities and their issuers, the dealings of informed persons and major shareholders and investors, in addition to defining and making available information which the participants in the market should provide to shareholders and the public. According to article six of the law, the CMA has full authority to issue the necessary decisions, instructions and procedures for regulating and supervising the disclosure process.

The CMA regulates and monitors two types of disclosure:

1-Initial Disclosure:

In this type, disclosure is made of the preliminary relevant information to investors about the company which offers its shares for subscription, subject to Securities Offers Regulations and the Listing Rules. Such information shall be disclosed through the prospectus which must contain:

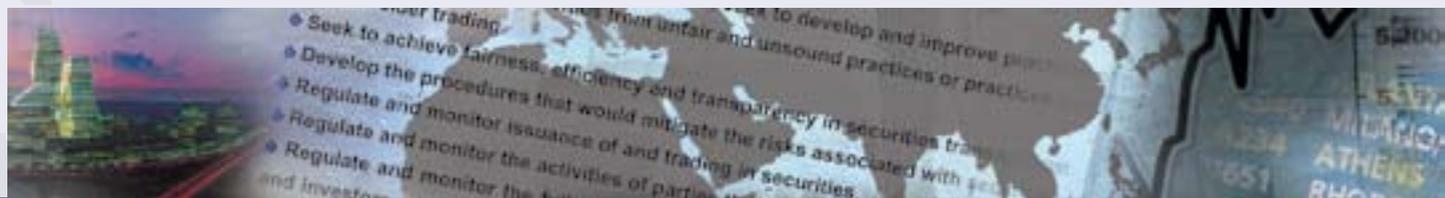
- » An adequate description of the issuer, its business, the individuals in charge of its management such as the members of the board of directors, executive officers, senior staff and its major shareholders.
- » An adequate description of the securities to be issued, their number, price, and related rights, privileges and preferences of the Issuer's other securities, if any. The description must set forth how the issue proceeds will be disbursed, and the commissions levied by persons connected with the issue.
- » A clear statement of the financial position of the Issuer and any related financial data including audited balance sheet, audited profit and loss account and cash flow statement.
- » Any other information required by the CMA.

In the year 2007, a total of 27 prospectuses were reviewed and published by the CMA, containing all information and data stipulated in the Capital Market Law.

2-Continuous Disclosure

Pursuant to this type of disclosure, the CMA monitors the listed companies to ensure their compliance with the following:

- » Disclosure of the annual financial statements and reports on closing of the fiscal year.
- » Disclosure of the quarterly interim financial reports and statements.
- » Disclosure of any material information about any event that concern investors, and may affect the price of its securities, by posting of such information on Tadawul website within the specified period defined in CMA implementing regulations, before release to press or publishing them on any other website. The announcements should comply with the CMA instructions.



The CMA also performs the following:

- » Reviews the annual and quarterly financial statements of the listed companies to ensure their compliance with the disclosure requirements set forth in the Capital Market Law and its Implementing Regulations.
- » Examines reports of the boards of the listed companies to ensure their compliance with the disclosure requirements set forth in the Listing Rules.
- » Follows up compliance of the listed companies with disclosure of the provisions of the Corporate Governance Regulations and determines the provisions that are not applied by them and the reasons for their failure to apply the same.

Review of the Annual and Quarterly Financial Statements

Tables (21), (22) and (23) present the results of review of the detailed and summarized annual and quarterly financial statements of the listed companies. Main results of the review are as follows:

- » All listed companies have complied and disclosed their annual and quarterly financial statements and results.
- » A total of 466 detailed statements were reviewed and posted on Tadawul website for the year 2007, compared to 411 for the year 2006, and a total of 461 condensed financial statements were reviewed after posting them on Tadawul website, compared to 418 for the year 2006.
- » In the year 2007, no qualifications were made on the financial statements for the previous year of 70 companies representing 81.3% of the total, whereas qualifications were made on the financial statements of 16 companies.
- » qualifications were made on 29 quarterly financial statements for the year 2007, constituting 26.1% of the total quarterly financial statements of the listed companies, compared to qualifications on 25 statements, and representing 29.1% for the year 2006.

Table (21): Detailed and Summary Financial Statements which are Reviewed and Posted on Tadawul Website for 2007 and 2006

No.	Category	Total number for the year	
		2007	2006
1	Summary financial statements that are reviewed after depositing on Tadawul website	461	418
2	Detailed financial statements that are reviewed and deposited on Tadawul website	466	411

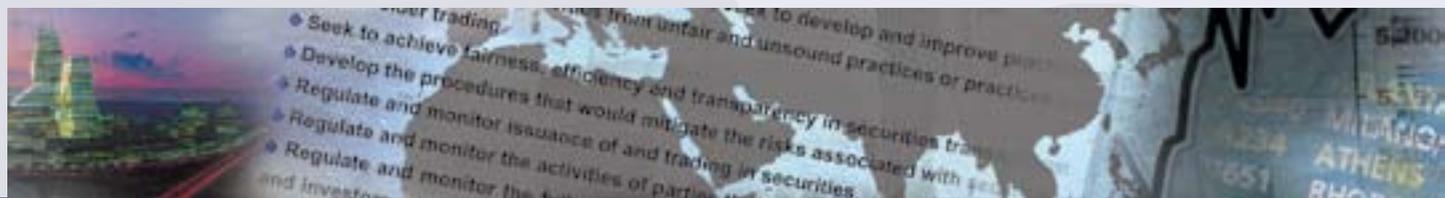


Table (22): Annual Financial Statements with Qualifications, 2007 and 2006

No.	Statements	2007		2006	
		Number of Companies	%	Number of companies	%
1	Financial statements without qualifications	70	81.3	57	74.1
2	Financial statements with qualifications	16	18.6%	20	25.9
	Total	86	100%	77	100%

Table (23): Quarterly Financial Statements with Qualifications, for 2007 and 2006

No.	Statements	2007		2006	
		Number of Companies	%	Number of companies	%
1	Financial statements without qualifications	82	73.9	61	70.9
2	Financial statements with qualifications	29	26.1	25	29.1
	Total	111	100%	86	100%

Disclosure of Material Information

Table (24) presents the total number of announcements posted on the Tadawul website, by type of announcement, material information or financial results, for 2007 compared to 2006. The table can be summarized as follows:

- » The number of announcements published on Tadawul website for 2007 have declined, compared to that for 2006, as a total of 1489 announcements were published in the year 2007, less by 13.6% than that for 2006.
- » 71.1% of the companies' announcements for 2007 contained material information that concern investors, and may affect trading in securities, whereas a total of 431 announcements (28.9%) contained financial results for the listed companies.

Table (25) presents total number of announcements posted on Tadawul website, on quarterly basis, for 2007 and 2006. As indicated in the table, 63% of the announcements for 2007 were published in the first half of the year.

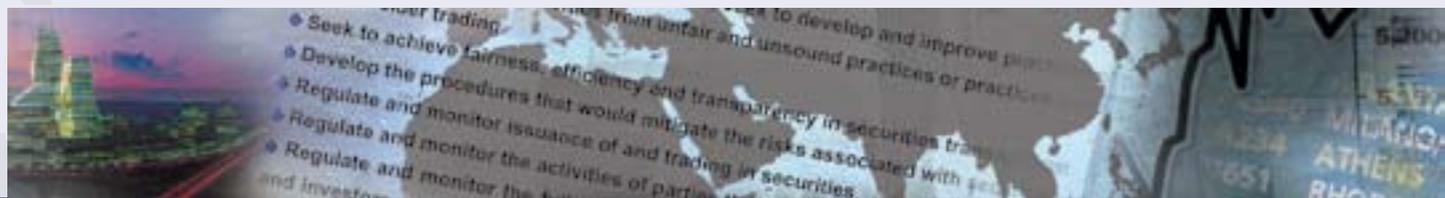
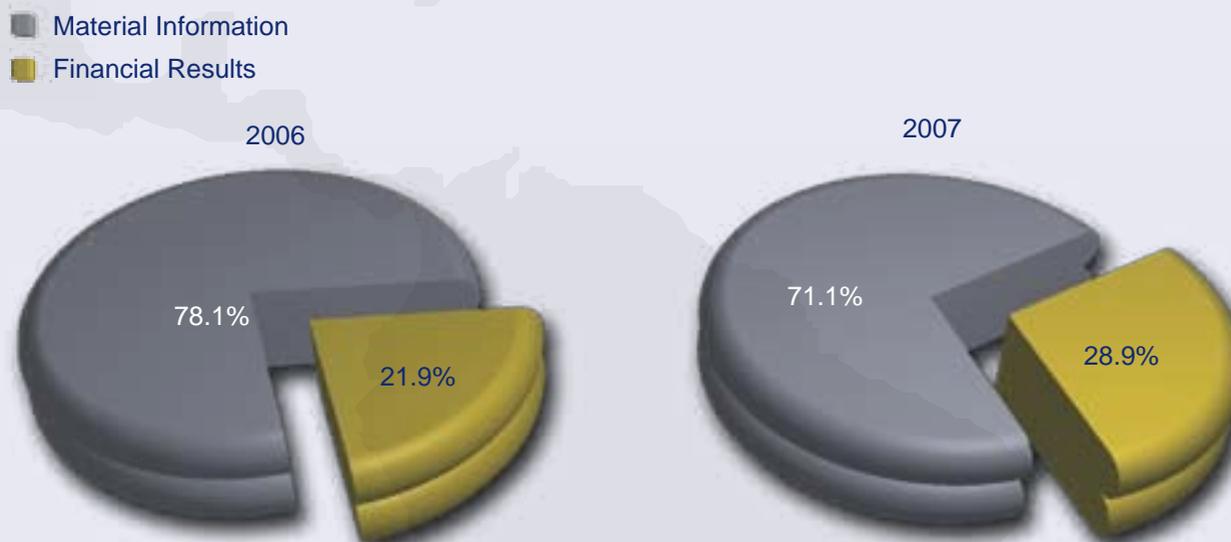


Table (24): Total Number of Announcements on Tadawul Website by Type of Announcement for 2007 and 2006

No.	Type of Announcement	2007		2006		% of change
		Number	%	Number	%	
1	Material Information	1058	71.1%	1347	78.1%	-21.5%
2	Financial Results	431	28.9%	377	21.9%	14.3%
	Total	1489	100%	1724	100%	-13.6%

Chart (19): Percentage of Announcements Posted on Tadawul Website by Type of Announcement for 2007 and 2006, by Type



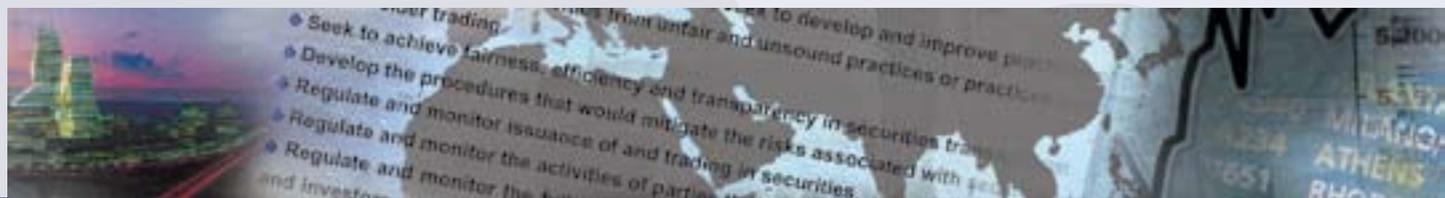
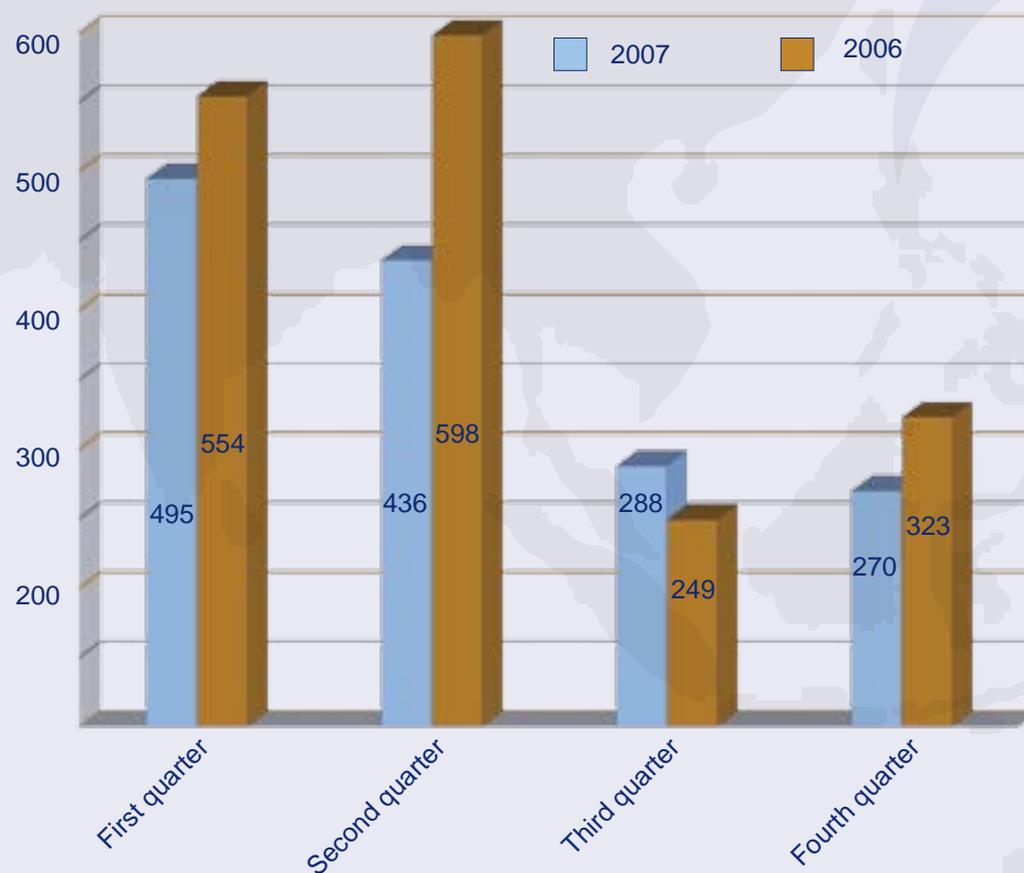
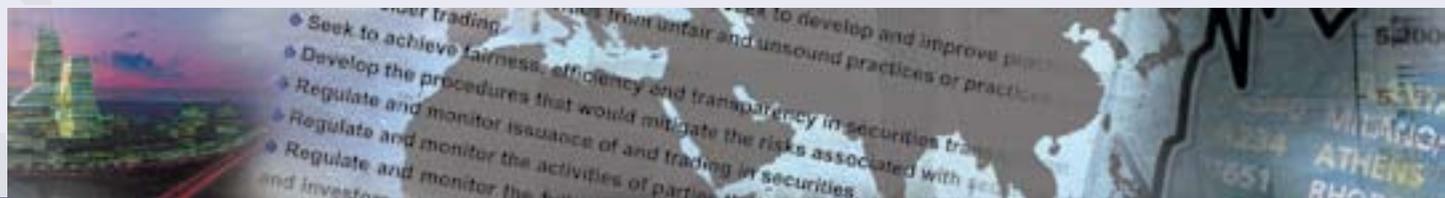


Table (25): Total Number of Announcements Posted on Tadawul Website for 2007 and 2006, on Quarterly Basis

No.	Quarter	2007		2006		% of change
		Number	%	Number	%	
1	First	459	33%	554	32.1%	-10.6%
2	Second	436	30%	598	34.7%	-27.1%
3	Third	288	19%	249	14.4%	15.7%
4	Fourth	270	18%	323	18.7%	-16.4%
	Total	1489	100%	1724	100%	-13.6%

Chart (20): Total Number of Reviewed Announcements for 2007 and 2006 which are Posted on Tadawul Website





(3) Violations and Investors Complaints

CMA is always keen to protect investors against any unfair or unsound practices involving fraud, deceit or manipulation. To achieve this objective, the CMA carries out the following:

- » Receives investors complaints.
- » Follows up and monitors violations to the Capital Market law and its Implementing Regulations, decisions and directives issued by the Board.
- » Conducts investigation into the issues referred to it by the designated departments at or out of the CMA, through research inquiry and analysis of trading transactions, review of investment portfolios and relevant bank data and information, and coordination with the concerned agencies at and out of the CMA.
- » Institutes legal proceeding before Committee for Resolution of Securities Disputes (CRSD) against any parties violating the Capital Market law and its Implementing Regulations.
- » Follows-up the implementation of decisions and verdicts issued by the CMA Board or the CRSD.

