

هيئة السوق المالية
Capital Market Authority



Annual Report 2009







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



His Royal Highness

Prince Sultan Bin Abdulaziz Al-Saud

Crown Prince, Deputy Prime Minister, Minister of Defense and
Aviation and the Inspector General



His Royal Highness

Prince Naif Bin Abdulaziz Al-Saud

Second Deputy Prime Minister and Minister of the Interior

CMA Board

The CMA Board comprises five full-time members:



Mr. Mazin Al-Romaih
(Member)

Mr. Abdulrahman Al-Rashid
(Vice-Chairman)

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

Mr. Mohammed Al-Shumrani
(Member)

Dr. Abdulrahman Al-Barrak
(Member)





Vision

The Vision of the CMA is to raise the efficiency of the Saudi capital market and to enhance its competitive strength by building on the best international standards and practices in order to become a leading market in terms of liquidity, standards of performance and the applied rules and regulations. Moreover, the CMA seeks to promote a higher level of transparency and disclosure in the local market, to provide effective supervision and control for continuous development of the market and to create a favorable and secure environment that protects and attracts investors and participants.

Mission

The CMA's mission is clearly defined to develop the Saudi capital market, protect investors against market risks and exert all efforts to strengthen fairness, transparency and disclosure.

Objectives

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

- ◆ Promote investment in financial securities and increase the number of listed companies.
- ◆ Act to develop and elevate the Saudi capital market; attract savings and investments; diversify financial instruments available for investment; and provide adequate liquidity.
- ◆ Develop an ideal, efficient and fair capital market that ensures effective and regular disclosure of material information.
- ◆ Maintain the stability of the financial system through the introduction and enforcement of sophisticated rules and regulations in accordance with the most advanced standards and practices applied internationally in terms of transparency, licensing, supervision and regulation.

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Annual Report

2009

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Chairman's Preface

It is my pleasure to present the CMA's annual report for fiscal year 1429/1430H (2009) which summarizes the salient achievements of the CMA in regulating and developing the Saudi capital market. Being successful in accomplishing numerous tasks reflects merely an episode of the CMA's constant pursuit to reach its sought-after objectives. The CMA has spared no effort to take the Saudi capital market to a whole new level, to become one of the leading regulators among major financial commissions and authorities.

As part of its continuous endeavors to provide new investment vehicles and finance channels, on Saturday 13/6/1430H corresponding to 6/6/2009, the CMA approved the creation of a market for trading Sukuk and bonds in the Kingdom, to mark the launch of the second regulated market after the stock market. The market officially commenced its operations on Saturday 13/6/2009.

Initial public offerings (IPOs) witnessed remarkable activity. The number of applications for securities offerings approved by the CMA in 2009 rose by 71% to 96 compared to 2008, as the shares of 13 companies were offered for public subscription. The number of private placement applications amounted to 64. In addition, two debt instruments, three rights issues, one issue for the purpose of acquisition and 13 issues of bonus shares were approved. The total value of issued securities stood at SR 30.86 billion. The number of companies listed on the capital market went up to 134, increasing by 6% over 2008. The CMA also approved the offering of 24 investment funds' units.

To provide professional brokerage services and to encourage competition, the CMA issued licenses for 12 new companies to conduct different securities business, and amended the activities of 4 existing authorised persons.

As to developing the regulatory framework, the CMA amended Paragraph (e) of Article Nine of the "Corporate Governance Regulations" related to regulating the remunerations and compensations paid to the members of boards of directors of companies listed on the Saudi capital market, by adding the definition of the expression "remunerations and compensations", a step by the CMA to

strengthen the principles of corporate governance applied to listed companies.

At the level of continuous disclosure, the CMA has monitored the compliance of listed companies with the controls and instructions of information disclosure and announcement, whether they pertain to announcing quarterly or annual financial results, or to material information that can be of interest to investors. This has improved the level of corporate compliance with the requirements of disclosure and posting on Tadawul website. As a result, the number of those announcements amounted to 2,052. The CMA has been keen on clarifying the best methods and practices with respect to the obligations of joint-stock companies after offering and before trading, the compliance of listed companies with the fulfillment of the CMA's requirements as well as the obligations of board members, senior executives and major shareholders. Thus, the CMA has prepared and distributed four guidance manuals: (1) Manual on Joint-stock Companies' Obligations after Public Offering and before Trading, (2) Manual on Continuous Obligations of Listed Companies, (3) Manual on Share Ownership Obligations of Board Members and Senior Executives, and (4) Manual of the Obligations of Major Shareholders as to Share Ownership Notifications. Each manual is accompanied with the forms and reports required to be submitted to the CMA with their submission timings indicated.

Recognizing the importance of soliciting the views of securities dealers on the continuous disclosure of listed companies, the CMA has conducted two surveys: the first one has been intended for corporate executives, and the other for investment fund and portfolio managers and investors. The two surveys investigated the views on the current status, and the aspects that need improvement in the area of continuous disclosure as well as evaluating the regulatory and supervisory role of the CMA to achieve those ends.

The CMA has made a lot of efforts to secure fairness and equality among investors in the capital market to protect them from unfair or unsound practices. With the employment of the electronic trading surveillance system



“SMARTS”, the CMA has been able to examine and analyze 1,311 alerts, of which 41 suspected violations have been identified. In addition, the CMA has received 348 complaints pertaining to execution of transactions, facilities and Murabaha contracts, investment funds, or portfolios and other complaints. The CMA has also taken proper action on 91% of those complaints while work is underway to study 9% of them. Due to the importance of the participation of securities dealers in improving the oversight over trading, the CMA has solicited the views of investment funds’ and portfolios’ managers and investors on the current status of oversight over trading on the capital market. All relevant aspects have been investigated to deduce suggestions and recommendations that would boost the level of protection, fairness and equality among investors.

Due to the significance of investor awareness, the CMA has launched three educational campaigns where more than one million copies of the investor awareness booklets were distributed. It has also carried out the project of road shows which targeted 19 cities/provinces across the Kingdom. Dedicated pavilions for the CMA were held in the malls of those cities and provinces through which it connected with visitors of all targeted segments, be they Saudis or foreign residents, to raise and build up investor awareness and education. To enhance its role in protecting investors from capital market risks and to comprehend the views of investors towards the CMA and its role in that regard, the CMA conducted a survey “*Investor Views towards the CMA and its Role in Educating Investors in the Capital Market*” where the views of 5,000 investors were solicited. The survey comprised all relevant aspects. Its results will be analyzed to enable the CMA to develop future efforts in the domain of investor awareness.

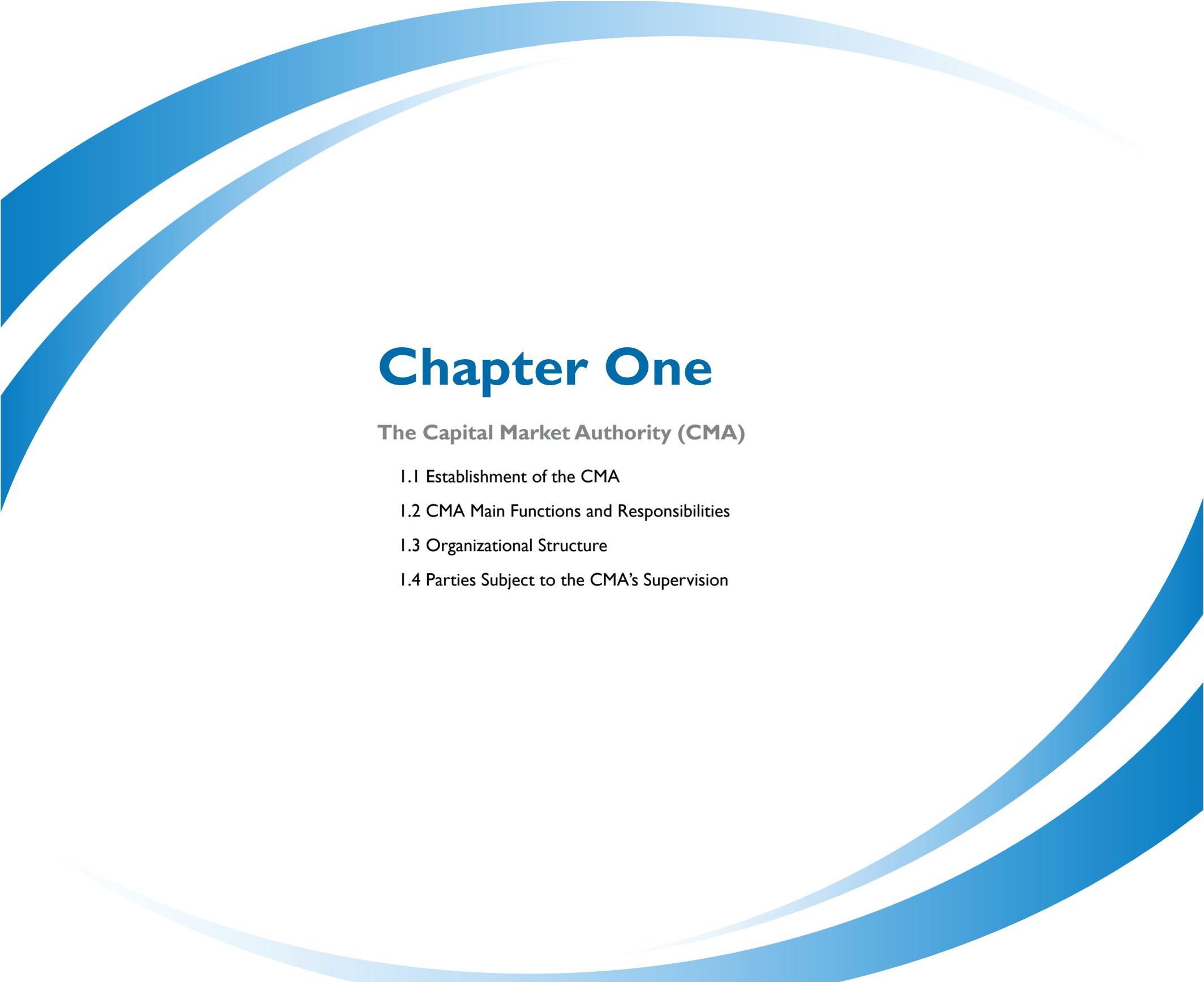
As a response to future changes and challenges in the business environment, the CMA has developed its internal administrative organization through a program called “Fit for Future”. The aim of this program is to make a quantum leap on the internal level (operations and procedures) and on the external level (individuals and institutions) in the Saudi capital market. It also attempts to create a sophisticated administrative organization that enables the CMA to achieve

its strategic goals for developing the internal environment. Moreover, the CMA has enhanced its organizational capacity and recruited highly-qualified employees and specialists in financial markets. The number of the CMA staff has now risen to 536, marking an increase of 23% over 2008.

In conclusion, on behalf of the CMA’s Board and members, I would like to extend my deepest thanks and gratitude to the Custodian of the Two Holy Mosques, King Abdullah Bin Abdulaziz, His Royal Highness Prince Sultan Bin Abdulaziz, Crown Prince, Deputy Prime Minister, Minister of Defense and Aviation and the Inspector General, and His Royal Highness Prince Naif Bin Abdulaziz, the Second Deputy Prime Minister and Minister of the Interior for their endless much appreciated support for the CMA.

Dr. Abdulrahman Bin Abdulaziz Al-Tuwaijri
Chairman
Capital Market Authority



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Chapter One

The Capital Market Authority (CMA)

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

1.1 Establishment of the CMA

The Capital Market Authority was established under the “Capital Market Law (CML)” that 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 authority. The CMA is a government entity that enjoys financial and administrative autonomy and reports directly to the Prime Minister. The Authority is vested with the regulation and development of the Saudi capital market, and issuance of regulations, rules and instructions essential to applying the provisions of the Capital Market Law (CML).

1.2 The CMA's Main Functions and Responsibilities

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

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

1.3 Organizational Structure

The CMA's organizational structure is composed of eight main departments collaborating their efforts to fulfill the objectives of the CMA.

(1) Enforcement Department

Main functions and responsibilities:

- ❖ Investigates and prosecutes violations of the Capital Market Law (CML) and its Implementing Regulations.
- ❖ Settles disputes that may arise among participants in the capital market.
- ❖ Investigates investors' complaints and follows up on their settlement.
- ❖ Enforces the resolutions issued by the CMA Board or the Committee for the Resolution of Securities Disputes.

(2) Corporate Finance Department

Main functions and responsibilities:

- ❖ Reviews applications for the issuance, offering and listing of securities to ensure their compliance with the Capital Market Law (CML) and its Implementing Regulations.
- ❖ Ensures the compliance of listed companies with the initial disclosure requirements.
- ❖ Ensures the compliance of investment funds with the Capital Market Law (CML) and its Implementing Regulations.

(3) Market Supervision Department

Main functions and responsibilities:

- ❖ Implements the controls and instructions related to the disclosure of companies listed on the capital market.



- ❖ Reviews the financial statements of listed companies and monitors their posting on the Saudi Stock Exchange (Tadawul) website.
- ❖ Supervises on-line and off-line trading activities, and reviews and analyzes trading transactions on a continuous basis.
- ❖ Educates companies and monitors their compliance with the Corporate Governance Regulations.

(4) Authorisation and Inspection Department

Main functions and responsibilities:

- ❖ Examines applications for authorisation to conduct securities business, including dealing, managing, arranging, advising and custodial services, as well as any other business which has to be authorised by the CMA.
- ❖ Ensures that all authorised persons comply with the Capital Market Law (CML) and its Implementing Regulations.
- ❖ Inspects authorised persons to ensure their compliance with the Capital Market Law (CML) and its Implementing Regulations.

(5) Research and Investor Awareness Department

Main functions and responsibilities:

- ❖ Conducts financial and economic research and studies.
- ❖ Prepares periodical reports and generates regular informative, educational, statistical and analytical publications on the Saudi capital market.
- ❖ Raises investment awareness, educates investors through various events, mechanisms and programs, and deepens the two concepts of disclosure and transparency.
- ❖ Establishes communication channels with regional and international financial and economic associations and organizations, and oversees the organization and execution of various cooperation programs with them.

(6) The General Administration

Main functions and responsibilities:

- ❖ Sets up and develops human resources regulations and policies.
- ❖ Provides qualified and specialized human resources to meet the work requirements of the CMA.
- ❖ Monitors and provides the IT systems and equipment necessary to the business of the CMA.
- ❖ Supervises and follows up the stages of the CMA's headquarters construction project in King Abdullah Financial District.

(7) Internal Audit Department

Main functions and responsibilities:

- ❖ Improves the performance and productivity of the CMA's departments.
- ❖ Implements and develops internal compliance policies.
- ❖ Monitors observance of the code of conduct by the CMA's staff.

(8) Legal Affairs Department

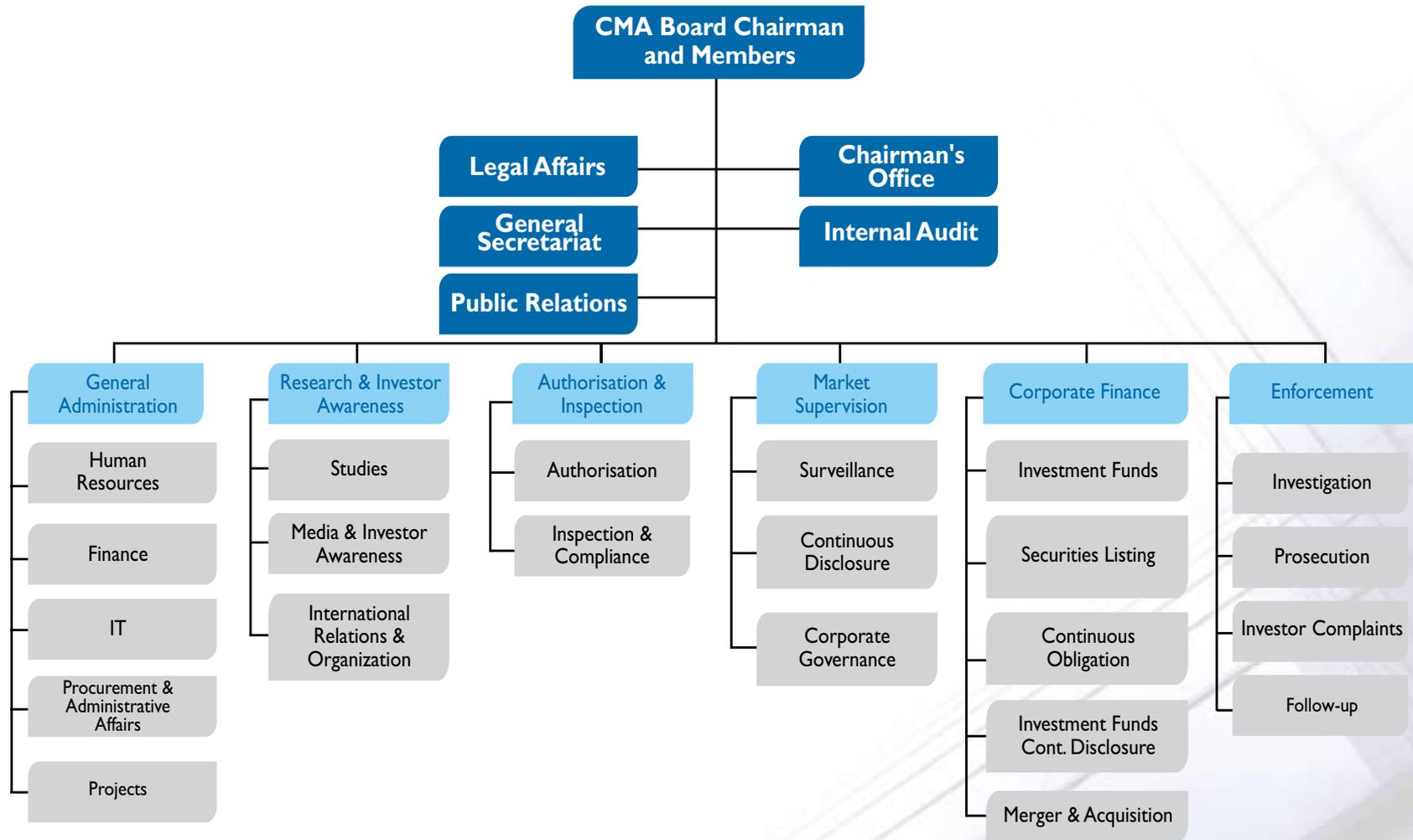
Main functions and responsibilities:

- ❖ Draws up and examines the regulations, rules and instructions issued by the CMA before their official release, reviews them after release, and looks into suggestions for their amendment.
- ❖ Reviews the contracts and agreements that are made by the CMA with foreign and domestic entities.
- ❖ Prepares draft resolutions with respect to amending the regulations issued by the CMA's Board.





Organizational Structure



1.4 Parties Subject to the CMA's Supervision

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

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

(2) Authorised Persons

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

(3) Listed Companies

They are the companies whose securities are traded on the Saudi capital market.

(4) Traders

They represent the general public who trade securities on the Saudi capital market.

Chapter Two

Achievements of the CMA

2.1 Achievements in Regulating and Developing the Capital Market

- 2.1.1 Implementing Regulations and Regulatory Resolutions for Regulating and Developing the Capital Market
- 2.1.2 Offering and Trading of Securities
- 2.1.3 Investment Funds
- 2.1.4 Monitoring Securities Transactions, Disclosure and Corporate Governance
- 2.1.5 Violations and Investor Complaints
- 2.1.6 Persons Authorised to Conduct Securities Business (Authorised Persons)
- 2.1.7 Investor Awareness

2.2 Achievements in Regulating and Developing the Internal Environment

2.1 Achievements in Regulating and Developing the Capital Market

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

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

Presented below is a summary of the regulations and rules (Implementing Regulations) and some of the most important regulatory resolutions that were issued in 2009:

(I) Implementing Regulations:

In implementation of Articles Five and Six of the CML, the CMA, since its establishment, has issued a number of implementing regulations and rules aimed at regulating and developing the capital market. During the period 1/7/2004 to the end of 2008, eleven implementing regulations and rules were issued:

1. Market Conduct Regulations
2. Offers of Securities Regulations
3. Listing Rules
4. Authorised 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 Regulations and Rules of the CMA
10. Merger and Acquisition Regulations
11. Anti-Money Laundering and Counter-Terrorist Financing Rules

In 2009, the CMA Board issued Resolution No.(1-1-2009) dated 8/1/1430H corresponding to 5/1/2009, concerning the amendment to Paragraph (e) of Article Nine of the “Corporate Governance Regulations” related to regulating the remunerations and compensations paid to the members of boards of directors of companies listed on the Saudi capital market, to add the definition of the expression “remunerations and compensations”, a step by the CMA to strengthen the principles of corporate governance applied to the listed companies. The amended Paragraph shall be as follows:

“Details of compensation and remuneration paid to each of the following:

1. Members of the Board of Directors.
2. The top five executives who received the highest compensation and remuneration from the company; the CEO and the CFO shall be included if they were not among the top five.

For the purposes of this Paragraph, “remunerations and compensations” shall mean salaries, allowances, profits and any of the same; annual and periodical performance-related bonuses; short or long-term incentive schemes; and any other rights in rem”.

It is noteworthy that the CMA Board has issued the “Corporate Governance Regulations” to determine the rules and standards governing the management of joint-stock companies listed on the Saudi capital market with the objective of ensuring compliance with the best corporate governance practices that protect the rights of shareholders. The Corporate Governance Regulations set out the rights of shareholders and general assemblies in addition to the procedures related to disclosure and transparency, and the functions and responsibilities of the board of directors and its committees.



(2) Regulatory Resolutions

During 2009, the CMA Board held 33 sessions and issued 283 resolutions, the most important of which were:

1. The CMA Board issued Resolution No.(1-1-2009) dated 8/1/1430H corresponding to 5/1/2009, concerning the amendment to Paragraph (e) of Article Nine of the “Corporate Governance Regulations” which had been issued by the CMA Board under Resolution No.(1-212-2006) dated 21/10/1427H corresponding to 12/11/2006.
2. On Saturday 13/6/1430H corresponding to 6/6/2009, the CMA Board issued its Resolution concerning the approval to create a market for trading Sukuk and bonds in the Kingdom, as part of the CMA’s constant efforts to develop the Saudi capital market.
3. The CMA Board issued Resolution No.(5-28-2009) dated 6/11/1430H corresponding to 25/10/2009 to relist the shares of Anaam International Holding Group Co. to the automated continuous trading system in accordance with the CML and its Implementing Regulations, effective Wednesday 9/11/1430H corresponding to 28/10//2009. The Company has satisfied the CMA’s requirements, generating profits from its main business activities for 2007 and 2008. In addition, the Company’s external auditor released his report for the second and third quarters of fiscal year 2009 without any qualified opinion on its preliminary financial statements.

2.1.2 Offering and Trading of Securities

(I) Securities Offering

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

In 2008, the Offers of Securities Regulations were amended to develop the standards and requirements of offering securities in the Kingdom. The Regulations encompassed all the provisions related to securities offering, including the conditions and requirements of public offerings and private placements, information provided to investors, private placement announcements, and responsibility for untrue/insufficient documents.

I. Number of Applications for Offerings and their Value

Table (I) shows the number of applications for offerings of securities, in addition to private placements, that were approved by the CMA in 2009, compared to that of 2008, by type of offer. From this table, the following points can be highlighted:

- ❖ The total number of IPOs and private placements approved by the CMA in 2009 rose to 96 submissions, increasing by 71% compared to 2008.
- ❖ In 2009, the shares of 13 companies were offered for public subscription, matching the same number for 2008.
- ❖ The number of applications for private placement in 2009 amounted to 64. Two debt instruments were issued in addition to three rights issues, one issue for the purpose of acquisition and 13 issues of bonus shares.

Table (I): Number of Applications for Securities Offerings and Private Placements Approved by the CMA in 2009 and 2008

Offer Type	Number		Change (%)
	2009	2008	
Public Offerings	13 ¹	13 ²	0%
Private Placements	64	19	237%
Debt Instruments	2	1	100%
Rights Issues	3 ³	5	-40%
Acquisitions	1	1	0%
Capital Reductions	0	0	--
Bonus Shares	13	17	-24%
Total	96	56	71%

1. Including the approval of the CMA Board on the IPOs of Herfy Food Services Co., Al-Tayyar Travel Group Co., and Al-Sorayai Trading & Industrial Group Co., which will be offered in 2010.
2. Including the IPO of Etihad Atheeb Telecommunication Co., which was approved by the CMA Board in 2008, and was offered in early 2009.
3. Including the approval of the CMA Board on the offering of the Saudi Pharmaceutical Indus. & Medical Appliances Corp., which will be offered in 2010.



Chart (1): Number of Applications for Securities Offerings and Private Placements Approved by the CMA in 2009 and 2008

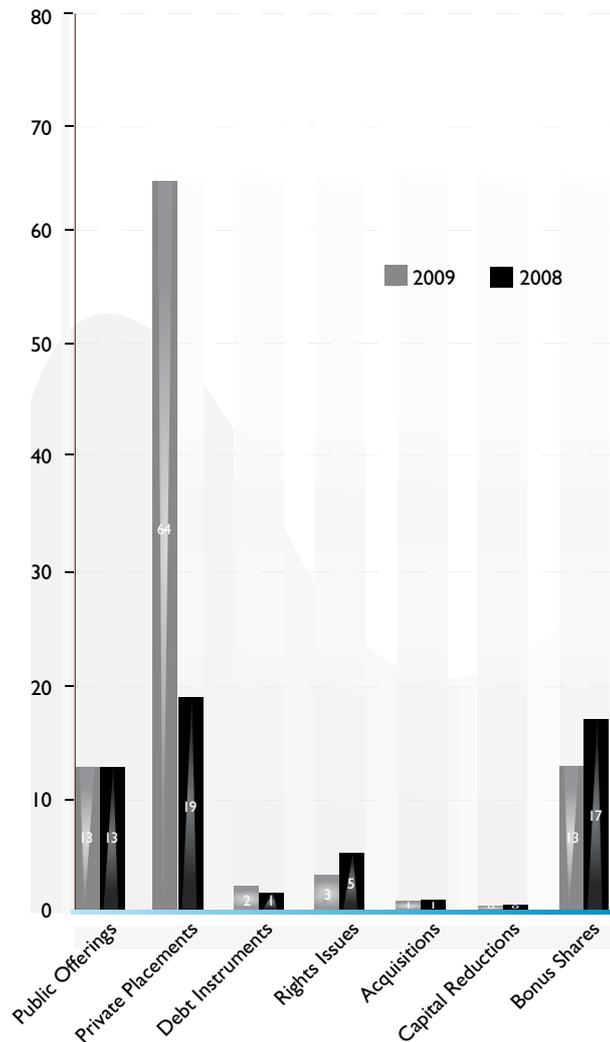


Table (2) presents the number of applications for public offerings and private placements and their value during 2009 in comparison with 2008, excluding bonus shares, capital reductions and acquisitions. Table (3) indicates the total amounts (SR billion) of securities offerings by type in 2009 compared to 2008.

The most important indicators of these tables that can be derived are as follows:

- ◆ The number of applications for public offerings and private placements went up to 82 in 2009 compared to 38 in 2008, denoting an increase of 116%.
- ◆ The total amounts of securities offerings in 2009 amounted to about SR 30.9 billion, decreasing by 56% compared to 2008.
- ◆ The total amounts of public offerings in 2009 declined to SR 3.88 billion compared to SR 36.4 billion in 2008.
- ◆ During 2009, the total amounts of debt instruments stood at SR 7.7 billion compared to SR 5 billion in 2008, increasing by 55%.
- ◆ The total amounts of private placements rose from SR 6.72 billion in 2008 to SR 17.9 billion in 2009, rising by 166%.

Table (2): Number of Applications for Securities Offerings, Including Private Placements, and their Value (Excluding Bonus Shares, Acquisitions and Capital Reductions), Approved by the CMA in 2009 and 2008

Description	2009	2008	Change (%)
Number of Applications for Offerings	82	38	116%
Offerings Value (SR Billion)	30.86	70.56	-56%

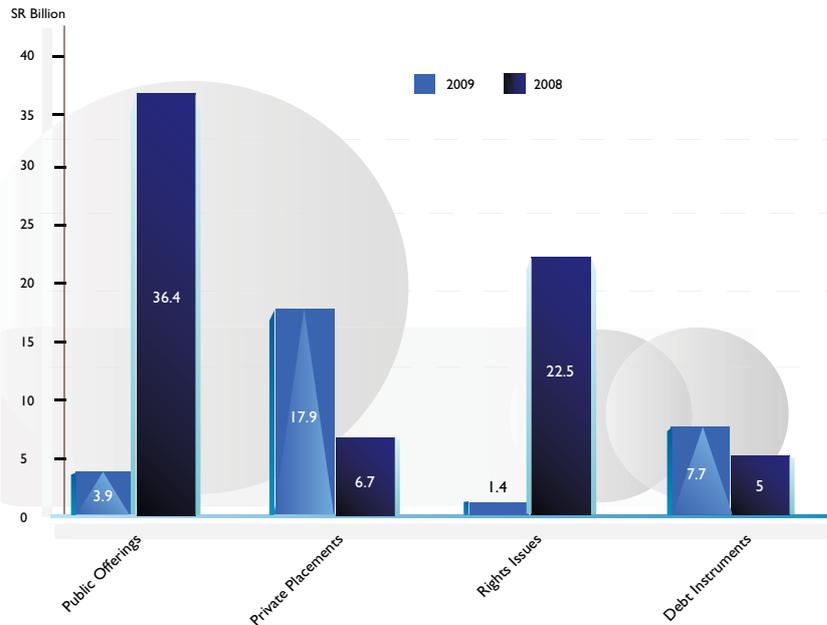
Table (3): Total Amounts of Securities Offerings (SR Billion) by Type in 2009 and 2008

Type	2009		2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Public Offerings	3.88 ⁴	13%	36.36	52%
Private Placements	17.9	58%	6.72	10%
Rights Issues	1.35	4%	22.48	32%
Debt Instruments	7.73	25%	5	7%
Total	30.86	100%	70.56	100%

4. Including the IPO of Etihad Atheeb Telecommunication Co., which was approved by the CMA Board in 2008, and offered in early 2009.



Chart (2): Total Amounts of Securities Offerings (SR Billion) by Type in 2009 and 2008



Offering Shares for Public Subscription

In 2009, the shares of 11 companies were partially offered for public subscription. Table (4) shows those companies whose shares were partially offered for public subscription in 2009 classified by volume, ratio of subscription shares to the company's total shares, the level of over-subscription and the number of subscribers. The relevant indicators can be summarized as follows:

- ◆ The volume of shares offered for subscription in 2009 ranged from SR 40 million by "ACE Arabia Cooperative Insurance Co." to SR 2.4 billion by "The National Petrochemical Co.", of which SR 1.6 billion was offered to the General Organization for Social Insurance (GOSI) and the Public Pension Agency. The total value of offered shares amounted to SR 3.88 billion.
- ◆ The level of over-subscribed shares in 2009 ranged between 1.16 times for "Buruj Cooperative Insurance Co." and 21.15 times for "The National Petrochemical Co.", with the weighted average of over-subscription by volume being around 15 times.
- ◆ The number of subscribers to the shares offered in 2009 ranged between 460,000 for "Weqaya Takaful Insurance & Reinsurance Co." and 2.3 million for "The National Petrochemical Co.".

2. Public Offering

Regulating the Public Offering Process

In 2009, about 85 investment firms (investment funds, authorised persons, investment entities and semi-government firms) participated in book building, a mechanism applied to ensure fair pricing for the offered securities and to determine the volume of demand.

