



Securities Services

Marhaba Saudi Arabia

The comprehensive guide
to investing in Saudi Arabia

Deutsche Bank

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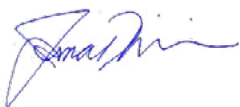
Foreword

I am pleased to present the fourth edition of Marhaba Saudi Arabia, the 2024 issue. This market guide provides necessary information to all types of investors, current and future, from entering the Saudi capital market, to receiving post trade settlement reports and information.

Since the inclusion in the MSCI Emerging Markets indices back in 2018, the rate of development and maturity of the Saudi Capital Market has been no less than astonishing. The success story of the market infrastructure enhancements and introduction of new asset classes, new products and expansions, and continuous update of the regulatory framework, is evidencing the dedication and effort injected by the Capital Market Authority, Tadawul Group, and the Capital Market Institutions. I would like to applaud these contributors which have been enabling the significant market advancements.

In line with Saudi Arabia's Vision 2030 program, the Kingdom is surpassing its milestones towards a more developed status, an investment-friendly environment, and an efficient and liquid market. I am excited to observe the accomplishments and proud to be part of the team building and executing the exciting future objectives of the Saudi capital market.

I wish to extend my profound gratitude towards our valued clients for their continuous trust in Deutsche Bank and giving us the opportunity to demonstrate our capabilities and do what we are best at, with dedicated focus on our clients' lasting success and financial security, at home and abroad.



Jamal Al Kishi
Chief Executive Officer
Middle East & Africa
Deutsche Bank

Contents

1.	Introduction – The Story So Far	10
1.1	Review of Market Developments	10
2.	Market Upgrade – Inclusions in Emerging Markets Indices	22
2.1	MSCI Emerging Market Index	22
2.2	FTSE Russell Secondary Emerging Market	23
2.3	QFI Ownership Trend	23
3.	Macro Focus	24
3.1	Capital Market Focus	25
3.2	Government: Key Initiatives	26
3.2.1	Vision 2030	26
3.3	KSA Investment Routes for Foreign Investors	27
4.	Securities Market	29
4.1	Legal Framework	29
4.2	Regulatory Structure	30
4.2.1	Stock Exchange and Capital Markets Supervision	30
4.2.2	Banking Supervision	30
4.2.3	Taxation Authority	31
4.2.4	Anti-Money Laundering and Counter-Terrorism Financing Laws	31
4.3	Local Market Administrative Structure	32
4.3.1	Saudi Exchange	32
4.3.2	Securities Depository Center (Edaa)	32
4.3.3	Securities Clearing Center Company – Clearing House/ CCP	33
4.4	Market Instruments	34
4.4.1	Equities Market	34
4.4.2	Debt Market	35
4.4.3	Funds	35
4.4.4	Money Market	35
4.4.5	Derivatives	35

4.4.6	Securities Identification	35
4.5	Market Characteristics	36
4.5.1	Listing Requirements for Main Market	36
4.5.2	Exchange Trading Hours	36
4.5.3	Main Market Indices	37
4.5.4	Other Stock Exchange Indices	37
4.5.5	Nomu-Parallel Market	38
4.5.6	Electronic Trading Systems	38
4.5.7	Foreign Exchange	39
4.5.8	Brokerage Commission	39
5.	Foreign Investors - Market Entry	40
5.1	QFI Program Introduction	40
5.2	QFI Market Entry Requirements	40
5.3	QFI Classification Procedure	41
5.3.1	QFI Status	41
5.3.2	QFI Classification Fees	41
5.3.3	QFI Application Procedure	41
5.4	Non-QFI Non-Resident Foreign Investors	41
5.4.1	Foreign Strategic Investor (FSI)	41
5.4.2	Ultimate beneficiaries of Swap Agreement	41
5.4.3	Investors appointing local Saudi Asset Manager	41
5.5	Account Framework Overview – Deutsche Securities Saudi Arabia (DSSA)	41
5.6	Investment Limits	42
5.6.1	Ownership Limits, Restrictions and Disclosure Requirements	42
6.	Know Your Client (KYC) Framework	43
7.	Cash Management	44
7.1	Cash/ FX Restrictions	44
7.2	Credit Facilities	44
7.3	Payment Systems	44
7.4	Funding Procedures	45
7.5	Foreign Exchange	45
7.6	Credit/ Debit Interest	45
7.6.1	Credit Interest	45
7.6.2	Debit Interest	45
7.7	Securities Lending	45