1-Investors Complaints and Channels for Lodging of Complaints

In the year 2007, the CMA has established an automated system for receiving the investors complaints that maintains all relevant documents for quick handling and processing of such complaints. The CMA has also opened the following channels for receiving investors' complaints:

- 1- Receiving of the complainant at CMA premises.
- 2- Lodging of the complaint through the CMA website.
- 3- Lodging of the complaint by fax or mail.

The CMA studies and reviews each complaint and ensures that it has jurisdiction to look into it.

2-Total Number and Classification of Complaints for 2007 Compared to 2006

Table (26) presents the total number of complaints received by the CMA through the various prescribed channels during the year 2007 compared to 2006, classified by type of complaint. Such complains prescribed to execution of transactions, facilities, Murabaha contracts, Investment Funds, investment portfolios or other complaints. The most important results of this classification can be summarized as follows:

- » A total of 725 complaints were received in the year 2007 through the various channels, compared to 1818 complaints received in 2006, a decline of 150.9%.
- » Complaints related to execution of transactions ranked first as a percentage of total complaints for 2007 and 2006, representing 55% of the total complaints for 2007 and 60.5% for 2006.

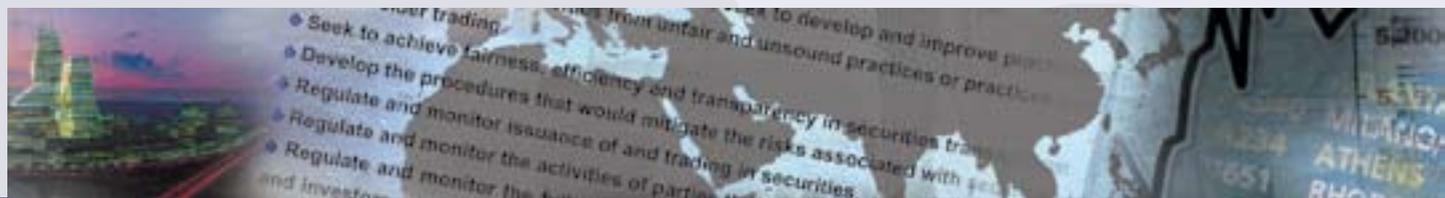
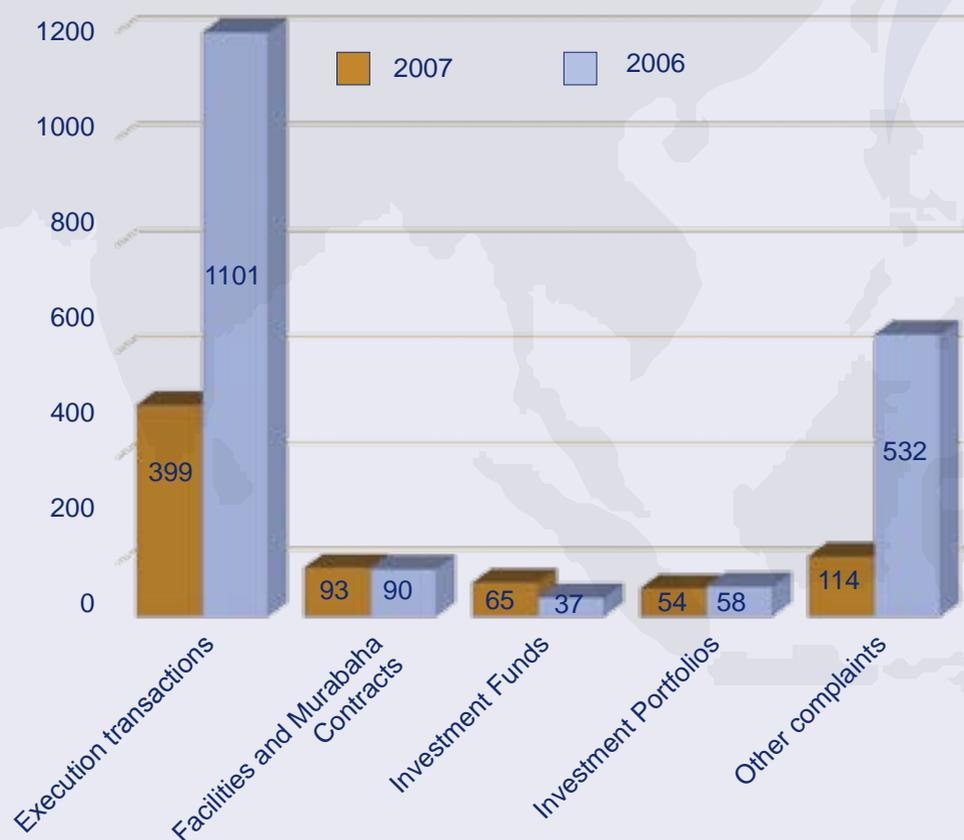
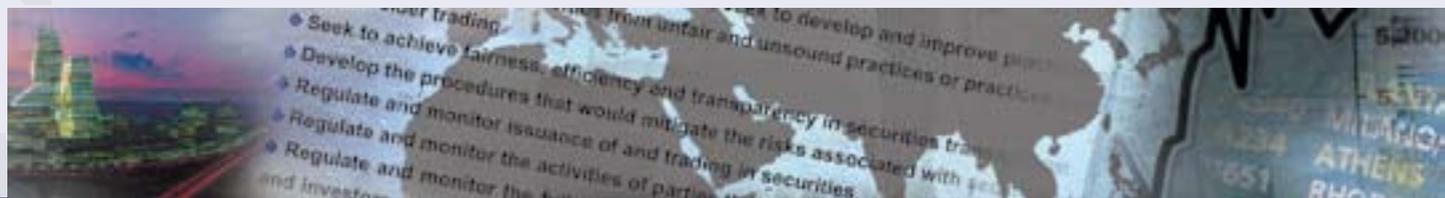


Table (26): Total Number of Complaints Received by the CMA for 2007 and 2006, Classified by Type

No.	Type of Complaint	2007		2006	
		Number	%	Number	%
1	Execution transactions	399	55.0%	1101	60.5%
2	Facilities and Murabaha Contracts	93	12.8%	90	5.0%
3	Investment Funds	65	9.0%	37	2.0%
4	Investment Portfolios	54	7.5%	58	3.2%
5	Other complaints	114	15.7%	532	29.3%
	Total	725	100%	1818	100%

Chart (21): Total Number of Complaints Received by CMA for 2007 and 2006 Classified by Type



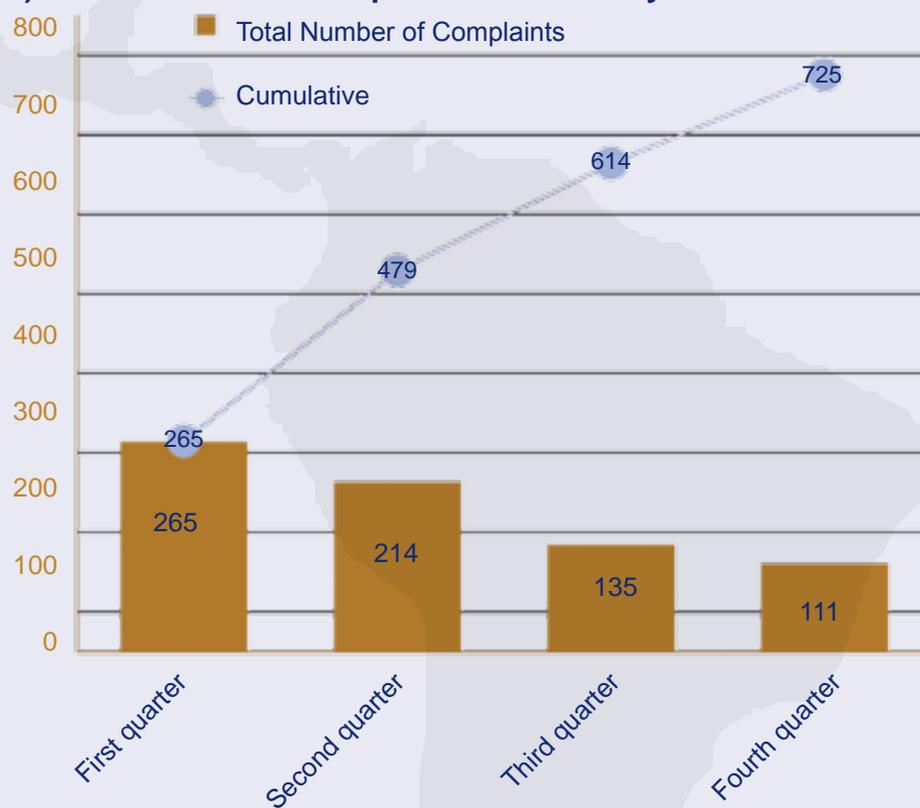


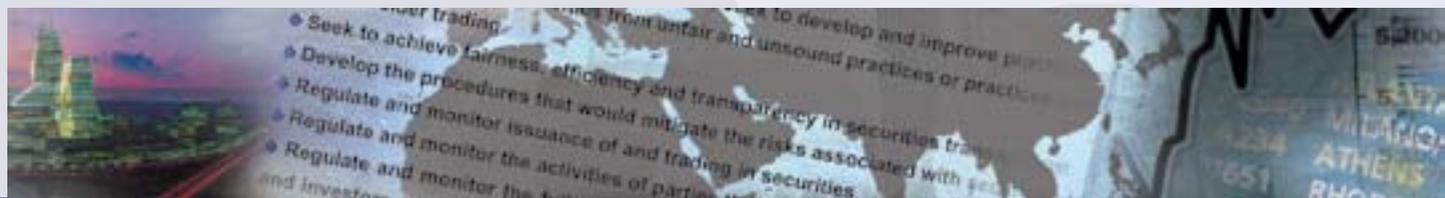
Complaints received in the year 2007 may also be classified on quarterly basis. As indicated in table (27) below, most of the complaints, through the different channels, were received during the first and second quarters, representing 36.6% and 29.5% of the total respectively.

Table (27): Total Number of Complaints Received by the CMA for 2007, on Quarterly Basis

No.	Quarter	Total number	%	Cumulative number
1	First	265	36.6%	265
2	Second	214	29.5%	479
3	Third	135	18.6%	614
4	Fourth	111	15.3%	725
	Total	725	100%	

Chart (22): Total Number of Complaints Received by the CMA for 2007, on Quarterly Basis





3-Handling of Investors Complaints for 2007

On receipt of complaints, CMA makes efforts to review them and attempts to reach settlement between the concerned parties and takes any necessary action. As part of its responsibilities, CMA issues notices and notifications to complainants pursuant to clause (e) of article (25) of CMA law which quotes " No complaint or statement of claim may be filed with the Committee without being filed first with the Authority and a 90 day period has passed from the filing date " . In case that a settlement is not possible, and a 90 day period from filing of the complaint has passed, this notice shall be given to the complainant. The complainant may file a case with the Committee for Resolution of Securities Disputes (CRSD) for examination thereof. The notice permits the complainant to file a case with CRSD before passing of the 90 day period. Table (28) presents the status of settlement of complaints received by the CMA for 2007, which can be summarized as follows:

- » A Total of 330 complaints, representing 46% of the total filed complaints have been solved, and only 38 complaints are still under consideration.
- » Notifications/notices have been prepared for 357 complainants, constituting 49% of the total.

Table (29) presents the notifications/notices received by complainants who received 162 notifications/notices, representing 45.4% of the total, whereas 54.6% of the same has not been received.

Table (28) Status of Complaints Received by the CMA for 2007

No.	Status	Total number	%
1	Under consideration	38	5%
2	Solved	330	46%
3	Notifications/notices	357	49%
	Total	725	100%

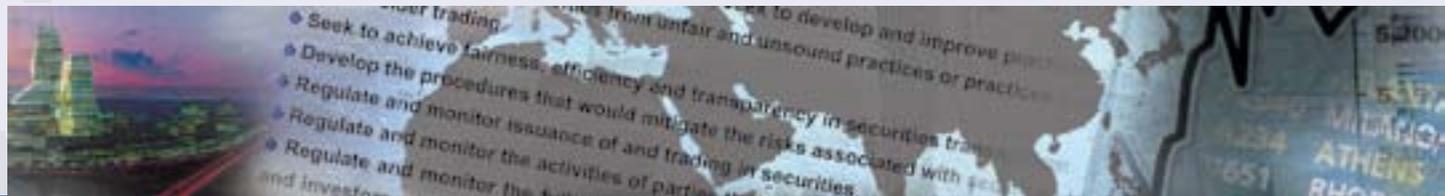
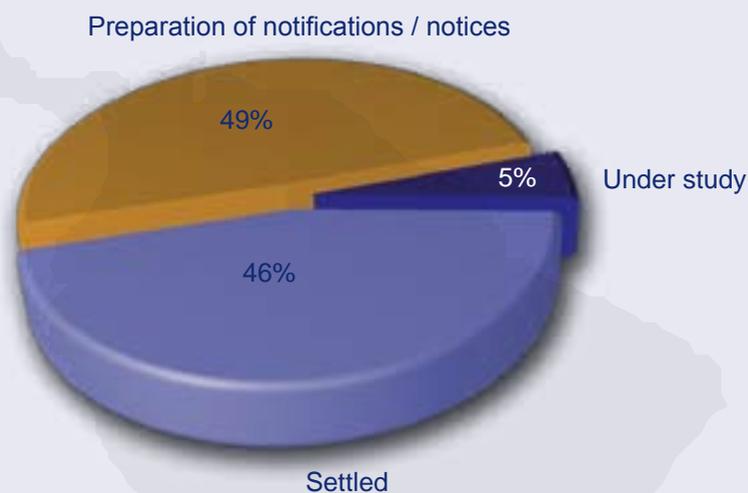
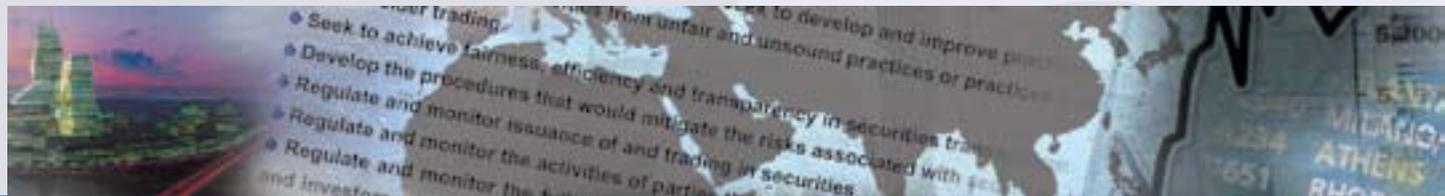


Table (29): Status of Notifications/Notices to Investors Complaints for 2007

No.	Status of Notifications / Notices	Total Number	%
1	Received by complainants	162	45.5%
2	Not received by complainants	195	54.6%
Total		357	100%

Chart (23): Status of Complaints Received by the CMA in 2007





4-Investigating the Violations of the Capital Market law

According to clause (c) of article(Five) of the Capital Market law, the CMA or its employees designated by the Board are empowered to subpoena witnesses, take evidence, analyze the portfolios and the trading activity records, review and analyze the information related to investigation and conduct the necessary investigations through interrogation of violators.