Table (4): Companies that Offered Part of their Shares for Public Subscription in 2009 Classified by Volume of Offering, Ratio of Offered Shares to Company Total Shares, Level of Over-subscription and Number of Subscribers

No.	Company Name	Volume (SR Billion)	Ratio of Subscription Shares (%)	Level of Over-Subscription	Number of Subscribers (Million)
1	Etihad Atheeb Telecommunication Co.	0.3	30%	3.54	1.35
2	ACE Arabia Cooperative Insurance Co.	0.04	40%	11.35	0.85
3	AXA Cooperative Insurance Co.	0.08	40%	5.71	0.83
4	Al Rajhi Company for Cooperative Insurance	0.06	30%	8.98	0.9
5	Weqaya Takaful Insurance & Reinsurance Co.	0.08	40%	3.3	0.46
6	Saudi Steel Pipes Co.	0.4	31%	3.15	1.31
7	National Petrochemical Co.	2.4	50%	21.15	2.32
8	Al Mouwasat Medical Services Co.	0.33	30%	4.71	1.37
9	Alalamiya Cooperative Insurance Co.	0.06	30%	7.49	0.85
10	Buruj Cooperative Insurance Co.	0.052	40%	1.16	1.12
11	Gulf General Cooperative Insurance Co.	0.08	40%	10.17	1.53
Total		3.882	--	--	12.89



Chart (3): Volume of Company Shares (SR Billion) Offered for Public Subscription in 2009

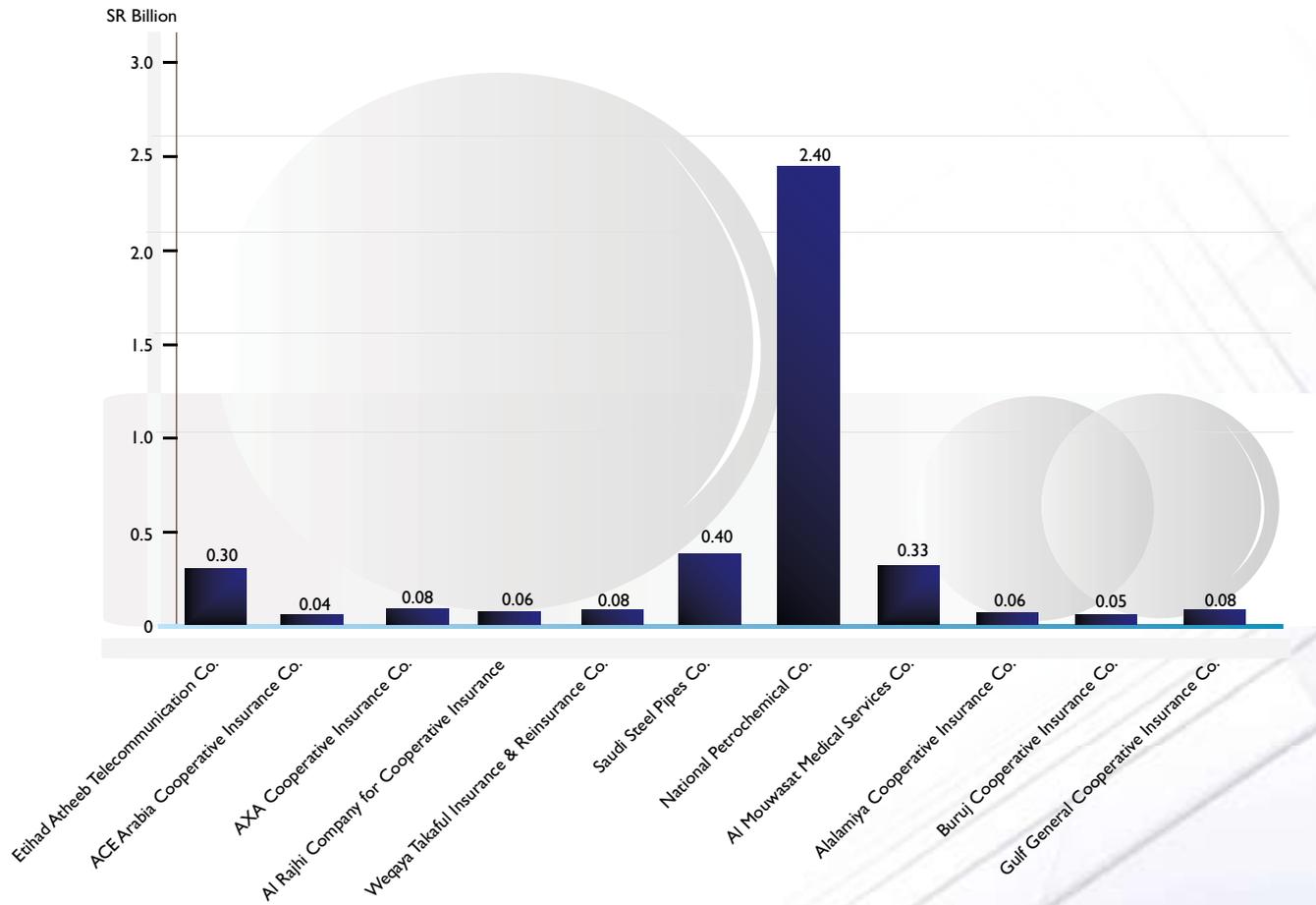


Chart (4): Level of Over-subscription of Shares Offered for Public Subscription in 2009

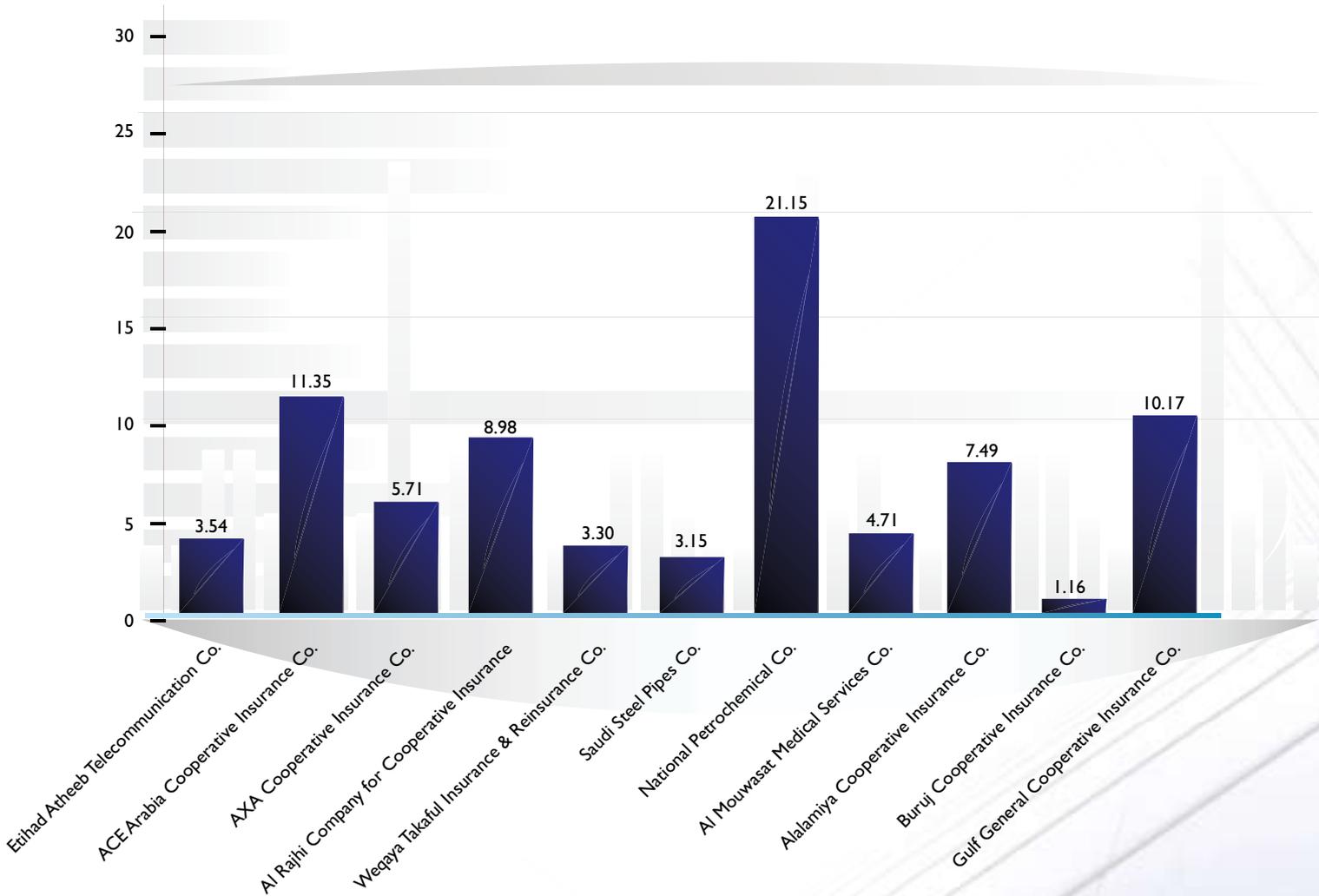
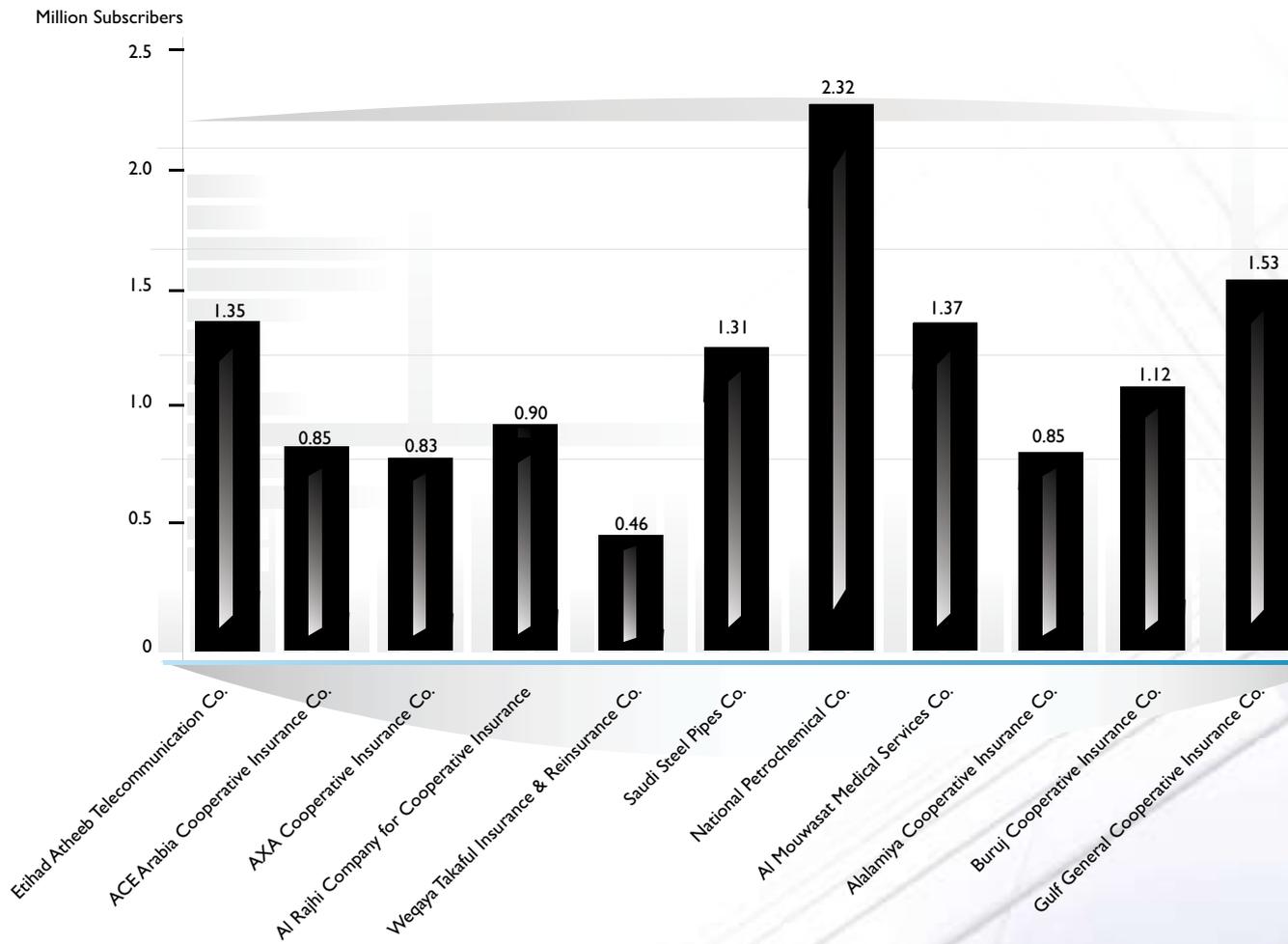




Chart (5): Number of Subscribers (Million) to Shares Offered for Public Subscription in 2009



3. Capital Increase of Listed Companies through Bonus Shares in 2009

Table (5) provides a list of companies that increased their capital through bonus shares in 2009 and the total number of shares in issue before and after the increase of capital. The most important points derived from this table can be summarized as follows:

- ◆ Out of a total of 134 listed companies, 12 companies (9%) increased their capital through bonus shares.
- ◆ “Qassim Cement Co.” was at the top of listed companies in terms of increase in capital through bonus shares, with an increase of 45 million shares, rendering the total number of shares in issue after capital increase at 90 million shares, denoting a rise of 100%.

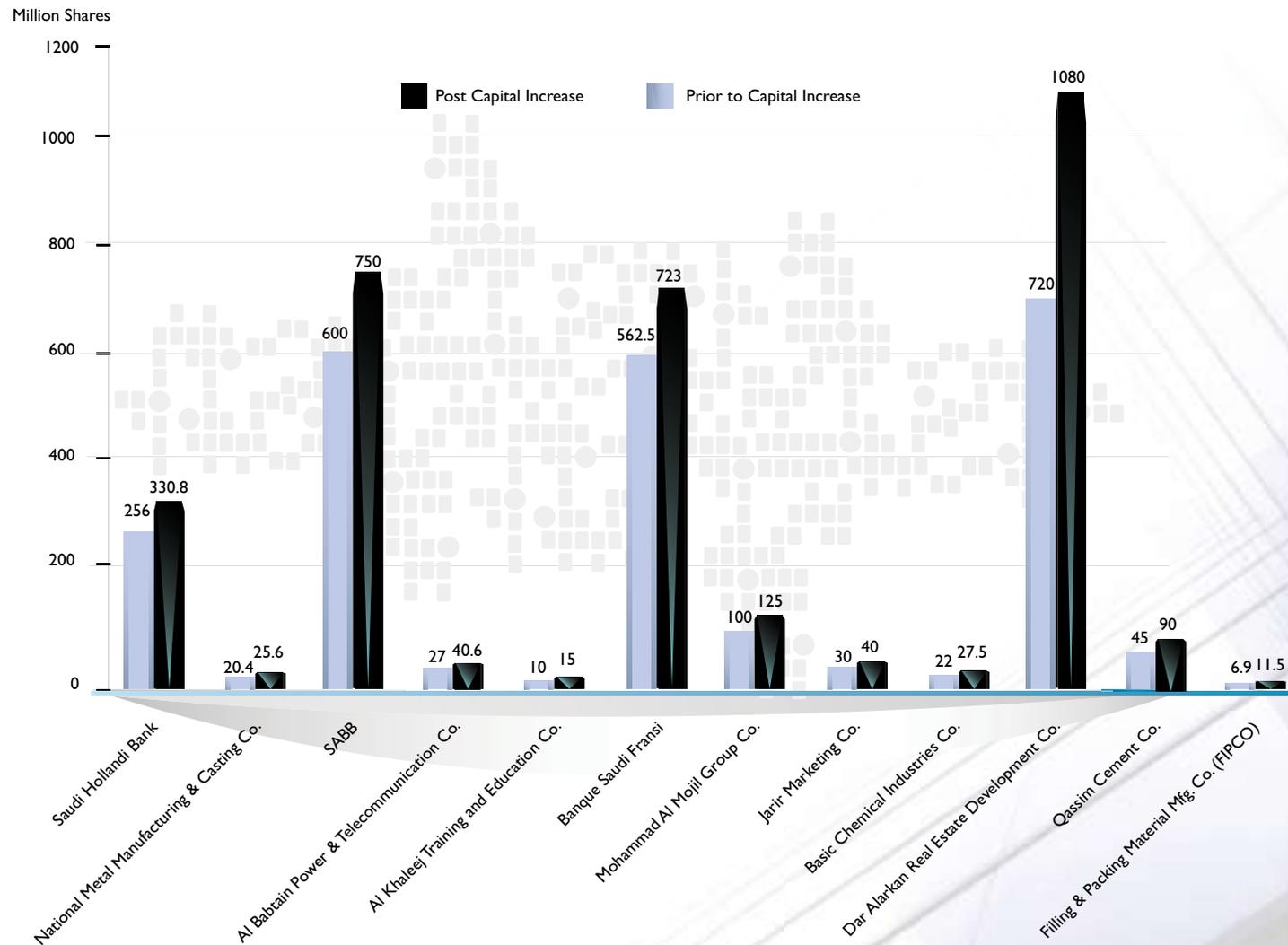
Table (5): List of Companies that Increased their Capital (Million Shares) during 2009 through Bonus Shares, and Total Number of Shares Before and After Capital Increases ⁵

No.	Company Name	Total Number of Shares (Million)		Increase in Capital (%)
		Prior to Capital Increase	Post Capital Increase	
1	Saudi Hollandi Bank	264.6	330.75	25%
2	National Metal Manufacturing & Casting Co.	20.45	25.56	25%
3	SABB	600	750	25%
4	Al Babtain Power & Telecommunication Co.	27	40.5	50%
5	Al Khaleej Training and Education Co.	10	15	50%
6	Banque Saudi Fransi	562.50	723.21	29%
7	Mohammad Al Mojil Group Co.	100	125	25%
8	Jarir Marketing Co.	30	40	33%
9	Basic Chemical Industries Co.	22	27.5	25%
10	Dar Alarkan Real Estate Development Co.	720	1,080	50%
11	Qassim Cement Co.	45	90	100%
12	Filling & Packing Material Mfg. Co. (FIPCO)	6.88	11.5	67%
Total		2,408.42	3,259.02	35%

5. Not Including Zamil Industrial Investment Co. whose application for capital increase was approved by the CMA Board in 2009, but no general assembly was held to approve the increase in the same year.



Chart (6): List of Companies that Increased their Capital (Million Shares) during 2009 through Bonus Shares, and Total Number of Shares Before and After Capital Increases



4. Subscription Channels

◆ Number of Subscribers via Various Subscription Channels

Table (6) illustrates the number of subscribers (in millions) to IPOs, by subscription channels, since the establishment of the CMA up to 2009. The table's most significant indicators can be summarized as follows:

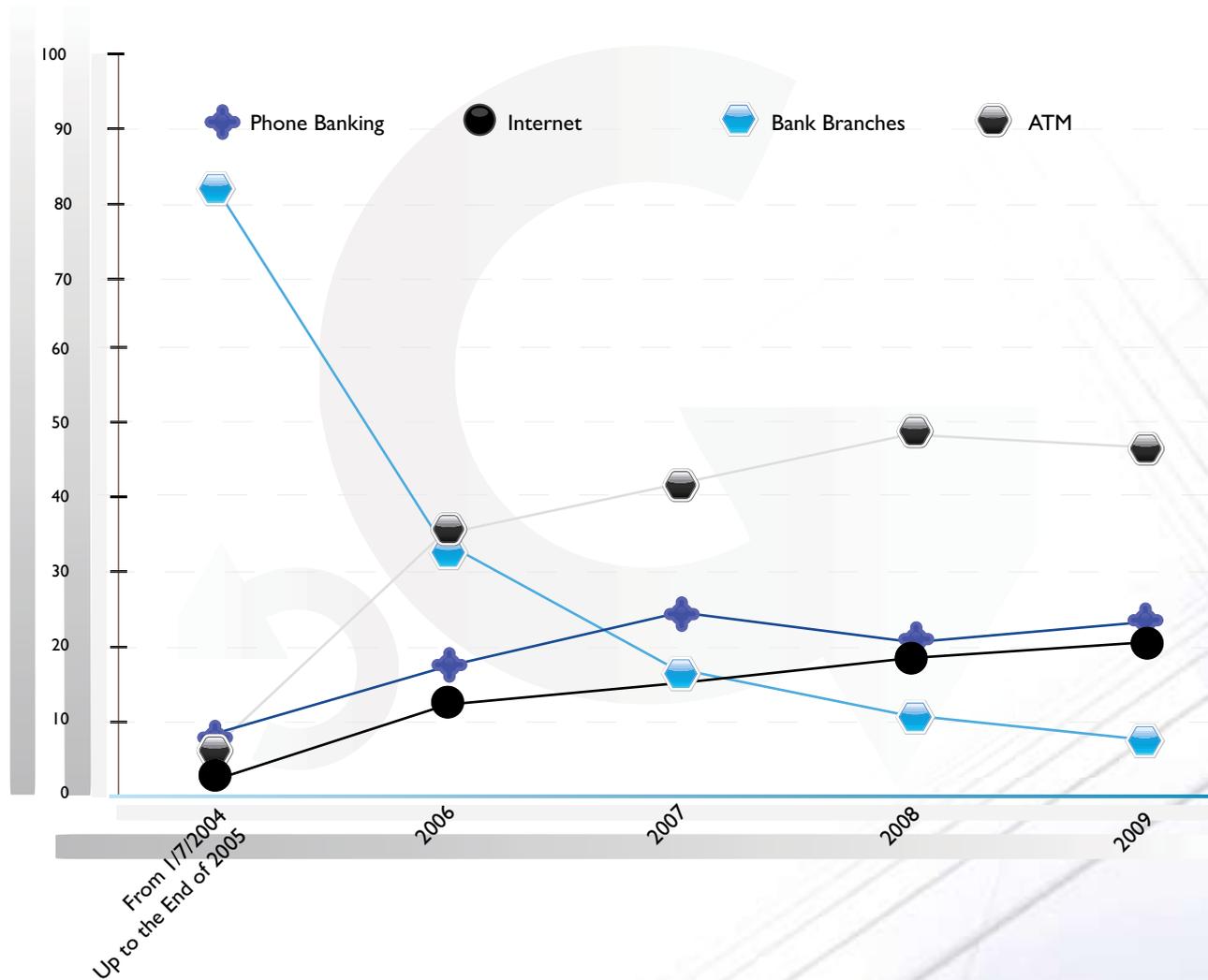
- ◆ In 2009, only 8% of the total number of subscribers used bank branches for processing their applications, while phone banking, the internet and ATM channels were used by 24%, 20% and 48% of subscribers respectively.
- ◆ The number of subscribers using electronic channels (phone banking, the internet and ATMs) – as alternatives for paper-based subscription applications through bank branches – rose to 92% in 2009 as compared to 89% in 2008 and 83% in 2007.

Table (6): Number of Subscribers (Million) to IPOs by Subscription Channel since the CMA's Establishment up to 2009

Subscription Channel	2009		2008		2007		2006		From 1/7/2004 to End of 2005	
	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)
Phone Banking	3.07	24%	12.129	21%	8.979	25%	6.143	18%	1.944	8%
Internet	2.65	20%	10.963	19%	5.672	16%	4.205	13%	857	3%
Bank Branches	1.04	8%	6.707	11%	6.176	17%	11.206	33%	20.826	82%
ATMs	6.14	48%	28.626	49%	15.020	42%	11.966	36%	1.764	7%
Total	12.90	100%	58.427	100%	35.851	100%	33.519	100%	25.391	100%



Chart (7): Percentage of Subscribers to IPOs by Subscription Channel since the CMA's Establishment up to 2009



Amounts Collected through Subscription Channels

Table (7) shows the total and percentages of IPO amounts collected, by different subscription channels, in 2009 and 2008. The most important points derived from this table are summarized as follows:

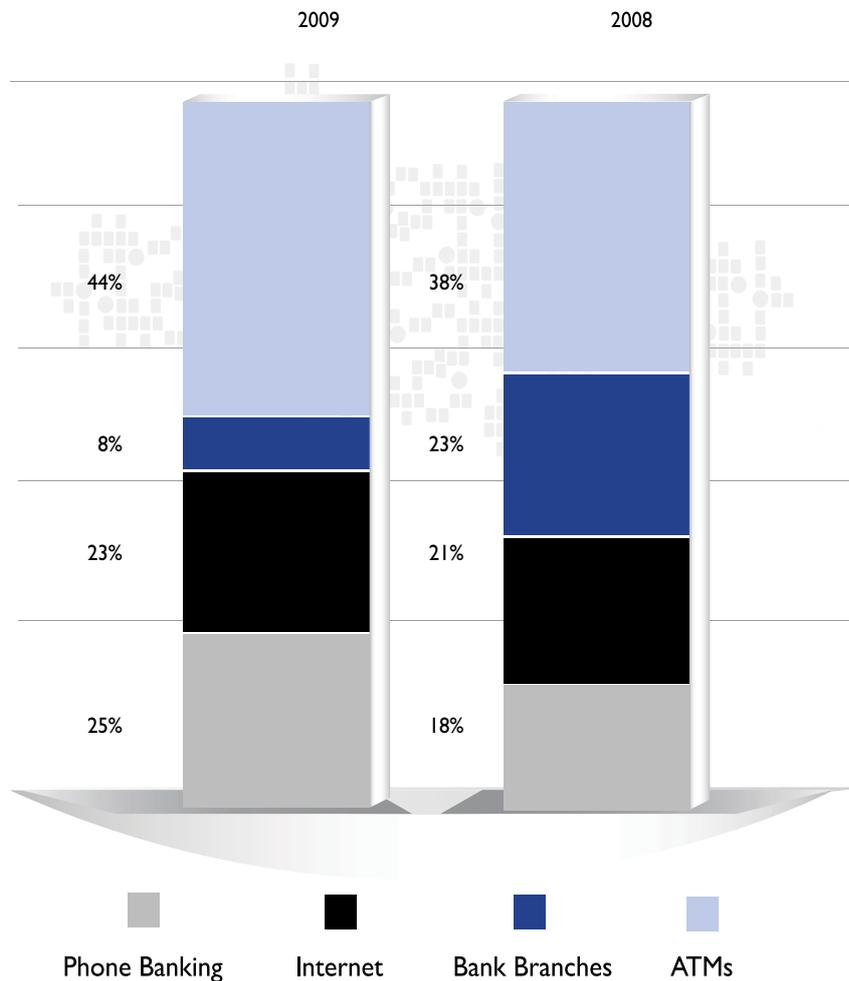
- ◆ In 2009, the total amounts collected through the different subscription channels stood at SR 7.23 billion.
- ◆ Amounts subscribed via ATMs ranked first in 2009 with SR 3.2 billion accounting for 44% of total amounts.
- ◆ The percentages of the amounts collected through phone banking, the internet and bank branches in 2009 stood at 25%, 23% and 8% respectively.

Table (7): IPO Amounts (SR Billion) Collected, by Subscription Channels in 2009 and 2008

Subscription Channel	2009		2008	
	Number	Percentage (%)	Number	Percentage (%)
Phone Banking	1.77	25%	14.41	17.8%
Internet	1.69	23%	17.37	21.4%
Bank Branches	0.61	8%	18.65	22.9%
ATMs	3.16	44%	30.77	37.9%
Total	7.23	100%	81.20	100%



Chart (8): Percentages of IPO Amounts Collected, by Subscription Channels in 2009 and 2008



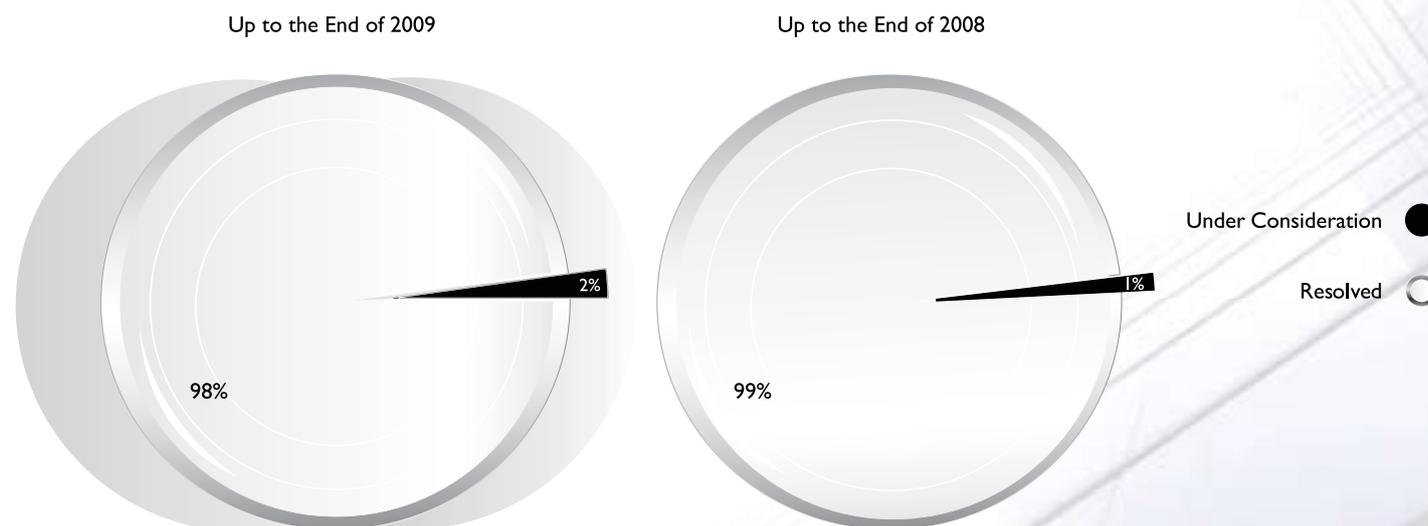
5. Handling and Resolving Subscription Application Complaints

During the issuance of IPOs and afterwards, the CMA takes prompt action to handle and resolve investors' complaints about subscriptions in collaboration with the parties concerned. Table (8) reflects the number of complaints at the end of 2009 and 2008, and the actions taken for handling and resolving them. The most important points indicated by this table can be summarized as follows:

- ◆ A total of 4,020 complaints were received by the CMA up to the end of 2009.
- ◆ The total number of complaints resolved up to the end of 2009 amounted to 3,938 or 98%, with only 82 or 2% of them being still under consideration.

Table (8): Number of Handled and Resolved Complaints Pertaining to Subscription Applications up to the End of 2009 and 2008

Description	Up to the End of 2009		Up to the End of 2008	
	Number	Percentage (%)	Number	Percentage (%)
Handled	4,020	--	3,460	--
Resolved	3,938	98%	3,434	99%
Under Consideration	82	2%	26	1%

Chart (9): Percentages of Resolved Complaints Pertaining to Subscription Applications up to the End of 2009 and 2008



(2) Performance of the Capital Market at a Glance

Table (9) demonstrates the most salient features of the capital market's performance in 2009 and 2008. Its significant indicators can be summarized in the following:

- ❖ In 2009, the number of companies listed on the capital market rose by 6% compared to that of 2008, taking the number of listed companies to 134.
- ❖ The number of company shares issued in 2009 stood at around 41.22 billion, increasing by 4% over 2008.
- ❖ The number of company shares traded in 2009 decreased by 6% to 57.34 billion compared to 2008.
- ❖ In 2009, the market capitalization of issued shares went up by 29% to SR 1,195.5 billion compared to 2008.
- ❖ The value of shares traded in 2009 amounted to SR 1,264.01 billion, retreating by 36% over 2008, with a daily average of SR 5.1 billion.
- ❖ In 2009, the number of executed transactions went down by 30% from about 52.14 million to 36.46 million as compared to 2008.
- ❖ Tadawul All-Share Index (TASI) rose by 27% to 6,121.76 points in 2009 compared to 4,802.99 points in 2008.

Table (9): Capital Market Trading Statistics in 2009 and 2008

Trading Information	2009	2008	Change (%)
Number of Listed Companies	134	127	6%
Number of Executed Transactions	36,458,326	52,135,929	-30%
Number of Issued Shares (Billion)	41.22	39.50	4%
Market Capitalization of Issued Shares (SR Billion)	1,195.51	924.53	29%
Number of Traded Shares (Billion)	57.34	60.82	-6%
Value of Traded Shares (SR Billion)	1,264.01	1,962.95	-36%
Number of Trading Days	250	251	-0.4%
Average Daily Executed Transactions	145,833	207,713	-30%
Average Daily Traded Shares	229,353,039	242,314,686	-5%
Average Daily Value of Traded Shares	5,056.05	7,820.50	-35%
Tadawul All-Share Index (Points)	6,121.76	4,802.99	27%



(3) Debt Instruments

As part of its continuous endeavors to develop the capital market, and in implementation of Article Five of the CML, on Saturday 13/6/1430H corresponding to 6/6/2009, the CMA approved the creation of a market on which Sukuk and bonds can be traded, to be the second regulated market after the stock market. The establishment of this market comes as an earnest move by the CMA to provide new investment vehicles and funding channels. This market will offer various real-time automated services in that area, through the authorised persons, such as listing Sukuk and bonds, order routing, executing transactions, settlement, price data distribution, custody and registration, and so on. To make sure that the dealers in this market understand how it works, the CMA carried out the following measures during 2009 before the launch of the market:

1. Trained employees of authorised persons on how the market's mechanism operates.
2. Upgraded the CMA's surveillance system to comprise the operations of monitoring the capital market.

Sukuk and bonds can be traded through the authorised persons in the market by using the investment portfolios designated for share trading. The market officially commenced operations on Saturday 20/6/1430H corresponding to 13/6/2009 with trading hours from 11:30 a.m. to 3:00 p.m., Saturday through Wednesday. Orders for listed Sukuk and bonds can be placed and executed during those times, with transactions settled two business days after the execution date (T+2 settlement).

Table (10) illustrates the volume of issued Sukuk by issuer during 2007-2009.

Table (11) shows the number of issued Sukuk by issuer, issue volume, number of executed transactions, trading volume, value at maturity and dates of Sukuk's issue and maturity since the beginning of trading on 13/6/2009 up to the end of 2009. The most important indicators of these two tables can be summarized as follows:

- ❖ From 2007 to 2009, three companies issued Sukuk, namely "the Saudi Basic Industries Corp. (SABIC)", "the Saudi Electricity Co." and "the Saudi Hollandi Bank", with issues totaling SR 25.7 billion.
- ❖ In 2009, two companies offered Sukuk: "the Saudi Electricity Co." with a total amount of SR 7 billion, and "the Saudi Hollandi Bank" with a total amount of SR 725 million. On the other hand, in 2008, only one company, "the Saudi Basic Industries Corp. (SABIC)", offered Sukuk with an amount of SR 5 billion.
- ❖ Since the beginning of trading on 13/6/2009 up to the end of 2009, the total trading volume stood at SR 27.4 million, and the number of executed transactions amounted to 55.
- ❖ The Sukuk of the Saudi Electricity Co. "Saudi Electricity 1" came first in terms of the number of executed transactions (28) and a trading volume of SR 15.80 million.

Table (10): Volume of Issued Sukuk (SR Billion) by Issuer (2007-2009)

Trading Information	Issue Volume					
	2009	Percentage (%)	2008	Percentage (%)	2007	Percentage (%)
Saudi Basic Industries Corp. (SABIC)	--	--	5	100%	8	62%
Saudi Electricity Co. (SEC)	7	91%	--	--	5	38%
Saudi Hollandi Bank	0.725	9%	--	--	--	--
Total	7.725	100%	5	100%	13	100%



Chart (10): Volume of Issued Sukuk (SR Billion) by Issuer (2007-2009)

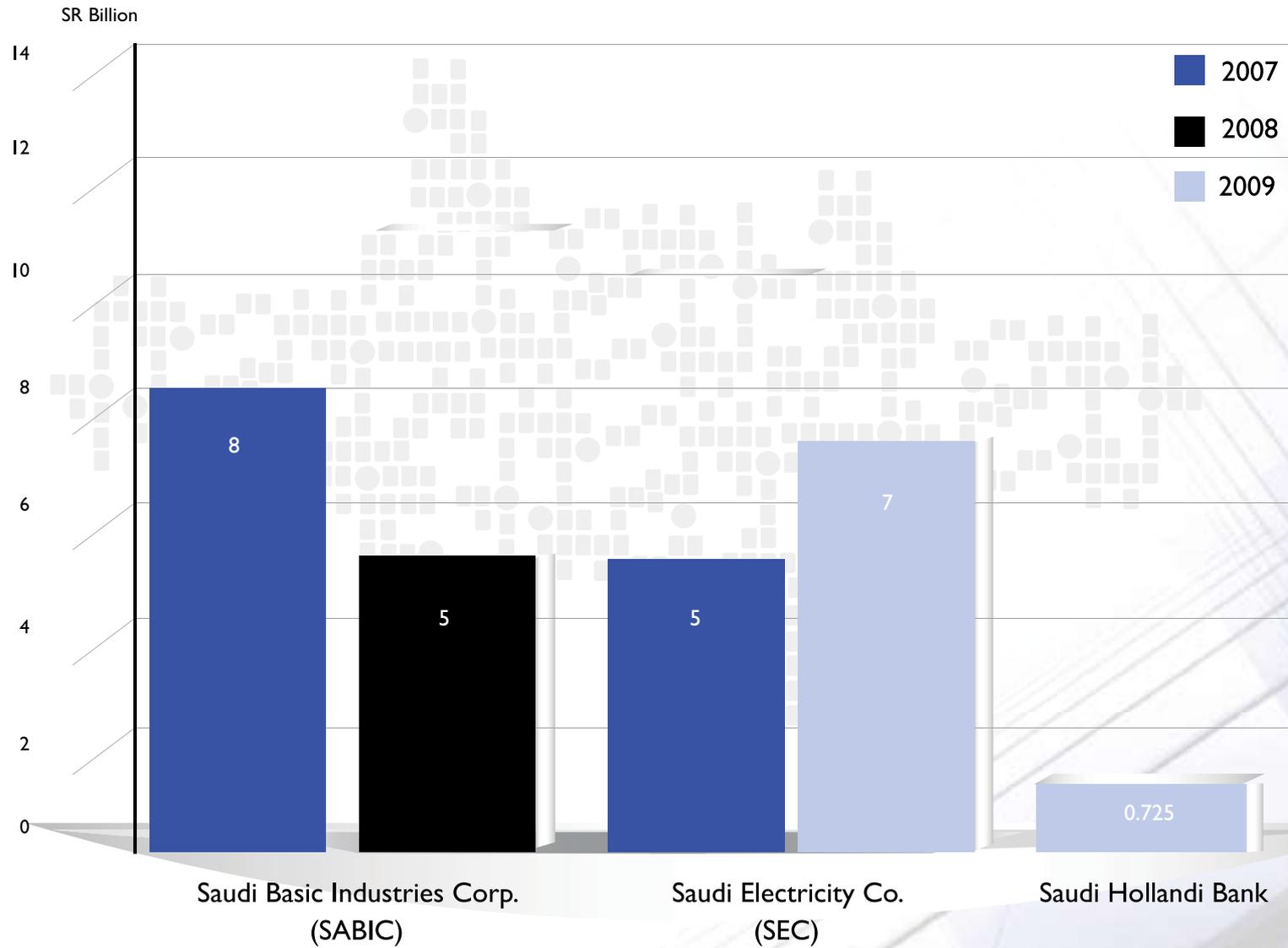


Table (11): Number of Issued Sukuk by Issuer, Issue Volume (SR Billion), Number of Executed Transactions, Trading Volume (SR Million), Value at Maturity and Dates of Sukuk's Issue and Maturity since the Beginning of Trading on 13/6/2009 up to the end of 2009⁶

No.	Issuer	Issue Date	Issue Volume (SR Billion)	Number of Executed Transactions	Trading Volume (SR Million)	Value at Maturity	Maturity Date ⁷
1	SABIC 1	29/7/2006	3	10	4.47	50,000	15/7/2026
2	SABIC 2	6/8/2007	8	8	1.50	10,000	15/7/2027
3	SABIC 3	26/5/2008	5	3	1.61	10,000	15/5/2028
4	Saudi Electricity 1	23/7/2007	5	28	15,80	500,000	15/7/2027
5	Saudi Electricity 2	6/7/2009	7	6	4.04	100,000	6/7/2029
Total			28	55	27.42	--	--

6. Not including the Saudi Hollandi Bank Sukuk which was not listed in 2009.

7. With right to purchase every five years following the date of issue.



(4) Swap Agreements

As part of the CMA's ongoing efforts to develop the capital market, and in implementation of Article Five of its Law, the CMA issued Resolution No.(2-28-2008) dated 17/8/1429H corresponding to 18/8/2008, which permits authorised persons to enter into swap agreements with non-resident foreign investors, be they financial institutions or individuals. This step comes as an extension of the two previous steps made by the CMA to liberate the Saudi capital market: the first step was to allow GCC citizens to own and trade shares; the second was to permit foreigners residing in the Kingdom to trade on the stock exchange.