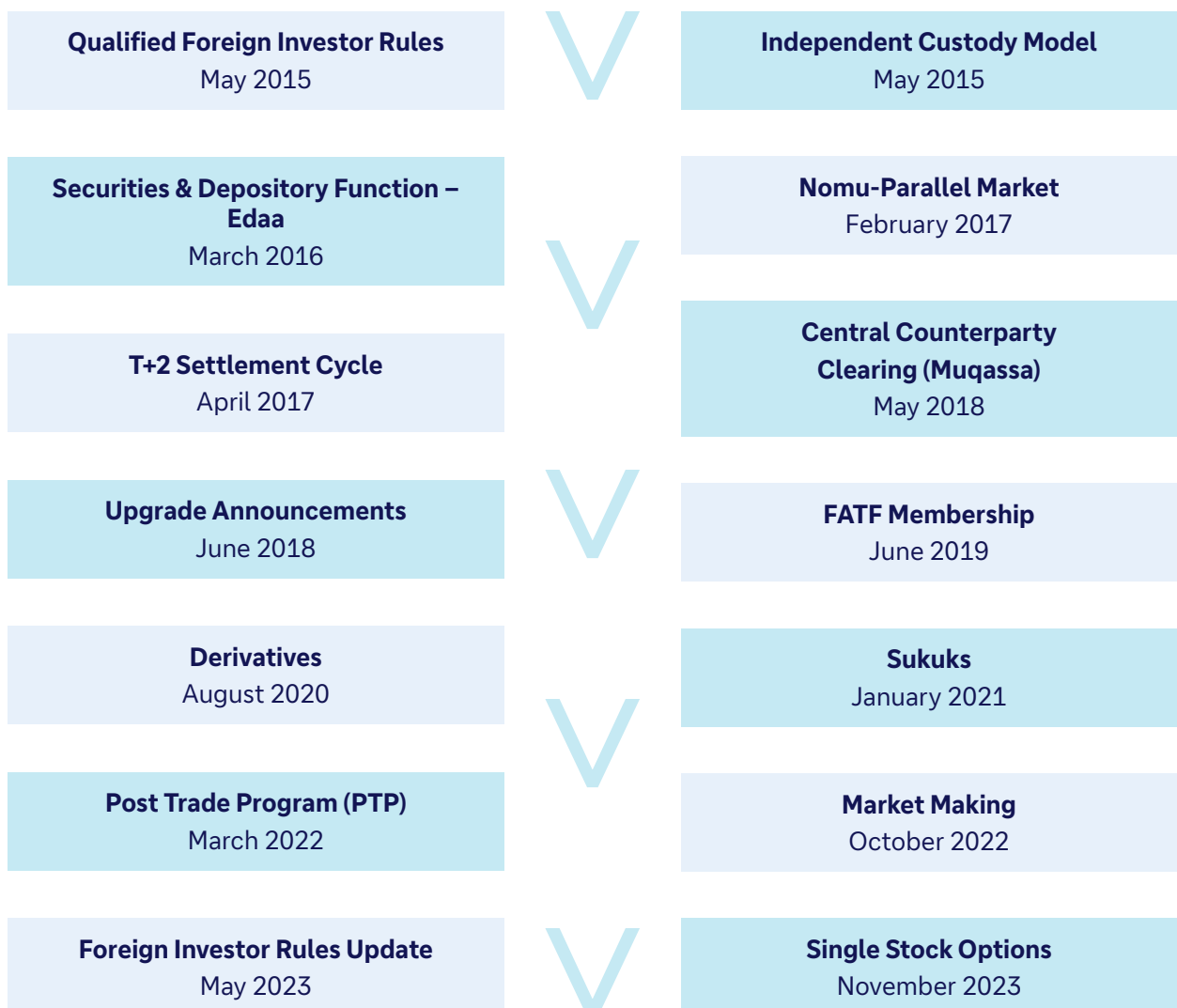
8.	Clearing and Settlement Environment	46
8.1	Settlement Cycle	46
8.2	Clearing and Settlement	46
8.2.1	Trade and Settlement Market Wide Flow	47
8.2.2	Custody/ Safekeeping Fee	47
8.2.3	Fails Management Fees	48
8.2.4	Securities Borrowing/ Lending Fees	48
8.2.5	Pre-matching	48
8.2.6	Settlement Assurance	48
8.2.7	Partial Settlements	48
8.2.8	Turnaround Trades	48
8.2.9	Failed-trades and Buy-ins	48
8.2.10	Physical Settlement	48
8.2.11	Free of Payment Transfers (FOPs)	49
8.3	Investor Protection	49
8.3.1	CCP Backing	49
8.4	Registration	49
8.4.1	Registration	49
8.4.2	Registration Time	49
8.4.3	Central Securities Depositories	49
8.4.4	BIS DvP Model	49
9.	Asset Servicing	50
9.1	Corporate Actions	50
9.1.1	Rights Issues	50
9.1.2	Cash Dividends	50
9.1.3	Stock Dividends (Bonus)/ Stock Splits	51
9.1.4	Corporate Action Notifications	51
9.1.5	Equities	51
9.1.6	Bonds	51
9.1.7	Central Paying Agent	51
9.1.8	Income Payment Procedure	51