In the year 2007, investigations were conducted into a total of 98 suspected violations to the Capital Market law and its Implementing Regulations, compared to 83 for the year 2006. Table (30) below presents the total number of investigations into the violations to the Capital Market law, for the year 2007, based on type of case, compared to 2006. The main highlights of the table are as follows:

- » Investigations into different cases increased in the year 2007 by 18.1% over those of 2006.
- » Most investigations were in cases of “practicing activities and investment of funds without license”. In the year 2007, total number of investigations into these cases reached 45 cases, constituting 46% compared to 34 cases, with an increase of 41% over 2006.
- » Percentage of investigation into “ ownership of more than the prescribed percentages without informing the CMA”, “fraud and manipulation violations”, “ disclosure violation” and” authorized persons violations” for the year 2007, stood at 19.4%, 14.3%, 10.2% and 7.1% of the total investigations respectively.

The CMA also conducted the following:

- » Analysis of 78 investment portfolios for their suspected violations to the Capital Market law and its Implementing Regulations.
- » 47 website owners who had been managing portfolios without license and give advice through cell phones, had been obliged to submit undertakings not to return to such practices, and their websites were closed.

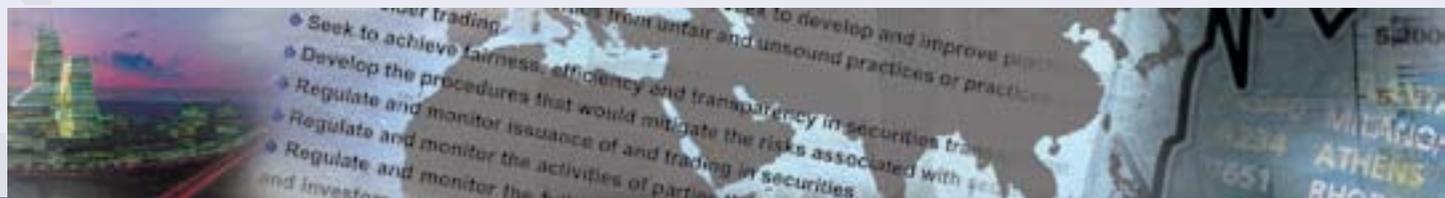
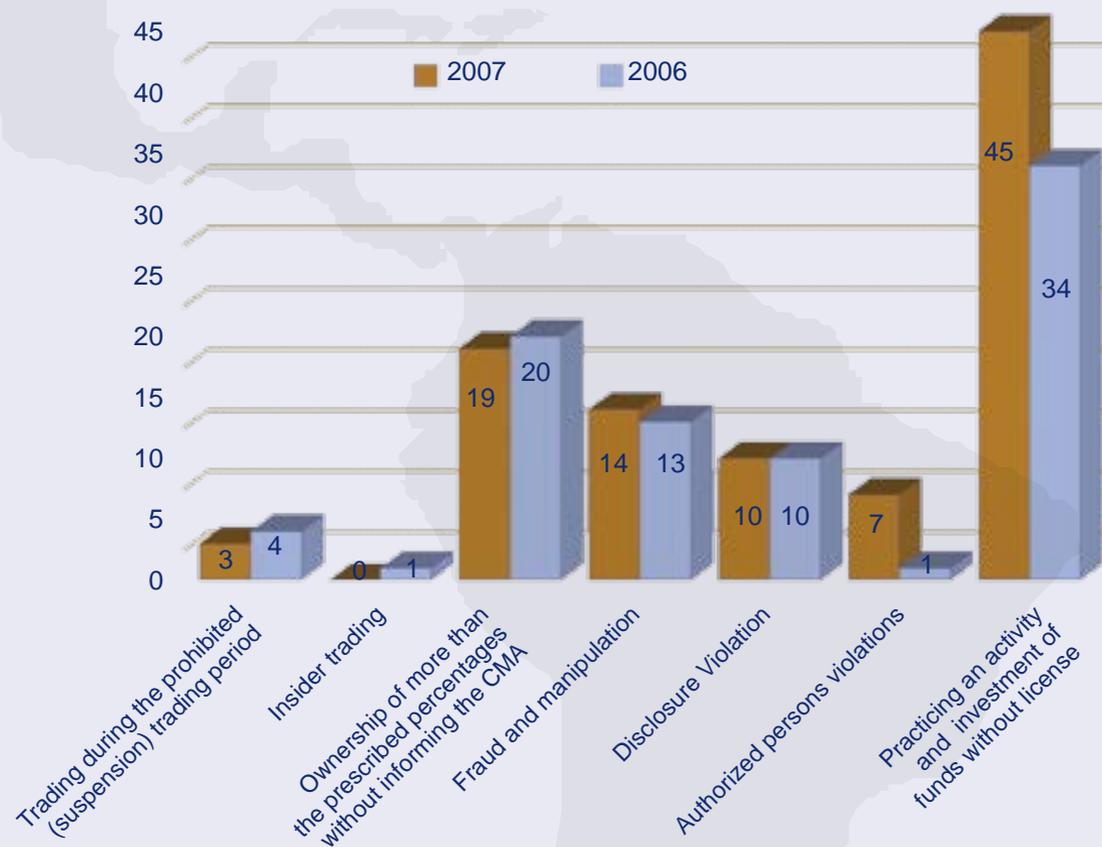
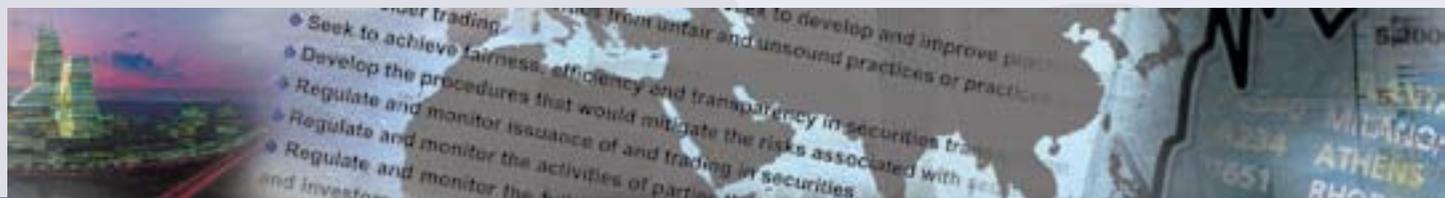


Table (30): Number of Investigations into Suspected Violations, for 2007 and 2006, Classified by Type of Case

Case	2007		2006	
	Number	%	Number	%
Trading during the prohibited (suspension) trading period	3	3.0%	4	4.8%
Insider trading	-	0%	1	1.2%
Ownership of more than the prescribed percentages without informing the CMA	19	19.4%	20	24.1%
Fraud and manipulation	14	14.3%	13	15.7%
Disclosure Violation	20	10.2%	10	12%
Authorized persons violations	7	7.1%	1	1.2%
Practicing an activity and investment of funds without license	45	46.0%	34	41.0%
Total	98	100%	83	100%

Chart (24): Total Number of Investigations into Suspected Violations to the Capital Market Law for 2007, Classified by Type of Case





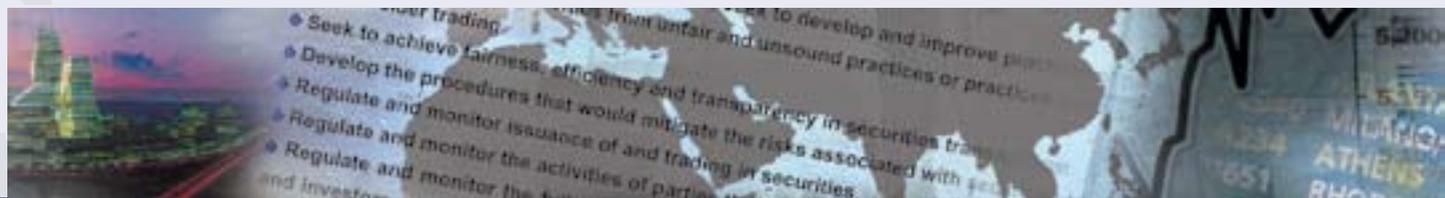
5- Litigation Before the Committee for Resolution of Securities Disputes (CRSD)

After taking an evidence of any violation to the Capital Market law or its Implementing Rules, a case shall be filed against the violator at the CRSD, and an indictment shall be prepared containing all presumptions, evidences and supporting documents.

In the year 2007, fourteen cases of violations of the Capital Market law and Its Implementing Regulations were filed before the CRSD, eight of these cases involved fraud and manipulation with the intention of creating false and misleading impression about the market or the prices of securities, two cases of insider trading and four cases of grievances by listed companies against CMA decisions relating to imposition of fines, table (31).

Table (31): Cases examined by the CRSD for 2007

No.	Case Type	Total number	%
1	Trading involving fraud and manipulation with intention of creating false or misleading impression about the market or the prices of securities	8	57.1%
2	Insider trading	2	14.3%
3	Complaints by listed companies which were fined by the CMA	4	28.6%
	Total	14	100%



6- Follow up of Execution of Decisions and Verdicts

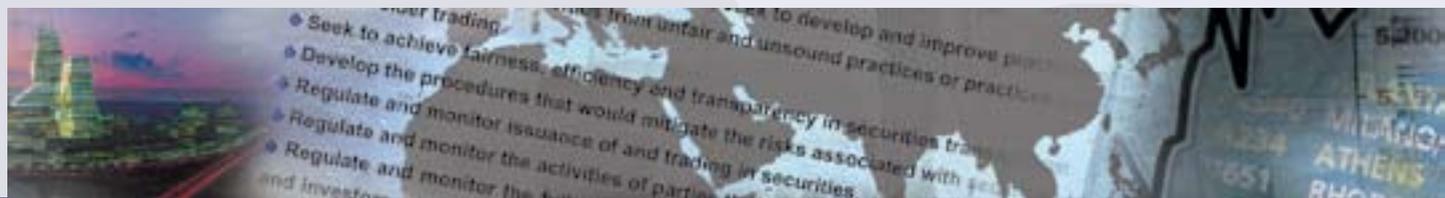
A department has been established by the CMA for following up the Enforcement of decisions issued by the CMA and CRSD, by addressing the competent authorities to execute such decisions, including provisional seizure, and addressing the violators who are charged with financial or administrative penalties. Table (32) presents the total number of decisions issued by the CMA Board and the CRSD for the years 2007 and 2006, the execution of which was followed up. Total number of these decisions can be summarized as follows:

- » Total number of decisions issued in the year 2007, has declined to 25 decisions compared to 37 for the year 2006, a decrease of 32.4%.
- » 48% of the decisions for the year 2007 were issued by the CMA Board whereas 52% were issued by the CRSD, compared to 73% by the CMA Board and 27% by the CRSD for 2006.

Table (32): Total Number of Decisions Issued by the CMA Board and CRSD for 2007 and 2006

Source of decision	Total number of decisions			
	2007		2006	
	Number	%	Number	%
CMA Board	12	48%	27	73%
CRSD*	13	52%	10	27%
Total	25	100%	37	100%

*includes decisions convicting violators and other decisions such as provisional seizure of violators properties.

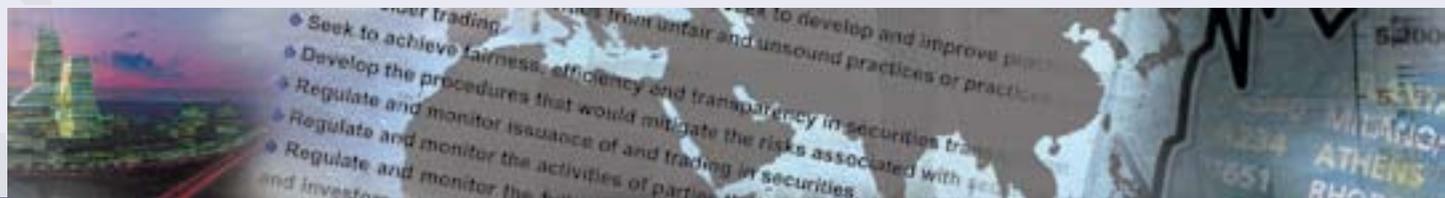


The CMA also followed up the execution of other decisions and verdicts, some of them have been implemented while the implementation of others is being followed up. Table (33) shows the results of follow up of implementation of the decisions issued by either the CMA Board or the CRSD for 2007, which can be summarized as follows:

- All decisions, totaling 13 decisions, issued by the CRSD were executed.
- 58.3% of the decisions issued by the CMA Board were executed, and unimplemented decisions are still being followed up.

Table (33): The Results of Follow up of Implementation of the Decisions Issued by either the CMA Board or the CRSD in 2007

Source of decision	Total	Implemented		Being Followed Up	
		Number	%	Number	%
CMA Board	12	7	58.3%	5	41.7%
CRSD	13	13	100%	-	0%
Total	25	20	80%	5	20%



2-1-4 Authorized Persons for Carrying on Securities Business

(1) Authorizations

Articles thirty one through thirty eight of the Capital Market law, spell out the CMA responsibility for regulating brokers. In line with its responsibility for the safe dealing with securities and protection of investors and to promote competition and enhance the quality of services rendered to the brokers, the following regulations were issued by the CMA:

- 1- Securities Business Regulations.
- 2- Authorized Persons Regulations.

These two regulations are the main pillars for regulating the securities business in the Kingdom, and also for regulating all matters pertaining to issuing of licenses that cover five main activities: dealing, managing, arranging, advising and custody. According to the Securities Business Regulations, a person is prohibited from practicing any activity pertaining to securities business unless he/she is authorized to do so by the CMA.

Authorization Mechanism

Authorization to practice securities business passes through four stages:

First: Pre-application stage.

Second: Receiving and the initial review of the application.

Third: Prudent review and assessment.

Fourth: Recommendations and decisions.