By this Resolution, the CMA aims at achieving several goals, such as:

1. To further deepen the capital market and promote its efficiency.
2. To strengthen the Saudi capital market's openness indicator for foreign direct investments by encouraging foreign investors to engage in the Saudi capital market.

Table (12) reflects the volume of swap agreements classified by type of investor (individuals/financial institutions) since 18/8/2008 up to the end of 2009. Most salient features of this table can be demonstrated as follows:

- ◆ In 2009, the total volume of swap agreements increased by 396% to SR 19.7 billion as compared to 2008.
- ◆ The volume of swap agreements made by individuals in 2009 amounted to SR 5 million, while no agreements were recorded in 2008. Also, the volume of swap agreements made by financial institutions rose by 396% to SR 19.6 billion.

Table (12): Volume of Swap Agreements (SR Million) Classified by Investor Type (Individuals/Financial Institutions) since 18/8/2008 up to the End of 2009

Investor Type	2009		2008		Change (%)
	Volume (SR Million)	Percentage (%)	Volume (SR Million)	Percentage (%)	
Individuals	5.40	0.03%	--	--	--
Financial Institutions	19,651	99.97%	3,963	100%	396%
Total	19,656	100%	3,963	100%	396%

Chart (I I): Volume of Swap Agreements (SR Million) Classified by Investor Type (Individuals/Financial Institutions) since 18/8/2008 up to the End of 2009

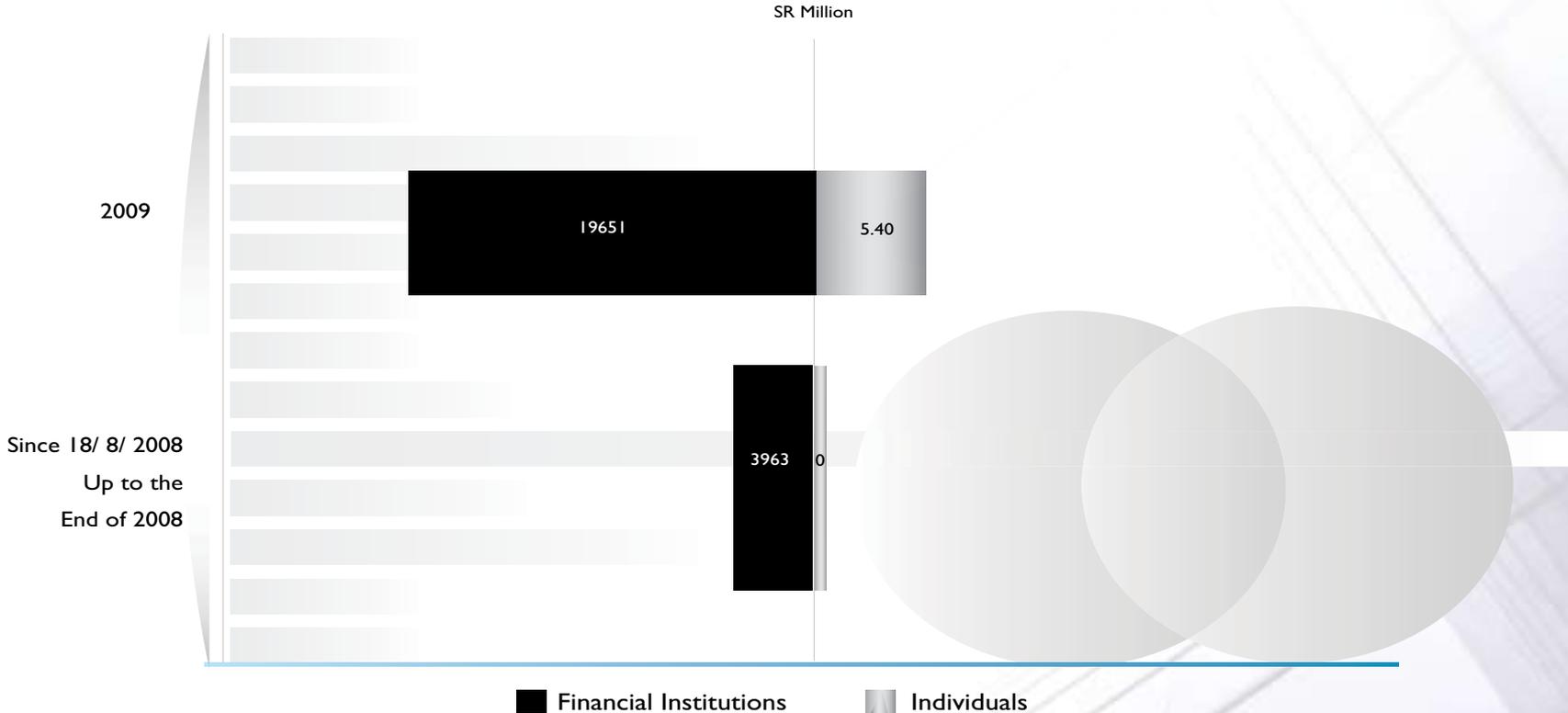




Table (13) indicates the volume of swap agreements classified by type of investor (individuals/financial institutions) on a quarterly basis for 2009. The most significant components of this table can be illustrated as follows:

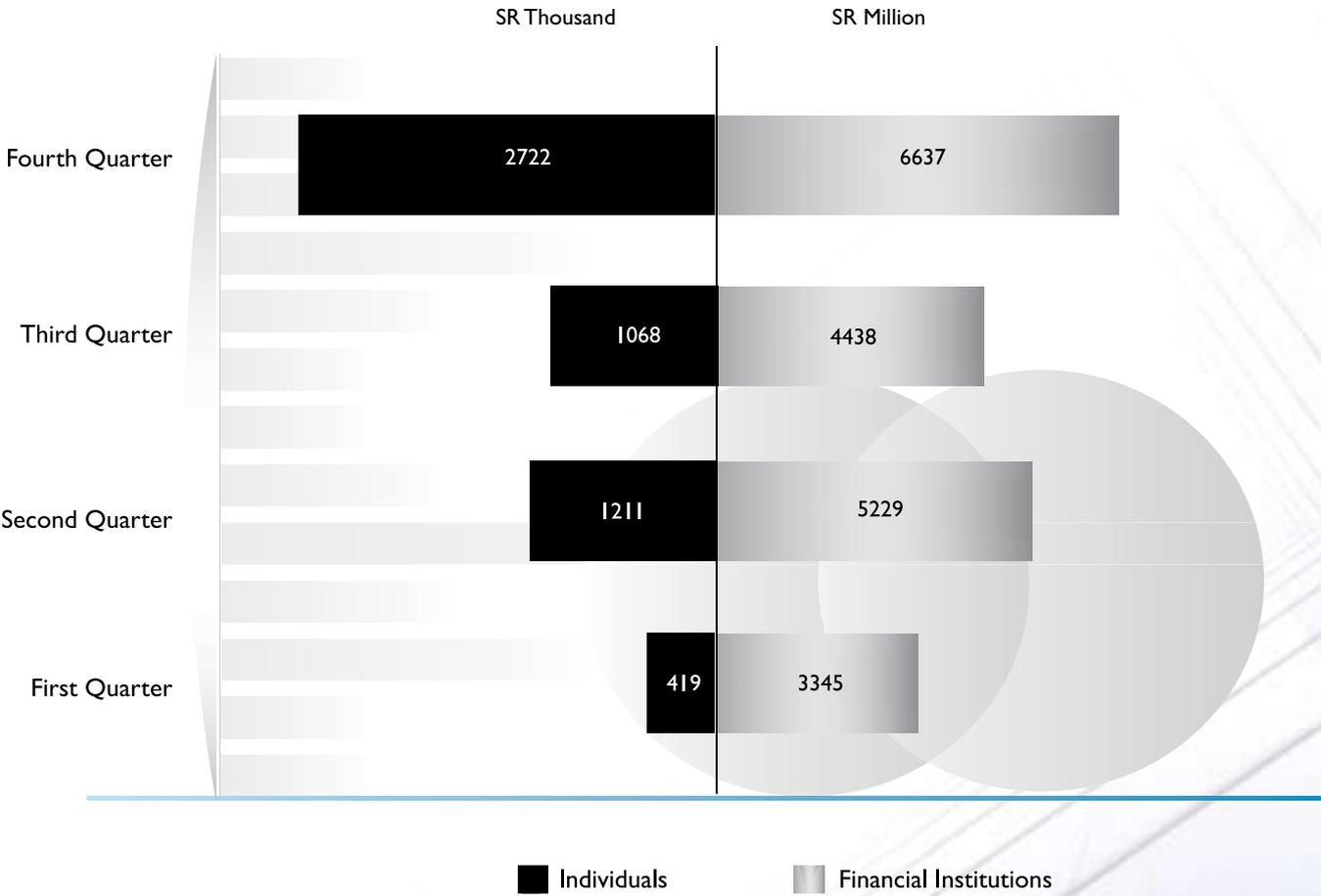
Most swap agreements of individuals and financial institutions were concentrated in the second half of 2009 with about SR 3.8 million (70%) for individuals, and about SR 11.1 billion (56%) for financial institutions.

The fourth quarter of 2009 experienced the largest volume of swap agreements of individuals and financial institutions with around SR 2.7 million (50%) and SR 6.6 billion (34%) respectively.

Table (13): Volume of Swap Agreements Classified by Investor Type (Individuals/Financial Institutions) on a Quarterly Basis for 2009

Period	Investor Type			
	Individuals (Thousands)	Percentage (%)	Financial Institutions (Millions)	Percentage (%)
First Quarter	418.6	8%	3,345.4	17%
Second Quarter	1,210.8	22%	5,229.4	27%
Third Quarter	1,068.5	20%	4,438.3	22%
Fourth Quarter	2,726.7	50%	6,637.5	34%
Total	5,424.6	100%	19,650.6	100%

Chart (12): Volume of Swap Agreements Classified by Investor Type (Individuals/Financial Institutions) on a Quarterly Basis for 2009





2.1.3 Investment Funds

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

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

1. Number of Investment Funds in 2009 and 2008

Believing in the necessity of expanding and diversifying investment channels, the CMA has encouraged the offering of all types of investment fund units. Table (14) reflects the number of investment funds licensed, by type, in 2009 and 2008. The table's contents can be summarized as follows:

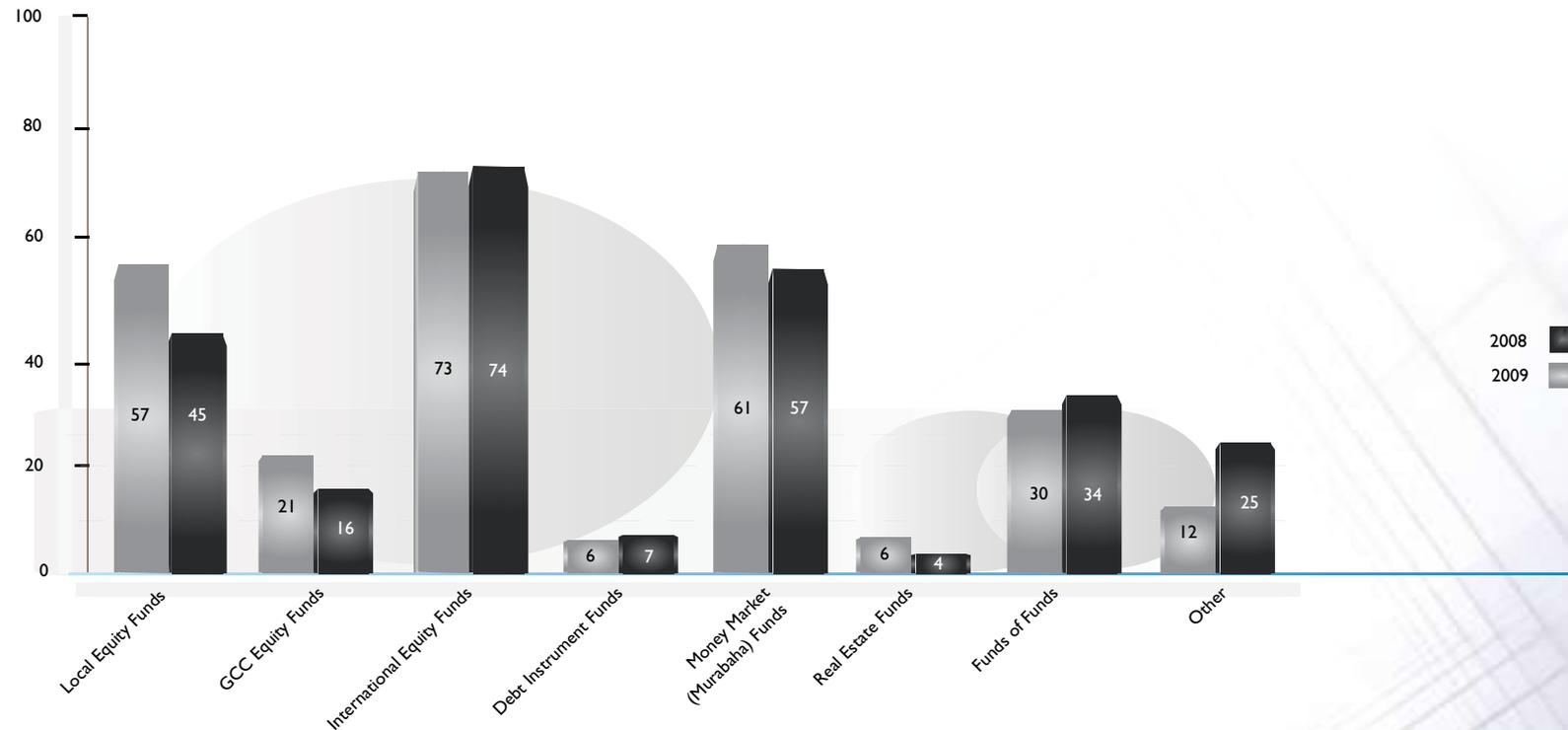
- ◆ The total number of investment funds licensed in 2009 increased by 2% to 266 compared to 2008.
- ◆ The number of funds investing in local equities in 2009 rose by 27% to 57 compared to 2008.
- ◆ The international equity funds constituted the largest number of funds, as they totaled 73 in 2009, representing 27% of total investment funds. The number of other investment funds declined in 2009 by 12% (funds of funds) and 52% (other) compared to 2008.

Table (14): Number of Investment Funds by Type in 2009 and 2008

No.	Fund Type	2009		2008		Change (%)
		Number	Percentage (%)	Number	Percentage (%)	
1	Local Equity Funds	57	21%	45	17%	27%
2	GCC Equity Funds	21	8%	16	6%	31%
3	International Equity Funds	73	28%	74	28%	-1%
4	Debt Instrument Funds	6	2%	7	2%	-14%
5	Money Market (Murabaha) Funds	61	23%	57	22%	7%
6	Real Estate Funds	6	2%	4	2%	50%
7	Funds of Funds	30	11%	34	13%	-12%
8	Other	12	5%	25	10%	-52%
Total		266	100%	262	100%	2%



Chart (13): Number of Investment Funds by Type in 2009 and 2008



2. Volume of Investment Fund Assets under Management in 2009 Compared to 2008

Table (15) shows the volume of investment fund assets under management in 2009 and 2008. The most important highlights of the table can be summarized as follows:

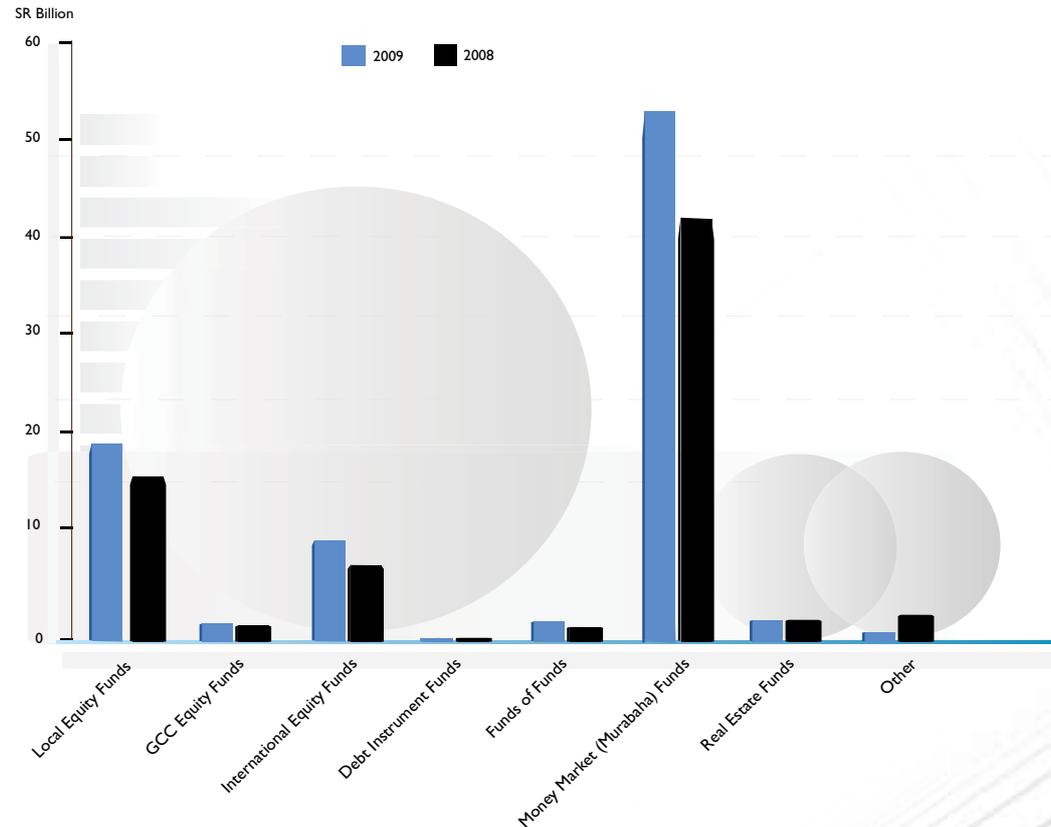
- ◆ The volume of all investment fund assets under management in 2009 rose to about SR 89.6 billion, compared to SR 74.8 billion in 2008, increasing by 20%.
- ◆ The volume of assets under management of all types of funds, excluding “real estate” and “other” funds, rose in 2009 as compared to 2008, with increase percentages ranging from 9% for “funds of funds” to 39% for “international equities”.
- ◆ About SR 54.5 billion was invested in money market (murabaha) funds in 2009, accounting for 61% of total assets under management, denoting an increase of 27% over 2008.
- ◆ Investment in local equities stood at about SR 18.5 billion, constituting 21% of total assets under management.

Table (15): Investment Funds' Assets Under Management (AUM) (SR Billion) by Type in 2009 and 2008

No.	Fund Type	2009		2008		Change (%)
		Volume (SR Billion)	Percentage (%)	Volume (SR Billion)	Percentage (%)	
1	Local Equity Funds	18.542	21%	16.470	22%	13%
2	GCC Equity Funds	1.780	2%	1.614	2.2%	10 %
3	International Equity Funds	9.397	11%	6.740	9%	39 %
4	Debt Instrument Funds	0.205	0.2%	0.153	0.2%	34 %
5	Funds of Funds	1.913	2.1%	1.756	2.3%	9 %
6	Money Market (Murabaha) Funds	54.518	61%	43.035	57.5%	27 %
7	Real Estate Funds	2.237	2%	2.293	3.1%	-2%
8	Other	0.968	1%	2.754	3.7%	-65%
Total		89.560	100%	74.814	100%	20%



Chart (14): Investment Funds' Assets Under Management (AUM) (SR Billion) by Type in 2009 and 2008



As to the volume of funds' investments in local equities in 2009 and 2008, table (16) reflects the volume of investments by these funds in the various sectors of the Saudi capital market. The most important points of this table can be highlighted in the following:

Most investments of local equity funds were concentrated in the "Petrochemical Industries" and "Banks and Financial Services" sectors.

The volume of investment in the "Petrochemical Industries" and "Banks and Financial Services" sectors stood at SR 4.64 billion and SR 4.12 billion in 2009 comprising 25% and 22% respectively of total investments in all sectors.

Investment in the "Hotels and Tourism" sector came last with an invested amount of SR 400,000 (0.002%).

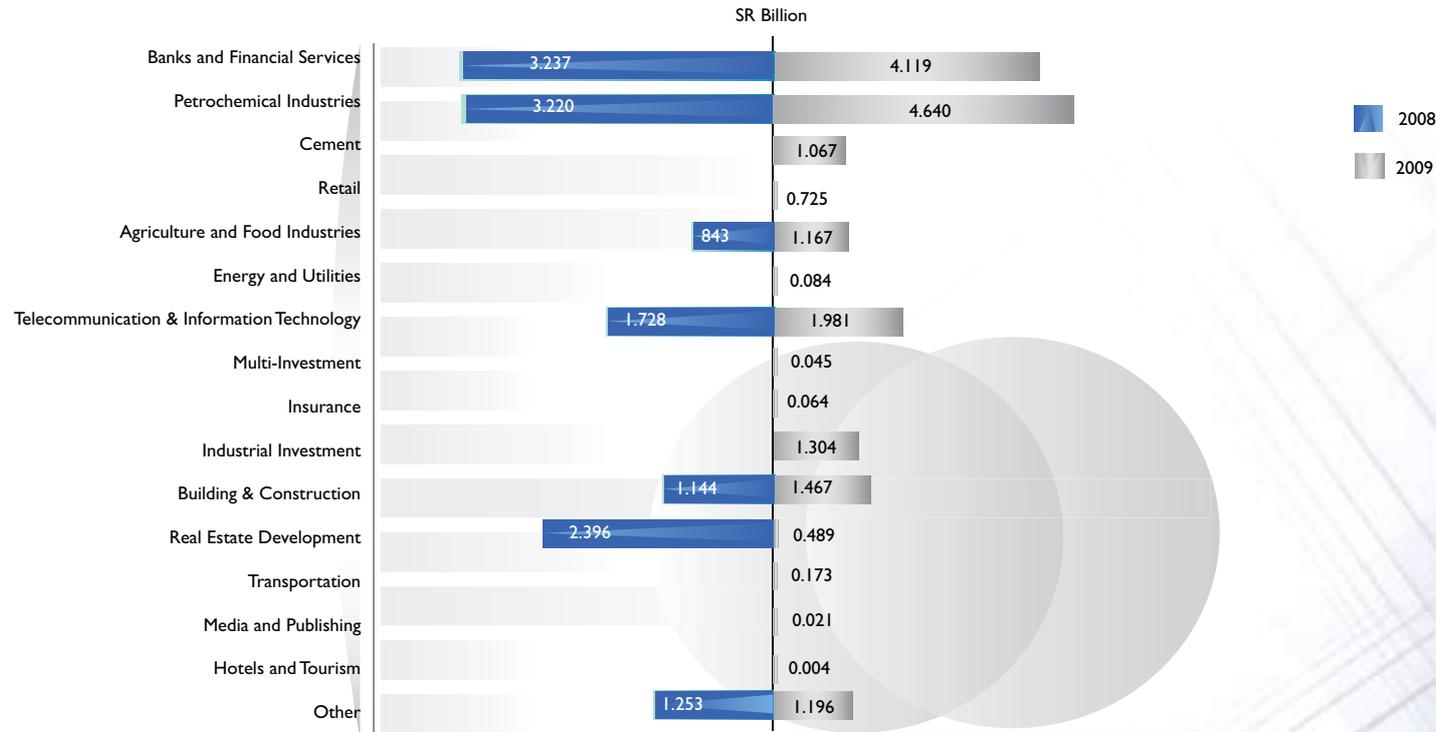
Table (16): Investment Funds' Assets Under Management (AUM) (SR Billion) in the Saudi Capital Market Sectors in 2009 and 2008

No.	Fund Type	2009		2008		Change (%)
		Volume (SR Billion)	Percentage (%)	Volume (SR Billion)	Percentage (%)	
1	Banks and Financial Services	4.119	22 %	3.237	19.7%	27 %
2	Petrochemical Industries	4.640	25%	3.220	19.6%	44 %
3	Cement	1.067	6%	0.981	6%	9 %
4	Retail	0.725	4%	0.458	2.8%	58 %
5	Agriculture and Food Industries	1.167	6%	0.843	5.1%	38 %
6	Energy and Utilities	0.084	0.5%	0.049	0.3%	71 %
7	Telecommunication & Information Technology	1.981	11%	1.728	10.5%	15 %
8	Multi-Investment	0.045	0.2%	0.060	0.4%	-25%
9	Insurance	0.064	0.2%	0.002	0%	31 %
10	Industrial Investment	1.304	7%	0.912	5.5%	43 %
11	Building & Construction	1.467	8%	1.144	6.9%	28 %
12	Real Estate Development	0.489	3%	2.396	14.5%	-80%
13	Transportation	0.173	1%	0.172	1.0%	1%
14	Media and Publishing	0.021	0.1%	0.015	0.1%	40 %
15	Hotels and Tourism	0.0004	0.002 %	0	0%	--
16	Other ⁸	1.196	6 %	1.253	7.6%	-5%
Total		18.542	100%	16.470	100%	13%

8. Including (cash, money markets, etc...)



Chart (15): Investment Funds' Assets Under Management (AUM) (SR Billion) in the Saudi Capital Market Sectors in 2009 and 2008



3. Number of Investors in Investment Funds in 2009 Compared to 2008

Table (17) illustrates the number of investors in investment funds' units by type in 2009 and 2008. The most significant indicators of this table can be summarized in the following:

- The number of investors in investment funds' units declined to around 356,000 in 2009 compared to 375,000 in 2008, decreasing by 5%.

- The number of investors in local equity funds declined by 7% in 2009 as compared to the number in 2008.

- The number of investors in local equity funds stood at about 250,000, accounting for 70% of total investors in all types of funds.

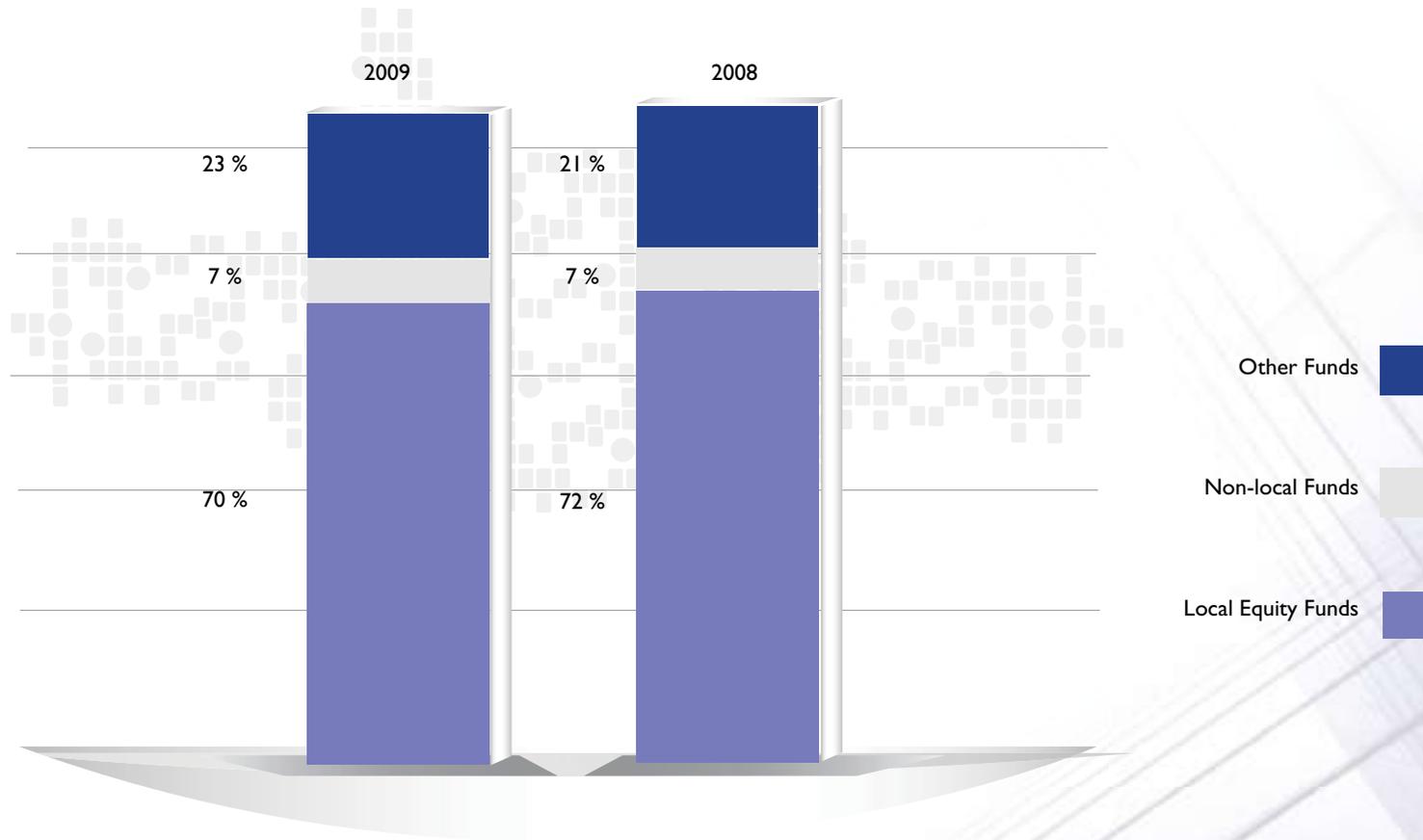
Table (17): Number of Investors in the Units of Investment Funds in 2009 and 2008 by Type of Fund

No.	Fund Type	2009		2008		Change (%)
		Number of Investors	Percentage (%)	Number of Investors	Percentage (%)	
1	Local Equity Funds	250,227	70%	270,496	72%	-7%
2	Non-Local Equity Funds	24,835	7%	26,167	7%	-5%
3	Other Funds ⁹	81,269	23%	78,312	21%	4%
Total		356,331	100%	374,975	100%	-5%

9. Debt instruments, funds of funds, money markets, etc...



Chart (16): Percentages of Investors in the Units of Investment Funds in 2009 and 2008 by Type of Fund



4. Number of Investment Funds Approved by the CMA in 2009

The year 2009 witnessed a decline in the number of investment funds approved by the CMA as compared with 2008. The CMA approved 24 funds compared to 39 funds in 2008, bringing the total number of authorised funds to 266. Table (18) provides a list of these funds classified by type of equities, fund's manager, name and currency in 2009. Tables (19) and (20) describe those investment funds whose units were approved by the CMA in 2009 and 2008, classified by equity type and currency respectively. The most important points of these two tables can be stated as follows:

- ❖ The number of funds investing in local equities that were approved by the CMA ranked first in 2009 and 2008 as they stood at 12 and 11 funds with 50% and 28% respectively.
- ❖ The number of funds investing in GCC equities, money markets (Murabaha) equities and real estate funds equities that were approved by the CMA in 2009 amounted to 2, 7 and 3 accounting for 8%, 29% and 13% of the total respectively, against 5, 5 and 0 in 2008 accounting for 13%, 13% and 0% of the total respectively.
- ❖ The Saudi Riyal is the currency of 22 funds (92%), while the US dollar represents the currency of two funds (8%).