1-Authorizations Decisions

In the year 2007, a total of 43 decisions pertaining to new license or changes to a license or withdrawal of a license have been issued by the CMA Board compared to 40 decisions for 2006 and only 8 decisions for 2005. Table (34) shows the total number of decisions pertaining to new, changed or withdrawn licenses issued by the CMA for the years 2005, 2006 and 2007. The most important highlights of the table can be summarized as follows:

- » In the year 2007, the CMA Board has issued decisions approving authorization of 35 companies and firms to practice securities business, bringing the total number of authorized persons to 80.
- » Over the last three years, the CMA Board approved changes to 9 licenses, either by addition or deletion of one or more of the five activities, and three activities were changed for the year 2006 and six for 2007.
- » Two decisions were issued in the year 2007 by the CMA Board for withdrawal of licenses issued to two firms/companies practicing securities business, but no decision was issued in the years 2006 and 2005 for withdrawal of a license.

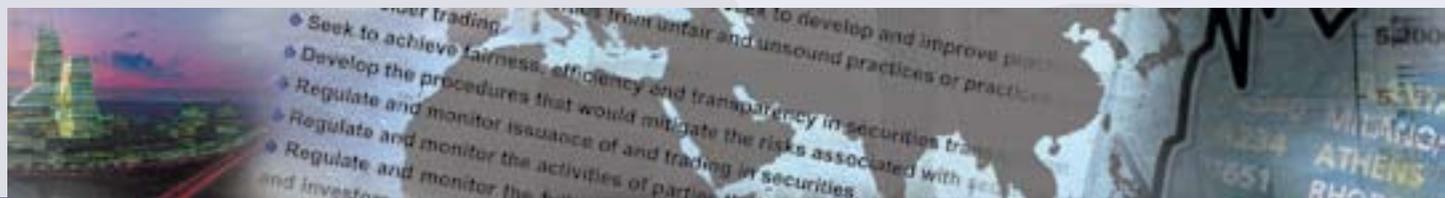
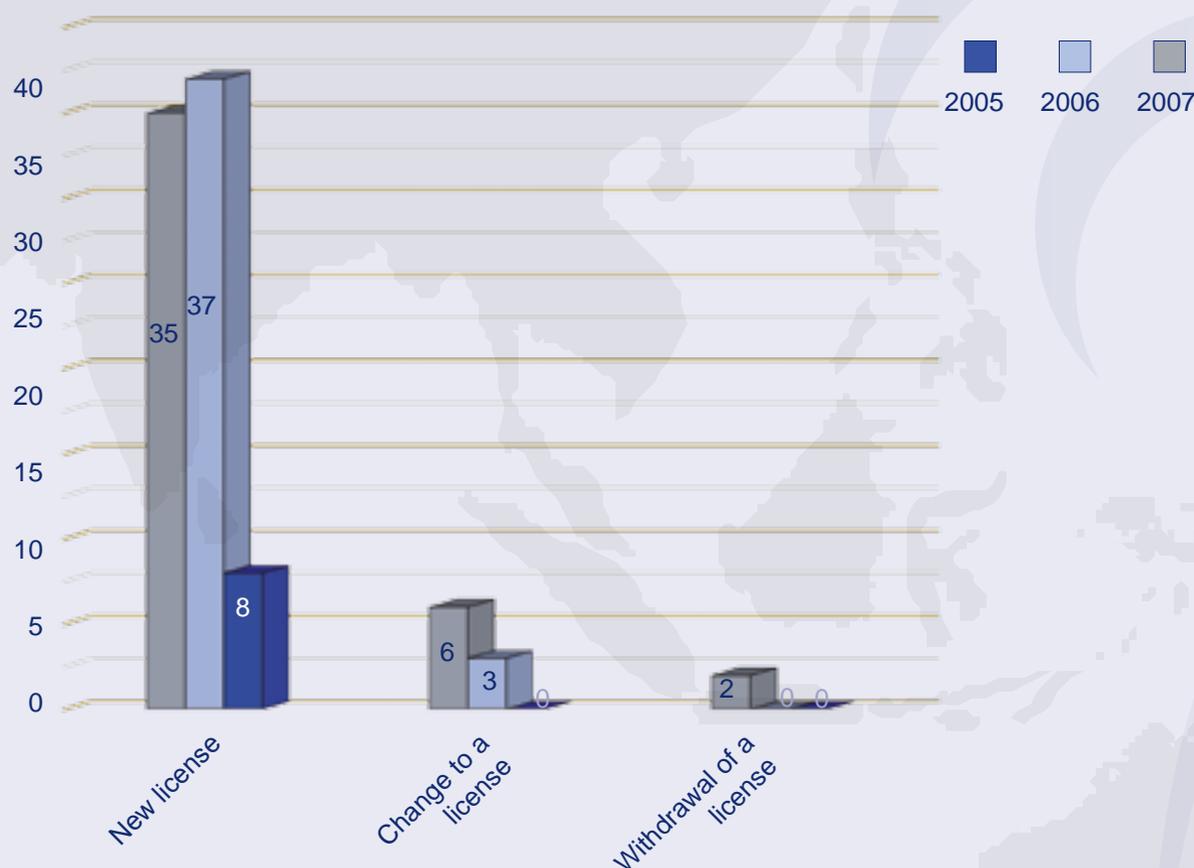
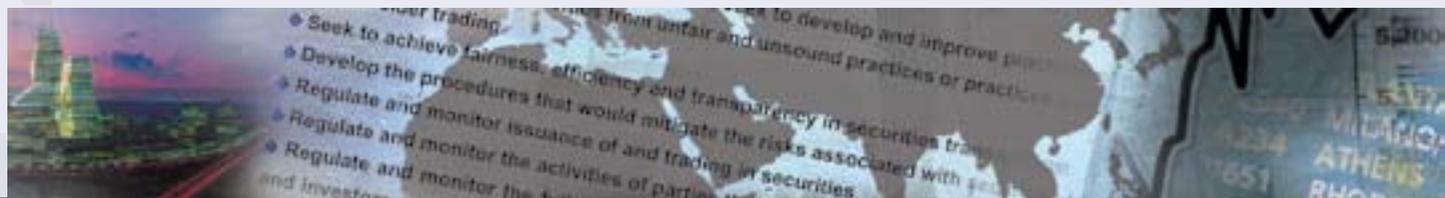


Table (34): Total Number of Decisions Issued by the CMA for Authorization/Change to a License/Withdraw of a License in the Years 2005-2007

Type of license	2005		2006		2007		Total
	Number	%	Number	%	Number	%	
New license	8	100%	37	92.5%	35	81.4%	80
Change to a license	0	0%	3	7.5%	6	14.0%	9
Withdrawal of a license	0	0%	0	0%	2	4.6%	2
Total	8	100%	40	100%	43	100%	91

Chart (25): Total Number of Decisions Issued by the CMA Board Pertaining to Issuance, Change to and Withdrawal of Licenses, from 2005 to 2007





2-Paid up Capital of the Authorized Persons

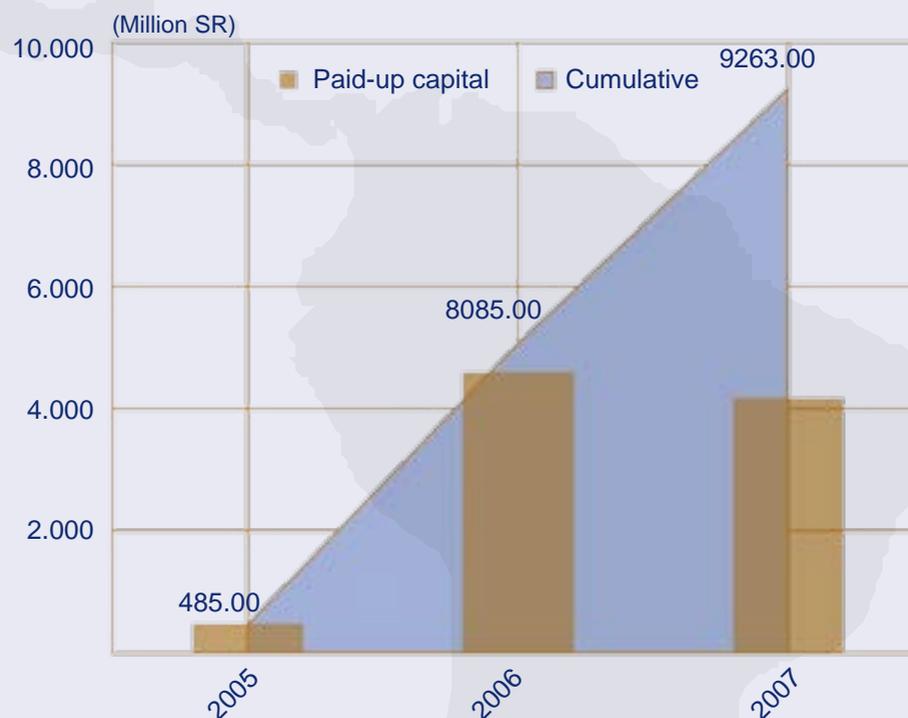
Table (35) below reflects the paid up capital of the authorized persons for the years 2005 - 2007. The table can be summarized as follows:

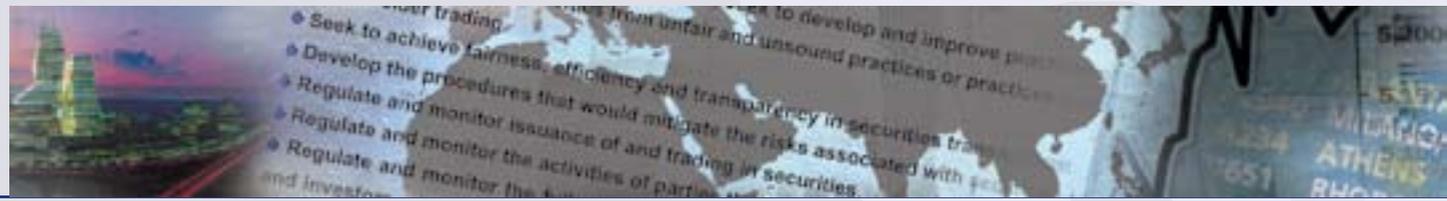
- » The accumulated paid up capital for 2007 surged to about SR 9,263 million, with a very large increase of 1810% over 2005.
- » The annual increase for 2006 was about 948% compared to about 82% for 2007.

Table (35): Paid Up Capital of the Authorized Persons for the Period 2005 - 2007

Year	Total capital	Total accumulated capital	% of annual change
2005	485,000,000	485,000,000	-
2006	4,600,094,825	5,085,094,825	948.5%
2007	4,178,049,999	9,263,144,824	82.2%

Chart (26): Paid Up Capital of the Authorized Persons (Million SR) for the Period 2005 - 2007





3-Licenses Issued by Type of Securities Activity by the End of 2007

Table (36) highlights the total number of licenses issued for every security business activity at the end of 2007 while table (37) reflects the total number of authorized persons based on the number of securities business activities they practice. These tables can be summarized as follows:

- » Total number of issued licenses by type of activity, ranged between 46 and 68, whereas licensing for “Advising” was the highest representing 24.5% compared to other activities.
- » A total of 26 authorized persons, constituting 32.5% of the total authorized persons practice two activities out of the five activities.
- » A total of 36 authorized persons, representing 45% of the total authorized persons practice all five activities.
- » Four authorized persons practice four securities business activities.

In addition, 46 authorized persons representing 57% of the total authorized persons were issued letters to practice securities business, and 34 of the authorized persons were not issued such letters as shown in table (38). Table (39) displays a list of authorized persons and type of securities business that they are licensed to practice.

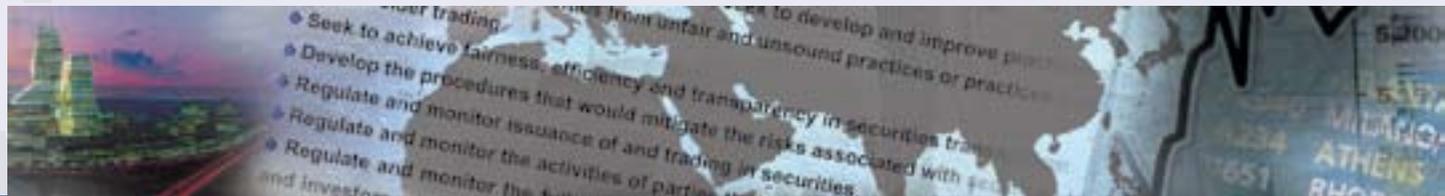
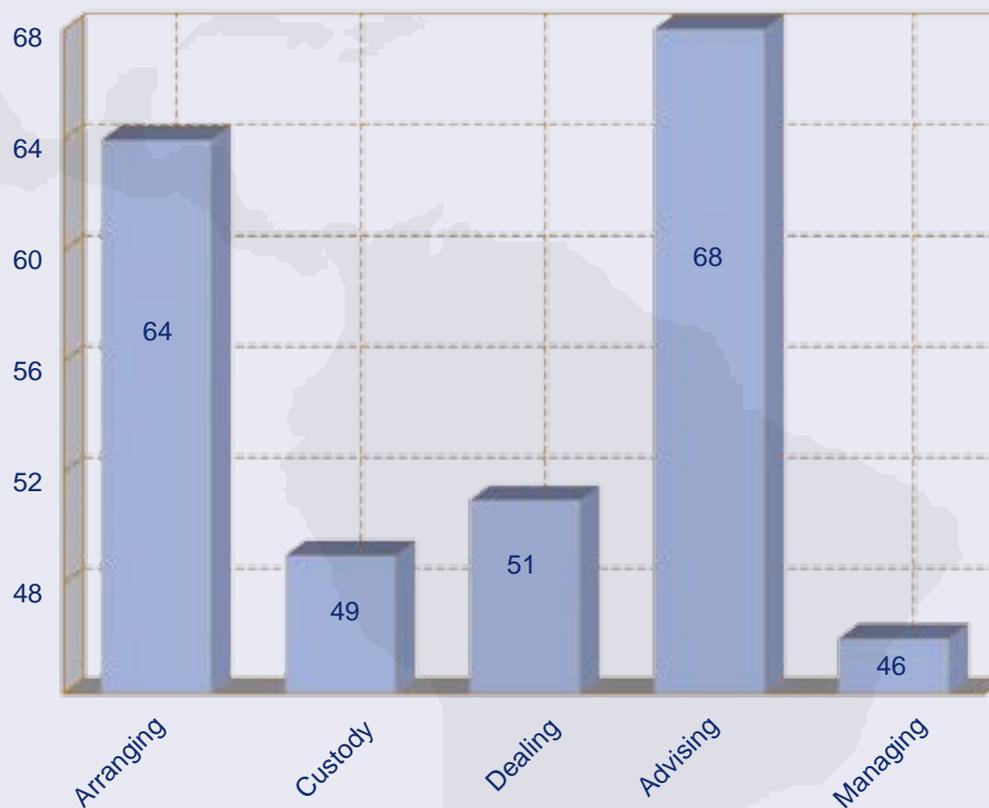


Table (36): Total Number of Issued Licenses, Classified by Security Activities, by the end of 2007

Activity	Total number of licenses	%
Arranging	64	23.0%
Custody	49	17.6%
Dealing	51	18.3%
Advising	68	24.5%
Managing	46	16.5%

Chart (27): Total Number of Issued Licenses by the end of 2007, by Type of Securities Business Activity



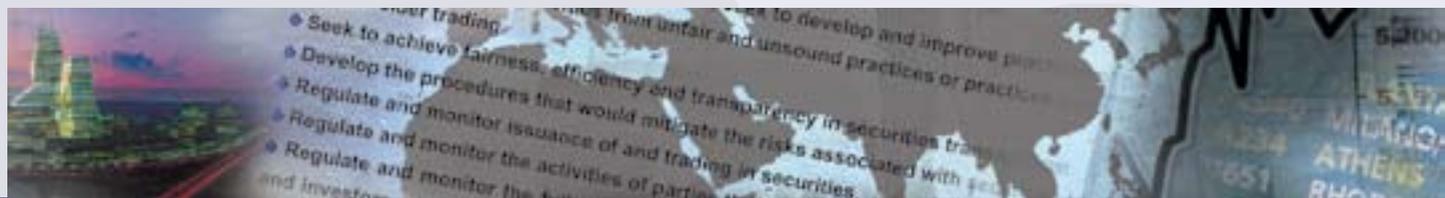


Table (37): Total Number of Authorized Persons by Number of Securities Business Activity, by the end of 2007

Number of Activities	Number of Authorized Persons	%
One activity	6	7.5%
Two activities	26	32.5%
Three activities	8	10.0%
Four activities	4	5%
All activities (Five)	36	45.0%
Total	80	100%

Chart (28): Total Number of Authorized Persons Based on Number of Licensed Securities Business Activities for 2007

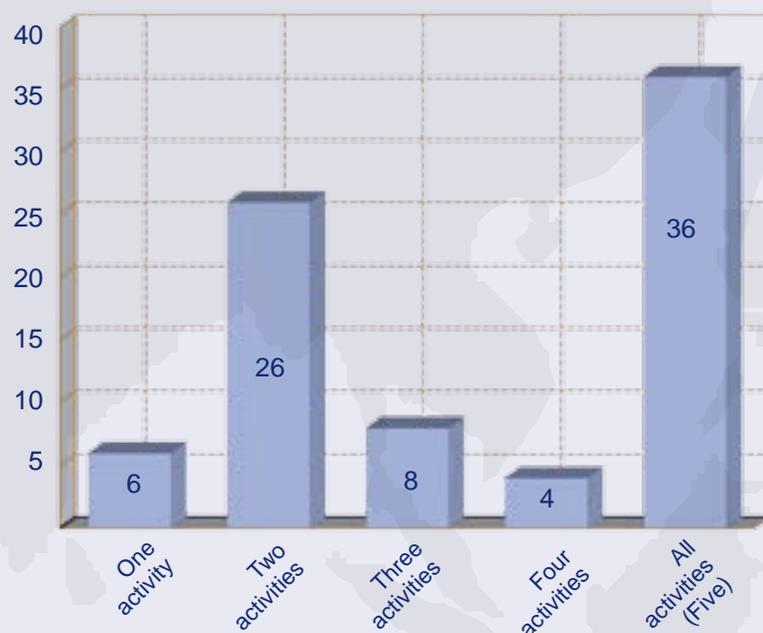


Table (38): Total Number of Authorized Persons Classified by the Status of Authorization Letter, by the end of 2007

Category	Number	%
Authorized and issued letter to practice securities business	46	57%
Authorized but not issued letter to practice securities business*	34	43%
Total number of authorized persons	80	100%

*Letter for practicing of securities business is usually issued after satisfying all requirements, within a period not exceeding one year from issuance of the authorization letter by the CMA.

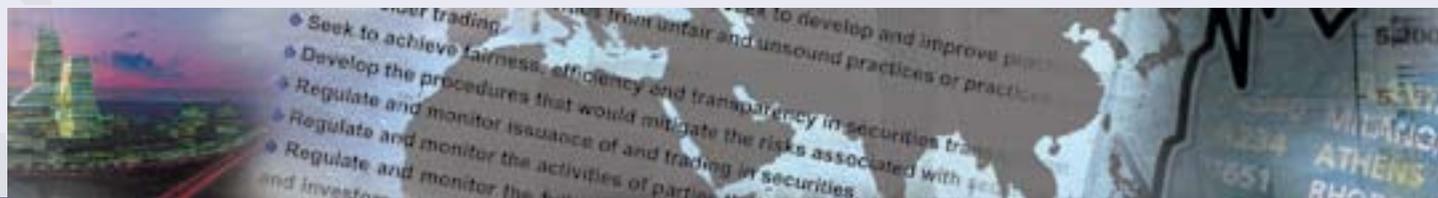
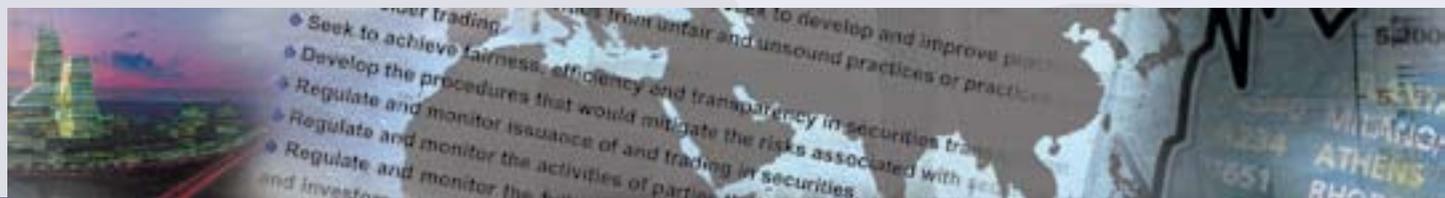
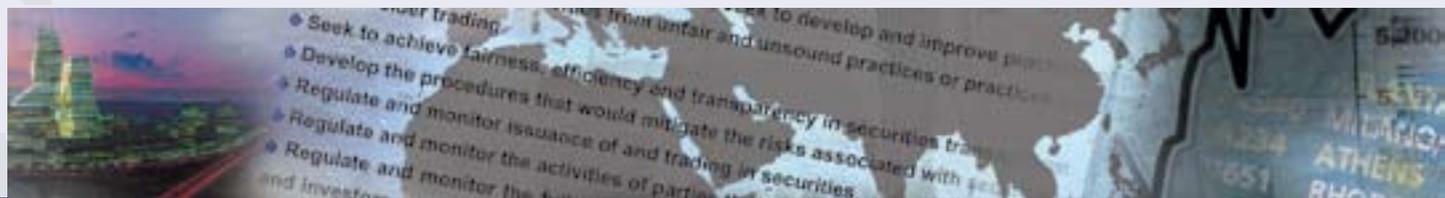


Table (39): List of Authorized Persons and Their Respective Licensed Securities Business Activities until End of 2007

No.	Company	Type of Licenses				
		Dealing	Managing	Custody	Arranging	Advising
1	Morgan Stanley Saudi Arabia Company	√	√	√	√	√
2	BMG Financial Group	√	√	√	√	√
3	Financial Transaction House	-	-	-	√	√
4	AlDukheil Financial Group	√	√	√	√	√
5	Osool Capital Company	√	√	√	√	√
6	Credit Suisse Saudi Arabia Company	√	-	-	-	-
7	HSBC Saudi Arabia Limited	√	√	√	√	√
8	Team One Company	-	-	-	√	√
9	Rana Investment Company	√	√	√	√	√
10	Swicorp Company	√	√	-	√	√
11	Bakheet Investment Group	-	√	√	-	√
12	House of Investment and Financial Capital	-	-	-	√	√
13	ASR Capital	-	-	-	√	√
14	EFG-Hermes KSA	√	√	√	√	√
15	Audi Saudi Arabia Company	√	√	√	√	√
16	Altawfeek Financial Group	√	√	√	√	√
17	Ernest & Young Consulting Saudi Arabia Limited	-	-	-	√	√
18	Falcom Investment Company	√	√	√	√	√
19	Al-Albab Financial Consulting	-	-	-	√	√
20	Al-Awaal for Financial Services Company	-	-	-	√	√
21	Al-Khabeer Merchant Finance Corporation Company	√	√	√	√	√
22	Sadaqah Financial Consultants	-	-	-	√	√
23	Al Mal Securities Saudi Company	√	-	-	-	-
24	Capital Advisory Group Company	-	-	-	√	√
25	Compass International Consulting Company Ltd.	-	-	-	√	√
26	Alpha Team Company	-	-	-	√	√
27	Middle East Financial Investment Company	√	√	√	√	√
28	KSB Capital Group	√	√	√	√	√
29	Amwal for Security Advising Ltd.	-	-	-	√	√
30	Jadwa Investment Company	√	√	√	√	√
31	Alwasatah Al-Maliah Company	√	-	√	√	√
32	Rasmala Investments Saudi Arabia Company	√	√	√	√	√
33	Gulf Bureau for Research & Financial Development	-	-	-	√	√
34	Naeem Investment Company	-	√	-	-	-
35	Assets Financial House	-	-	-	√	√
36	House of Investment & Financial Capital	-	-	-	√	√
37	Ithraa Capital Company	√	√	-	-	-
38	Saudi Pioneers Securities Company	√	-	√	-	-
39	Watan Investment and Securities Company	√	√	√	√	√



No.	Company	Type of Licenses				
		Dealing	Managing	Custody	Arranging	Advising
40	Aloula Geojit Brokerage Company	√	-	-	-	-
41	NBC Capital Company	√	√	√	√	√
42	The Investor Company for Securities	√	√	√	√	√
43	Gulf Investments Company	√	√	√	√	√
44	Bursah Experts Company for Financial Services	-	-	-	-	√
45	Arabian Company for Securities Business	√	√	√	-	-
46	Portfolio Brokerage & Financial Services Company	√	√	√	√	√
47	Fransi Tadawul Company	√	-	√	-	-
48	Manar Financial Consulting	-	-	-	-	√
49	ICG Group	-	-	-	√	√
50	Shuaa Capital Saudi Arabia Company	√	√	√	√	√
51	Watheeqa Capital Company	√	√	√	√	√
52	CAAM Saudi Fransi Company	-	√	√	-	√
53	SAIB Asset Management Company	-	√	√	-	√
54	Alistithmar Capital Company	√	-	√	√	-
55	House of National Consulting Company	-	-	-	√	√
56	Financial Investors Company	-	√	√	-	-
57	Saudi Med Investment Company	√	√	√	√	√
58	Global Investment House KSA	√	√	√	√	√
59	Merrill Lynch KSA Company	√	√	√	√	√
60	SAMBA Capital & Investment Management Company	√	√	√	√	√
61	Riyadh Capital Company	√	√	√	√	√
62	Al-Rajhi Financial Services Company	√	√	√	√	√
63	SABB Securities Limited Company	√	-	√	-	-
64	Arab National Investment Company	√	√	√	√	√
65	Deutsche Securities Saudi Arabia LLC Company	√	√	√	√	√
66	Al-Jazira Capital Company	√	√	√	√	√
67	GIB Financial Services Company	√	√	√	√	√
68	Saudi Hollandi Capital Company	√	√	√	√	√
69	JP Morgan Saudi Arabia Ltd. Company	√	√	√	√	√
70	Albilad Brokerage and Assets Management	√	√	√	-	-
71	Al-Bilad Investment Company	√	-	-	√	√
72	Al Nefae Investment Group	√	√	√	√	√
73	Arbah Capital Company	√	√	√	√	√
74	Gulf Financial Services Company	-	-	-	√	√
75	Haykalah Financial Consulting Company	-	-	-	√	√
76	Emirates Investment Services Company	√	√	√	√	√
77	Calyon Saudi Fransi Limited Company	√	-	-	√	√
78	Investcorp Saudi Arabia Financial Investment Company	-	√	√	√	√
79	Gulf Advisors Financial Consulting Company	-	-	-	√	√
80	Taj for Financial Consulting	-	-	-	√	√



(2) Inspection

According to clause (c) of article five of the Capital Market law, the CMA shall have the power to carry out inspection programs for monitoring of the authorized persons activities to ensure their compliance with the Capital Market law and its Implementing Regulations, through inspection visits to implement the following programs:

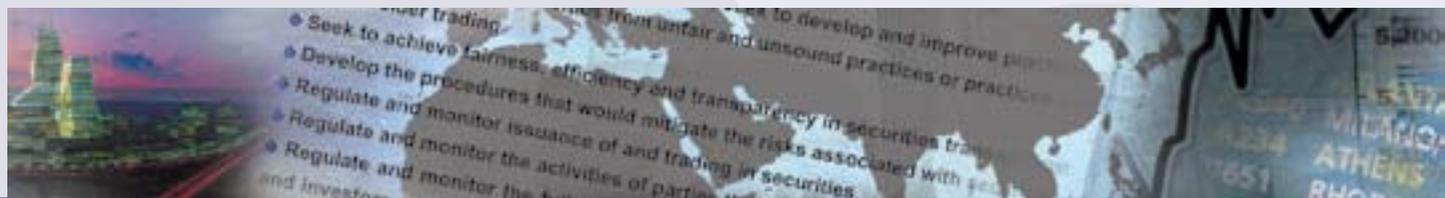
1-Periodical Inspection Programs

These programs are implemented on the authorized person on periodical basis with priority of inspection given to authorized persons of high risks. The CMA ensures the non-existence of any risks that may develop into violations to enable treating them in a timely manner, for enhancing the necessary preventive procedures for protection of investors and development of the Capital Market.

2-Special Inspection Programs

These programs are carried out based on investors' complaints or cases referred from parties dealing with securities transactions in order to ensure the non-existence of any violations to the Capital Market law and its Implementing Regulations. These programs are carried out through inspection visits to the authorized person who is the subject of an inspection program. The year 2007 witnessed starting of the business of many authorized persons, which entailed many inspection visits to ensure that the authorized person:

- » Has sufficient technical and human resources that enable him to practice securities business.
- » Is not practicing any activities not covered by the license issued to him by the CMA,
- » Is applying the monitoring systems and business policies and procedures as by CMA requirements stated in the Authorized Persons Regulations .



Over the year 2007, a total of 52 inspection visits were conducted by the CMA: 19 periodical inspection visits, representing 36.5% of the total and 33 special inspection visits, as shown in table (40). Those visits revealed some shortcomings relating to the authorized persons including, but are not limited to:

- › Some authorized persons failed to comply with the CMA controls, policies and procedures.
- › Some authorized persons are in breach of the notification requirements related to registration of the senior staff with the CMA.
- › Some contracts with investors are at variance with the CMA requirements.
- › Non-compliance with opening of the investment account requirements.
- › Some authorized persons are not abiding by the notification requirements.

The relevant penalties have been applied by the CMA according to the nature of violations. Among these penalties was withdrawal of the license issued to an authorized person. Special inspection visits can be classified, as reflected in table (41), as follows:

- › Twenty four inspection visits were relating to cases referred by government agencies or investors complaints, constituting 72.7% of the total inspection visits.
- › Six inspection visits related to offering of securities, constituting 18.2% of the total visits.
- › Three inspection visits related to violations of authorized persons of the announcement requirement in local newspapers, representing 9.1% of the total visits.