Table (18): Investment Funds Approved by the CMA in 2009, Classified by Type of Equities, Fund's Manager, Name and Currency

Equity Type	Fund Manager	Fund Name	Currency
Local Equities	Shuaa Capital Saudi Arabia	Saudi Gateway Fund	SR
	Shuaa Capital Saudi Arabia	Saudi Islamic Gateway Fund	SR
	NCB Capital Company	AlAhli Saudi Dynamic Trading Equity Fund (A)	SR
	Al-Awwal Financial Services Co.	Alawwal Saudi Stock Market	SR
	Middle East Financial Investment Company	MEFIC Saudi Equity Fund	SR
	Rasmala Investments Saudi	Rasmala Saudi Equity Fund	SR
		Rasmala Saudi Equity Fund (Shariah Compliant)	SR
	Global Investment House - KSA	Global Saudi Equity (Al-Noor)	SR
	HSBC Saudi Arabia Limited	HSBC AMANAH Saudi Equity Fund	SR
	The Investor for Securities	The Investor Al Hurr Saudi Equity Fund	SR
	Riyadh Capital Company	SME Fund	SR
Watan Investment and Securities	Watan Fund for Saudi Equity (Nakheel I Fund)	SR	

Equity Type	Fund Manager	Fund Name	Currency
GCC Equities	ANB Invest	Al-Mubarak GCC Equity Fund	SR
	Gulf Investments Group	GCC IPO Fund for GCC Investor	SR
Money Markets (Murabaha)	Shuaa Capital Saudi Arabia	Shuaa Murabaha Fund	SR
	Al-Awwal Financial Services Co.	AlAwwal US Dollar Murabaha Fund	US Dollar
		AlAwwal Saudi Riyal Murabaha Fund	SR
	NCB Capital Company	AlAhli US Dollar Sukuk & Murabaha Fund	US Dollar
	Caam Saudi Fransi	AlWatheq Enhanced Murabaha	SR
	The Investor for Securities	The Investor Saudi Riyal Murabaha Fund	SR
	Gulf Investments Group	Trade Fund (SAR) for GCC Investor	SR
Real Estate	AlTawfeek Financial Group	Diyari Real Estate Fund	SR
	KSB Capital Group	KSB Alrehab Villas Fund	SR
	Riyad Capital Company	Al-Emar Fund	SR



Table (19): Number of Investment Funds whose Units were Approved by the CMA in 2009 and 2008, Classified by Equity Type

Equity Type	2009		2008	
	Number	Percentage (%)	Number	Percentage (%)
Local Equities	12	50%	11	28%
GCC Equities	2	8%	5	13%
International Equities	0	0%	12	31%
Money Markets (Murabaha)	7	29%	5	13%
Real Estate Fund	3	13%	0	0%
Funds of Funds	0	0%	6	15%
Total	24	100%	39	100%

Chart (17): Percentages of Investment Funds whose Units were Approved by the CMA in 2009 and 2008, Classified by Equity Type

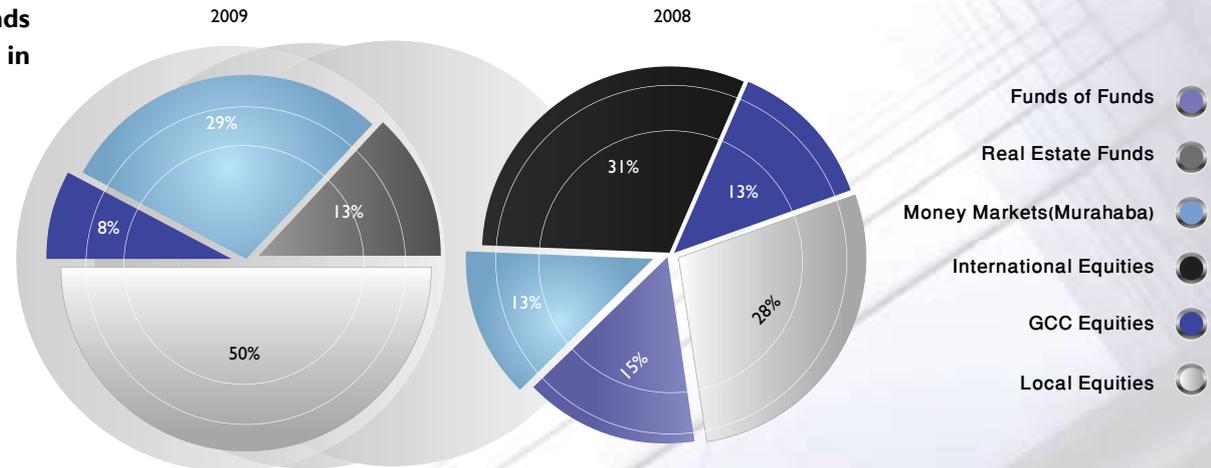
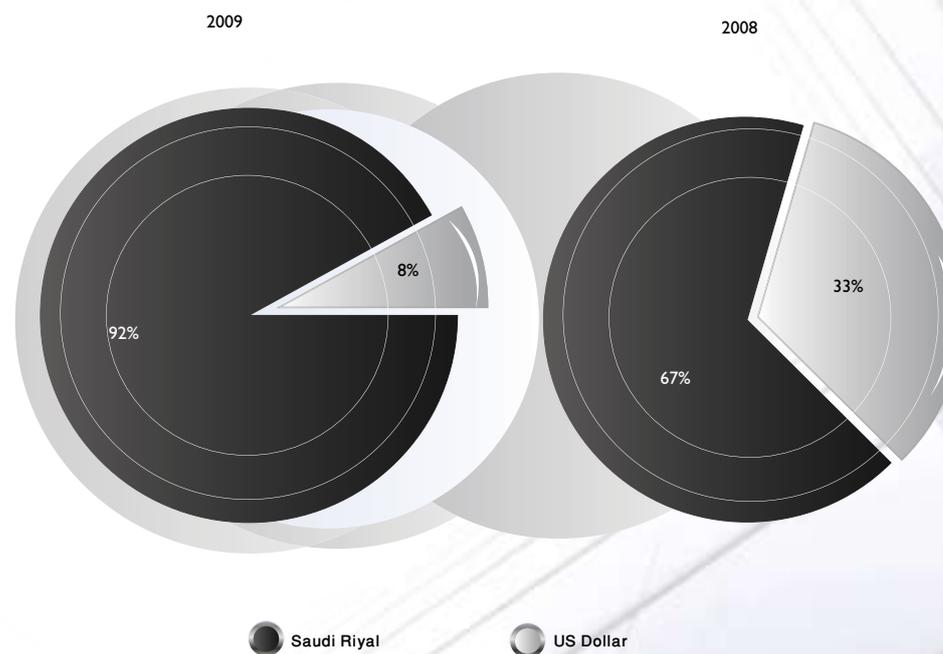


Table (20): Number of Investment Funds whose Units were Approved by the CMA in 2009 and 2008, Classified by Currency

Currency	2009		2008		Change (%)
	Number of Funds	Percentage (%)	Number of Funds	Percentage (%)	
Saudi Riyal	22	92%	26	67%	-15%
US Dollar	2	8%	13	33%	-85%
Total	24	100%	39	100%	-38%

Chart (18): Percentages of Investment Funds whose Units were Approved by the CMA in 2009 and 2008, Classified by Currency



5. Number of “Private Placement” Investment Funds whose Units were Offered in 2009

In addition to regulating the offering of investment funds to the general public, the CMA also regulates the activities of private placement investment funds. Table (21) indicates the number of such funds and their respective percentages

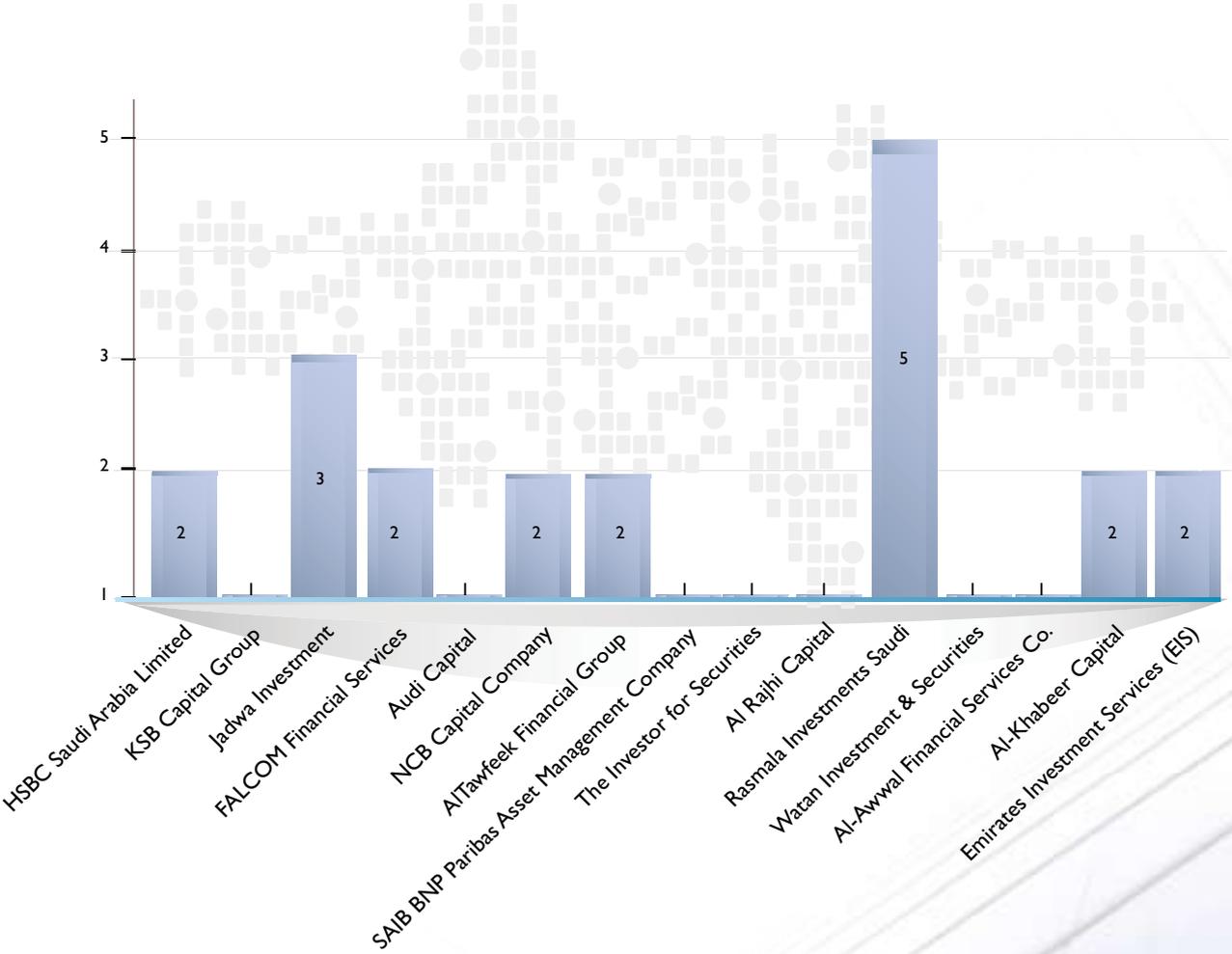
by fund manager in 2009, which can be summarized as follows:

- ◆ In 2009, the units of 27 investment funds were privately placed.
- ◆ “Rasmala Investments Saudi” took the lead in 2009 in terms of private placements with 5 funds.

Table (21): Number of Investment Funds whose Units were Offered in 2009 through “Private Placement”, Classified by Fund Manager

No.	Fund Manager	2009	
		Number of Funds	Percentage (%)
1	HSBC Saudi Arabia Limited	2	7%
2	KSB Capital Group	1	4%
3	Jadwa Investment	3	11%
4	FALCOM Financial Services	2	7%
5	Audi Capital	1	4%
6	NCB Capital Company	2	7%
7	AlTawfeek Financial Group	2	7%
8	SAIB BNP Paribas Asset Management Company	1	4%
9	The Investor for Securities	1	4%
10	Al Rajhi Capital	1	4%
11	Rasmala Investments Saudi	5	19%
12	Watan Investment & Securities	1	4%
13	Al-Awwal Financial Services Co.	1	4%
14	Al-Khabeer Capital	2	7%
15	Emirates Investment Services (EIS)	2	7%
Total		27	100%

Chart (19): Percentages of Investment Funds whose Units were Offered in 2009 through “Private Placement”, Classified by Fund Manager





2.1.4 Monitoring Securities Transactions, Disclosure and Corporate Governance

The CMA works on providing protection, fairness and equality for investors in the capital market by monitoring trading on the market, ensuring the compliance of listed companies with the disclosure standards stated in the CMA's Law and its Implementing Regulations, regulating and monitoring the full disclosure of information related to securities and their issuers, the dealings of informed persons (insiders), major shareholders and investors, raising companies' awareness and monitoring their compliance with the best corporate governance practices.

(I) Trading Surveillance

Articles Five and Six of the CML stipulate that the CMA seeks to develop the procedures that would reduce the risks related to securities transactions and to monitor securities trading to protect investors from unfair or unsound practices, involving fraud, deceit or manipulation. Moreover, Articles Forty Nine and Fifty of the CML further set out the practices and actions that constitute a violation of the provisions of the Law. In realization of its supervisory role, the CMA has concentrated its efforts on enhancing the surveillance of securities' transactions through the following:

- ❖ Development of new supervisory techniques and systems.
- ❖ Development of internal policies and procedures to improve the supervisory performance of the CMA.
- ❖ Close monitoring of all trading transactions to ensure participants' compliance with the CML and its Implementing Regulations.

❖ Trading Surveillance Mechanism

The process of trading surveillance is performed as follows:

- I. The electronic surveillance system (SMARTS) generates alerts on any practices or deals that might be suspected of violating the CML and its Implementing Regulations.

2. Intensive scanning is conducted on all trades and deals by analyzing market data and reviewing executed orders and transactions.
3. Reports are then produced on any suspected violation of the CML and its Implementing Regulations to be forwarded to the concerned department for further investigation and necessary action.
4. A surveillance inquiry (soft enforcement) is made on any behavior or practices suspected of violating the CML and its Implementing Regulations.

❖ Reports on Trading Surveillance Activities

Daily reports are produced on market activity to describe daily trading. Table (22) illustrates the number of reports produced on trading surveillance activities, number of trading days, and daily average reports in 2009 and 2008. The most important highlights of this table can be summarized as follows:

- ❖ In 2009, during 250 trading days, 2,242 reports were produced on trading surveillance activities, while 5,271 reports were produced in 2008 during 251 trading days.
- ❖ The number of reports produced on trading surveillance activities declined in 2009 to 9 per trading day compared to 21 in 2008. This decline was attributed to the employment of the electronic surveillance system through which some reports were combined together in one report.

Table (22): Number of Reports Produced on Trading Surveillance Activities, Number of Trading Days, and Average Daily Reports in 2009 and 2008

Category	2009	2008
Market Activity Reports	2,242	5,271
Number of Trading Days	250	251
Average Daily Reports	9	21

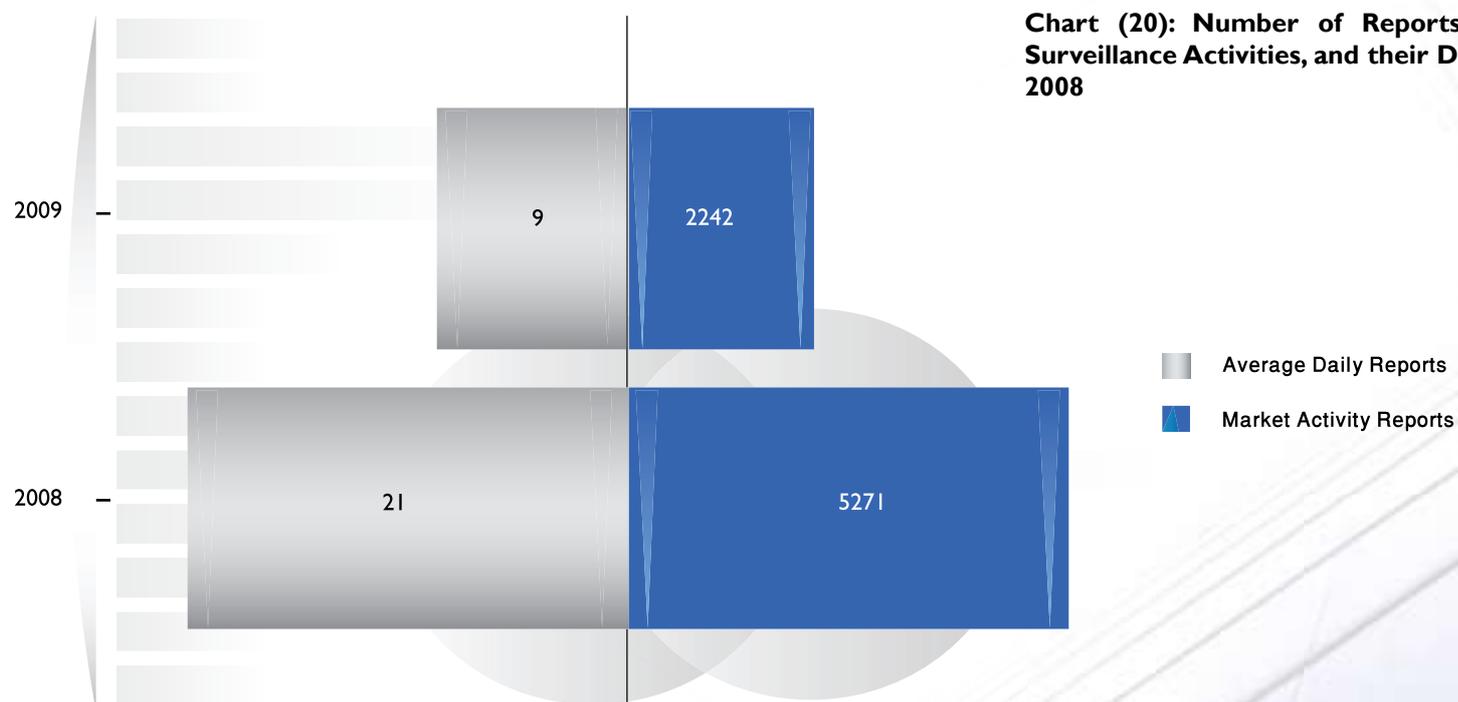




Table (23) indicates the number of “SMARTS” alerts that were examined and analyzed to identify the incidents suspected of violating the CML and its Implementing Regulations in 2009 and 2008. The salient features of this table can be pointed out in the following:

◆ In 2009, the number of intensive scans for alerted trades and deals amounted

to 1,311 out of 25,374 alerts generated by “SMARTS” system, of which 41 (3%) were identified as suspected violations.

◆ The number of incidents examined and analyzed in 2008 stood at 968 out of 34,294 alerts generated by “SMARTS” system, of which 44 (5%) were identified as suspected violations.

Table (23): Number of “SMARTS” Alerts, Number of Intensive Scans for Trades and Deals Alerted by “SMARTS”, and Suspected Violations of the CML and its Implementing Regulations in 2009 and 2008

Incident	2009		2008	
	Number	Percentage (%)	Number	Percentage (%)
Number of “SMARTS” Alerts	25,374	--	34,294	--
Intensive Scans for Trades and Deals Alerted	1,311	--	968	--
Suspected Violations	41	3%	44	5%

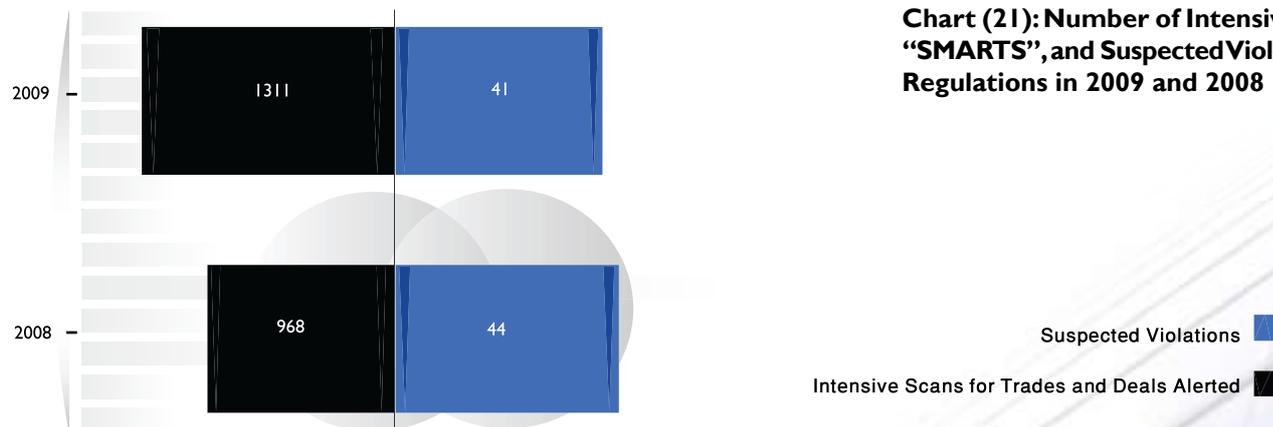


Chart (21): Number of Intensive Scans for Trades and Deals Alerted by “SMARTS”, and Suspected Violations of the CML and its Implementing Regulations in 2009 and 2008

Survey to Solicit the Views of Securities Investors on the Oversight of Trading (2) Disclosure

During 2009, the CMA conducted a survey entitled: “*The Reality of Control Over Trading in the Capital Market: Opinions of Investors and Portfolio and Investment Fund Managers*”. This survey came as a crucial step to examine the current status of the surveillance of trading on the capital market, measure the familiarity of investors with the regulations and controls governing trading on the capital market, capture violations and practices involving manipulation or deceit, closely solicit the views and tendencies of investors and investment fund and portfolio managers towards the oversight of trading, know the aspects that are key to developing the supervisory role of the CMA in addition to determining the factors affecting investor trading in general. The survey aimed at finding out the following:

- ❖ Investor knowledge about the existence of specific controls and regulations governing trading on the capital market.
- ❖ Investor familiarity with the controls and regulations governing trading on the capital market.
- ❖ Investor opinions on the CMA’s capability to capture violations or practices involving manipulation, misrepresentation or deceit.
- ❖ Investor views on the existence of any violations or practices not included in the Market Conduct Regulations.
- ❖ The factors affecting investor trading.
- ❖ The elements of basic surveillance tools available to the CMA.
- ❖ Evaluating the surveillance and supervisory role of the CMA over trading.
- ❖ Investor views on trading violations by investors and authorised persons.
- ❖ Investor views on the most common violations or practices in the capital market.

Analyzing the opinions and suggestions contributed by securities investors will help the CMA to work on setting up the plans necessary for developing its efforts in the area of trading surveillance in the Saudi capital market to protect all investors.

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

The CMA regulates and monitors two types of disclosure:

I. Initial Disclosure:

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

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

In 2009, the CMA reviewed and published 12 prospectuses which contained all data and information stipulated by the CML.



2. Continuous Disclosure:

In this type of disclosure, the CMA monitors listed companies to ensure their compliance with the continuous disclosure of information and data concerning participants in securities, the most important of which are:

- ❖ Annual financial statements and reports on closing of the fiscal year.
- ❖ Quarterly interim financial statements.
- ❖ Significant developments or events (material information) about listed companies that can be of importance to investors, and might affect the price of a company's securities. Such information shall be disclosed on Tadawul's website prior to release to the press or any other websites, within the period specified by the CMA's regulations for publishing announcements. The announcements must fully comply with the CMA's instructions.
- ❖ Any developments or events related to capital increase or decrease.
- ❖ Any changes in the details of members of the board of directors, senior executives and their relatives.
- ❖ Any changes in the company's articles of association, headquarters or auditor.

The CMA also performs the following:

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

- ❖ Monitoring notifications related to the substantial ownership of shares by major shareholders, members of boards of directors and senior executives to ensure their compliance with the CML and its Implementing Regulations.
- ❖ Monitoring agreements and memoranda of understanding signed by listed companies with an unlisted company/companies concerning ownership of shares or corporate capital increases.

Review of Annual and Quarterly Financial Statements

Tables (24), (25) and (26) reveal the results of reviewing the detailed and condensed annual and quarterly financial statements of listed companies. The main results of the review are as follows:

- Most listed companies have complied with the CML and its Implementing Regulations governing disclosure of their business results and annual and quarterly financial reports.
- A total of 606 detailed financial statements were reviewed and posted on Tadawul website in 2009, compared to 534 in 2008. On the other hand, 624 condensed financial statements were reviewed after posting on Tadawul's website in 2009 compared to 550 in 2008.
- In 2009, 86 companies had their annual financial statements reviewed with unqualified audit reports, constituting 68% of total listed companies, while 41 companies had qualified audit reports on their annual financial statements.
- Qualified opinions were made on 40 quarterly financial statements in 2009, representing 30% of companies' total quarterly financial statements, compared to 24 financial statements (19%) with qualified opinions in 2008.

Table (24): Condensed and Detailed Financial Statements that were Reviewed and Posted on Tadawul Website in 2009 and 2008

Category	Number		Change (%)
	2009	2008	
Condensed Financial Statements that were Reviewed after Posting on Tadawul Website	624	550	13%
Detailed Financial Statements that were Reviewed and Posted on Tadawul Website	606	534	13%



Table (25): Reviewed Annual Financial Statements with Qualified and Unqualified Audit Reports during 2009 and 2008

Statements	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Financial Statements with Unqualified Audit Reports for the Preceding Year	86	68%	97	87%	-11%
Financial Statements with Qualified Audit Reports for the Preceding Year	41	32%	14	13%	193%
Total	127	100%	111	100%	14%

Table (26): Quarterly Financial Statements with Qualified and Unqualified Opinions in 2009 and 2008

Statements	2009		2008	
	Number of Companies	Percentage (%)	Number of Companies	Percentage (%)
Financial Statements with Unqualified Opinions	94	70%	103	81%
Financial Statements with Qualified Opinions	40	30%	24	19%
Total	134	100%	127	100%

Disclosure of Material Information on Tadawul Website

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

- ◆ The total number of announcements posted on Tadawul website in 2009 rose to 2,052, compared to 1,787 in 2008, denoting an increase of 15%.
- ◆ The number of announcements of material developments or events in 2009 was 1,287, composing 63% of total announcements, increasing by 5% over 2008.
- ◆ The total number of announcements of financial results in 2009 stood at 746, composing 36% of total announcements, denoting an increase of 40% over 2008.
- ◆ The number of boards of directors' announcements recommending capital increases through issuing bonus shares amounted to 17 in 2009, increasing by 13% compared to 15 such announcements in 2008. There were two company announcements recommending capital increases through rights issues in 2009 compared to 7 announcements in 2008, declining by 71%.

Table (28) shows the number of announcements posted on Tadawul website, on a quarterly basis in 2009 and 2008. As indicated in the table, 63% of these announcements were made in the first half of 2009 as compared to 62% in the first half of 2008.

Table (27): Number of Announcements Posted on Tadawul Website Classified by Type in 2009 and 2008

Type of Announcement	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Material Developments or Events	1,287	63%	1,231	69%	5%
Financial Results	746	36%	534	30%	40%
Corporate Boards of Directors Recommending Capital Increase through Rights Issue	2	0.09%	7	0.4%	-71%
Corporate Boards of Directors Recommending Capital Increase through Bonus Shares Issue	17	1%	15	0.8%	13%
Total	2,052	100%	1,787	100%	15%



Chart (22): Number of Announcements Posted on Tadawul Website Classified by Type in 2009 and 2008

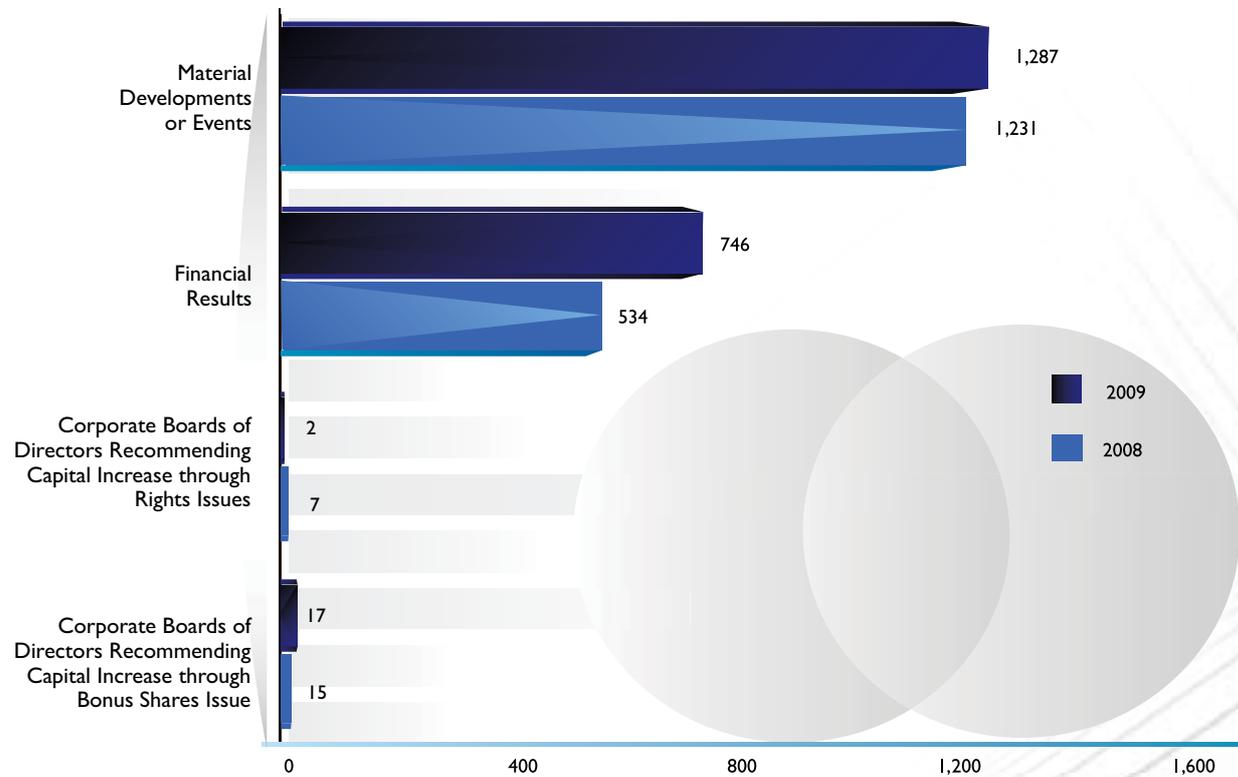
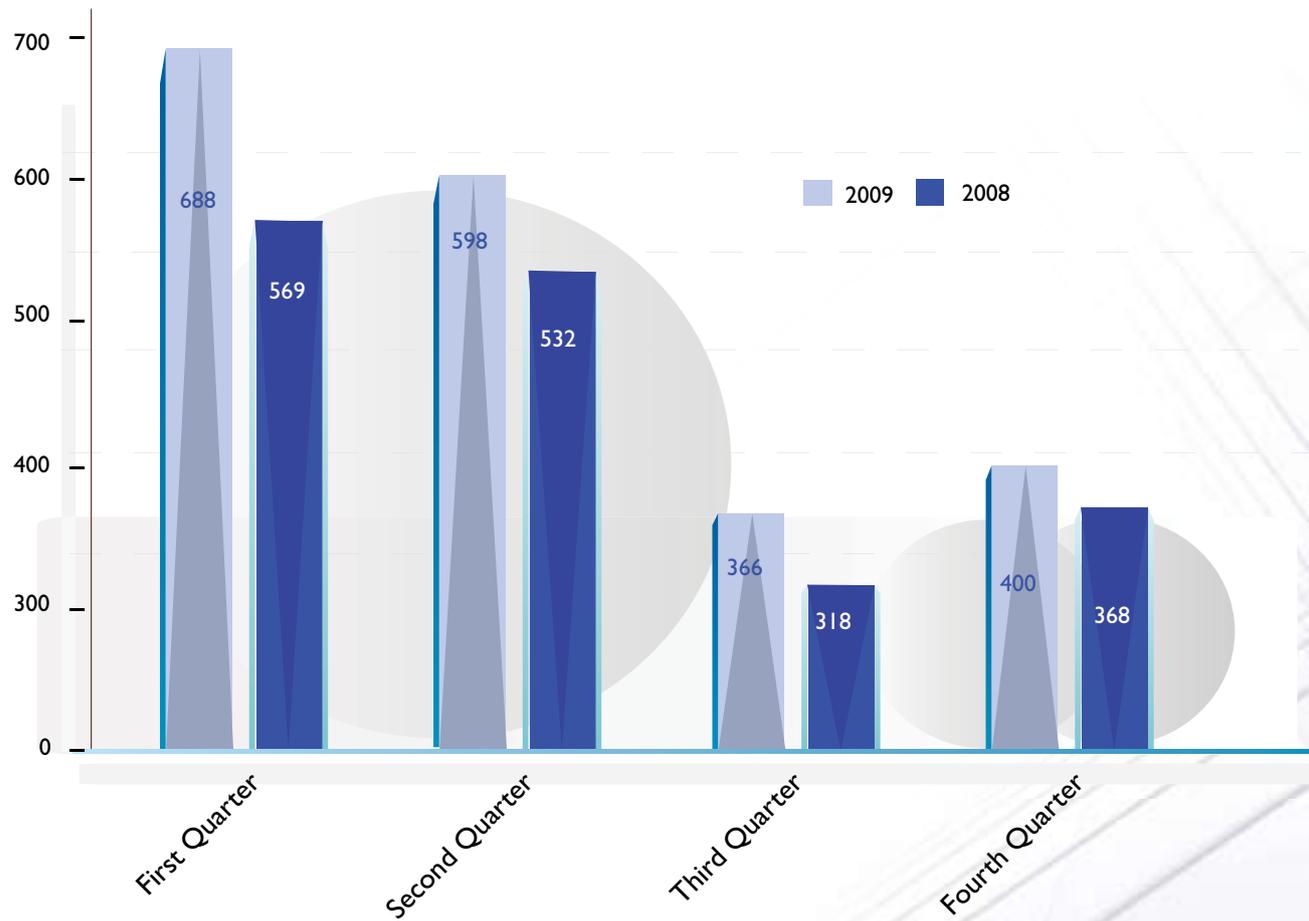


Table (28): Number of Announcements Posted on Tadawul Website in 2009 and 2008 on a Quarterly Basis

Quarter	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
First	688	34%	569	32%	21%
Second	598	29%	532	30%	12%
Third	366	18%	318	17%	15%
Fourth	400	19%	368	21%	9%
Total	2,052	100%	1,787	100%	15%



Chart (23): Number of Announcements Posted on Tadawul Website in 2009 and 2008 on a Quarterly Basis



(3) Corporate Governance:

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

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

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

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

Table (29) demonstrates the number of listed companies that adhered to disclosure in their board of directors' reports and those that did not, in accordance with the requirements of the Corporate Governance Regulations in 2009 and 2008. The most significant points of this table are:

- ❖ The number of companies that complied with disclosure in their board of directors' reports for the preceding year, in accordance with the requirements of the "Corporate Governance Regulations", rose to 112 (or 95%) in 2009 compared to 84 (or 88%) complying companies in 2008.
- ❖ 6 companies failed to comply in 2009 with disclosure in their board of directors' reports for the preceding year, in accordance with the requirements of the "Corporate Governance Regulations", as compared with 11 companies in 2008.

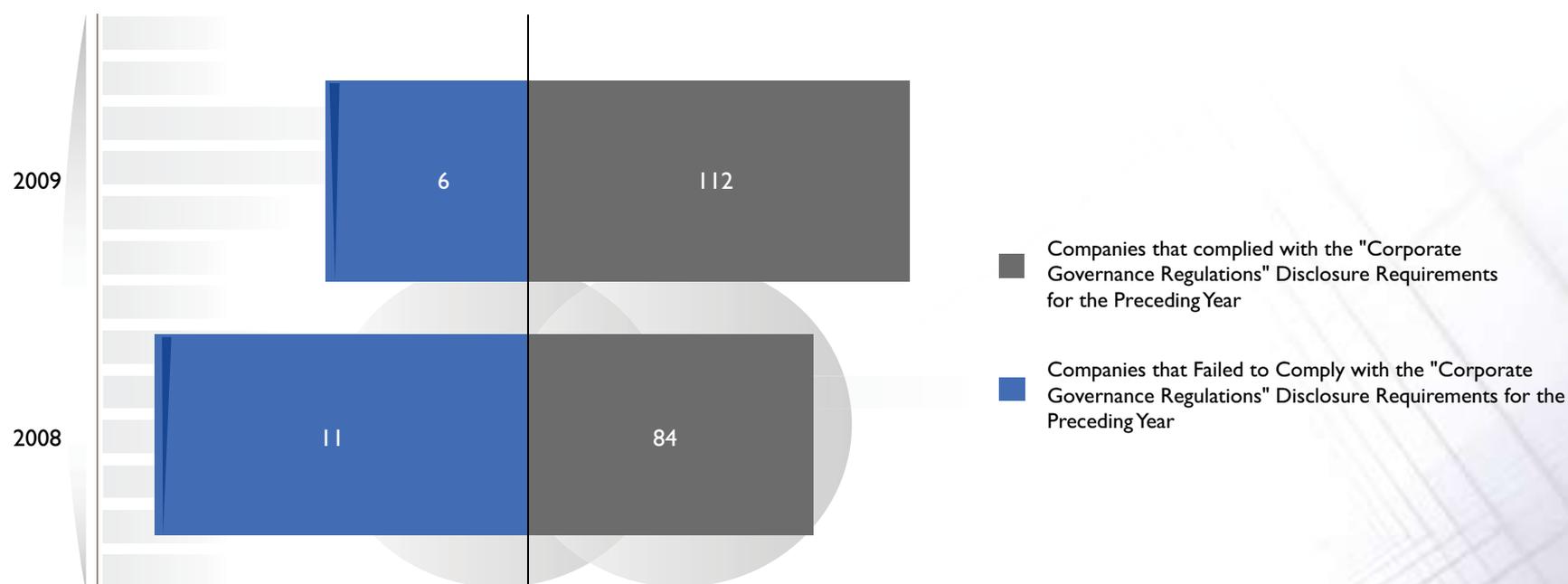


Table (29): Listed Companies that Complied or Failed to Comply with the Corporate Governance Regulations Disclosure Requirements in their Boards of Directors' Reports in 2009 and 2008

Category	2009		2008	
	Number	Percentage (%)	Number	Percentage (%)
Companies that Complied with the "Corporate Governance Regulations" Disclosure Requirements for the Preceding Year	112	95%	84	88%
Companies that Failed to Comply with the "Corporate Governance Regulations" Disclosure Requirements for the Preceding Year	6	5%	11	12%
Total	118¹⁰	100%	95	100%

10. Nine companies were not included in reviewing the compliance level with the requirements of the Corporate Governance Regulations in their boards of directors' reports (they were either newly listed or had a different fiscal year).