Table (40): Total Inspection Visits Carried out by the CMA for the Year 2007

Type	Number	%
Periodical inspection visits	19	36.5%
Special inspection visits	33	63.5%
Total	52	100%

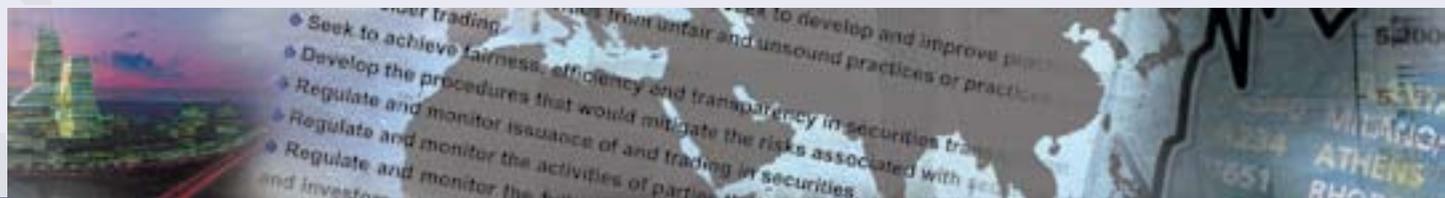
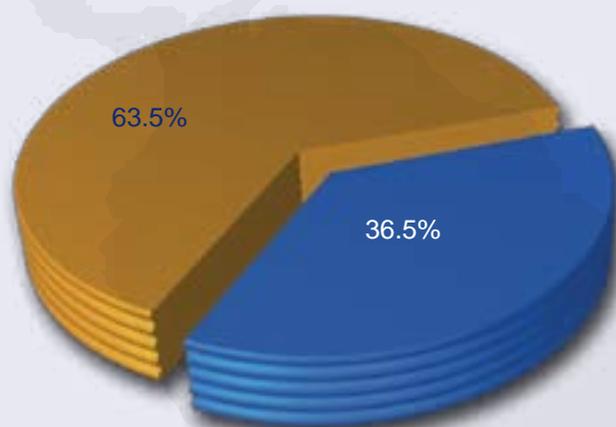
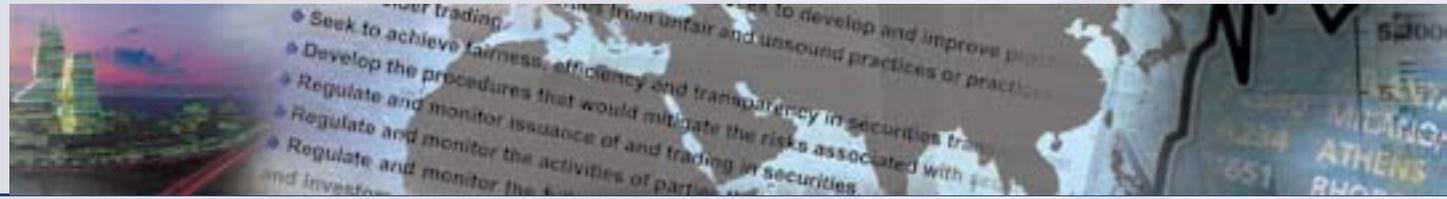


Table (41): Total Number of Special Inspection Visits Carried out by the CMA Classified by Case Type for 2007

Case	Number	%
Visits related to cases referred by government agencies or investors complaints	24	72.7%
Visits related to offering of securities	6	18.2%
Inspection visits related to violation of authorized persons to the announcement requirements in local newspapers	3	9.1%
Total	33	100%

Chart (29): Percentage of Inspection Visits Carried out by the CMA for 2007





(3) Financial Supervision

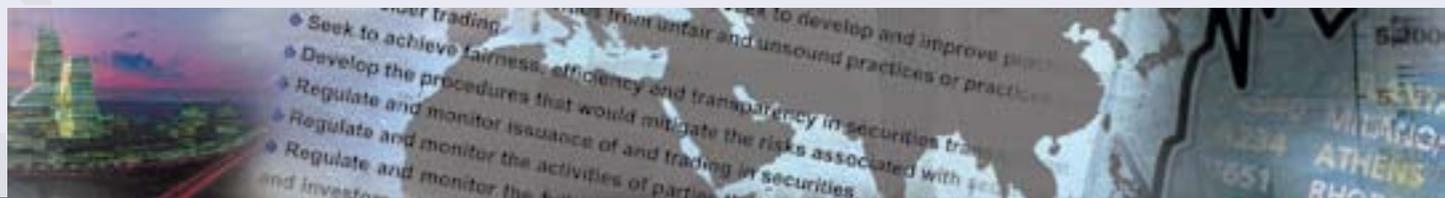
According to article five (B-4) of the authorized persons regulations, an authorized person must comply with the financial prudence requirement, by maintaining adequate financial resources in accordance with the rules determined by the CMA. For this purpose, the CMA reviews the financial reports of the authorized persons on periodical basis to ensure their compliance with the financial adequacy requirement, and that they have sufficient capital to meet their obligations towards investors and other authorized persons, in case of liquidation of their business, on timely basis through review of the following:

- » Minimum capital requirement.
- » Method of computing the net capital.
- » Requirements for preparing the books for the records of securities transactions.
- » Professional insurance requirements.
- » Requirements of immediately due loans.
- » Financial adequacy notification requirements.

The following were reviewed by the CMA during the year 2007:

- » 19 financial reports of authorized persons who started securities business, to ensure their financial adequacy.
- » Financial adequacy of three authorized persons, before underwriting of offering of securities or providing the underwriting margin.
- » 6 professional insurance policies submitted by authorized persons.

Draft of the financial controls was distributed by the CMA to the authorized persons and insurance companies working in the Kingdom to obtain their opinion before approval of these controls by the CMA Board.



2-1-5 Investor Awareness

As part of CMA's continuous efforts to enhance investors awareness, and in recognition of its belief that the awareness of the investor is part and parcel of the investor's protection process and that the absence of investment awareness may increase the risks that may negatively affect the Stock Market efficiency, the CMA, since its establishment, has put great emphasis on the investor awareness through opening of many investment awareness channels. In this direction, four main activities were implemented by the CMA:

First Activity: Publication of the news and decisions taken by the CMA Board on the CMA website.

The CMA publishes the news and decisions passed by the CMA Board on its website to allow accessibility of information to all investors at the same time. Tables (42) and (43) describe the total number of visitors to the CMA website for 2007 and 2006, based on the geographic location of visitors. The most important results of these tables can be summarized as follows:

- » Total number of visitors for 2007 has declined to about 778,000 visitors, from about 1,500,000 visitors for 2006, with a decrease of 48%.
- » Total "out of the Kingdom visitors" to the CMA website was about 81,600 visitors representing about 10% of the total visitors, compared to about 117900 visitors for 2006.
- » Out of a total 81,646 out of the Kingdom visitors for 2007, the percentage of visitors from the GCC countries, Arab countries and foreign countries, reached about 30.1%, 19.7% and 50.2% respectively.

Second Activity: Dissemination of informational material that explains and interprets the decisions passed by the CMA Board and increases awareness of their contents.

The CMA was able through the media channels to introduce more than 70 informational materials that explain and clarify the decisions passed by the CMA Board. These efforts included appearance of some of the CMA staff on TV channels, press reports and articles. These informational materials covered main issues including new implementing regulations, subscriptions and relevant book building, structuring of the market sectors, the overall index, investors awareness center and role of authorized persons etc.

Third Activity: Receiving of pressmen and citizens inquiries and complaints and answering them through three channels: telephone, fax and e-mail,

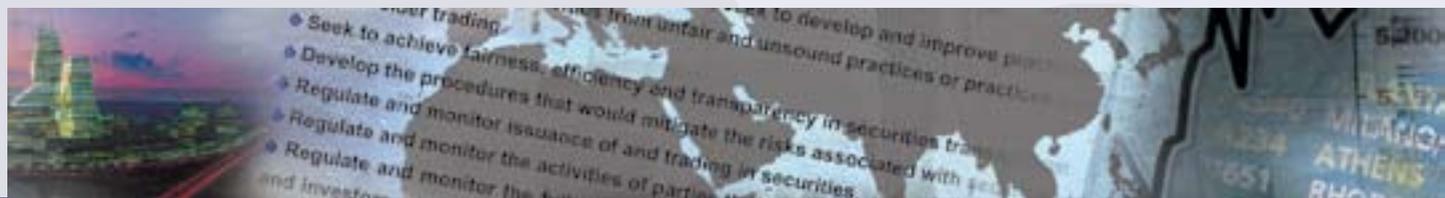
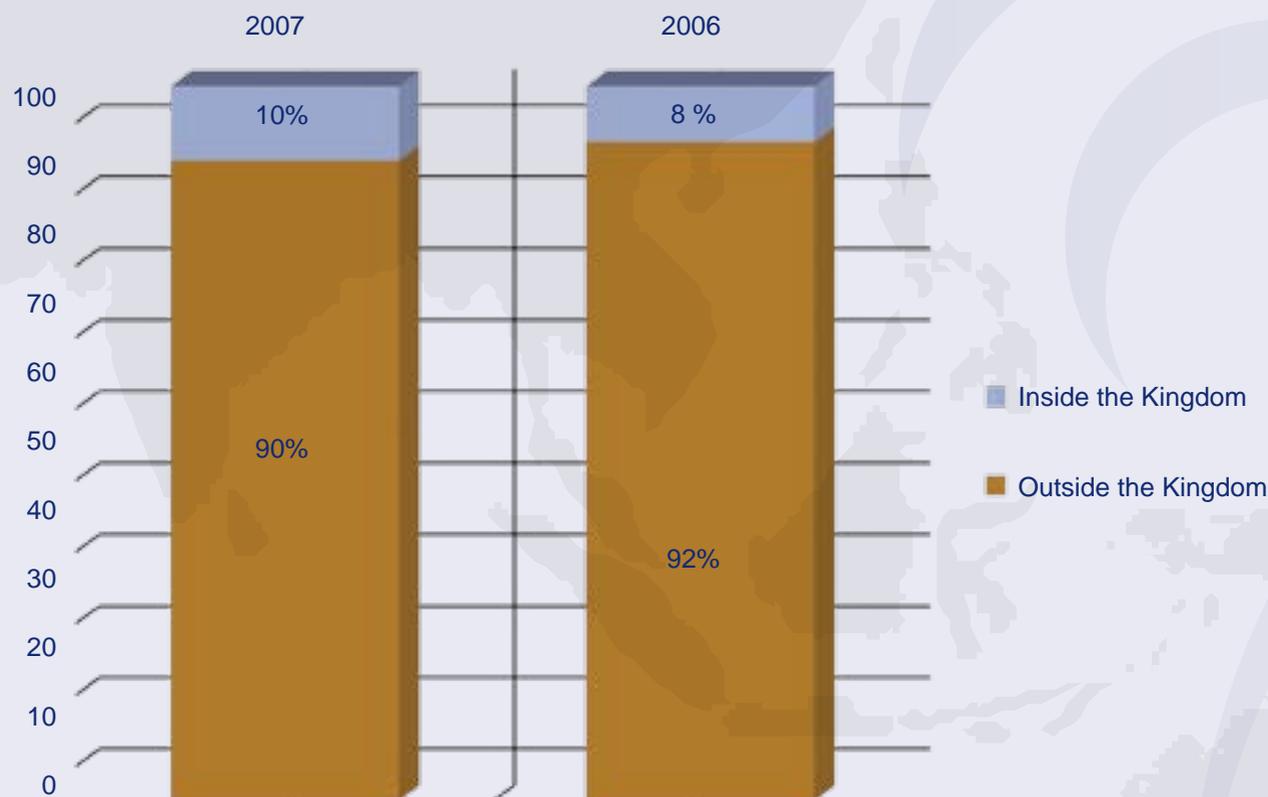


Table (42): Geographical Distribution of Visitors to CMA Website Inside and Outside the Kingdom in 2007 and 2006

Location	2007		2006	
	Number	%	Number	%
Inside the Kingdom	696,595	89.5%	1,370,571	92.1%
Outside the Kingdom	81,646	10.5%	117,925	7.9%
Total	778,241	100%	1,488,496	100%

Chart (30): Geographical Distribution of Visitors to CMA Website Inside and Outside the Kingdom in 2007 and 2006



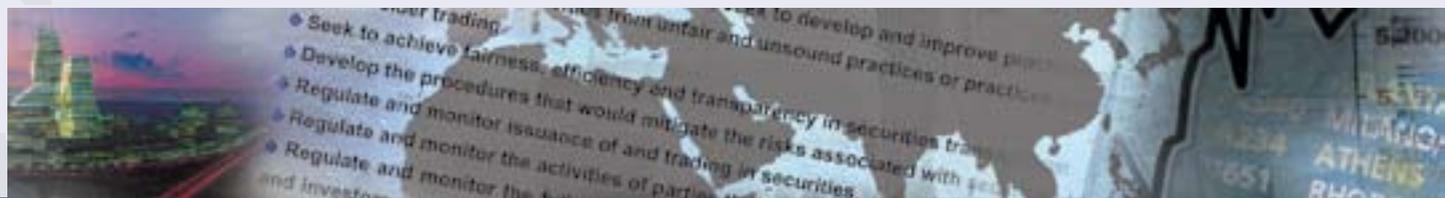
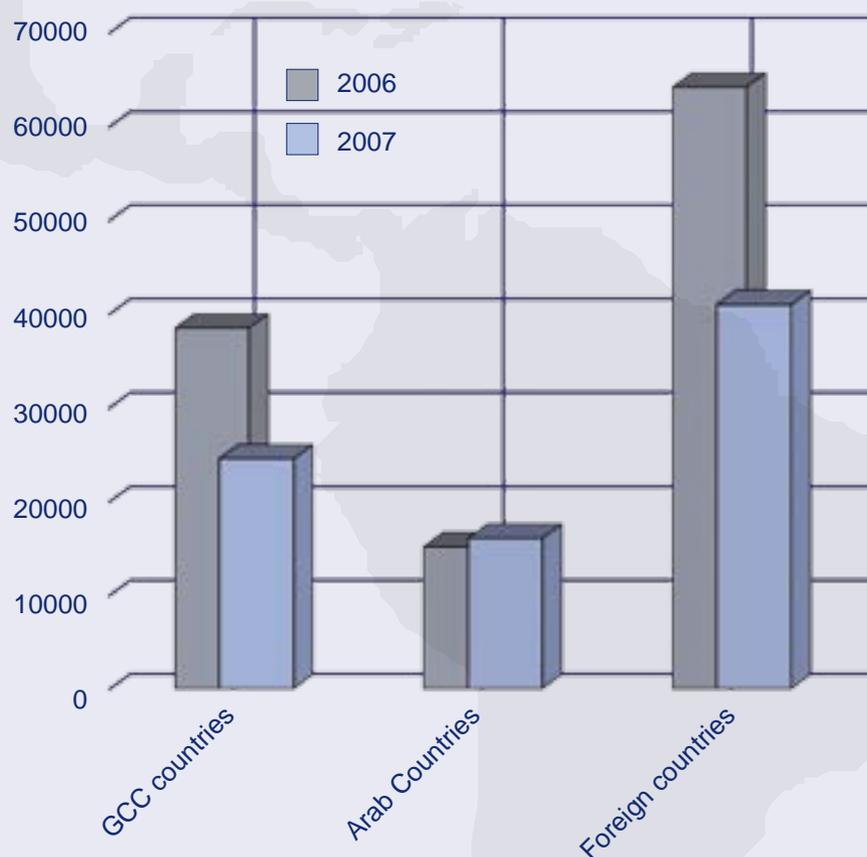
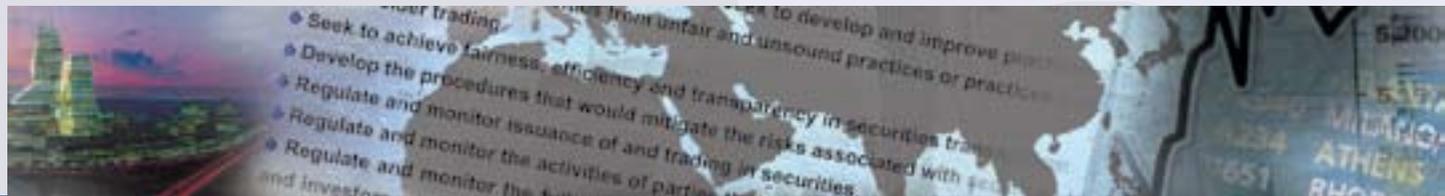


Table (43): Geographical Distribution of the Outside the Kingdom Visitors to CMA Website, for 2007 and 2006

Distribution	2007		2006	
	Number	%	Number	%
GCC countries	24,565	30.1%	38,520	32.7%
Arab Countries	16,078	19.7%	15,198	12.9%
Foreign countries	41,003	50.2%	64,207	54.4%
Total	81,646	100%	117,925	100%

Chart (31): Geographical Distribution of the Outside the Kingdom Visitors to CMA Website, for 2007 and 2006





Fourth Activity: Investor's Awareness Programs

In 2007 the CMA has continued implementation of its strategy for investor's awareness programs with a focus on achieving medium and long-term investor's awareness goals. Among the investor's awareness programs that were implemented by the CMA in the year 2007 were:

1- Accomplished the issuance of the investor's awareness guidebooks series.

CMA has finalized distributing the sixth pamphlet of a series of booklets that are mainly designed for investor's awareness, under the title "Capital Market Law and its Implementing Regulations". It was distributed to portfolios of all investors at the Capital Market, and many of its copies have been made available at the trading halls in collaboration with the local banks.

2- Launching of an on-line investor awareness center

This center was launched on 15/6/2007 and it includes three main parts as follows:

» [Investor Awareness Website](#)

It is an integrated interactive site for teaching rules and principles of investment in the capital markets which is the first site of its kind in Arabic. The site explains more than 65 subjects dealing with investment culture, which are directed and designed in a simple manner that suits all categories of market participants. The website is divided into four main parts as follows:

First: Presentation of the Capital Market Law and its Implementing Regulations.

Second: Reading of the financial statements.

Third: Illustration of investment basics and principles.

Fourth: How to build the investment portfolio.

The site is backed by electronic calculators that allow the browser to compute the necessary financial ratios.

» [Investor's Awareness Booklets](#)

The investment awareness booklets were automated by the CMA to facilitate access to them by all investors and allow on-line reading of their contents or download and printing of the same.

» [Investor's Awareness Workshops](#)

The CMA has made live recording of 81 workshops for investor awareness which were held as part of the investor awareness programs for 2006, and which were added to investor awareness center.

The CMA has designed and implemented a wide advertising campaign for introduction of the investor awareness center, its contents, and its main educational characteristics. The campaign included 83 advertisings through the satellite TV channels and 41 advertisings in the local newspapers.

Table (44) shows the total number of visitors to the three main above elements of the investor awareness center for 2007, which can be summarized as follows:

» The investor awareness center was visited by about 63,000 visitors, 53,155 out of them visited the workshops, 6,649 visited investor awareness site and 2,865 visited investor awareness Booklets.

» Monthly average of workshops visitors was about 4,430 whereas the average for the investment awareness site was about 1,023 visitors.

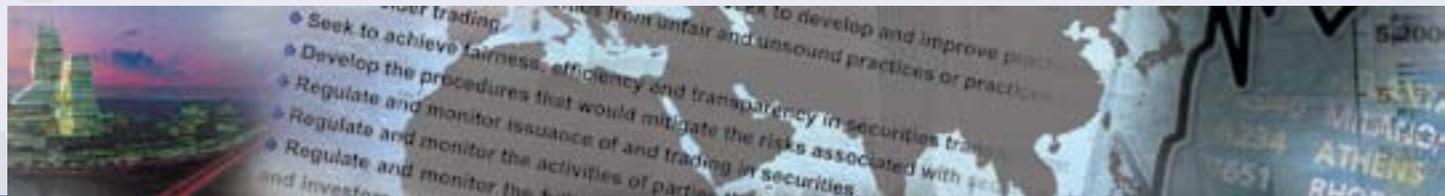
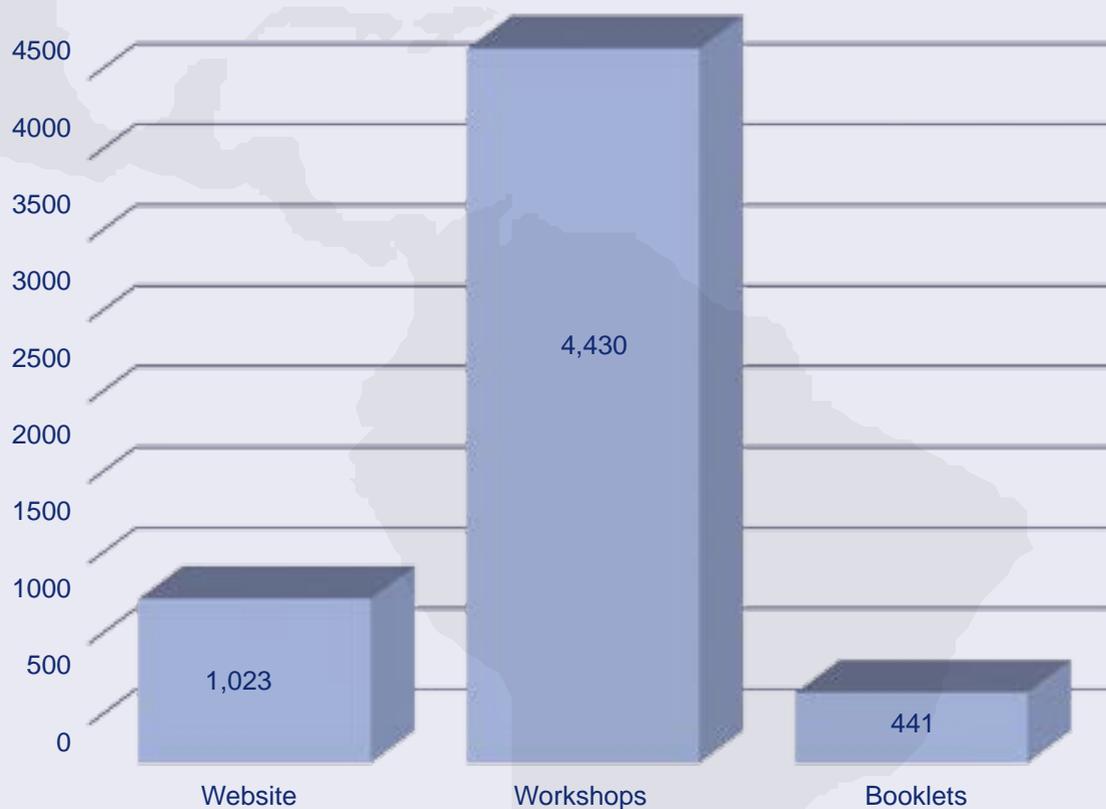


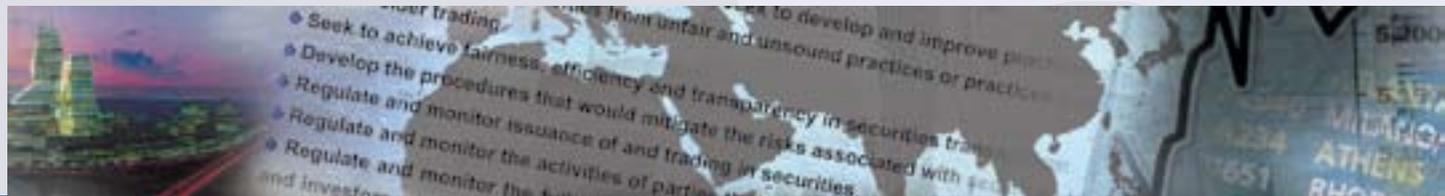
Table (44): Total Number of Visitors to the Investor Awareness Center for 2007

Center Elements*	Number	Monthly Average Visitors
Website	6,649	1,023
Workshops	53,155	4,430
Booklets	2,865	441
Total	62,669	-

*Workshops and guidebooks were part of the CMA website before launching of the investor awareness website.

Chart (32): Monthly Average of Visitors to the Investor Awareness Center for 2007





2-2 CMA's Achievements in Regulating and Developing Internal Regulations

2-2 CMA's Achievements in Regulating and Developing Internal Regulations

Article six of the Capital Market law refers to the CMA responsibility for setting and developing internal regulations and issue instructions and set the procedures necessary for the management of the CMA. Articles seven and nineteen of the same law explain the CMA authority to develop the CMA business and achieve its goals, to enhance performance and the professional and scientific skills of its employees, and determine the manner to be adopted for regulating the CMA functions and business and distributing them among its other divisions and departments. In the year 2007, the CMA has developed the internal rules in two main areas:

For the HR Department, the most important achievements for the year 2007 were:

- » Recruiting of 108 employees by the end of 2007, bringing CMA total number of employees to 362, an increase of 22% over that of 2006.
- » Recruiting of a number of specialists in capital markets from many countries, to fill some consulting positions at some of the CMA departments.
- » Total number of training courses attended by CMA staff for the year 2007, reached 383, compared to 202 courses for the year 2006, with an increase of 90%.
- » A total of 19 employees attended English language programs at the Institute of Banking (IOB).
- » A total of 18 employees attended the International Computer Driving License Program.(ICDL)
- » Identification of a list of the recommended local and international training centers, including 31 local and regional centers and 93 foreign centers, which are subject to updating on regular basis.
- » Sending three CMA employees on scholarships.

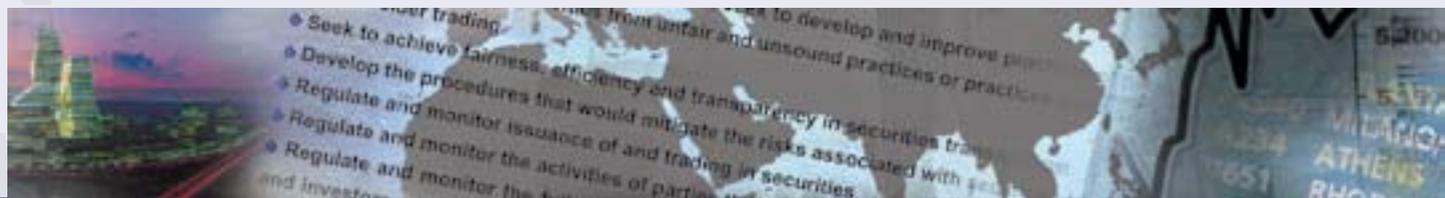
In the area of management of the CMA project at King Abdullah Financial Center, a plan has been established for implementation of the CMA project and selection of an international designer. For that specific purpose, the CMA has appointed HOK, one of the best American consulting companies. The design stage for the CMA premises is expected to be finalized in the third quarter of 2009.



Part Three: Achievements of the Committee for Resolution of Securities Disputes (CRSD) and Appeal Panel

Part Three: Achievements of the Committee for Resolution of Securities Disputes (CRSD) and Appeal Panel

- » Committee for Resolution of Securities Disputes
- » Securities Disputes Appeal Panel



3-1 Committee for Resolution of Securities Disputes (CRSD)

3-1 Committee for Resolution of Securities Disputes (CRSD)

It is a committee having jurisdiction over the disputes falling under the provisions of the Capital Market Law and its Implementing Regulations, and the rules, directives and instructions issued by the CMA and the Exchange. According to article twenty five of the Capital Market law, the CMA shall form a committee that consists of legal advisors specialized in the doctrine of transactions and securities and exchanges, and experts in commercial and financial affairs and securities to resolve and decide on the disputes which fall under the provisions of the Capital Market Law and its Implementing Regulations and the rules, directives and instructions issued by the CMA and the Exchange with respect to the public and personal rights. Based on this, the CMA Board has passed its decision No. 1-2-2005 dated 7/11/1425 to form the designated committee which includes the following three members:

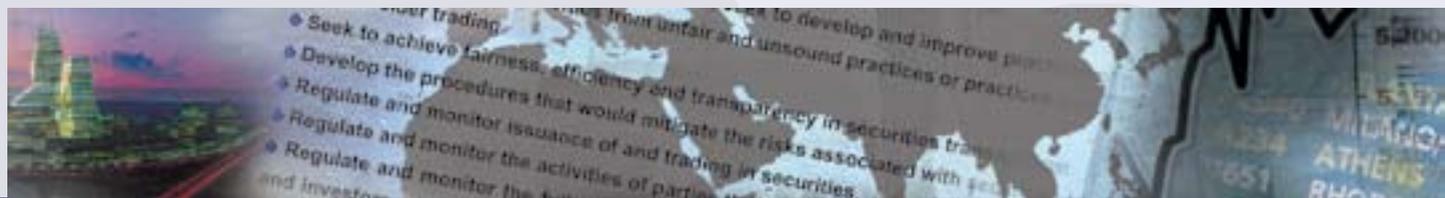
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|--|-------------------|
| 1- Consultant Dr. Mohammed Abdullah Al-Marzouki | (Chairman) |
| 2- Consultant Dr. Khaled Hassan Ba-Naser | (Member) |
| 3- Consultant Mr. Saud Abdulrahman Al-Shammari | (Member) |

About the Committee's activities:

- » Its jurisdiction extends to cover all regions of the Kingdom, and shall have full geographical jurisdiction in all regions of the Kingdom over all types of disputes (civil, penal and administrative) that fall within the provisions of the Capital Market law and Its Implementing Regulations, and the rules, directives and instructions issued by the CMA. It shall have jurisdiction over all disputes that arise between authorized persons and investors, and between investors themselves, as well as jurisdiction over all claims and matters related to violations to the Capital Market law and its Implementing Regulations.
- » It has jurisdiction over claims against decisions and actions taken by the CMA.
- » It comprises highly qualified staff having an extensive experience in legal and regulatory matters to support its activities, as well as a dedicated administrative apparatus that meet the conditions for performance of its functions to ensure its full independence.

Tables (45) and (46) reflect the most important cases filed with the committee, which can be summarized as follows:

- » In the year 2007, a total of different 287 civil, penal and administrative cases were filed with the CRSD compared to 232 for 2006, an increase of 23.7%.



- » Civil cases were at the top of the list, constituting about 94% of year 2007 cases.
- » The committee performance was high in the year 2007, as it processed 134 cases, at an average of 11 cases per month, compared to six cases per month for the year 2006.
- » For cases that are processed based on the record developed at the hearing before the Committee, the committee has processed 27 of these cases in the year 2007, representing 9.4% only of the total cases of that year. It also processed 171 cases for the year 2006, representing 73.7% of the total cases of that year.