Chart (24): Listed Companies that Complied or Failed to Comply with the Corporate Governance Regulations Disclosure Requirements in their Boards of Directors' Reports in 2009 and 2008



◆ Suspected Violations of the CMA's Instructions Regarding the Announcements of Material Developments or Events

The CMA monitors the compliance of listed companies with its instructions regarding the announcements of material developments or events they post on Tadawul website. Table (30) reflects the number of such announcements which are suspected of violating the CMA's instructions, on a quarterly basis in 2009 and 2008. The most important indicators of this table can be summarized as follows:

- ◆ The total number of announcements suspected of violating the CMA's instructions stood at 98 in 2009 compared to 34 in 2008, increasing by 188%.
- ◆ Most announcements suspected of violating the CMA's instructions were concentrated in the first half of 2009, as they amounted to 69 with 71%.



Table (30): Number of Announcements Posted on Tadawul Website Suspected of Violating the CMA's Instructions in 2009 and 2008 on a Quarterly Basis

Quarter	2009		2008	
	Number	Percentage (%)	Number	Percentage (%)
First	36	37%	1	3%
Second	33	34%	10	29%
Third	13	13%	19	56%
Fourth	16	16%	4	12%
Total	98	100%	34	100%

◆ **Notifications of Substantial Ownership (5% or more) in the Shares of a Listed Company**

Notification of substantial shareholdings (5% or more) or the ownership of any shares by a board member or a senior executive in the same company, and notification of any change to the percentage of such ownership, are among the disclosures mandated by the CMA. Table (31) shows the number of notifications of substantial shareholdings received by the CMA on a quarterly basis in 2009 and 2008. The contents of this table can be summarized as follows:

- ◆ The total number of substantial shareholding notifications in 2009 went up by 20% to 90, compared to 75 in 2008.
- ◆ The first quarter of 2009 had the highest percentage of notifications with

33% against the third quarter of 2008 which accounted for the highest percentage of notifications with 30%.

Table (32) indicates the number of notifications of board members' and senior executives' ownership in listed companies that were received by the CMA in 2009 and 2008 on a quarterly basis. The contents of this table can be summarized as follows:

- ◆ The total number of notifications of board members' and senior executives' ownership received by the CMA in 2009 increased by 160% to 229 compared to 88 in 2008.
- ◆ The second quarter of 2009 saw the highest percentage of notifications with 39%. The corresponding quarter of 2008 also saw the highest percentage of notifications with 33%.

Table (31): Number of Notifications of Substantial Shareholdings Received by the CMA on a Quarterly Basis in 2009 and 2008

Quarter	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
First	30	33%	20	27%	50 %
Second	16	18%	12	16%	33 %
Third	24	27%	23	30%	4%
Fourth	20	22%	20	27%	0%
Total	90	100%	75	100%	20%



Chart (25): Number of Notifications of Substantial Shareholdings Received by the CMA on a Quarterly Basis in 2009 and 2008

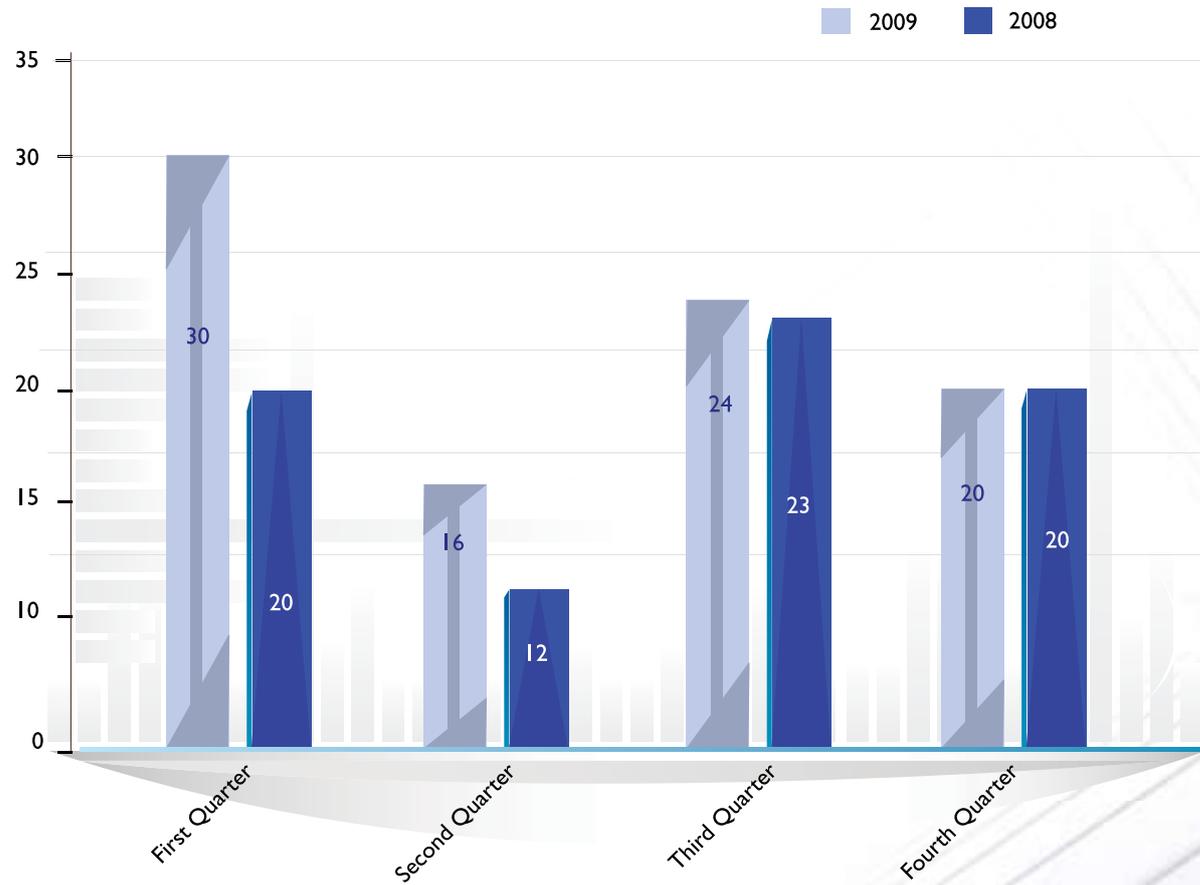
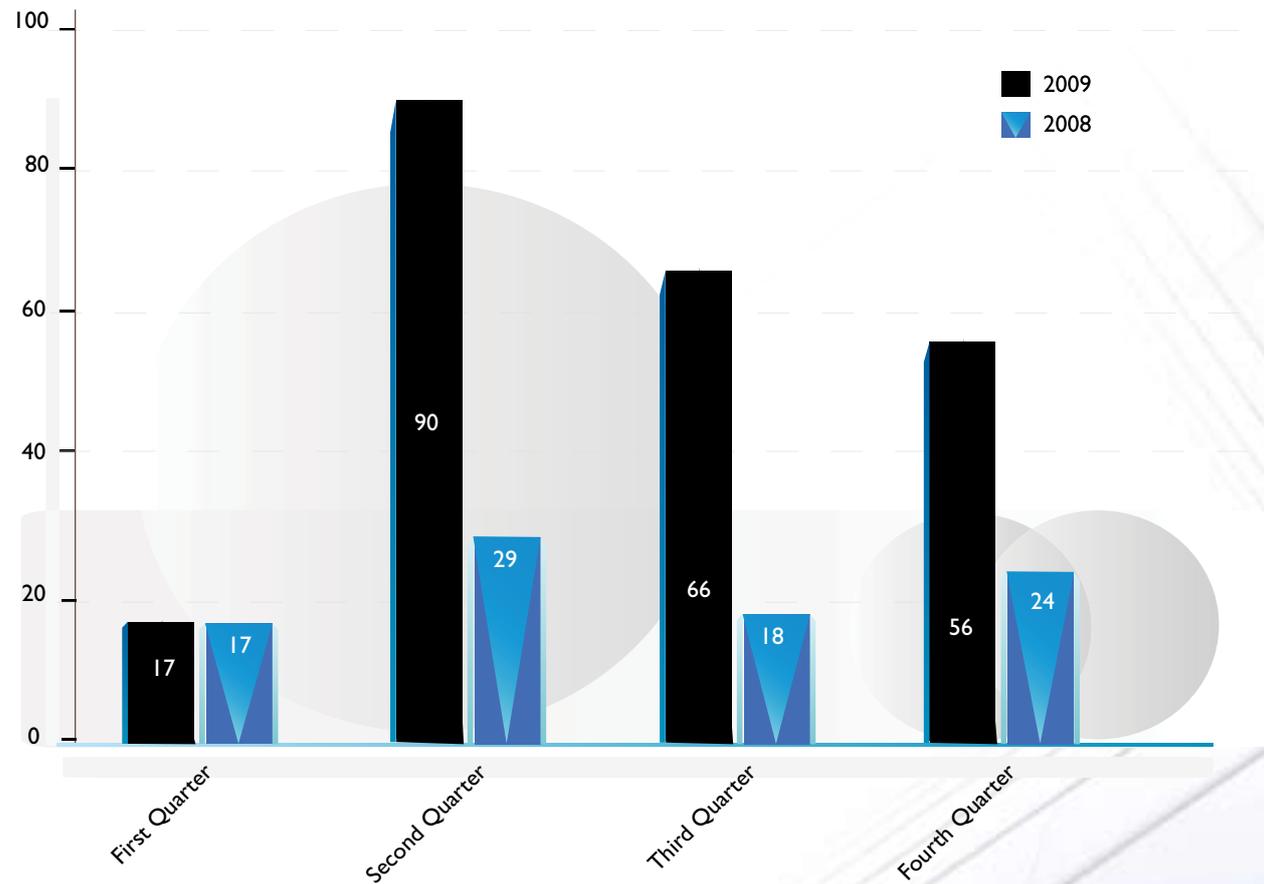


Table (32): Number of Notifications of Board Members' and Senior Executives' Ownership in Listed Companies, Received by the CMA in 2009 and 2008 on a Quarterly Basis

Quarter	2009		2008	
	Number	Percentage (%)	Number	Percentage (%)
First	17	7%	17	19%
Second	90	39%	29	33%
Third	66	29%	18	21%
Fourth	56	25%	24	27%
Total	229	100%	88	100%



Chart (26): Number of Notifications of Board Members' and Senior Executives' Ownership in Listed Companies, Received by the CMA in 2009 and 2008 on a Quarterly Basis



◆ Enhancing the Level of Disclosure

To enhance the level of disclosure among dealers in securities, the CMA has done the following:

- 1) Prepared guidance manuals.
- 2) Conducted two surveys for soliciting the views and tendencies of participants in the Saudi capital market in order to enhance the level of disclosure.

I- Guidance Manuals

As part of its devotion to clarify the best methods and practices with respect to the obligations of joint-stock companies after offering and before trading; the compliance of listed companies with the fulfillment of the CMA's requirements; the obligation of board members and senior executives as to shares ownership; and the obligations of substantial shareholders as to share ownership notifications to meet the CMA's requirements on disclosure of their dealings in the shares of listed companies as well as their obligations during prohibited periods prescribed by the CMA's Regulations, the CMA has prepared and distributed four guidance manuals addressing the best methods and practices necessary for meeting the requirements of the CMA. Each manual is accompanied with the forms and reports required to be submitted to the CMA with their submission timings indicated as well. Below is a brief description of each manual:

◆ Manual on Joint-stock Companies' Obligations after Public Offering and Before Listing

This Manual points out the best methods and practices with respect to the adherence of joint-stock companies to the CMA's requirements. Enclosed with this Manual are some forms and reports which companies should submit to the CMA after being offered and prior to listing for trading.

◆ Manual on Continuous Obligations of Listed Companies

It sets forth the best methods and practices as to the compliance of listed companies with the CMA's requirements. It also provides a comprehensive reference on continuous obligations, and the reports and forms that should be submitted to the CMA by listed companies.

◆ Manual on Share Ownership Obligations of Board Members and Senior Executives

With this Manual the CMA aims at enforcing disclosure and assisting members of boards of directors in listed companies and senior executives and their affiliates to meet the CMA's requirements regarding the disclosure of their dealings in the shares of listed companies, and their compliance during the prohibited trading periods stipulated by the CMA's regulations. The Manual provides a comprehensive reference on the cases that should be disclosed, and the forms and reports which should be submitted to the CMA. It also determines the periods during which board members and senior executives can deal in securities.

◆ Manual on the Obligations of Substantial Shareholders as to Share Ownership Notifications

The CMA's goal for such Manual is to enforce disclosure and assist senior executives to meet the CMA's requirements regarding the disclosure of their dealings in the shares of listed companies. The Manual provides a comprehensive reference on the cases that should be disclosed, and the forms and reports which should be submitted to the CMA. The scope of presented procedures covers the obligations of substantial shareholders when they deal in the securities of listed companies.



Moreover, the CMA has pointed out that these manuals shall never be deemed as a replacement for the provisions of the Law and its Implementing Regulations. If any conflict arises between them and the provisions of the Law or its Implementing Regulations, prevalence shall always be given to these provisions.

2- Surveys to Enhance the Level of Disclosure

The CMA recognizes the importance of disclosure in creating an investment environment marked with transparency and fairness. Therefore, two surveys were conducted to diagnose the current status from the point of view of market participants. This resulted in preparing plans and schemes that are vital for effecting and developing the CMA's role in regulating and monitoring the process of disclosure in a manner that contributes to improving the level of market efficiency and boosting the confidence of parties involved in the capital market.

Here is a brief excerpt on each survey:

◆ “The Reality of Corporate Disclosure of the Saudi Stock Market Listed Companies: A Survey of Executives of Listed Companies in the Saudi Capital Market”

This survey aimed at identifying the degree of familiarity of the executives in listed companies with the importance of disclosure and transparency for capital market participants, in addition to measuring the extent to which these executives are familiar with the regulations and instructions related to the obligations of listed companies, and their understanding of the reality of announcements, whether they were financial results, material developments, or board of directors' recommendations to increase or decrease capital in terms of accuracy, inclusiveness, clarity, timing, compliance and the role of the CMA in regulating and monitoring these announcements.

◆ “The Reality of Continuous Disclosure of Companies Listed in the Saudi Capital Market, Aspects that Need Improvement, and the CMA's Regulatory and Supervisory Role to Achieve that End: A Survey of Investors' and Investment Fund/Portfolio Managers' Views on Corporate Disclosure”

The survey aimed at unveiling the awareness level of investors and managers of investment funds and portfolios towards corporate disclosure, their views about the current status of disclosed data and information, and the aspects of development in addition to the CMA's role in regulating and monitoring corporate disclosure. The survey studied the significance of information/data of listed companies in making informed investment decisions. It also shed some light on the current status of continuous disclosure of companies' material developments or events, their boards of directors' reports and financial results and the aspects that needed to be developed.

2.1.5 Violations and Investor Complaints

The CMA attaches much importance to the protection of investors against unfair or unsound practices that may involve fraud, deceit, swindling or manipulation in the capital market. The CMA handles investor complaints, follows up and monitors violations of the CML and its Implementing Regulations, and investigates cases suspected of violating the CML and its Implementing Regulations. It also takes legal actions before the Committee for the Resolution of Securities Disputes (CRSD) against those violations, and follows up the implementation of the resolutions and verdicts issued by the CMA Board and the two committees for the resolution and appeal of securities disputes.

(I) Investor Complaints

◆ Channels for Lodging Complaints

The CMA has opened many channels for lodging and handling investors' complaints. They can be lodged at the CMA's Department of Investor Complaints, or can be sent via e-mail, fax or postal service. The CMA then examines and reviews each complaint and ensures that it has jurisdiction for further investigation.

◆ Number and Classification of Complaints in 2009 and 2008

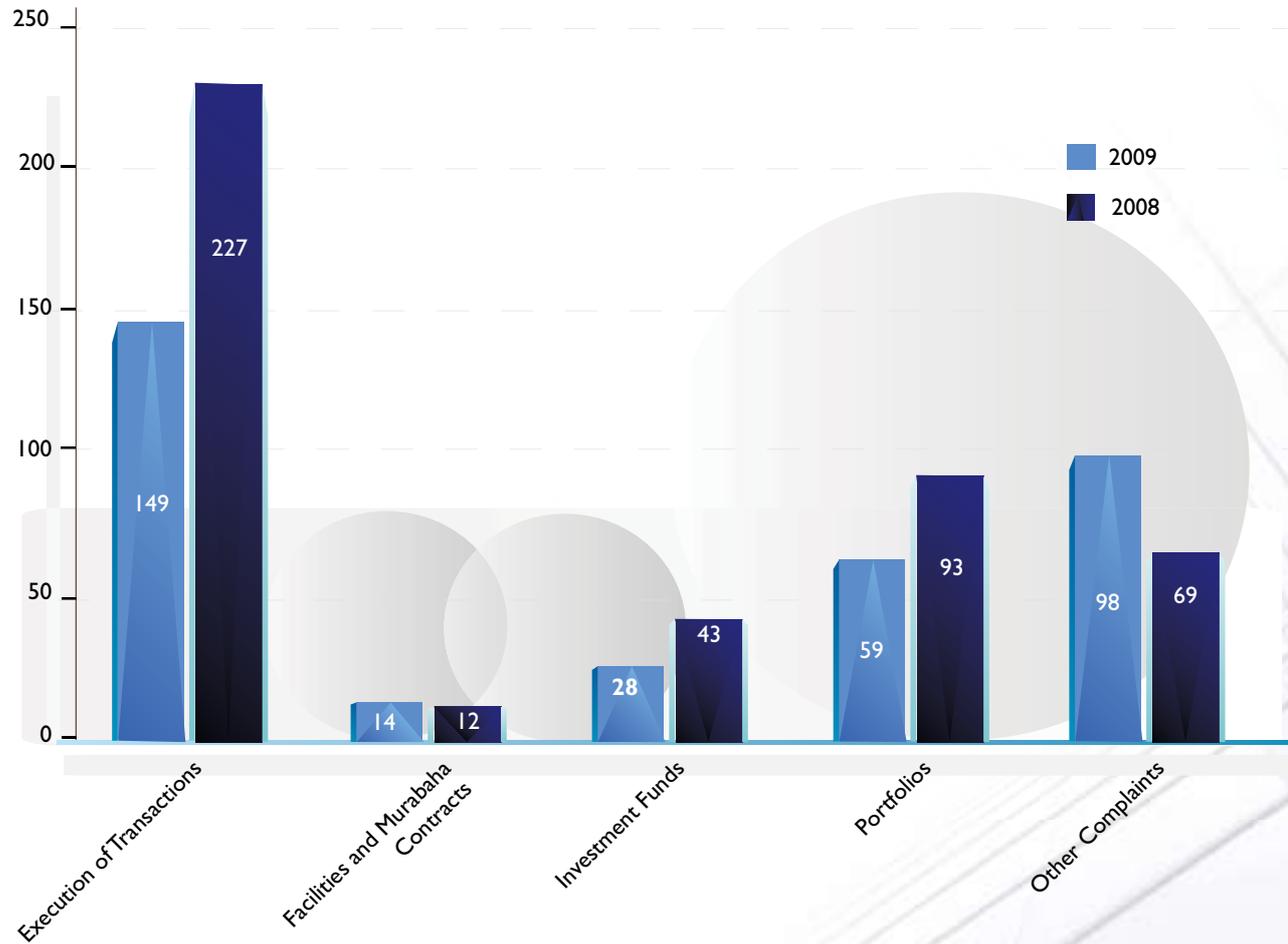
Table (33) demonstrates the number of complaints, classified by type, that the CMA received through various channels in 2009 and 2008. The types of complaints include the execution of transactions, facilities and Murabaha

Table (33): Number of Complaints Received by the CMA in 2009 and 2008 Classified by Type

Type of Complaint	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Execution of Transactions	149	43%	227	51%	- 34%
Facilities and Murabaha Contracts	14	4%	12	3%	17%
Investment Funds	28	8%	43	10%	-35%
Portfolios	59	17%	93	21%	-37%
Other Complaints	98	28%	69	15%	42%
Total	348	100%	444	100%	-22%



Chart (27): Number of Complaints Received by the CMA in 2009 and 2008 Classified by Type



contracts, investment funds, portfolios and other complaints that might be made. The most salient points of the classification of such complaints can be summarized in the following:

- ◆ The total number of complaints received in 2009 through various channels stood at 348 compared to 444 in 2008, recording a decline of 22% .
- ◆ Complaints related to the execution of transactions had the highest figure in 2009 and 2008 comprising 43% and 51% of total complaints respectively.
- ◆ Complaints related to facilities and Murabaha contracts held the

lowest figure in 2009 and 2008 comprising 4% and 3% of all complaints respectively.

Table (34) also shows the number of complaints received by the CMA on a quarterly basis in 2009 and 2008. The most important findings of this table can be summarized as follows:

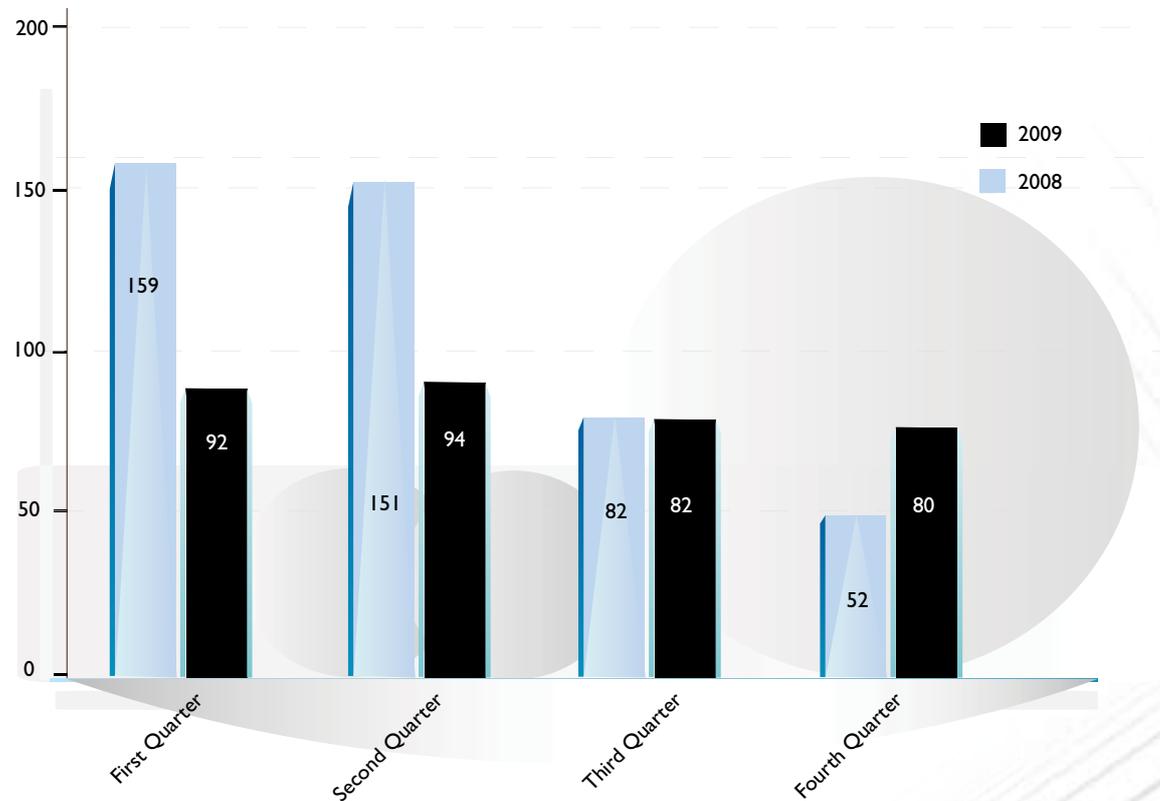
- ◆ Most complaints received through various channels were in the first half of 2009 and 2008 with 53% and 70% respectively.
- ◆ The percentages of complaints ranged narrowly between 23% and 27% in 2009, while they varied in 2008 ranging between 12% and 36%.

Table (34): Number of Complaints Received by the CMA in 2009 and 2008 on a Quarterly Basis

Quarter	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
First	92	26%	159	36%	-42%
Second	94	27%	151	34%	-38%
Third	82	24%	82	18%	0%
Fourth	80	23%	52	12%	54%
Total	348	100%	444	100%	-22%



Chart (28): Number of Complaints Received by the CMA in 2009 and 2008 on a Quarterly Basis



◆ Handling Investor Complaints

Paragraph (e) of Article Twenty Five of the CML stated that “No complaint or statement of claim may be filed with the Committee without being filed first with the Authority, and a 90-day period has passed from the filing date, unless the Authority notifies the grievant otherwise of the permissibility

of submitting before the expiration of this period”. In the event that no amicable settlement could be reached between the conflicting parties, and 90 days from filing of the complaint has passed, a notice shall be given to the complainant. The complainant may then file a case with the Committee

for the Resolution of Securities Disputes (CRSD) to look into. Accordingly, the CMA issues notices and notifications to complainants when it receives any complaint in an attempt to reach a settlement between the concerned parties. Below are the definitions of notices and notifications:

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

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

Table (35) indicates the status of complaints received by the CMA at the end of 2009 and 2008. These can be summarized as follows:

- ◆ In 2009, 205 complaints (59%) were resolved out of a total of 348 complaints, while 243 complaints (55%) out of a total of 444 complaints were resolved in 2008.
- ◆ The number of complaints under consideration in 2009 amounted to 32 or 9%. Notifications/notices were prepared for 111 complaints.

Table (36) reflects the status of notifications and notices that were prepared by the CMA, whether served or not, to complainants. 90 notifications/notices were served in 2009 accounting for 81%, while 21 (19%) notifications/notices were not served to complainants.

Table (35): Status of Complaints Received by the CMA at the End of 2009 and 2008

Status	2009		2008 ¹¹	
	Number	Percentage (%)	Number	Percentage (%)
Under Consideration	32	9%	57	13%
Resolved	205	59%	243	55%
Notifications/Notices Prepared	111	32%	144	32%
Total	348	100%	444	100%

11. All cases under consideration at the end of 2008 were finalized in 2009 as 36 complaints were resolved and 21 notifications/notices were prepared.



Chart (29): Status of Complaints Received by the CMA at the End of 2009 and 2008

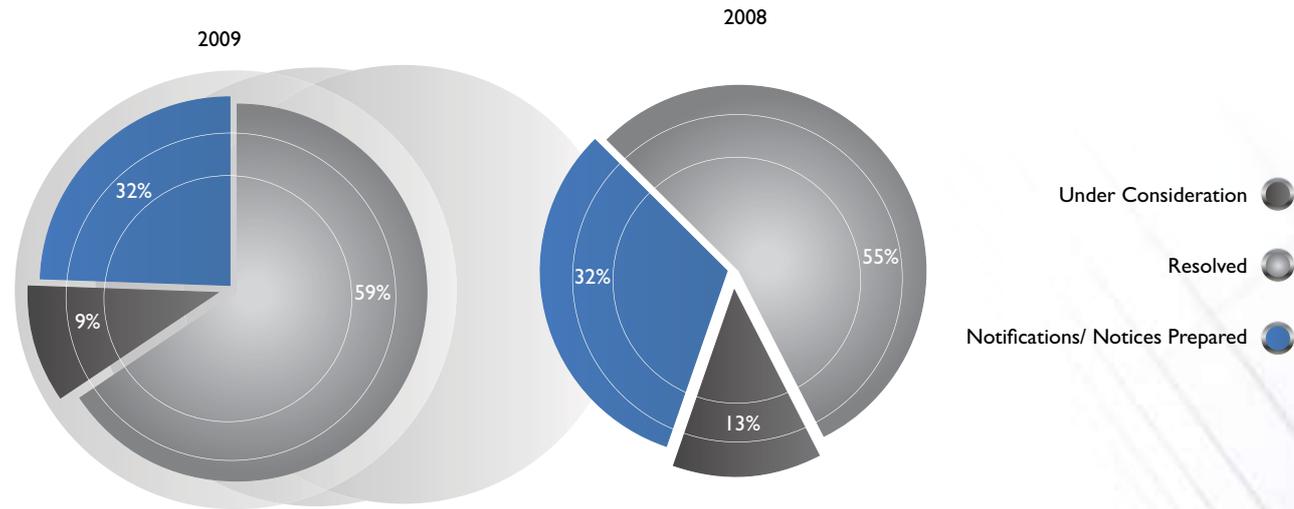
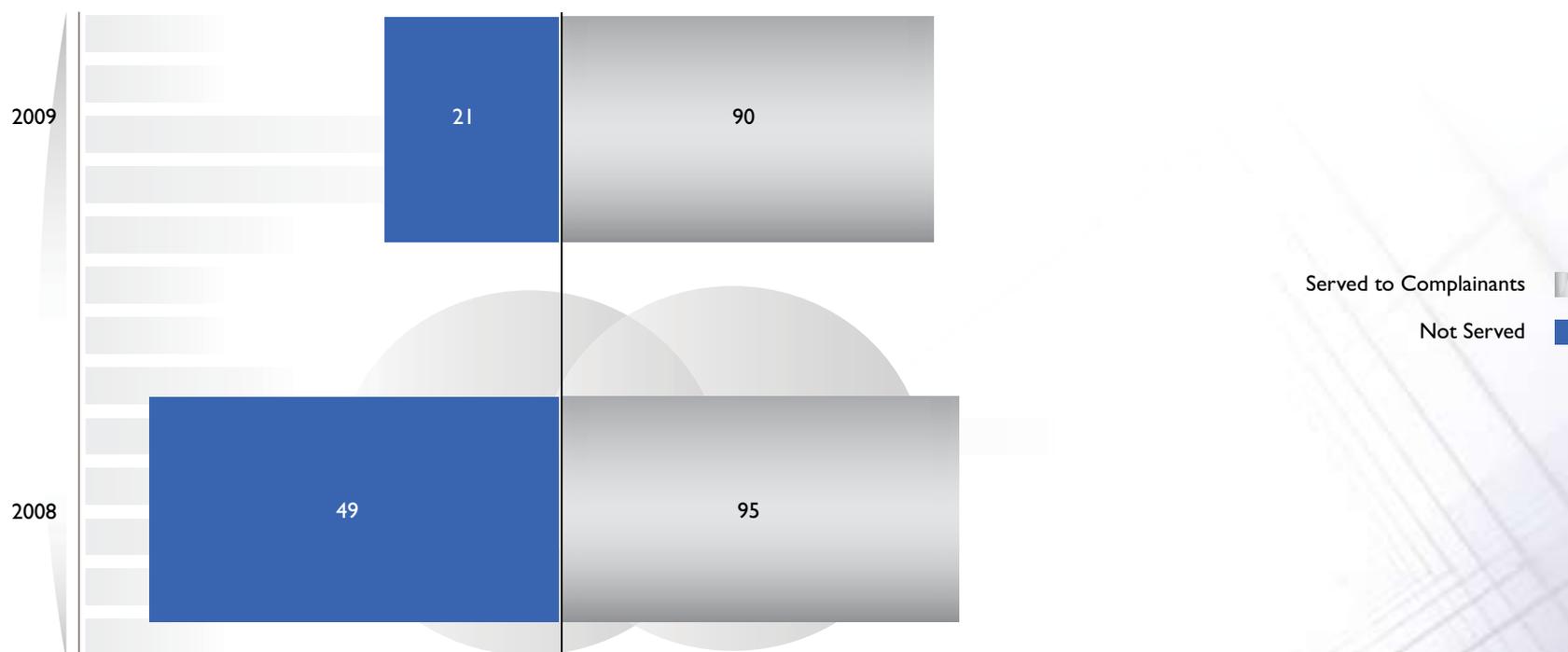


Table (36): Status of Notifications/Notices Related to Investor Complaints at the End of 2009 and 2008

Status of Notifications/ Notices	2009		2008	
	Number	Percentage (%)	Number	Percentage (%)
Served to Complainants	90	81%	95	66%
Not Served	21	19%	49	34%
Total	111	100%	144	100%

Chart (30): Status of Notifications/Notices Related to Investor Complaints in 2009 and 2008



(2) Investigation into Violations of the CML

According to Paragraph (c) of Article Five of the CML, “For the purpose of conducting all investigations which, in the opinion of the Board, are necessary for the enforcement of the provisions of this Law and other regulations and rules issued pursuant to this Law, the members of the Authority and its employees designated by the Board are empowered to subpoena witnesses, take evidence, and require the production of any records, papers, or other documents which the Authority deems relevant or material to

its investigation. The Authority shall have the power to carry out inspections of the records or any other materials, whoever the holder may be, to determine whether the person concerned has violated, or is about to violate any provision of this Law, the Implementing Regulations or the rules issued by the Authority”.



◆ Stages of Investigation into Suspected Violations of the CML

Investigation into violations of the CML or its Implementing Regulations undergoes several stages from fact-finding, gathering, analysis and study of all relevant information to subpoenaing and interrogating violators after obtaining the approval of the CMA Board in this regard. Table (37) points out the number of investigations into suspected violations of the CML, by stage of investigation, in 2009 and 2008. The indicators of the table can be summarized as follows:

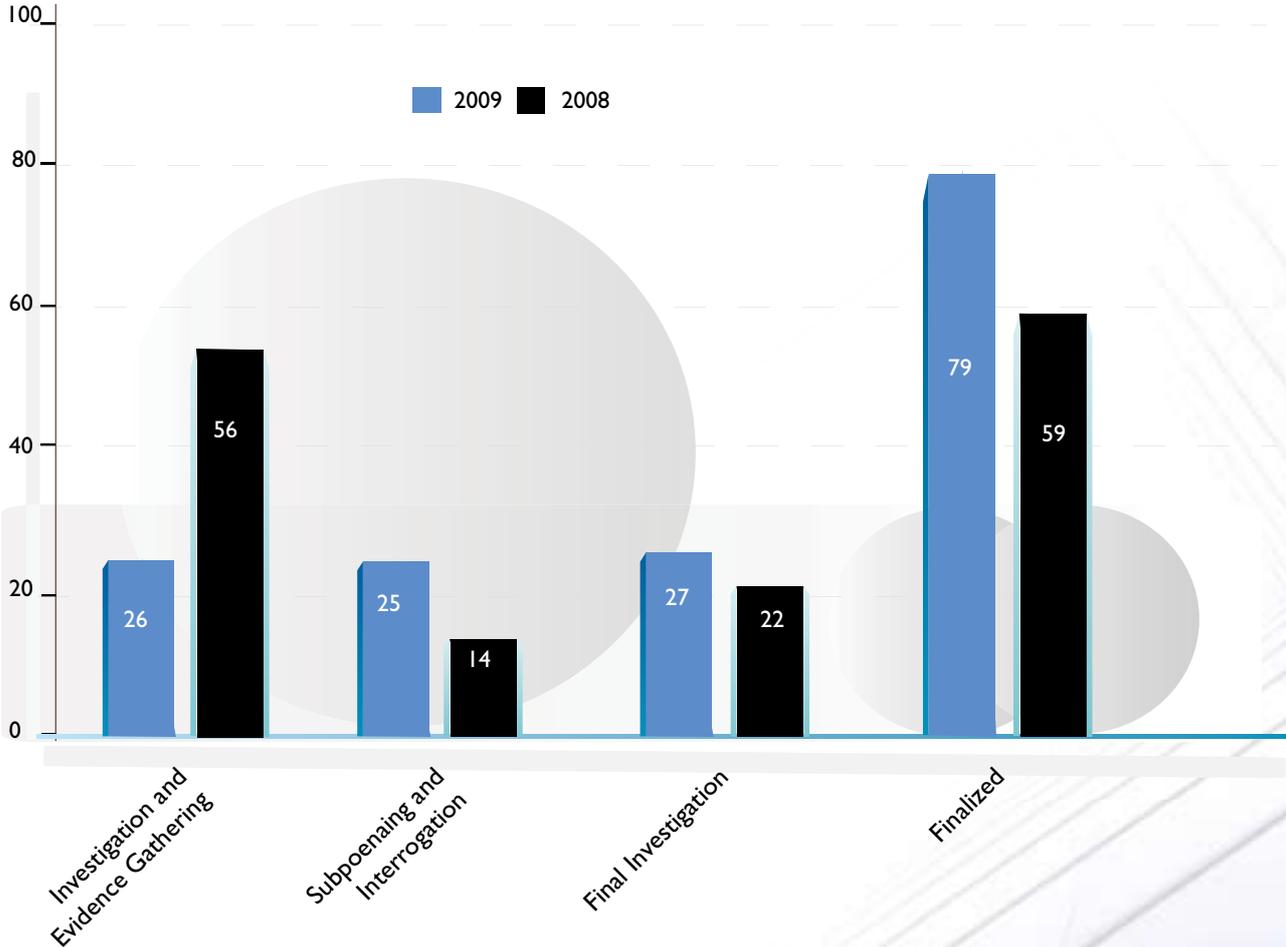
◆ The total number of cases amounted to 157 in 2009 compared to 151 in 2008.

- ◆ At the end of 2009, 79 cases (50%) were finalized against 59 cases (39%) at the end of 2008.
- ◆ 26 cases (17%) were still in the stage of investigation and evidence gathering at the end of 2009 against 56 cases (37%) at the end of 2008.
- ◆ The percentages of cases still in the stage of subpoenaing and interrogation, and final investigation in 2009 stood at 16% and 17% respectively.

Table (37): Number of Investigation Cases into Suspected Violations of the CML at the End of 2009 and 2008 by Stage of Investigation

No.	Stage	2009		2008	
		Number	Percentage (%)	Number	Percentage (%)
1	Investigation and Evidence Gathering	26	17%	56	37%
2	Subpoenaing and Interrogation	25	16%	14	9%
3	Final Investigation	27	17%	22	15%
4	Finalized	79	50%	59	39%
Total		157	100%	151	100%

Chart (31): Number of Investigation Cases into Suspected Violations of the CML at the End of 2009 and 2008 by Stage of Investigation





◆ Filed/Finalized Investigation Cases into Suspected Violations of the CML in 2009 and 2008

Table (38) shows the number of filed and finalized investigation cases into suspected violations of the CML in 2009 and 2008. It indicates that all legal procedures of 157 cases were finalized in 2009, compared to 80 cases in

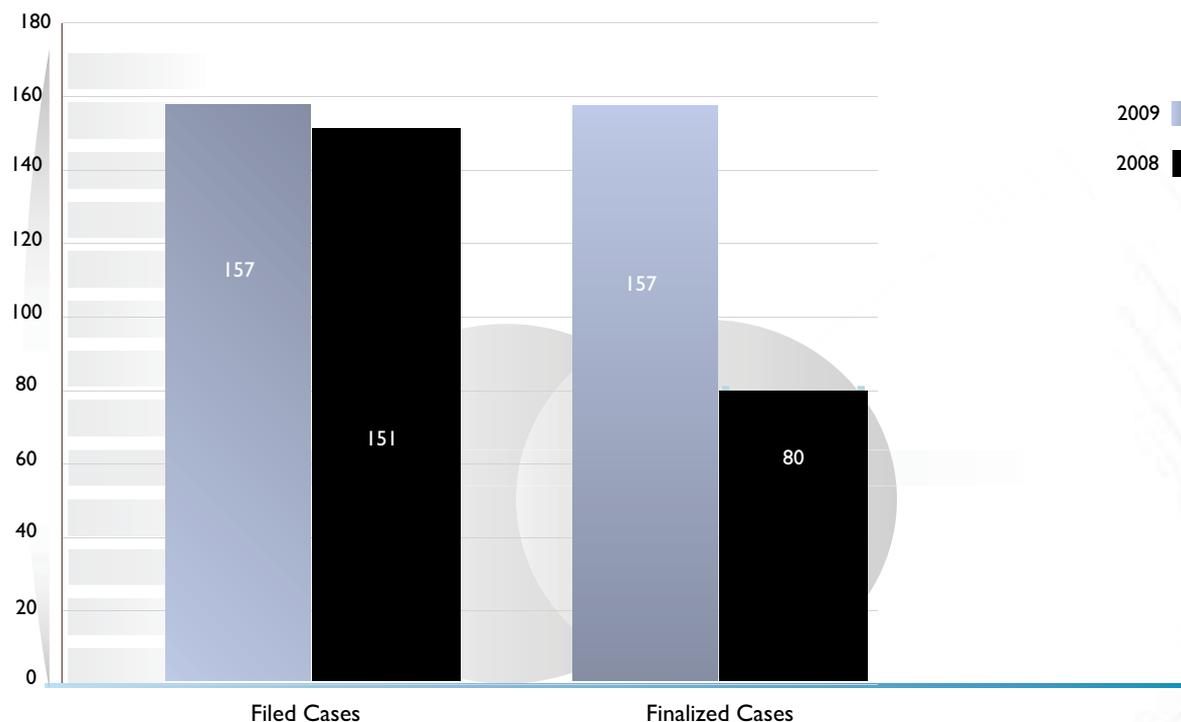
2008. The legal procedures included fact-finding, investigation, prosecution and imposition and execution of penalties by the Board of the CMA or the CRSD.

Table (38): Number of Filed and Finalized Investigation Cases into Suspected Violations of the CML at the End of 2009 and 2008

Category	Number		Change (%)
	2009	2008	
Filed Cases	157	151	4%
Finalized Cases	157 ¹²	80	96%

12. Including cases of 2004, 2005, 2006, 2007 and 2008.

Chart (32): Number of Filed and Finalized Investigation Cases into Suspected Violations of the CML at the End of 2009 and 2008



◆ **Investigation Cases into Suspected Violations of the CML in 2009 and 2008**

Table (39) illustrates the number of investigation cases into suspected violations of the CML by type of violation in 2009 compared to 2008. Its most important indicators are the following:

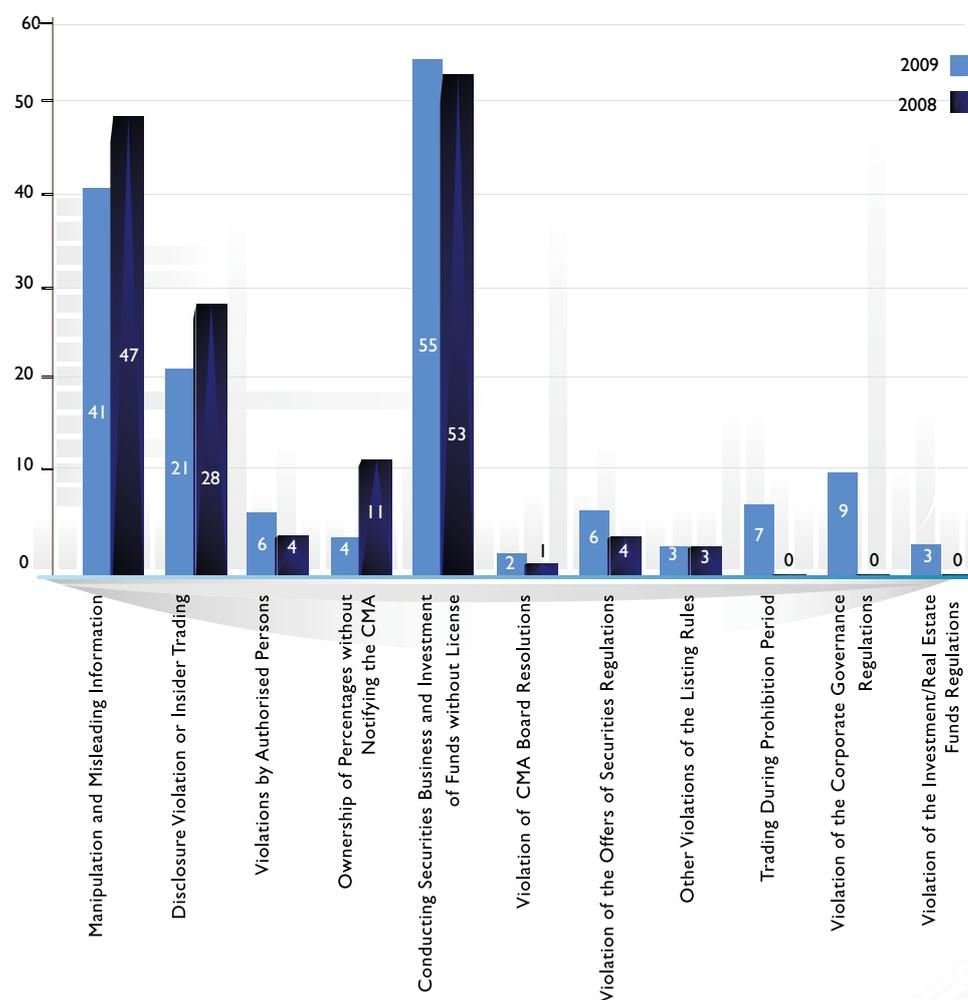
- ◆ The number of investigation cases related to “conducting securities business and investment of funds without license” held the highest percentage (35%) in 2009 and 2008.
- ◆ In 2009, the number of investigation cases related to “ownership of percentages without notifying the CMA” decreased by 64% compared to 2008.
- ◆ The number of investigation cases related to “violations by authorised persons” and “violation of the Offers of Securities Regulations” increased by 50% compared to 2008.
- ◆ The number of investigation cases related to “trading during prohibition period”, “violation of the Corporate Governance Regulations” and “violation of the Investment/Real Estate Funds Regulations” amounted to 7, 9, and 3 with 4%, 6% and 2% respectively in 2009.



Table (39): Number of Investigation Cases into Suspected Violations of the CML by Violation Type at the End of 2009 and 2008

Violation Type	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Manipulation and Misleading Information	41	26%	47	31%	-13%
Disclosure Violation or Insider Trading	21	13%	28	18%	-25%
Violations by Authorised Persons	6	4%	4	3%	50%
Ownership of Percentages without Notifying the CMA	4	3%	11	7%	-64%
Conducting Securities Business and Investment of Funds without License	55	35%	53	35%	4%
Violation of CMA Board Resolutions	2	1%	1	1%	100%
Violation of the Offers of Securities Regulations	6	4%	4	3%	50%
Other Violations of the Listing Rules	3	2%	3	2%	0
Trading During Prohibition Period	7	4%	--	--	--
Violation of the Corporate Governance Regulations	9	6%	--	--	--
Violation of the Investment/Real Estate Funds Regulations	3	2%	--	--	--
Total	157	100%	151	100%	4%

Chart (33): Number of Investigation Cases into Suspected Violations of the CML by Violation Type at the End of 2009 and 2008



◆ **Violation Cases of the CML Finalized in 2009 and 2008**

Table (40) illustrates the number of finalized violation cases, classified by type, at the end of 2009 compared to 2008. Most significant highlights of this table are:

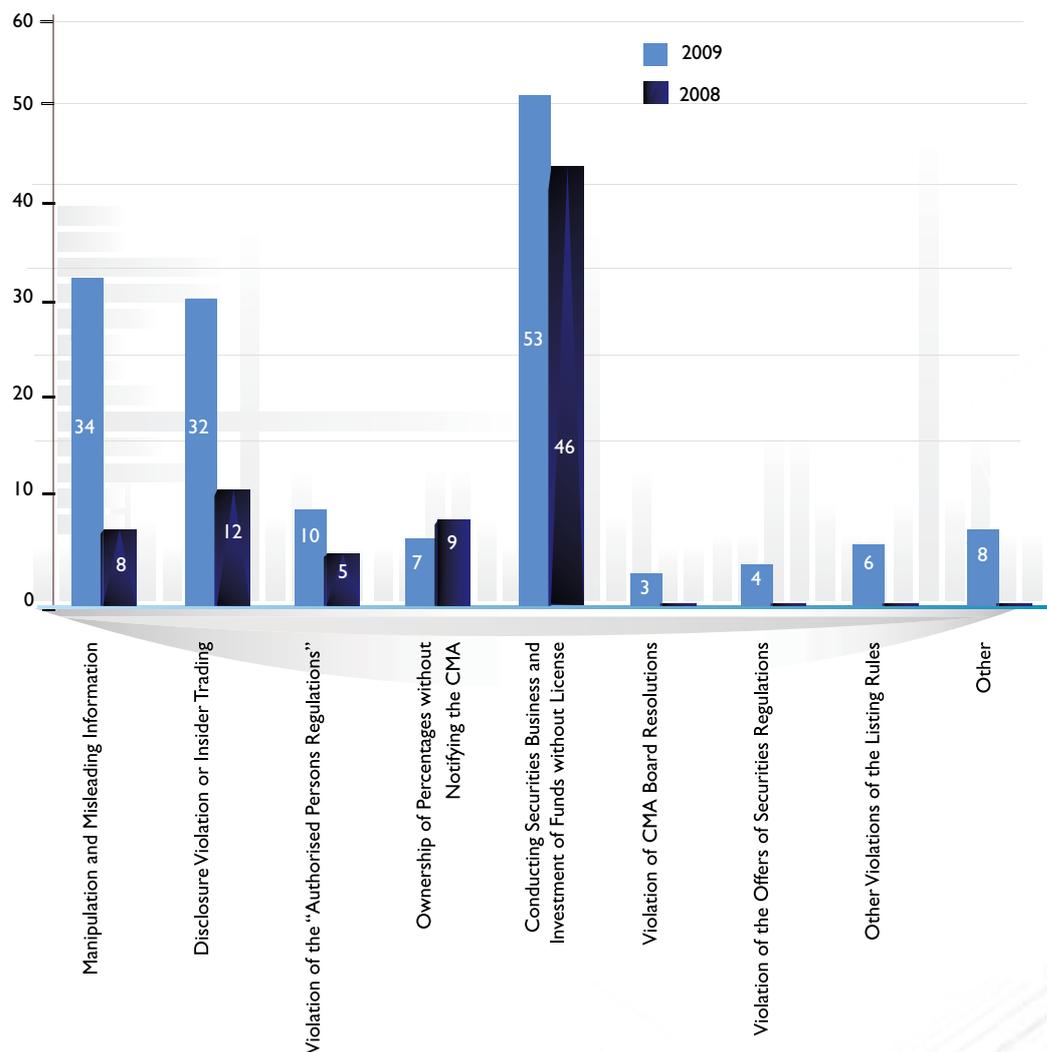
- ◆ The number of violation cases finalized in 2009 rose to 157 compared to 80 in 2008, denoting a change of 96%.
- ◆ The number of finalized violation cases related to “conducting securities business and investment of funds without license” ranked highest in terms of numbers in 2009 and 2008 as they stood at 34% and 58% respectively.
- ◆ The percentage of the violation of “ownership of percentages without notifying the CMA” went down by 22% compared to 2008.
- ◆ The percentages of “violation of CMA Board resolutions”, “violation of the Offers of Securities Regulations”, “other violations of the Listing Rules” and “other” amounted to 2%, 3%, 4% and 5% respectively in 2009.



Table (40): Number of Finalized Violation Cases of the CML Classified by Type at the End of 2009 and 2008

Violation Type	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Manipulation and Misleading Information	34	22%	8	10%	325%
Disclosure Violation or Insider Trading	32	20%	12	15%	167%
Violation of the "Authorised Persons Regulations"	10	6%	5	6%	100%
Ownership of Percentages without Notifying the CMA	7	4%	9	11%	-22%
Conducting Securities Business and Investment of Funds without License	53	34%	46	58%	15%
Violation of CMA Board Resolutions	3	2%	--	--	--
Violation of the Offers of Securities Regulations	4	3%	--	--	--
Other Violations of the Listing Rules	6	4%	--	--	--
Other	8	5%	--	--	--
Total	157	100%	80	100%	96%

Chart (34): Number of Finalized Violation Cases of the CML Classified by Type at the End of 2009 and 2008



◆ **Investigation into Suspected Violations of the CML (Using Technological Means) in 2009 and 2008**

To keep up with the vast development in information and communication technologies, the CMA monitors websites, internet forums and audio-visual media as well as the recommendations of individuals or groups related to the capital market in order to protect investors against any type of deceit, misrepresentation or fraud. Table (41) shows the number of investigation cases into websites and internet forums, personal cell-phone recommendations and audio-visual media violations that were investigated and addressed in 2009 and 2008. The most important points arising from the table can be summarized as follows:

- ◆ The total number of investigation cases into the violations of websites, internet forums, recommendations of individuals or groups, and audio-visual media declined to 43 in 2009, compared to 90 in 2008, denoting a decrease of 52%.
- ◆ The violations of "websites and internet forums" held the highest figures in 2009 and 2008 with 96% and 90% respectively compared to other means.

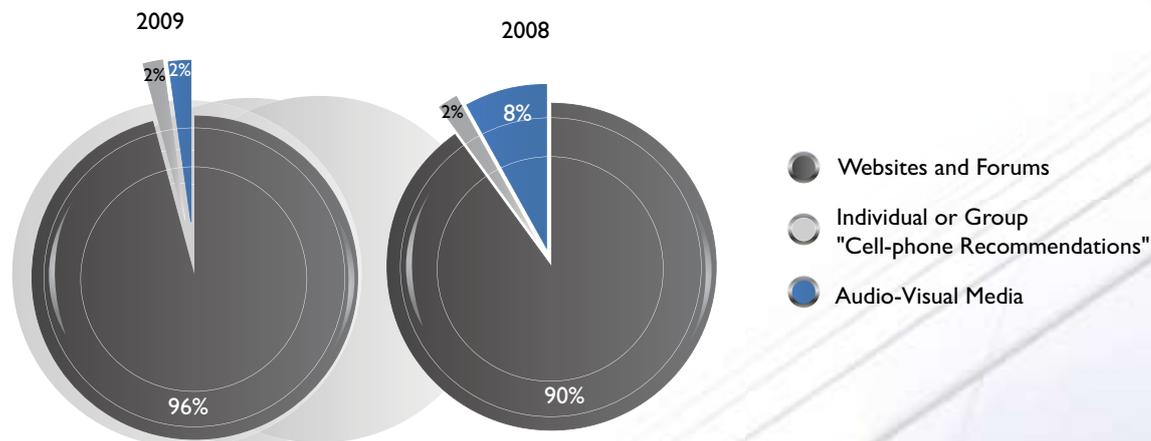
Legal measures were taken to address those violations, including summoning and interrogating violators who were subsequently obliged to cease such violations immediately, close their websites and refrain from committing similar violations in the future.



Table (41): Number of Investigation Cases into the Violations of Websites and Internet Forums, Individuals and Groups and Audio-Visual Media that were Addressed in 2009 and 2008

Violation Medium	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Websites and Forums	41	96%	81	90%	-49%
Individual or Group "Cell-Phone Recommendations"	1	2%	7	8%	-86%
Audio-Visual Media	1	2%	2	2%	-50%
Total	43	100%	90	100%	-52%

Chart (35): Number of Investigation Cases into the Violations of Websites and Internet Forums, Individuals and Groups and Audio-Visual Media that were Addressed in 2009 and 2008



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

After gathering evidence of any violation of the CML or its Implementing Regulations, a case is filed against a violator with the CRSD, and an indictment is prepared containing all presumptions, evidence and supporting documents. Table (42) indicates the cases on which indictments were prepared and were brought before the CRSD in 2009 and 2008. The main points arising from this table can be summarized as follows:

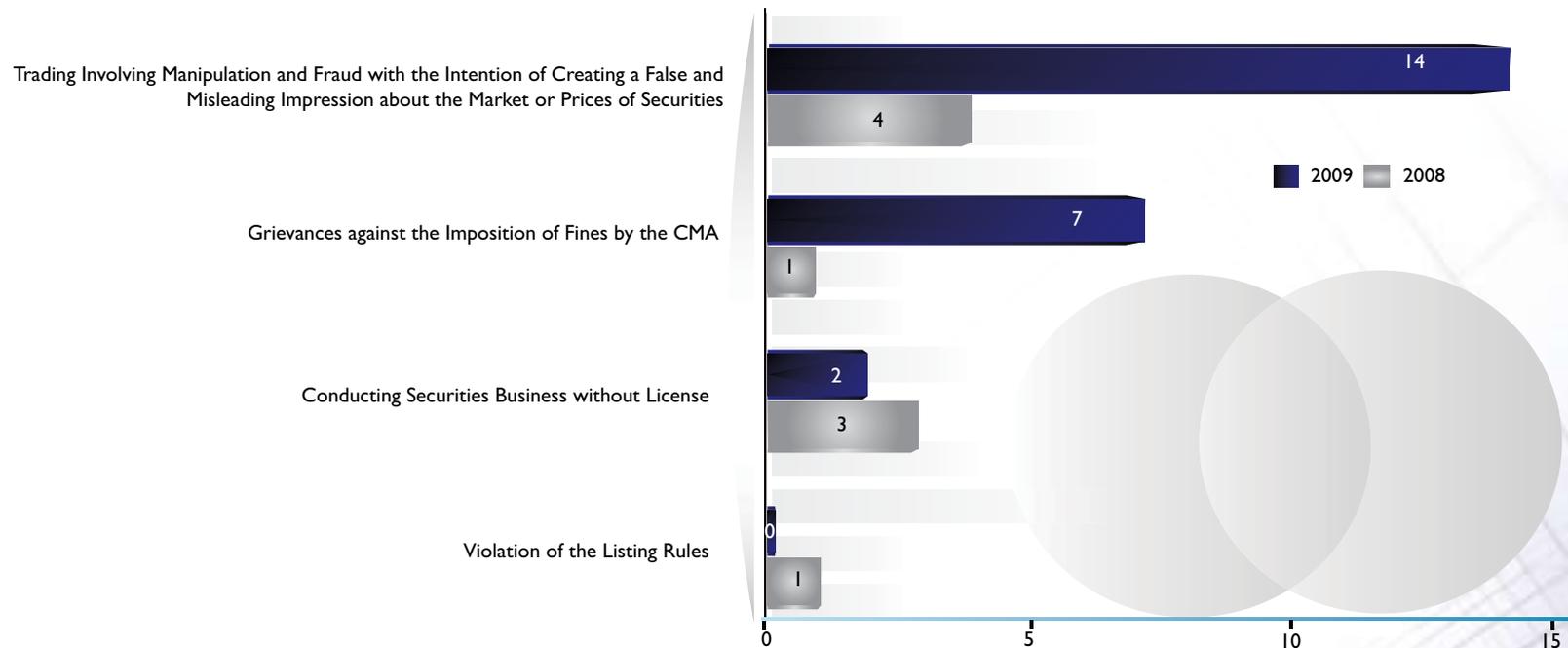
- The number of cases on which indictments were prepared and were brought before the CRSD in 2009 rose by 156% to 23 compared to 9 in 2008.
- In 2009, the cases related to “trading involving manipulation and fraud with the intention of creating false and misleading impression about the market or the prices of securities” came in the first place with 61% of total cases.

Table (42): Cases on which Indictments were Prepared, and were Brought Before the CRSD in 2009 and 2008

No.	Type of Case	2009		2008	
		Number	Percentage (%)	Number	Percentage (%)
1	Trading Involving Manipulation and Fraud with the Intention of Creating a False and Misleading Impression about the Market or Prices of Securities	14	61%	4	45%
2	Grievances against the Imposition of Fines by the CMA	7	30%	1	11%
3	Conducting Securities Business without License	2	9%	3	33%
4	Violation of the Listing Rules	0	0%	1	11%
Total		23	100%	9	100%



Chart (36): Cases on which Indictments were Prepared, and were Brought Before the CRSD in 2009 and 2008



(4) Following-up on the Execution of Decisions

The CMA tracks the execution of the decisions issued by the CMA Board and the CRSD by addressing the competent authorities and the violators who are the subjects of financial or administrative penalties. Table (43) presents the number of decisions issued by the CMA Board and final decisions issued by the CRSD in 2009 and 2008 that were followed up. The table indicates the following:

- ◆ The total number of decisions issued in 2009 went up by 161% to 86 compared to 33 in 2008.
- ◆ The CMA Board issued 58 decisions (67%) in 2009 compared to 32 decisions (97%) in 2008. On the other hand, the number of decisions issued by the CRSD amounted to 28 in 2009 against only one decision in 2008.

Table (43): Number of Decisions Issued by the CMA Board and Final Decisions Issued by the CRSD in 2009 and 2008

Issuer of Decision	2009		2008	
	Number	Percentage (%)	Number	Percentage (%)
CMA Board	58	67%	32	97%
CRSD ¹³	28	33%	1	3%
Total	86	100%	33	100%

13. Including decisions convicting violators and decisions imposing or lifting a provisional seizure of violators' property, but not the appealed decisions that are still under consideration with the Appeal Committee.

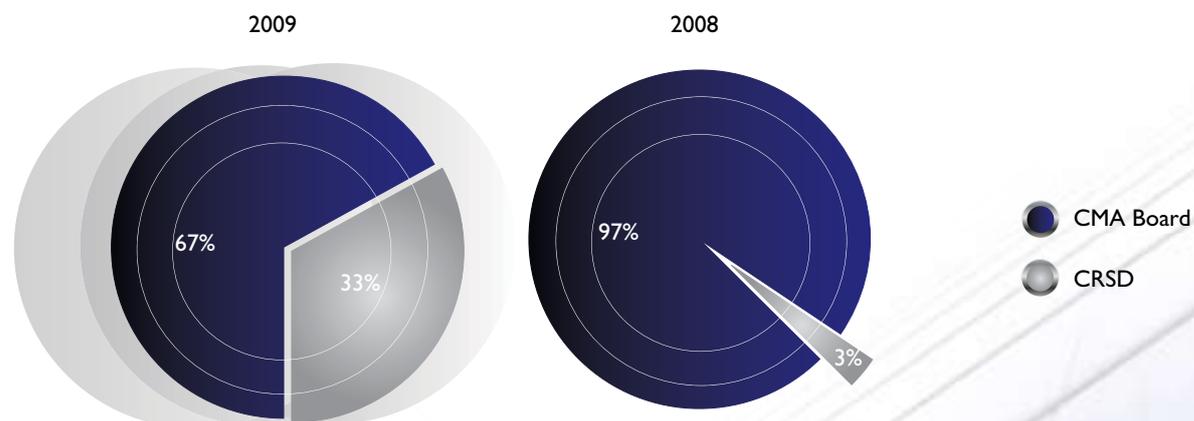
Chart (37): Number of Decisions Issued by the CMA Board and Final Decisions Issued by the CRSD in 2009 and 2008



Table (44) shows the results of following up the execution of the decisions issued by the CMA Board or the final decisions issued by the CRSD in 2009, by type of case. The most important features of this table can be summarized as follows:

◆ The total number of decisions issued by the CMA Board and the CRSD relating to capital market cases stood at 77, of which 65 (84%) were executed, while 12 are being followed up.

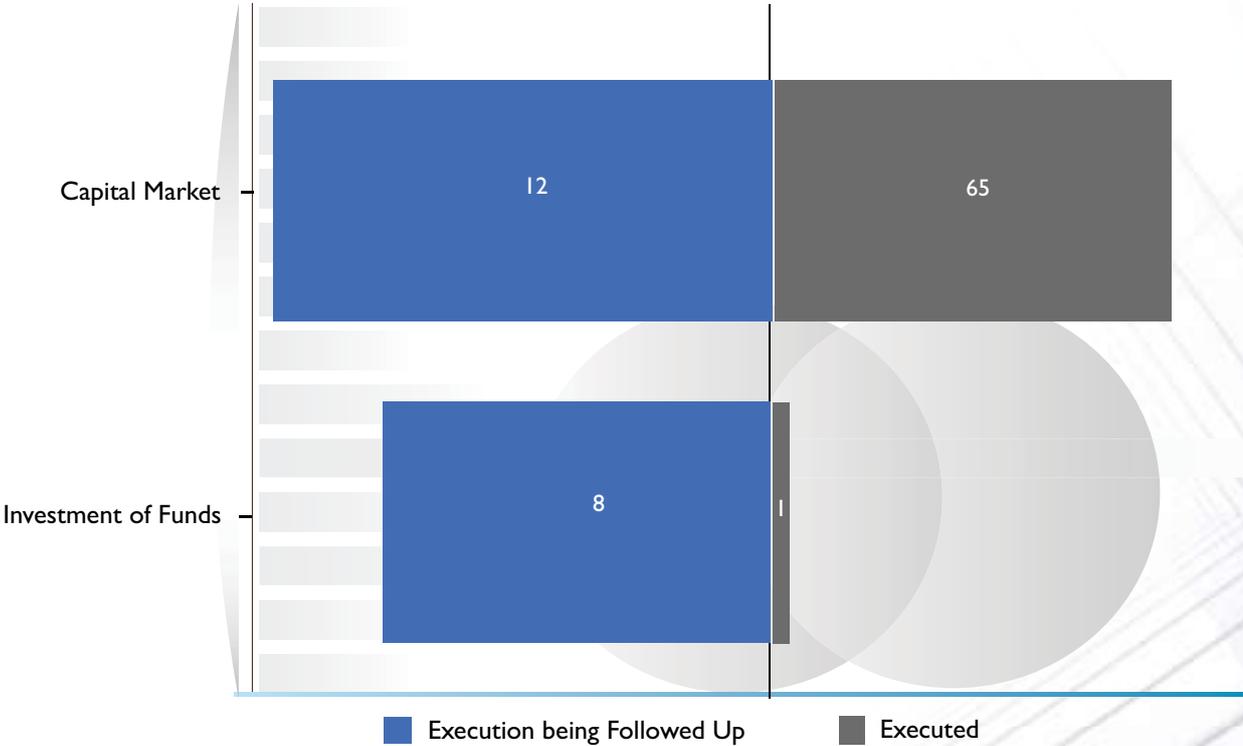
◆ In 2009, 43 decisions (74%) out of 58 relating to capital market cases and unlicensed investment of funds were executed, while 15 decisions are being followed up.

Table (44): Following up the Execution of the Decisions Issued by the CMA Board or the Final Decisions Issued by the CRSD in 2009 by Type of Case

Issuer of Decision	Type of Case	Total Decisions	Executed		Execution being Followed Up	
			Number	Percentage (%)	Number	Percentage (%)
CMA Board	Capital Market	49	42	86%	7	14%
	Unlicensed Investment of Funds	9	1	11%	8	89%
CRSD	Capital Market	28	23	82%	5	18%
	Unlicensed Investment of Funds	0	--	--	--	--
Total	Capital Market	77	65	84%	12	16%
	Unlicensed Investment of Funds	9	1	11%	8 ¹⁴	89%

14. Being followed up with concerned government entities.

Chart (38): Following up the Execution of the Decisions Issued by the CMA Board or the Final Decisions Issued by the CRSD in 2009 by Type of Case





2.1.6 Persons Authorised to Conduct Securities Business (Authorised Persons)

(1) Authorisations

Articles Thirty One through Thirty Eight of the CML stipulate the CMA's responsibility to regulate brokers in order to ensure sound dealing in securities and protection of investors, encourage competition and enhance the quality of services rendered by the authorised persons. To exercise its duties, the CMA has issued the following rules and regulations:

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

The first two regulations are the main pillars for regulating the securities business in the Kingdom. They regulate all matters pertaining to the issuing of licenses which cover five core activities: dealing, managing, arranging, advising and custody.

◆ Authorisation Mechanism

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

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

1. Authorisation Decisions

During 2009, the CMA Board issued 28 decisions pertaining to new licenses, amendment to a license, revocation or cancellation of a license as compared to 47 decisions in 2008. Table (45) reflects the number of licensing decisions issued by the CMA in 2009 and 2008, by type. The highlights can be summarized in following:

- ◆ In 2009, the CMA Board issued 12 decisions approving the authorisation for companies and firms to conduct securities business, bringing the total number of authorised persons to 110.
- ◆ The CMA Board approved amendment to 4 licenses in 2009, by adding or deleting one or more of the five core activities, whereas 9 licenses were amended in 2008.
- ◆ In 2009, the CMA Board issued 12 decisions for revoking or cancelling licenses issued to companies/firms conducting securities business, against 4 decisions for revoking or cancelling 4 licenses in 2008.

Table (46) points out the number of authorised persons and percentage changes from 1/7/2004 to the end of 2009. The table's most significant indicators show an increase in the number of authorised persons from eight at the end of 2005 to 110 at the end of 2009.

Table (45): Number of Licensing Decisions Issued by the CMA in 2009 and 2008, Classified by Type of License

License Type	2009		2008	
	Number	Percentage (%)	Number	Percentage (%)
New License	12	43%	34	72%
Amendment to License	4	14%	9	19%
Revocation or Cancellation of License	12	43%	4	9%
Total	28	100%	47	100%

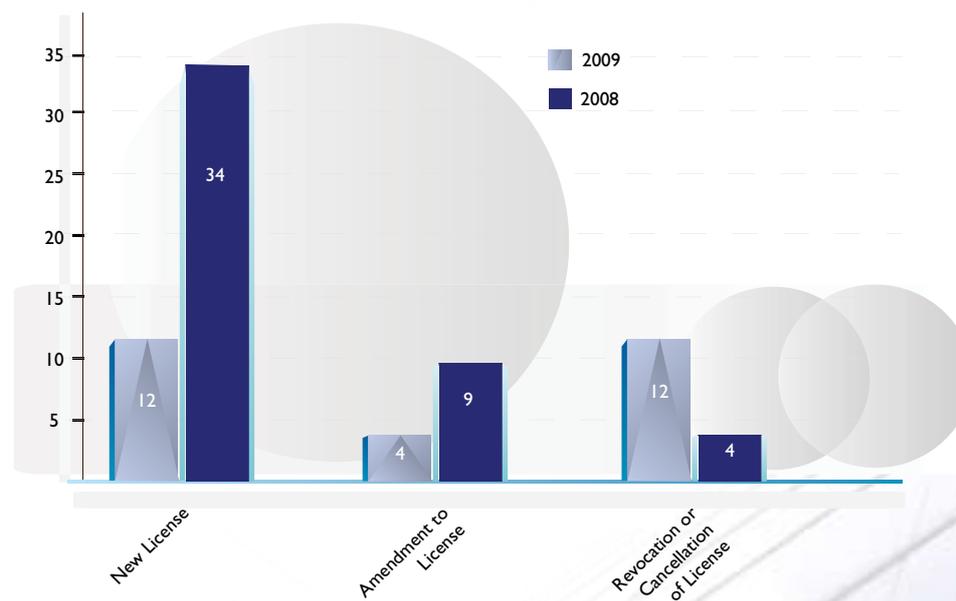
Chart (39): Number of Licensing Decisions Issued by the CMA in 2009 and 2008, Classified by Type of License



Table (46): Number of Authorised Persons from 1/7/2004 to the End of 2009

Year (Period)	Number of APs	Year-On-Year Change (%)
1/7/2004 – 2005	8	--
2006	45	463%
2007	80	78%
2008	110	38%
2009	110	0%

2. Paid-up Capital of Authorised Persons

Table (47) shows the paid-up capital of authorised persons during the period 2005-2009. The table can be summarized in the following:

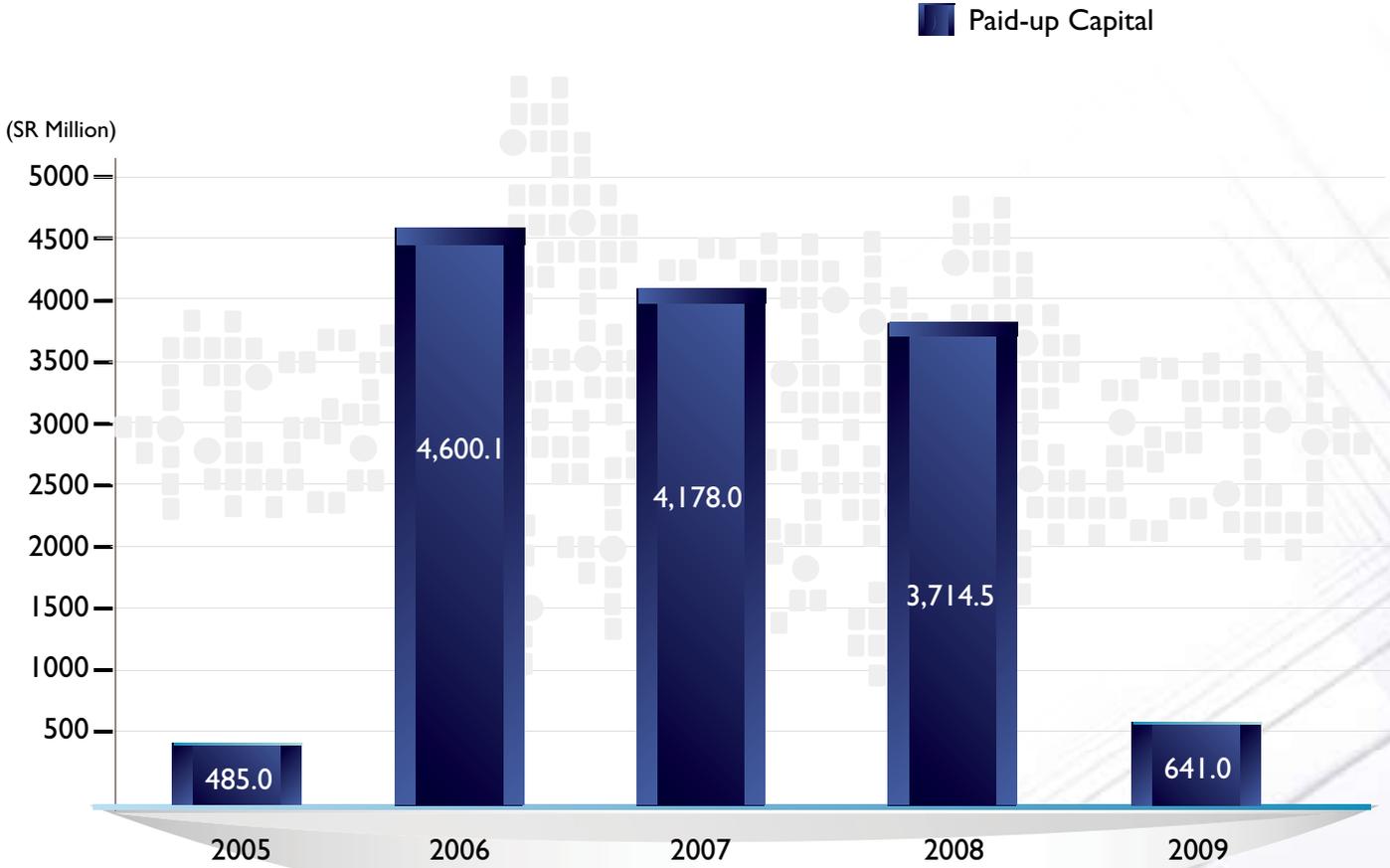
◆ Total paid-up capital of authorised persons amounted to SR 641 million in 2009.