Table (45): Total Cases Filed with the CRSD for 2007 and 2006

No.	Type	2007		2006		% of change
		Number	%	Number	%	
1	Civil Cases	271	94.4%	220	94.8%	23.2%
2	Penal Cases	8	2.8%	8	3.4%	0%
3	Administrative Cases	8	2.8%	4	1.7%	100%
	Total	287	100%	232	100%	23.7%

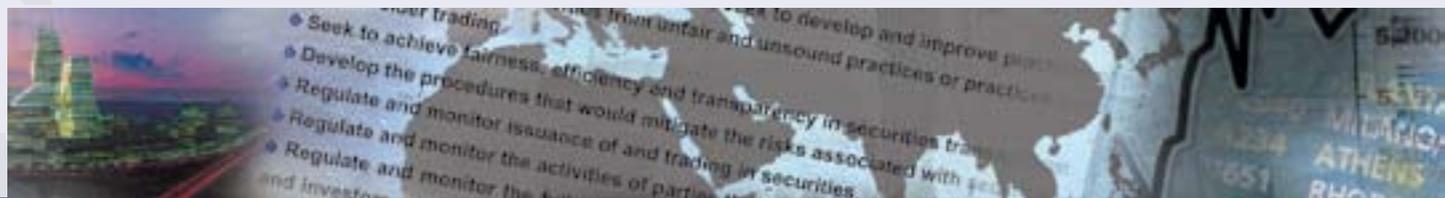
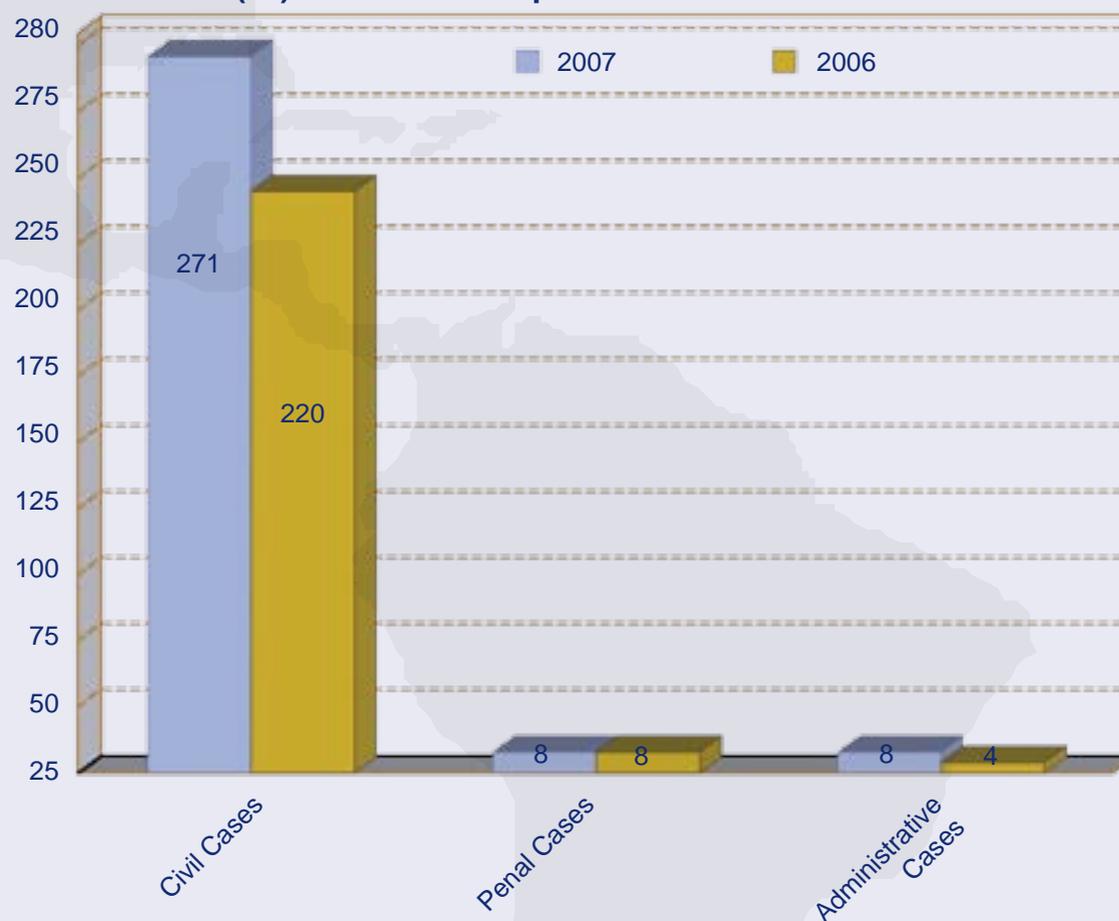
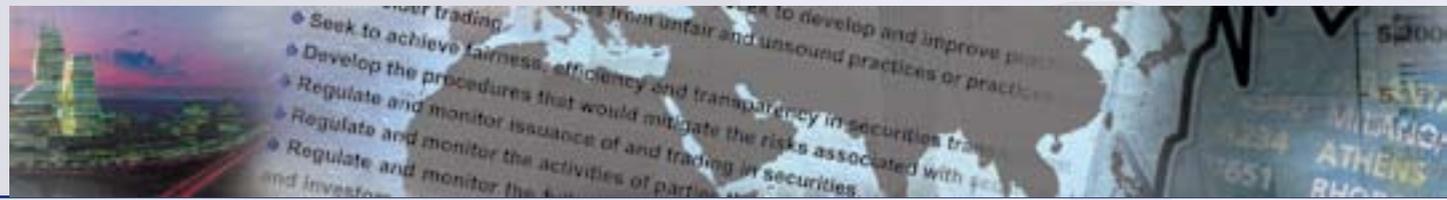


Table (46): Total Number of Cases Filed with (CRSD) for 2007 and 2006

No.	Case Type	2007		2006	
		Number	%	Number	%
1	Processed during the year	134	-	67	-
2	Processed in the same year of their lodging	27	9.4%	171	73.7%
3	Total deposited cases	287		232	

Chart (33): Total Cases Deposited with the CRSD for 2007 and 2006





3-2 Appeal Panel

3-2 Appeal Panel

According to Clause (g) of article (25) of the Capital Market law, an Appeal Panel is to be formed by a decision to be issued by the Council of Ministers and it shall have three members representing the Ministry of Finance, the Ministry of Commerce and Industry and the Bureau of Experts at the Council of Ministers. The Appeal Panel shall have the discretion to refuse reviewing the decisions of the Committee for the Resolution of Securities Disputes, to affirm such decisions, to undertake a de novo review of the complaint or suit based on the record developed at the hearing before the Committee and issue such decision as it deems appropriate in relation to the complaint or Suit. The decisions of the Appeal Panel are final.

Accordingly, the Council of Ministers has passed its decision No. 222 dated 22/8/1426H to form this panel of the following members:

- | | | |
|--|--|-----------------|
| 1- Mr. Ahmed Bin Mohammed Al-Khowaiter | (Representing the Ministry of Finance), | Chairman |
| 2- Prince Abdulrahman Bin Mohammed Bin Ayaf Al-Miqren | (Representing the Bureau of Experts) | Member |
| 3- Mr. Falag Bin Ali Al-Mansour | (Representing the Ministry of Commerce & Industry), | Member |

Tables (47) and (48) show the most important achievements of the Appeal Panel as to the cases brought before it and the decisions taken for the year 2007 compared to 2006, which can be summarized as follows:

- Total number of cases filed to the Appeal Panel in the year 2007 jumped to 69 cases, from 32 for the year 2006, representing an increase of 115.6%.
- All cases filed with the Panel for the year 2007 were civil, whereas the cases for 2006 were various that included civil, penal and administrative, constituting 84.4%, 12.5%, and 3.1% of the total respectively.
- Total number of decisions related to the cases for the year 2007 jumped to 34 decisions compared to 14 for the year 2006, with an increase of 143%.

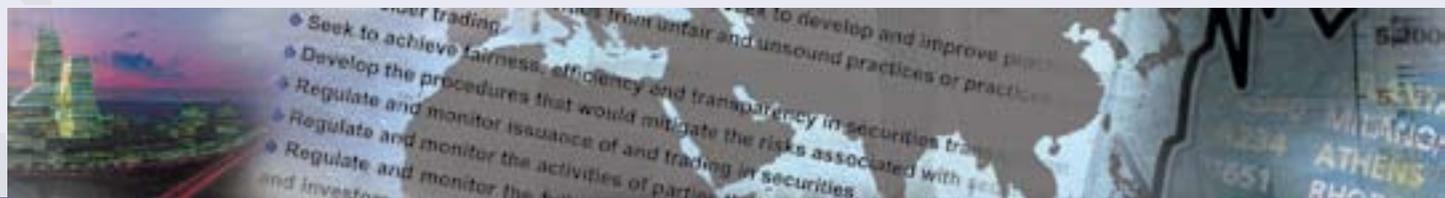
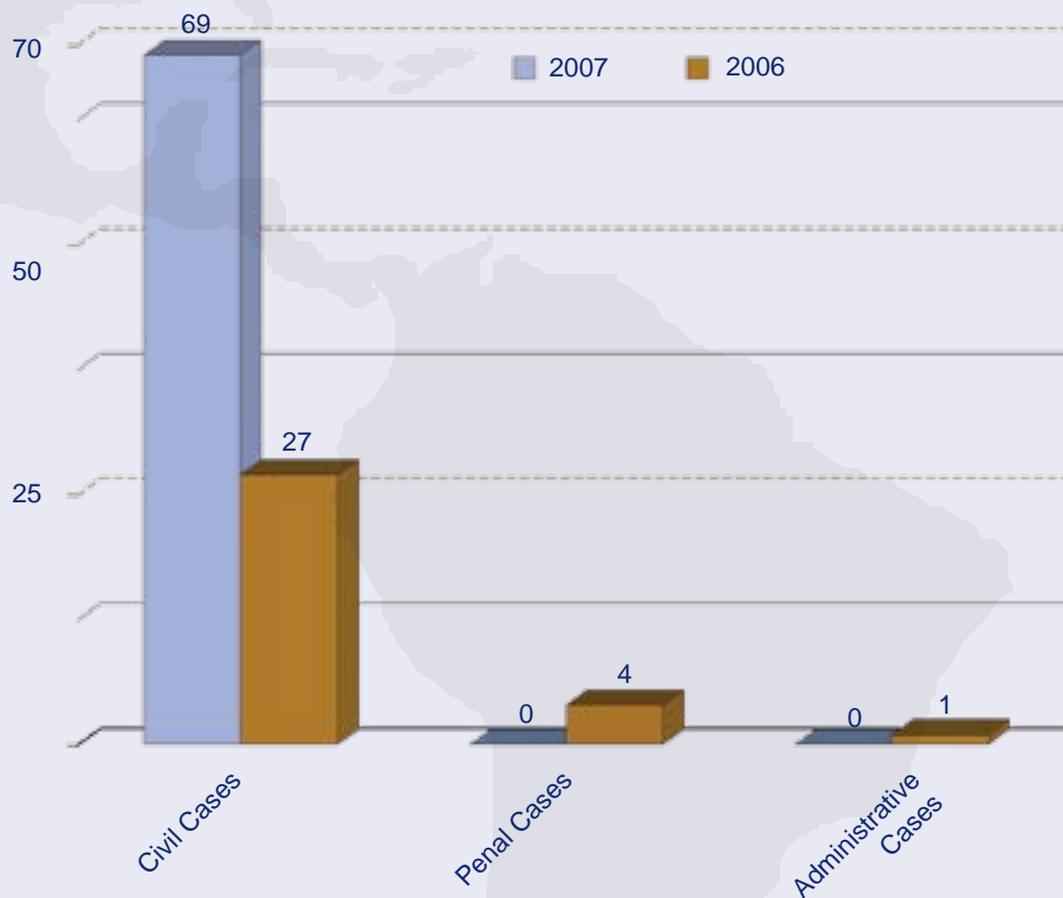


Table (47): Total Number of Cases Filed with the Appeal Panel for 2007 and 2006

No.	Case	2007		2006		% of change
		Number	%	Number	%	
1	Civil Cases	69	100%	27	84.4%	155.6%
2	Penal Cases	0	0%	4	12.5%	-
3	Administrative Cases	0	0%	1	3.1%	-
	Total	69	100%	32	100%	115.6%

Chart (34): Total Number of Cases Filed with the Appeal Panel for 2007 and 2006



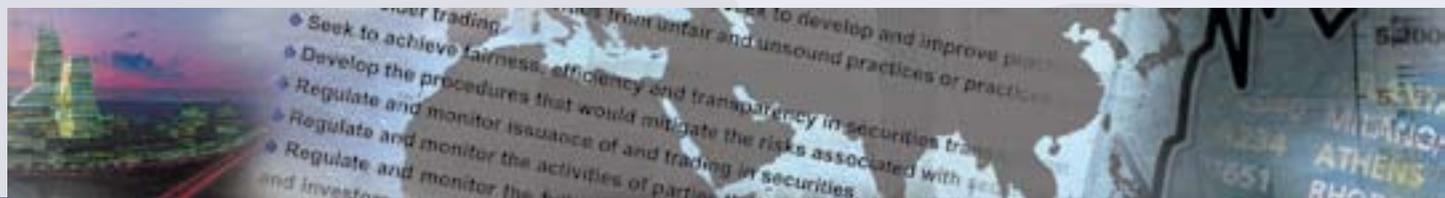


Table (48): Total Cases Filed with the Appeal Panel and Decisions Issued for 2007 and 2006

No.	Subject	Total Number	
		2007	2006
1	Total deposited cases	87	32
2	Number of decisions issued	34	14



Part Four: Aspirations for 2008
Part Four: Aspirations for 2008



Aspirations for 2008

In recognition of the importance of its mission towards the development and protection of the Capital Market and investors against market risks, and to ensure full implementation of, and compliance with transparency, justice and disclosure principles, the CMA has been diligent, since its establishment, and is still continuing achievements in developing and regulating securities issuance and trading.

The CMA aspires to achieve the following in the year 2008, as examples only for its targets:

- 1- Restructuring of the capital market sectors and indexes.
- 2- Increasing and scheduling of securities offers for the market interest and to protect investors. It also intends to authorize more financial institutions and Investment Funds to practice securities business.
- 3- Go ahead with enforcement of the best international standards in trading supervision through development of an electronic supervision system to monitor any violations to the Capital Market Law.
- 4- Considering creation of a dedicated department to deal with violations of technical nature, particularly those violations that are committed by using cyber tools such as the Internet and the cell phone which spread misleading information and recommendations from unauthorized persons.
- 5- Developing an automated system for cases of violations to the Capital Market Law, to monitor such cases starting from the initiation of the case until the end, including the execution stage.
- 6- Preparing special inspection programs in collaboration with National Association of Securities Dealers (NASD).
- 7- Implementing various awareness programs through the investor awareness center and holding workshops throughout the Kingdom, to promote investment culture among the investors in the Capital Market.
- 8- Developing a plan for financial and economic studies & researches and periodical reports.
- 9- Developing a comprehensive guide for the listed companies to assist them in performing their continuous obligations.
- 10- Proceeding with the development of the corporate governance through enhancing awareness of the importance of corporate governance.
- 11- Training of 29 participants as a part of the second batch of trainees under the training program for rehabilitation of graduates.