◆ Total paid-up capital of authorised persons dropped in 2009 by 83% from SR 3,714.5 million in 2008.

Table (47): Paid-up Capital (SR Million) of Authorised Persons for the Period 2005 – 2009

Year	Paid-up Capital	
	Total (SR Million)	Year-On-Year Change (%)
2005	485.0	--
2006	4,600.1	848%
2007	4,178.0	-9%
2008	3,714.5	-11%
2009	641.0	-83%
Total	13,619	--

Chart (40): Paid-up Capital (SR Million) of Authorised Persons for the Period 2005 – 2009





3. Licenses Issued by Type of Securities Business by the End of 2009

Table (48) shows a list of authorised persons and their respective licensed securities business activities at the end of 2009. Table (49) indicates the number of licenses issued to each type of securities business activities at the end of 2009 and 2008. Moreover, table (50) highlights the number of authorised persons according to the number of securities business activities they are conducting. Findings of these tables can be summarized as follows:

- ◆ The number of issued licenses at the end of 2009 increased for all types of securities business activities as compared to 2008. Increases ranged between 7% for “dealing” and 13% for “managing, arranging and custody”.
- ◆ The total number of licenses by type of securities business activity ranged between 72 and 109 at the end of 2009. The highest number of licenses

was issued to the activity of “advising”, comprising 25% of all licenses compared to other activities.

- ◆ The number of persons authorised to conduct four (out of five) activities, and all (five) activities at the end of 2009 went up by 50% and 2% respectively as compared to 2008. On the other hand, the number of persons authorised to conduct two activities went down by 11%, while the number of persons authorised to conduct one activity remained unchanged.

In addition, letters to commence securities business were issued to 85 authorised persons accounting for 77% of the total, while 25 authorised persons have not received letters to commence securities business, denoting a decline of 36% compared to 2008, table (51).

Table (48): List of Authorised Persons and their Respective Licensed Securities Business Activities

No.	Name of Authorised Person	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
1	Morgan Stanley Saudi Arabia Company	√	√	√	√	√
2	BMG Financial Group	√	√	√	√	√
3	Financial Transaction House				√	√

No.	Name of Authorised Person	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
4	Al-Dukheil 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	Abdulaziz Al-Rebdi Financial Consulting Office				√	√
13	EFG-Hermes KSA	√	√	√	√	√
14	Audi Capital Saudi Arabia Company	√	√	√	√	√
15	Al-Tawfeek Financial Group	√	√	√	√	√



No.	Name of Authorised Person	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
16	Ernst & Young Consulting Saudi Arabia Limited				√	√
17	FALCOM Financial Services	√	√	√	√	√
18	Al-Awwal Financial Services Company		√	√	√	√
19	Al-Khabeer Capital Company	√	√	√	√	√
20	Sadagah Financial Consultants				√	√
21	Al Mal Securities Saudi Company	√				
22	Capital Advisory Group Company				√	√
23	Compass International Consulting Company Ltd.				√	√
24	Middle East Financial Investment Company	√	√	√	√	√
25	KSB Capital Group	√	√	√	√	√
26	Amwal for Security Advising Ltd.				√	√
27	Jadwa Investment Company	√	√	√	√	√

No.	Name of Authorised Person	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
28	Al Wasatah Al Maliah Company	√	√	√	√	√
29	Rasmala Investments Saudi Arabia Company	√	√	√	√	√
30	Gulf Bureau for Research & Financial Development				√	√
31	Assets Financial House				√	√
32	House of Investment & Financial Capital				√	√
33	Ithraa Capital Company	√	√	√	√	√
34	Watan Investment & Securities Company	√	√	√	√	√
35	Aloula Geojit Brokerage Company	√				
36	NCB Capital Company	√	√	√	√	√
37	The Investor Company for Securities	√	√	√	√	√
38	Khalijia Invest Company	√	√	√	√	√
39	Fransi Tadawul Company	√		√		



No.	Name of Authorised Person	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
40	Manar Financial Consulting					√
41	Shuaa Capital Saudi Arabia Company	√	√	√	√	√
42	Watheeqa Capital Company	√	√	√	√	√
43	CAAM Saudi Fransi Company		√	√		√
44	SAIB BNP Paribas Asset Management Company		√	√		√
45	Alistithmar Capital Company	√		√	√	
46	House of National Consulting Company				√	√
47	SaudiMed Investment Company	√	√	√	√	√
48	Global Investment House KSA	√	√	√	√	√
49	Merrill Lynch KSA Company	√	√	√	√	√
50	SAMBA Capital & Investment Management Company	√	√	√	√	√
51	Riyad Capital Company	√	√	√	√	√

No.	Name of Authorised Person	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
52	Al Rajhi Capital	√	√	√	√	√
53	SABB Securities Limited Company	√		√		
54	ANB Invest	√	√	√	√	√
55	Deutsche Securities Saudi Arabia LLC Company	√	√	√	√	√
56	AlJazira Capital Company	√	√	√	√	√
57	GIB Financial Services Company	√	√	√	√	√
58	Saudi Hollandi Capital Company	√	√	√	√	√
59	JP Morgan Saudi Arabia Ltd. Company	√		√	√	√
60	AlBilad Investment Company	√	√	√	√	√
61	Al Nefae Investment Group	√	√	√	√	√
62	Arbah Capital Company	√	√	√	√	√
63	Gulf Financial Services Company				√	√



No.	Name of Authorised Person	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
64	Haykalah Financial Consulting Company				√	√
65	Emirates Investment Services Company	√	√	√	√	√
66	Calyon Saudi Fransi Limited Company	√			√	
67	Investcorp Saudi Arabia Financial Investment Company		√	√	√	√
68	Gulf Advisors Financial Consulting Company				√	√
69	Taj for Financial Consulting				√	√
70	Goldman Sachs Saudi Arabia Company	√	√	√	√	√
71	Professional Financial Consulting Company				√	√
72	Blominvest Saudi Arabia Company	√	√	√	√	√
73	Muscat Securities House	√	√	√	√	√
74	KPMG Financial Advisory Company				√	√
75	The National Investor Saudi Arabia Company	√	√	√	√	√

No.	Name of Authorised Person	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
76	Nomura Saudi Arabia Company	√	√	√	√	√
77	SWIP Saudi Asset Management Company		√	√		√
78	Dar Al Mansour for Financial Consulting				√	√
79	Ebanah Financial Company				√	√
80	Derayah Financial Corporation	√	√	√		
81	Adeem Financial Company		√	√		
82	Ajeej Capital Limited Company					√
83	UBS Saudi Arabia Company	√	√	√	√	√
84	BNP Pariba Investment Company KSA	√		√	√	
85	Jarir Capital Company		√	√		
86	Sidra Capital Company	√	√	√	√	√
87	United Financial House Company	√	√	√		



No.	Name of Authorised Person	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
88	Vision Capital Group				√	√
89	Unicorn Capital Saudi Arabia Company	√	√	√	√	√
90	The Investor Financial Services Company				√	√
91	Mizuho Saudi Arabia Company	√	√	√	√	√
92	Bait Al Mal Al Khaleeji Company	√	√	√	√	√
93	Saudi Kuwaiti Finance House Company	√	√	√	√	√
94	Rawasi Financial Solutions				√	√
95	Arab Experts Capital LLC				√	√
96	Tarteeb Company for Securities Business				√	√
97	Praxity Financial Consulting Company				√	√
98	MaCeen Capital	√	√	√	√	√
99	Thara Financial Consulting Company				√	√

No.	Name of Authorised Person	Type of License				
		Dealing	Managing	Custody	Arranging	Advising
100	Alinma Investment Company	√	√	√	√	√
101	SEDCO Capital Company		√	√	√	√
102	Malaz Capital Company		√	√	√	√
103	Al Arabi Capital Saudi Arabia Company	√	√	√	√	√
104	Sadeed Financial Advisory				√	√
105	Saudi Venture Capital Investment Company		√	√	√	√
106	Anfaal Capital Company		√	√	√	√
107	Barclays Saudi Arabia	√	√	√	√	√
108	Societe Generale Saudi Arabia	√	√	√	√	√
109	Integration Capital for Financial Papers Company				√	√
110	Standard Chartered Capital Saudi Arabia	√	√	√	√	√



Table (49): Number of Issued Licenses, by Type of Securities Business in 2009 and 2008

Type of Securities Business	2009		2008		Change (%)
	Number of Licenses	Percentage (%)	Number of Licenses	Percentage (%)	
Dealing	72	16%	67	17%	7%
Managing	78	18%	69	18%	13%
Arranging	104	23%	92	23%	13%
Advising	109	25%	97	24%	12%
Custody	81	18%	72	18%	13%
Total	444	100%	397	100%	12%

Chart (41): Number of Issued Licenses, by Type of Securities Business in 2009 and 2008

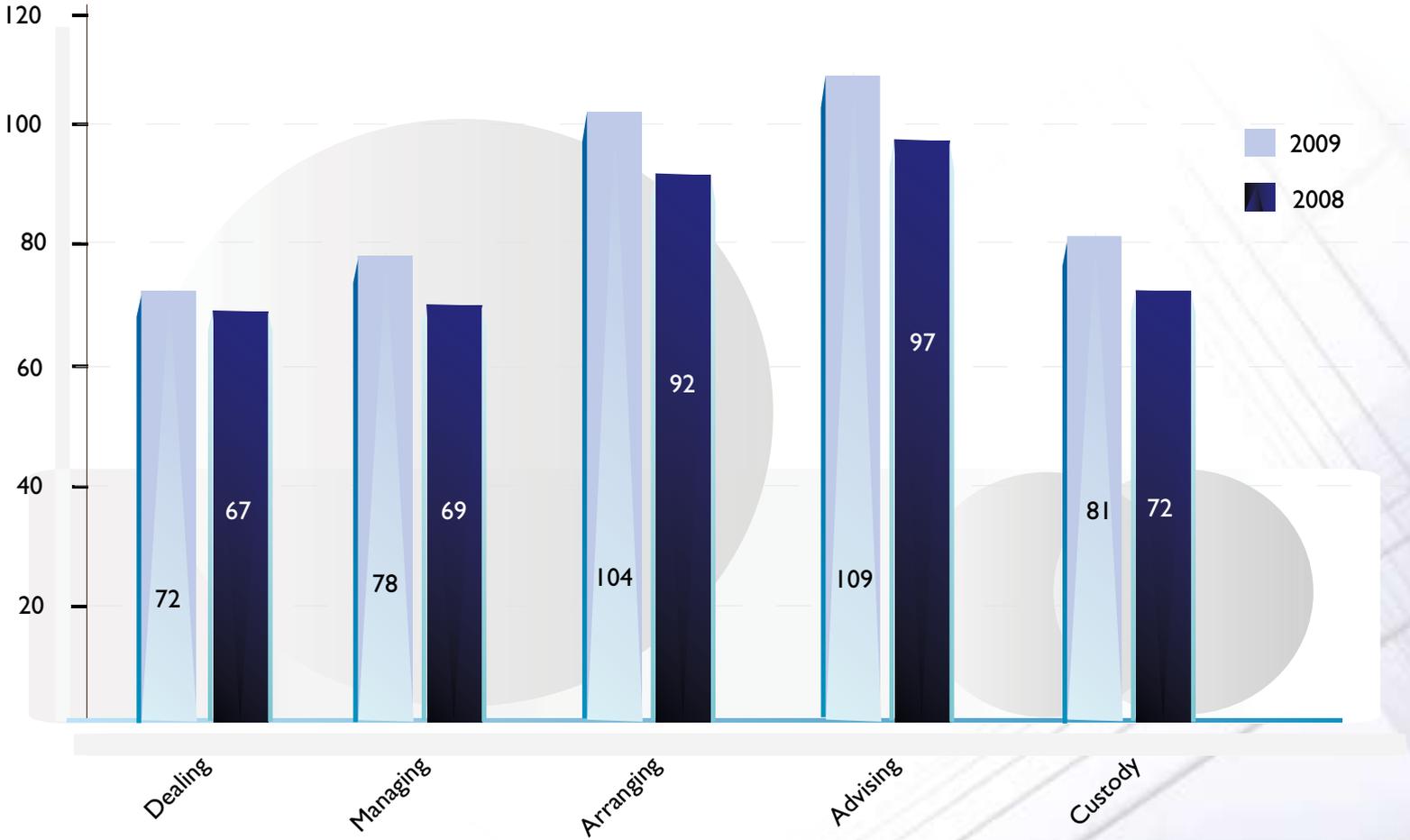
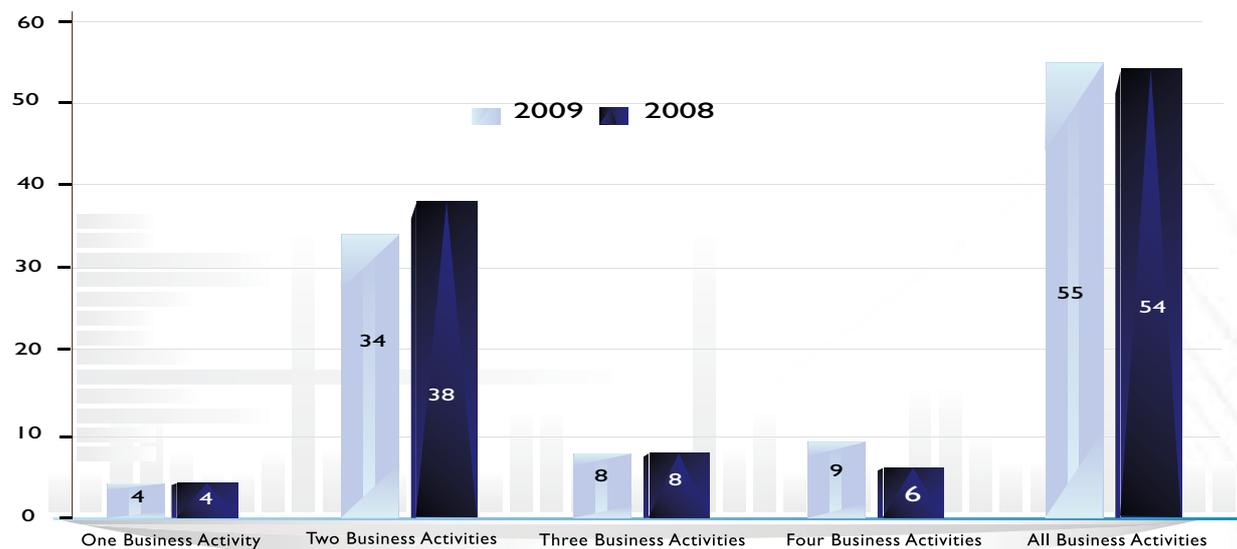




Table (50): Number of Authorised Persons, Classified by Number of Licensed Securities Business Activities in 2009 and 2008

Number of Securities Business Activities	2009		2008		Change (%)
	Number of Licenses	Percentage (%)	Number of Licenses	Percentage (%)	
One Business Activity	4	4%	4	4%	0%
Two Business Activities	34	31%	38	35%	-11%
Three Business Activities	8	7%	8	8%	0%
Four Business Activities	9	8%	6	4%	50%
All Business Activities	55	50%	54	49%	2%
Total	110	100%	110	100%	0%

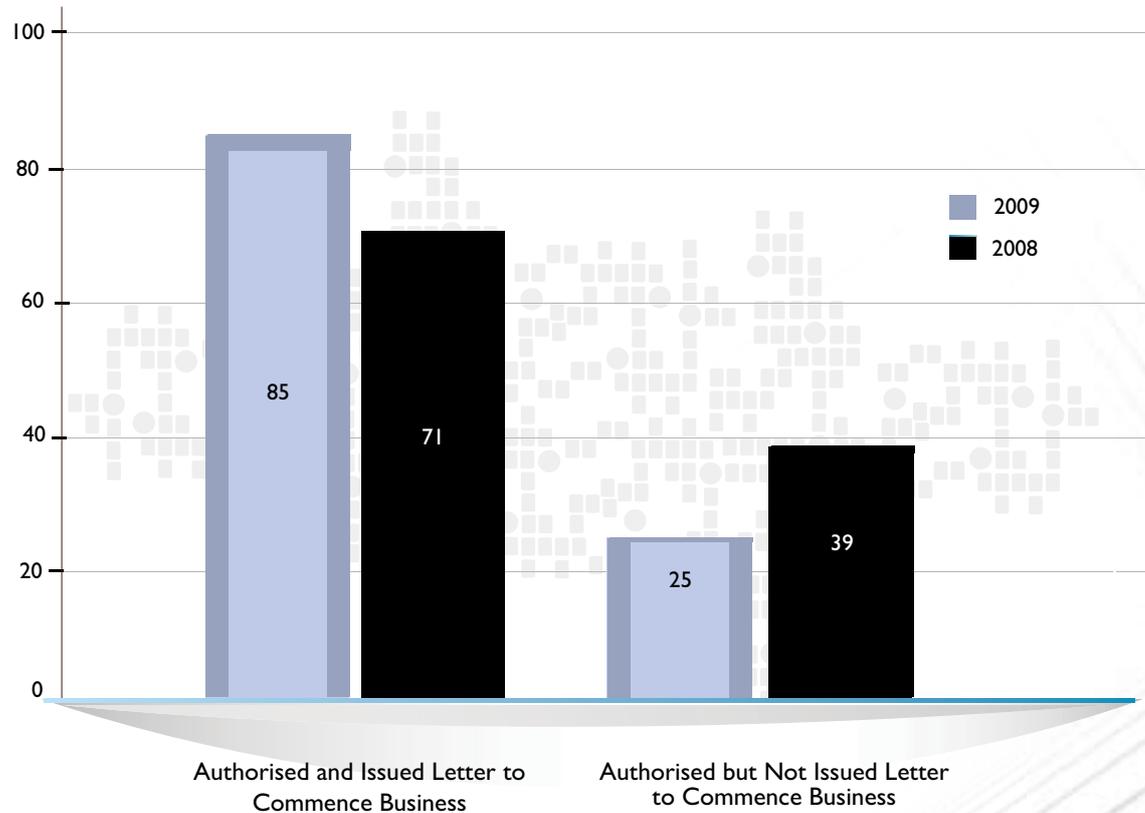
Chart (42): Number of Authorised Persons, Classified by Number of Licensed Securities Business Activities in 2009 and 2008**Table (51): Number of Authorised Persons by the Status of Letters to Commence Securities Business¹⁵ in 2009 and 2008**

Category	2009		2008	
	Number	Percentage (%)	Number	Percentage (%)
Authorised and Issued Letter to Commence Business	85	77%	71	65%
Authorised but Not Issued Letter to Commence Business	25	23%	39	35%
Total Authorised Persons (APs)	110	100%	110	100%

15. Letters for commencing securities business are issued only after satisfying all requirements within a period not exceeding one year from the issuance date of the authorisation letter by the CMA.



Chart (43): Number of Authorised Persons by the Status of Letters to Commence Securities Business in 2009 and 2008



◆ Development in the Number of Persons Registered with the CMA

Article Nineteen of the “Authorized Persons Regulations” has empowered the CMA the right to prescribe the registrable functions. Any of those functions within an Authorized Person can only be performed after obtaining the Authority’s approval. Articles Twenty One, Twenty Two, and Twenty

Four have set forth the requirements for application for registration, the procedures and powers of the Authority in considering an application for registration, and the responsibilities of registered persons.

The number of registered persons with the CMA stood at 3,164 at the end of 2009 compared to 2,361 in 2008, increasing by 34%.

(2) Inspection

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

1. Initial Inspection Programs

These programs are carried out for inspecting the authorised persons after they obtained letters for commencing business to ensure the soundness of their business and their compliance with the terms and conditions stated in the licenses issued to them by the CMA.

2. Cause Inspection Programs

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

3. Cycle/Routine Inspection Programs

These programs are implemented at regular intervals based on the level of risk associated with the business of authorised persons. The risk profiles of all authorised persons are periodically assessed to determine the nature and type of inspection visits. During a cycle/routine inspection program, a series of procedural reviews is conducted taking into consideration the potential risks of authorised persons' business. These risks fall under five main categories: financial, operational, compliance and legal, technological and clearing, and settlement risks.

Table (52) shows the number of inspection visits, classified by type, that were carried out by the CMA in 2009 and 2008. It can be illustrated as follows:

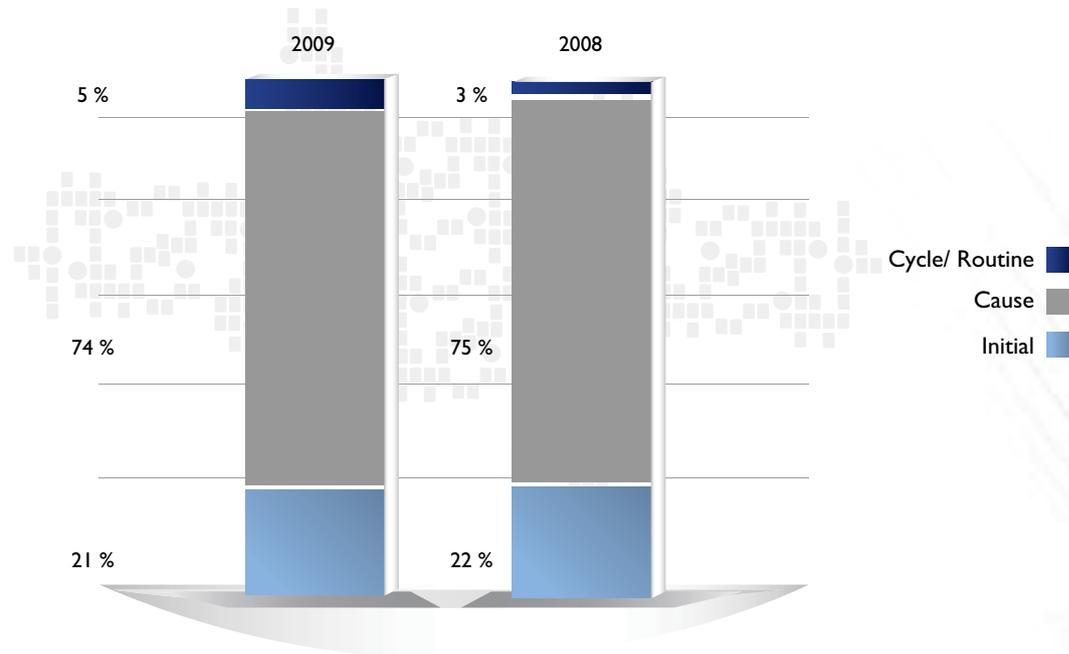
- ◆ In 2009, the number of inspection visits rose by 34% to 91 compared to 2008.
- ◆ Cause inspection visits took the lead of all visits with 74% and 75% in 2009 and 2008 respectively.
- ◆ Out of a total of 91 inspection visits in 2009, 19 initial inspection visits, 67 cause inspection visits, and five cycle/routine inspection visits were carried out.

Table (52): Number of Inspection Visits Carried out by the CMA in 2009 and 2008 by Type

Type of Inspection Visit	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Initial	19	21%	15	22%	27%
Cause	67	74%	51	75%	31%
Cycle/Routine	5	5%	2	3%	150%
Total	91	100%	68	100%	34%



Chart (44): Number of Inspection Visits Carried out by the CMA in 2009 and 2008 by Type



Moreover, the CMA imposed appropriate penalties according to the nature of violations. Penalties varied depending on the magnitude of violation, and they could also include revocation of license from an authorised person. Cause inspection visits carried out in 2009 and 2008 can be classified in table (53) as follows:

- ◆ In 2009, the number of cause inspection visits rose by 31% to 67 as compared to 2008.
- ◆ 37 cause inspection visits related to violations of the CML or its Implementing Regulations were carried out in 2009, representing 55% of total cause inspection visits.
- ◆ The number of cause inspection visits related to cases referred by other entities or investors' complaints, and follow-up inspection visits stood at 16 and 14, or 24% and 21% respectively in 2009.

Table (53): Number of Cause Inspection Visits Made by the CMA in 2009 and 2008 Classified by Type of Case/Action

Type of Case/ Action	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Cases Referred by Other Entities or Investors' Complaints	16	24%	13	25%	23%
Cases Related to Violations of the CML or its Implementing Regulations	37	55%	31	61%	19%
Inspection Visits for Follow-up	14	21%	7	14%	100%
Total	67	100%	51	100%	31%

(3) Solvency

Paragraph (b) of Article Five of the Authorised Persons Regulations has stipulated that an authorised person must comply with the principle of financial prudence, by maintaining adequate financial resources in accordance with the Rules issued by the Authority. To fulfill this supervisory role, the CMA reviews the following:

1. Capital adequacy reports: monthly review of the capital adequacy reports of authorised persons to ensure their solvency and the availability of sufficient capital to meet their liabilities in the event of liquidation. This is to protect the rights of investors and the capital market.
2. Subordinated loan agreements: these are loans often extended by shareholders to an authorised person. They are repayable after other claims on an authorised person have been paid. Thus, they are treated

as part of shareholders' equity for the purpose of computing net capital. Subordinated loans are one of the available options for raising a company's net capital so it can comply with the CMA's requirements with respect to the minimum level of net capital. An authorised person is required to obtain the Authority's approval prior to having any subordinated loans.

3. Checking the capital adequacy of authorised persons when they underwrite an offering of securities as they are obliged under such undertaking to buy all issued shares which are not subscribed to; the CMA checks whether an authorised person has sufficient financial resources to underwrite an offering.



Table (54) reflects the number of financial reviews of authorised persons undertaken in 2009 and 2008. The key elements are as follows:

- ◆ In 2009, the total number of financial reviews of authorised persons amounted to 728 against 313 in 2008, denoting an increase of 133%.
- ◆ 695 periodical reviews of capital adequacy were undertaken in 2009, accounting for 96% of total reviews, while 248 were undertaken in 2008, marking a rise of 180%.

- ◆ In 2009, six reviews were conducted for subordinated loan agreements, and 18 reviews for checking APs capital adequacy prior to underwriting an offering. Nine business plans proposed by APs to increase net capital beyond the minimum level were reviewed.

Table (54): Categorization of the Numbers of Financial Reviews of Authorised Persons in 2009 and 2008

Type of Review	2009		2008	
	Number	Percentage (%)	Number	Percentage (%)
Periodical Reviews of Capital Adequacy	695	96%	248	79%
Checking Capital Adequacy of APs upon Underwriting an Offering	18	2%	39	13%
Reviews of Subordinated Loan Agreements	6	1%	19	6%
Business Plans to Raise Net Capital Beyond Minimum Level	9	1%	7	2%
Total	728	100%	313	100%

(4) Compliance and Anti-Money Laundering

The CMA monitors the compliance of authorised persons with the Anti-Money Laundering and Counter-Terrorist Financing Rules as well as other relevant laws by carrying out special inspection programs. The CMA, in collaboration with the Financial Investigation Unit of the Ministry of the Interior and other competent authorities, works on coordinating all relevant matters. In addition, the CMA shoulders the responsibility of carrying out special inspection programs on unlicensed firms that are suspected of being involved in conducting securities business.

Table (55) shows the volume of cases and on-site visits conducted by the CMA with respect to compliance and anti-money laundering in 2009. It can be summarized in the following:

- ◆ Total cases and on-site visits conducted by the CMA with respect to the compliance with the anti-money laundering rules stood at 522 in 2009.
- ◆ Cases of anti-money laundering and counter-terrorist finance came in the first place in terms of number, amounting to 492 and 94% of the total.
- ◆ The number of on-site visits to authorised and unauthorised persons stood at 5 and 7 respectively.

Table (55): Volume of Cases and On-site Visits Conducted by the CMA with Respect to Compliance and Anti-money Laundering in 2009

Type of Case/ On-site Visit	Number	Percentage (%)
Cases Related to Anti-Money Laundering and Counter-Terrorist Finance	492	94%
Requests and Inquiries of Authorised Persons	18	4%
Onsite Visits to Authorised Persons	5	1%
Onsite Visits to Unauthorised Persons	7	1%
Total	522	100%



2.1.7 Investor Awareness

The CMA's role is not confined to only supervising and monitoring participants in the capital market, but also covers educating market investors about regulations, instructions and resolutions issued by the CMA Board, the risks that might face investors, or relates to manipulative or misleading acts in the capital market. The CMA has created many channels for raising the awareness of investors in the capital market by implementing the following key activities:

First: Releasing informational materials that cover the news and resolutions issued by the CMA Board, or those explaining and interpreting them to increase awareness of their content

The CMA posts the news and the resolutions issued by the Board on its website to ensure that the information is accessible to all investors at the same time. Moreover, the CMA and mass media cooperated to offer more than 225 informational materials that explain and interpret the news and resolutions issued by the CMA Board. These included the appearance of some CMA officials in local newspapers as well as providing press reports and articles. These informational materials covered key issues such as explaining the high international standards adopted by the Saudi capital market, and the procedures followed to monitor and track violations in the capital market.

Second: Receiving visitors and taking inquiries from media representatives and citizens

The CMA hosted visitors from all universities and summer student activity centers at its headquarters to hold educational presentations introducing the capital market, its rules and regulations, and the role it plays in the market. In addition, the CMA answered the inquiries of citizens and media representatives.

Third: Responding to complaints from capital market participants through telephone, fax, e-mail or personal meetings

Fourth: Investor Awareness Programs

The CMA continued to implement its strategy towards investor awareness programs. Here are the programs that the CMA carried out to raise investor awareness in 2009:

1. Releasing and Distributing Awareness and Warning Flyers and Booklets

The CMA released the following two flyers:

◆ *"Violative Acts... Beware and Watch Out!"*

It is intended to explain to both current and potential investors the practices and acts that are deemed manipulative and misleading in the capital market.

◆ *"Warning!"*

This flyer warns investors against dealing with unauthorised persons engaged in unlicensed securities business activities.

The CMA released these flyers in the form of advertisement campaigns in newspapers and on websites, and it distributed them directly at various engagements. The CMA also:

- 1) Distributed more than one million copies of investor awareness booklets directly to target audience, or via the authorised persons. The CMA also posted them on the APs' websites.
- 2) Published a summary of the awareness booklets concerned with complaints and investment guides for retirees and young adults in newspapers and in the magazines of the Public Pension Agency, GOSI and Tadawul in order to reach the segments interested in this domain.

3) Released a magazine called “*The Smart Investor*” dedicated to children from the first elementary grade up to the second intermediate grade. The magazine attempts to present some concepts of saving and investing in an amusing and simplified way.

◆ In 2009, the number of advertisement campaigns was three compared to two in 2008.

◆ In 2009, the number of advertisements for the three campaigns over 50 days amounted to 52.

Table (56) shows advertisement campaigns, their duration and the number of advertisements per campaign in 2009 and 2008. Its most important features can be summarized as follows:

Table (56): Advertisement Campaigns, their Duration and the Number of Advertisements per Campaign in 2009 and 2008

No.	2009			2008		
	Campaign	Duration (Days)	Number of Ads.	Campaign	Duration (Days)	Number of Ads.
1	Warning About Unlicensed Securities Business Activities	29	16	Scholarship	19	17
2	Fellowship Grants	9	6	Warning About Dealing with Unauthorised Persons and Unlicensed Securities Business Activities	26	29
3	Introducing Investor Awareness Releases	12	30	--	--	--



2. Awareness Road Shows

The CMA carried out the Road Show Project in which it targeted 19 cities/provinces across the Kingdom. Several CMA pavilions were held in the malls of those cities and provinces through which it connected with visitors of all segments, be they Saudis or foreign residents, to raise investment culture and awareness. Table (57) illustrates the number of investor awareness road shows organized in different cities/provinces, the number of attendees and educational publications/flyers distributed, by city/province in 2009. The most significant elements of this table can be summarized in the following:

◆ The total number of road shows organized in 2009 amounted to 23 in 19 cities/provinces, most of which were in Riyadh City and Jeddah Province with three road shows in each.

- ◆ The total number of attendees for these road shows stood at around 71,000 with an average of about 3,000 visitors per road show.
- ◆ The number of publications distributed at these road shows went beyond 396,000, averaging around 17,000 publications per road show.
- ◆ The number of flyers distributed at these road shows reached 80,000 with an average of 3,500 per road show.

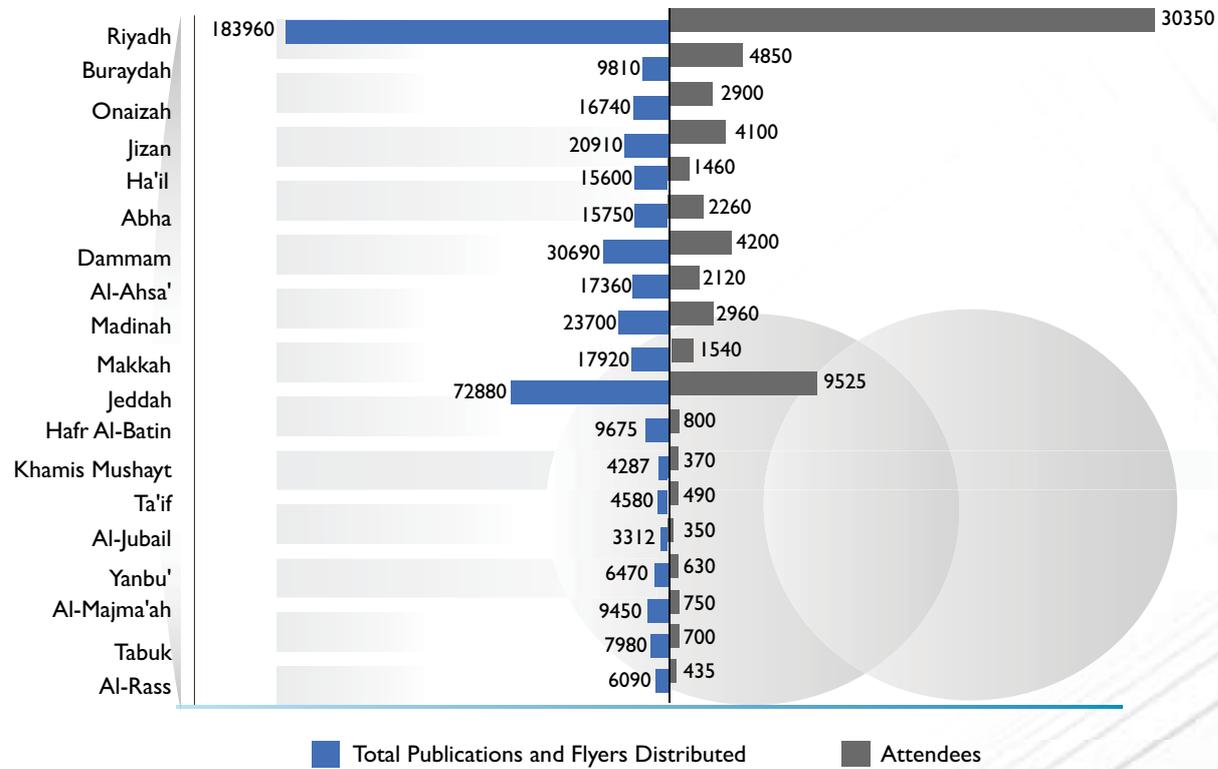
Table (57): Number of Investor Awareness Road Shows Organized in Different Cities/Provinces, the Number of Attendees and Educational Publications/Flyers Distributed by City/Province in 2009

City/ Province	Road Shows Organized	Attendees	Publications Distributed	Flyers Distributed	Publications and Flyers Distributed
Riyadh	3	30,350	153,300	30,660	183,960
Buraydah	1	4,850	8,175	1,635	9,810
Onaizah	1	2,900	13,950	2,790	16,740
Jizan	1	4,100	17,220	3,690	20,910
Ha'il	1	1,460	13,520	2,080	15,600

City/ Province	Road Shows Organized	Attendees	Publications Distributed	Flyers Distributed	Publications and Flyers Distributed
Abha	1	2,260	13,125	2,625	15,750
Dammam	1	4,200	25,575	5,115	30,690
Al-Ahsa'	1	2,120	14,880	2,480	17,360
Madinah	1	2,960	20,540	3,160	23,700
Makkah	1	1,540	15,360	2,560	17,920
Jeddah	3	9,525	59,215	13,665	72,880
Hafr Al-Batin	1	800	7,740	1,935	9,675
Khamis Mushayt	1	370	3,432	855	4,287
Ta'if	1	490	3,665	915	4,580
Al-Jubail	1	350	2,652	660	3,312
Yanbu'	1	630	4,920	1,550	6,470
Al-Majma'ah	1	750	7,650	1,800	9,450
Tabuk	1	700	6,460	1,520	7,980
Al-Rass	1	435	4,930	1,160	6,090
Total	23	70,790	396,309	80,855	477,164



Chart (45): Total Number of Attendees and Publications/Flyers Distributed at Investor Awareness Road Shows Organized in Different Cities/ Provinces of the Kingdom in 2009



3. Survey of Investor Views towards the CMA and its Role in Educating Investors

As part of its role in educating investors, protecting them from capital market risks, and understanding their views towards it, the CMA prepared and conducted a survey entitled: “*Investor Views towards the CMA and its Role in Educating Investors in the Capital Market*”. The survey attempted to identify the following:

- ❖ Investor knowledge about the CMA’s mission and its objectives in the capital market.
- ❖ Investor familiarity with the functions and responsibilities of entities associated with the capital market (CMA, Saudi Stock Exchange “Tadawul” and the authorised persons).
- ❖ Investor differentiation between the functions and responsibilities of the CMA and the Saudi Stock Exchange “Tadawul”.
- ❖ Awareness of or familiarity with the regulations and booklets issued by the CMA.
- ❖ Investor evaluation of the CMA’s role in the aspects related to regulating and developing the capital market or the investor pre-established impression about the CMA.
- ❖ Sources that the investors consider reliable in evaluating the CMA’s role, or that might affect shaping their impressions.
- ❖ Investor evaluation of the CMA’s efforts to stay in touch with investors in the capital market.
- ❖ Investor views on the sources believed to be the most appropriate for increasing investment awareness.

- ❖ Investor familiarity with the investor awareness series of booklets and how to get them.
- ❖ Investor views on the aspects/programs/plans that should be focused on to increase investment awareness.
- ❖ Investor evaluation of the CMA’s efforts in raising awareness.
- ❖ Any other vital role that the CMA is expected to play (not currently being attempted by the CMA).

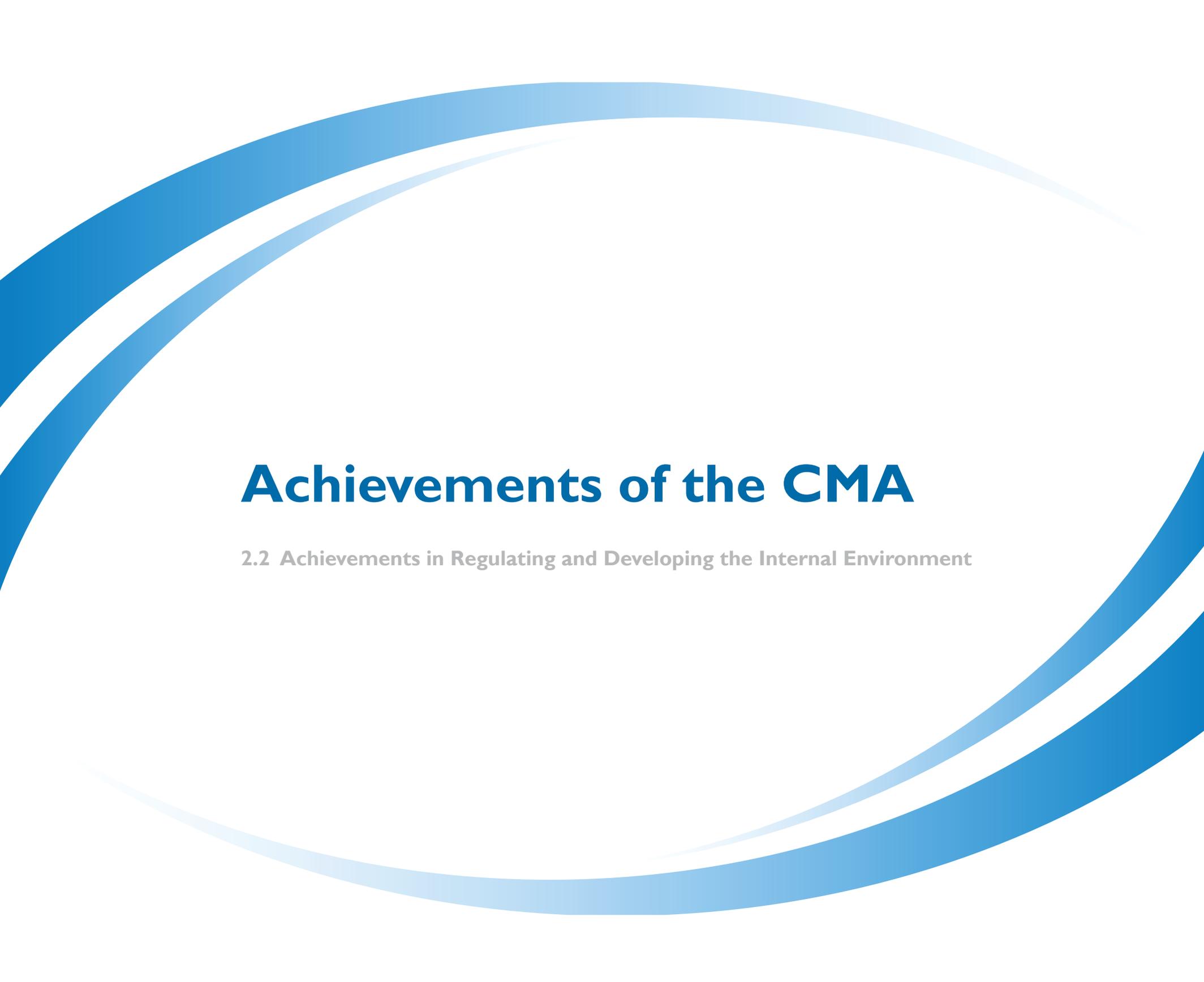
The survey results will enable the CMA to work on plans to develop the efforts made in the area of investor awareness.

Fifth: Holding Training Courses

The CMA trained media representatives on financial report writing and economic analysis in several successive courses to deepen their economic and financial knowledge. The CMA held four training courses in 2009 with an attendance of 40 media representatives.

Sixth: Managing the CMA’s New Identity Applications

The CMA’s new identity was launched in 2009 with an innovative motto “*Investing Confidence*” to mark the beginning of a new era for the CMA.

The background features several thick, curved blue lines that sweep across the page, creating a sense of motion and framing the central text. The lines are in various shades of blue, from a deep cerulean to a lighter sky blue.

Achievements of the CMA

2.2 Achievements in Regulating and Developing the Internal Environment

2.2 Achievements in Regulating and Developing the Internal Environment

Pursuant to Article Six of the CML that emphasizes the CMA's responsibility for formulating and developing internal regulations, and Articles Nine and Ten of the same Law that deal with developing the CMA's business and achieving its objectives, the CMA enhanced its internal environment in 2009 in five main areas:

Recruitment/Cooperation with Advisors

- ◆ The CMA recruited 128 highly qualified employees up to the end of 2009, bringing the total number of CMA employees to 536, increasing by 23% compared to 2008.
- ◆ A number of specialists in capital markets were hired from overseas to fill some consulting and specialist positions in various CMA departments.

Human Resources Development

- ◆ 329 employees benefited from different training programs.
- ◆ The number of offshore training programs attended was 519.
- ◆ 12 employees enrolled in English language programs.
- ◆ The number of employees who joined continuing education programs through correspondence amounted to 77, of which 11 graduated.
- ◆ 12 employees benefited from local English language programs.
- ◆ On-the-job training was provided to 11 employees at international organizations and entities similar to the CMA.
- ◆ 73 employees were sent on scholarships in 2009 compared to 22 employees in 2008.

Strategic Development and Administrative Organization

In response to future challenges and changes in the financial and business environment, the CMA has developed its internal administrative organization through a program called "Fit for Future". This program is aimed at making a quantum leap on the internal level (operations and procedures) and on the external level (individuals and institutions) in the Saudi capital market. It also attempts to create a sophisticated administrative organization that enables the CMA to achieve its strategic goals which rest on two key principles:

- ◆ Investor protection
- ◆ Capital market development

The program enables the CMA to keep pace with the latest developments and modern practices in the sphere of capital markets. The phases of the "Fit for Future" program can be summarized in the following:

Phase One

The capital market was diagnosed and the existing administrative organization was assessed. A reference comparison for the best international practices was made against the assessment and analysis of gaps.

Phase Two

The ideal operating model for "Fit for Future" was developed, and a blueprint of the main administrative regulations and operations was made, starting with cascading and detailing the CMA's strategy on the divisional level. The organization structure was then developed and enhanced to be suitable for the new operating model. Finally, the required preparation plans were made to activate the proposed organizational strategies and studies.



Phase Three

This phase is concerned with the implementation process; the final formula of the “Fit for Future” strategy was drawn up, and consequently the proposals and recommendations approved for qualifying the organizational entities were implemented. The administrative operations and the new organizational structure will run into effect by early 2010.

Promoting the CMA’s Social Role

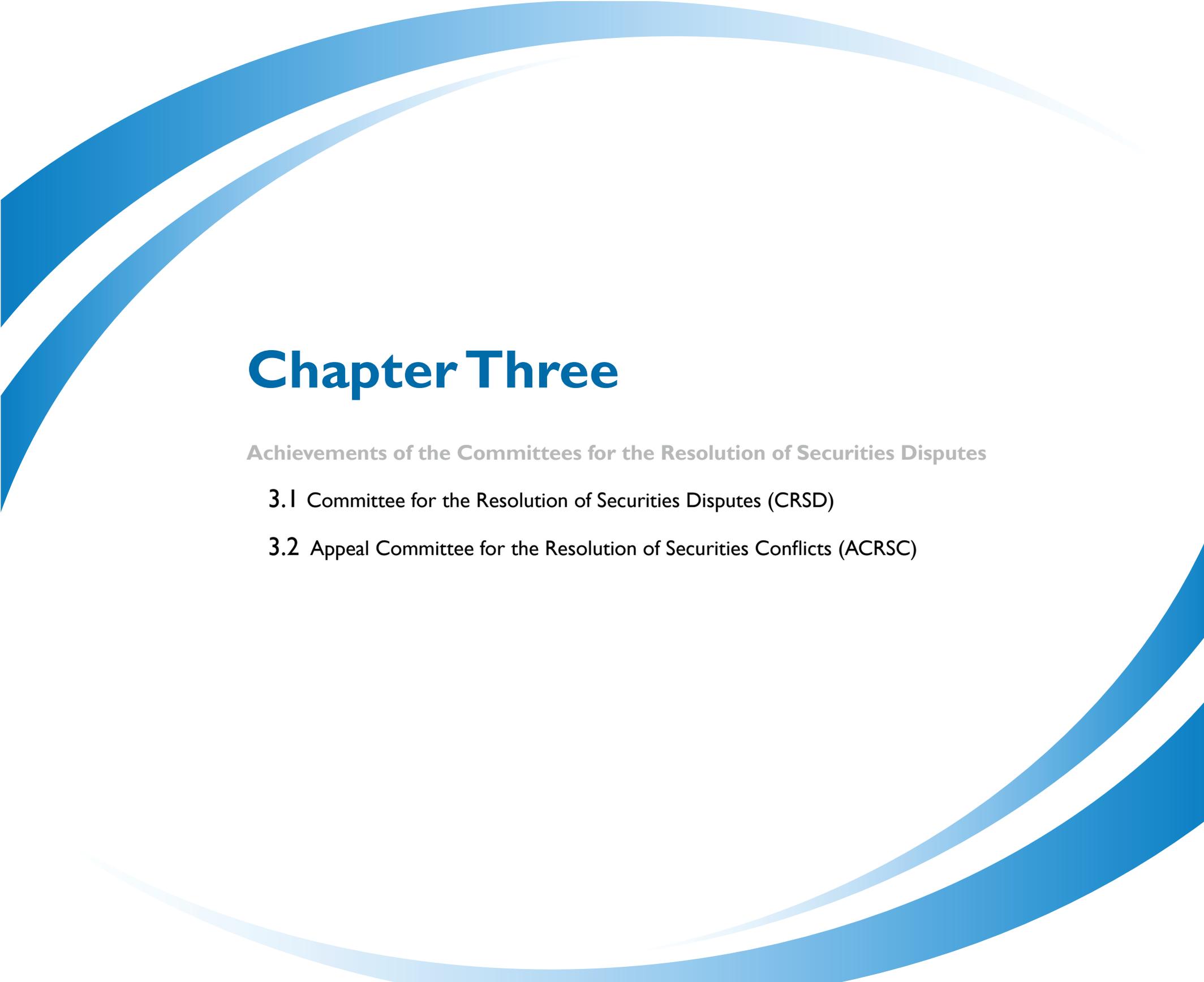
The CMA:

- ◆ Participated in eight career day events at a number of local and regional universities.
- ◆ Launched the scholarship program for newly graduated students; 40 male and female BA graduates were admitted and sent on scholarships to obtain masters degrees in several majors related to capital market studies.
- ◆ Trained 26 male/female students in 2009, under the co-operative training program provided to college and scientific institute students, as compared to 14 male/female students in 2008.

Managing the CMA’s headquarters at King Abdullah Financial District

In 2009, about 95% of the design work of the CMA’s building was completed, under a contract signed with a joint venture between HOK International and local designer Omrania & Associates. The site mobilization has begun during the design stage. Excavation works have started in the third quarter, and the Project Execution Plan has been completed.



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Chapter Three

Achievements of the Committees for the Resolution of Securities Disputes

3.1 Committee for the Resolution of Securities Disputes (CRSD)

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

3.1 Committee for the Resolution of Securities Disputes (CRSD)

The Committee continues to discharge the functions entrusted to it in fulfillment of Article Twenty Five of the CML that stipulated the establishment of a committee that consists of legal advisors specialized in the understanding of transactions and capital markets, enjoying expertise in commercial and financial affairs and securities to settle the disputes that fall under the provisions of the CML and its Implementing Regulations, and their rules and instructions with respect to the public and private rights. Based on this, the CMA Board passed Resolution No. 1-2-2005 dated 7/11/1425H to form the designated committee which embraces the following three members:

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

The Committee's scope of work includes the following:

- ◆ Its jurisdiction covers all regions of the Kingdom covering all types of disputes, be they civil, penal or administrative, that fall within the provisions of the CML and Its Implementing Regulations as well as the rules and instructions issued by the CMA. It has jurisdiction over all disputes that arise between authorised persons and investors, and among investors themselves. It also settles the accusations filed by the CMA against violators of the CML and its Implementing Regulations.
- ◆ The right to look into the grievances against the CMA's decisions and measures.
- ◆ Mechanism of judicial action: An automated system was designed and installed to reduce the reliance on paper work. It also enables members and advisors to examine filed suits and view all of their contents through their personal computers. This resulted in quick resolution of cases with precision and justice.

In 2009, the Committee held 368 meetings in which 264 decisions were made on civil, administrative and penal cases.

Tables (58) and (59) reflect the number of cases filed with the CRSD and the finalized cases in 2009 and 2008. Their most important indicators can be summarized in the following:

- ◆ In 2009, 140 cases (civil, administrative and penal) were filed with the CRSD compared to 175 cases in 2008, recording a decline of 20%.
- ◆ Civil cases constituted the highest percentage of all cases filed with the CRSD in 2009 and 2008, accounting for 84% and 93% respectively.
- ◆ 264 cases were finalized in 2009 compared to 253 cases in 2008, denoting an increase of 4%.
- ◆ The CRSD processed 48 cases in 2009 of the finalized cases that were lodged in the same year compared to 39 cases in 2008, increasing by 23%.



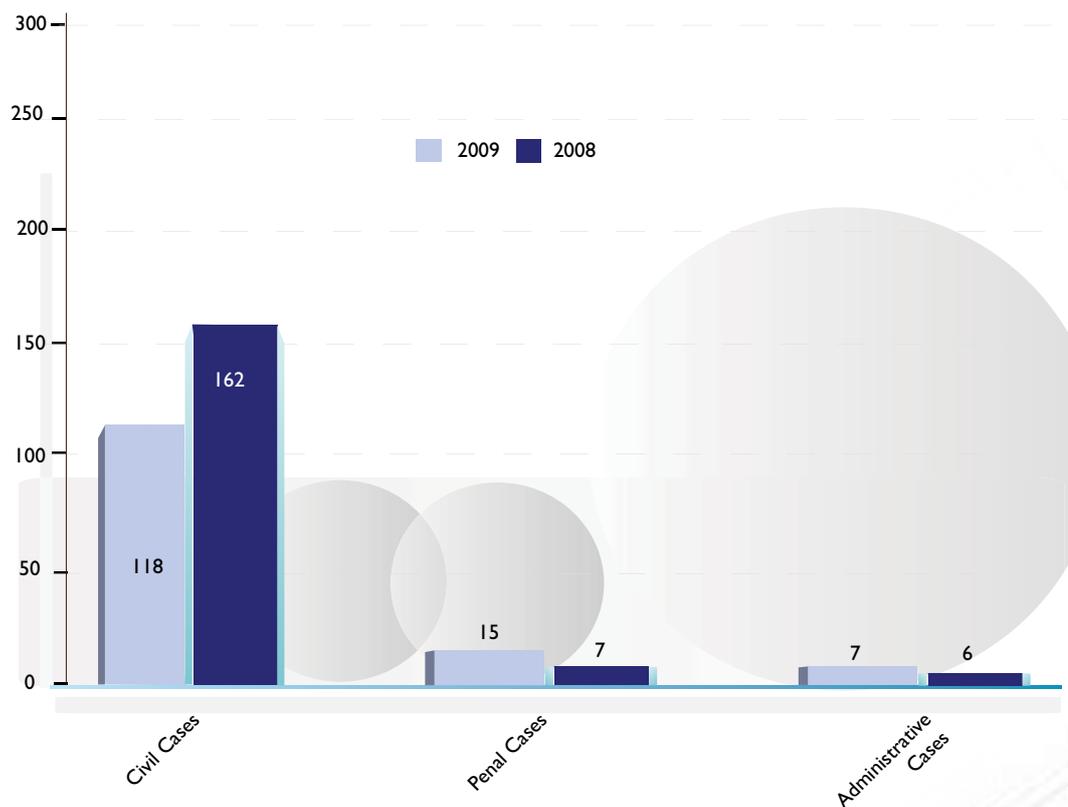
Table (58): Number of Cases Filed with the CRSD in 2009 and 2008

Case Type	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Civil	118	84%	162	93%	-27%
Penal	15	11%	7	4%	114%
Administrative	7	5%	6	3%	17%
Total	140	100%	175	100%	-20%

Table (59): Number of Cases Finalized with the CRSD in 2009 and 2008

Case Type	2009		2008		Change (%)
	Number	Percentage of Year Total Cases (%)	Number	Percentage of Year Total Cases (%)	
Finalized Cases during the Year	264	--	253	--	4%
Finalized Cases within the Year they were Lodged	48	34%	39	22%	23%

Chart (46): Number of Cases Filed with the CRSD in 2009 and 2008



As to the decisions issued by the CRSD, table (60) shows the number of those decisions by type of case in 2009 and 2008 which can be summarized in the following:

◆ 264 decisions were issued in 2009 compared to 253 decisions in 2008, recording an increase of 4%.

◆ Decisions on civil cases ranked first in terms of number as they stood at 226 followed by 28 decisions on penal cases, and 10 decisions on administrative cases, accounting for 86%, 10% and 4% respectively.



Table (60): Number of Decisions Issued by the CRSD in 2009 and 2008 by Type of Case

Case Type	2009		2008	
	Number of Decisions	Percentage (%)	Number of Decisions	Percentage (%)
Civil	226	86%	245	97%
Administrative	10	4%	3	1%
Penal	28	10%	5	2%
Total	264	100%	253	100%

Table (61) demonstrates the decisions of provisional seizure and travel ban issued by the CRSD with respect to penal cases in 2009 and 2008. Most significant features of this table can be summarized in the following:

- ◆ 10 decisions imposing provisional seizure were issued in 2009 compared to only one decision in 2008.
- ◆ Two decisions to lift provisional seizure were issued in 2009.
- ◆ One decision to ban travelling was issued in 2009 while no decision of the same was issued in 2008.

Table (61): Decisions of Provisional Seizure and Travel Ban Issued by the CRSD with Respect to Penal Cases in 2009 and 2008

Case Type	2009		2008	
	Number of Decisions	Percentage (%)	Number of Decisions	Percentage (%)
Provisional Seizure Imposed	10	36%	1	20%
Provisional Seizure Lifted	2	7%	0	0%
Travel Ban	1	4%	0	0%
Other	15	53%	4	80%
Total	28	100%	5	100%

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

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

The Council of Ministers issued Resolution No.328 dated 5/11/1429H, for naming the members of the Appeal Committee:

- 1- Mr. Ahmed Bin Mohammed Al-Khowaiter,
Chairman (Representing the Ministry of Finance)
- 2- Prince Abdulrahman Bin Mohammed Bin Ayaf Al-Miqren,
Member (Representing the Bureau of Experts)
- 3- Mr. Abdulaziz Bin Rashid Bin Kolaib,
Member (Representing the Ministry of Commerce and Industry)



The Appeal Committee held 192 meetings and made 75 decisions on various cases (civil, administrative and penal).

Tables (62) and (63) illustrate the number of cases appealed and decisions issued by the Appeal Committee in 2009 and 2008. The results can be summarized in the following:

- ◆ The total number of appealed cases amounted to 187 in 2009 against a total of 100 in 2008, increasing by 87%.
- ◆ Appealed civil cases accounted for the highest figure with 178 in 2009 and 97 in 2008, constituting 95% and 97% of the total respectively.
- ◆ The number of decisions issued by the Appeal Committee stood at 75 in 2009 compared to 65 in 2008, recording an increase of 15%.

Table (62): Number of Cases Appealed with the Appeal Committee in 2009 and 2008

Cases	2009		2008		Change (%)
	Number	Percentage (%)	Number	Percentage (%)	
Civil	178	95%	97	97%	84%
Penal	5	3%	3	3%	67%
Administrative	4	2%	0	0%	--
Total	187	100%	100	100%	87%

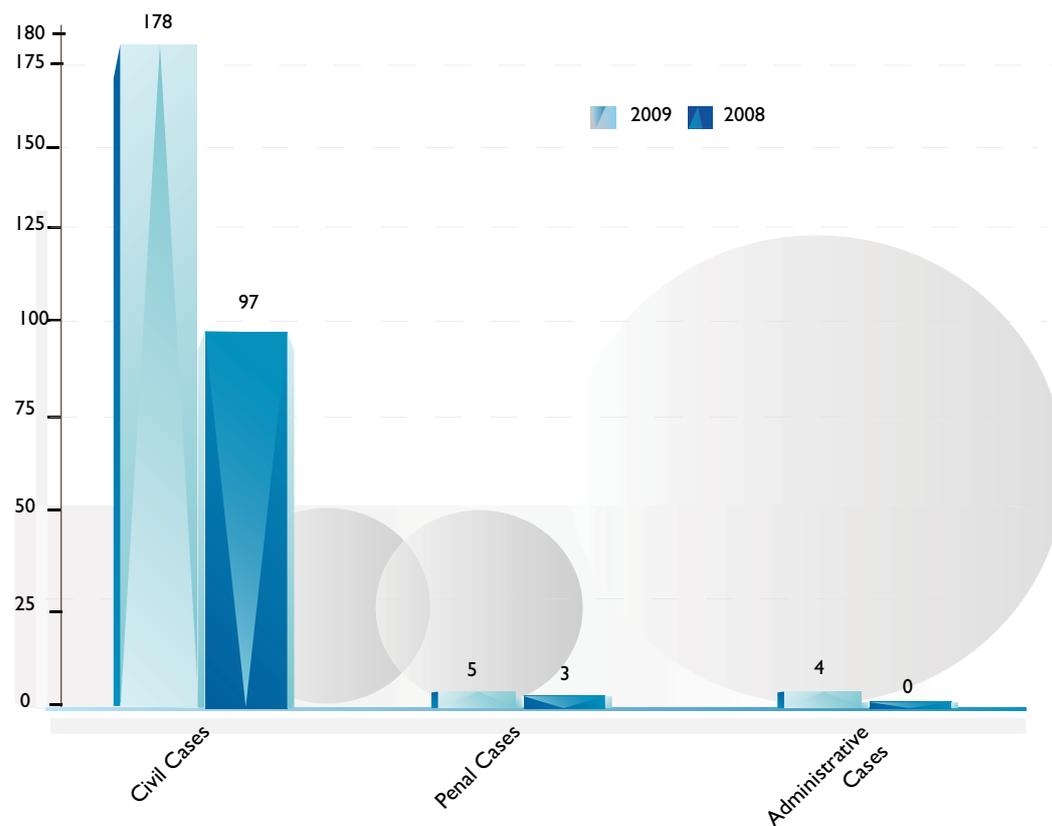
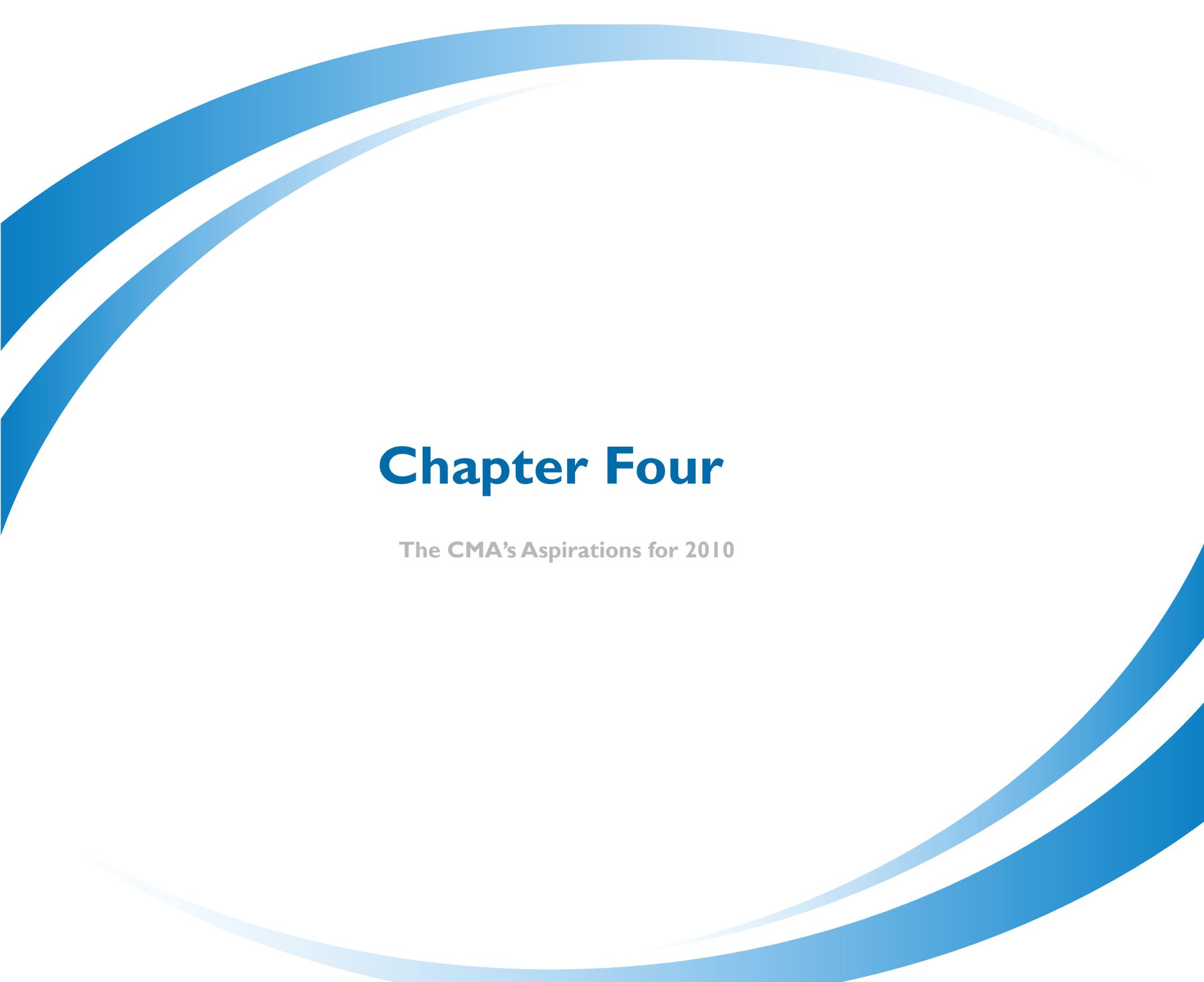


Chart (47): Number of Cases Appealed with the Appeal Committee in 2009 and 2008

Subject	Number		Change (%)
	2009	2008	
Appealed Cases	187	100	87%
Issued Decisions	75	65	15%

Table (63): Number of Cases Appealed and Decisions Issued by the Appeal Committee in 2009 and 2008

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Chapter Four

The CMA's Aspirations for 2010

The CMA's Aspirations for 2010

The CMA has been pursuing its strategic goals that rest on promoting investment, working on capital market development, and applying advanced rules and procedures in line with the best international practices and standards adopted by global markets. In 2010, the CMA aspires to add more success to what it has accomplished since its inception in areas including, but not limited to, the following:

Regulatory Aspect

- ◆ Developing and updating rules and regulations to keep up with the latest developments in the capital market sector in accordance with the best international practices and standards, such as the Listing Rules and the Investment Funds Regulations.
- ◆ Issuing rules (Prudential Rules) to regulate the capital adequacy of authorised persons, and issuing a regulation for rating agencies.

Capital Market Development

- ◆ Increasing the offerings of securities and scheduling them while taking into account the interests of the CMA and protection of investors.
- ◆ Authorising financial institutions to conduct securities business, and licensing other investment funds.



Disclosure

- ❖ Applying the CMA's strategy to deepen the concept of corporate governance and raise awareness of the importance of its principles.
- ❖ Developing the mechanism of disclosure by electronically linking it to listed companies, which will enable them to provide all the requirements related to continuous obligations electronically through the system.
- ❖ Setting up plans and programs to develop the level of continuous disclosure of companies listed on the capital market by deducing the results of the two surveys from the perspectives of corporate officials, managers of portfolios and investment funds and investors.

Trading Surveillance

- ❖ Upgrading the electronic surveillance system (SMARTS) to be consistent with the latest surveillance systems.
- ❖ Establishing a unit for E-Surveillance; it shall be responsible for monitoring unsound practices such as advertising or promoting fund raising schemes for investment in any securities business, managing investment portfolios, making recommendations, or undertaking any business of brokerage or intermediary without being licensed by the CMA.
- ❖ Setting up plans and programs to develop the level of surveillance over trading by capitalizing on the results of the survey that investigated the reality of oversight of trading on the capital market from the perspective of portfolio and investment fund managers and investors.

Authorised Persons

- ◆ Developing authorisation and registration forms of brokers and capital market institutions.
- ◆ Developing the CMA's qualification examinations for the authorised persons.

Investor Awareness

- ◆ Carrying on with awareness road shows to cover more cities, provinces and universities in the Kingdom.
- ◆ Participating in various road shows and conferences to distribute the CMA's publications and communicate with the public.
- ◆ Preparing new booklets for distribution in cooperation with the authorised persons.
- ◆ Preparing and releasing two new volumes of the "Smart Investor" magazine.
- ◆ Launching the CMA's new internet portal.
- ◆ Setting up plans and programs to educate investors based on the results of the survey "Investor Views towards the CMA and its Role in Educating Investors".



Internal Environment

- ❖ Implementing proposals and recommendations approved by the CMA Board for streamlining the organizational units, and putting the administrative operations and the CMA's new organizational structure into action.
- ❖ Enhancing legal procedures that protect the CMA's interests and reputation, and developing the procedures of legal risk management.
- ❖ Completing the review of the CMA's internal regulations.
- ❖ Redrafting the human resources' strategy that resulted from the evaluation of the human resources' progress over the past years to be more aligned with the present and future work needs.

Committee for the Resolution of Securities Disputes (CRSD)

- ❖ Launching a website for the CRSD and the Appeal Committee at: www.crsd.org.sa. All final decisions that were issued by the CRSD and the Appeal Committee in previous years will be posted on this website.
- ❖ Launching Short Message Service (SMS) to send notifications and session dates and times directly to the parties of litigation on their cell phone numbers registered in the pleadings.

The Capital Market Authority continues to spare no effort to improve the capital market's efficiency; boost its competitiveness to become a leading market in terms of liquidity, performance, rules and regulations; increase

market transparency and disclosure; and develop an efficient supervisory and regulatory apparatus.

هيئة السوق المالية
Capital Market Authority



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