9.2	Proxy Voting	52
9.2.1	Extraordinary General Assembly of Shareholders (EGA)	52
9.2.2	Voting Procedures	52
9.2.3	Notifications	52
9.2.4	Publication of Outcome of the Meeting	52
10.	Tax Aspects	53
10.1	Double Taxation Treaties (DTTs)	53
10.2	Tax Relief at Source and Tax Reclaims Procedure	53
	Appendix 1 Local Time and Holiday List for 2024	54
	Glossary	55
	Contact Details and Licenses	56

1 Introduction – The Story So Far

1.1 Review of Market Developments

Before we deep-dive into the details of the Marhaba 2024 edition, a recap on one of the unprecedented capital market development stories of the recent past will be helpful for the readers. Through this section, we have captured the chronology of the most significant milestones achieved by the capital market of the Kingdom of Saudi Arabia (KSA) over the last decade, followed by a detailed comparison of past and present scenarios along with our take on the changed scenarios' impact.



The tables below provide detailed chronological timeline, which aims to provide a summary of all the hard work of market participants especially the CMA and Tadawul Group in implementing the transformative initiatives at such rapid pace.

2015 – The Year it Officially Kicked Off		
Past/ Headline	Present	Impact
May		
<ul style="list-style-type: none"> – No direct access to foreign investors to the Saudi Arabian capital market – Investments only via SWAPs 	<ul style="list-style-type: none"> – CMA publishes the first iteration of the Qualified Foreign Investor (QFI) Programme – Increased Foreign Ownership Limits 	<ul style="list-style-type: none"> – Development of the QFI Programme based on feedback from investors and market participants – Access to the largest capital market in the region – An alternative to SWAPs was a game-changing moment for the Saudi Capital Market
<ul style="list-style-type: none"> – The role of the custodian was minimal – Assets of majority investors were held with brokers 	<ul style="list-style-type: none"> – CMA approved the Implementation of Independent Custody Model (ICM) 	<ul style="list-style-type: none"> – Custodians' role aligned with international standards – Global investors were provided with an option – Custodians got direct control on investors' assets – Mitigation of credit risk associated with trade settlements
June		
<ul style="list-style-type: none"> – Implementation of the QFI framework was awaited 	<ul style="list-style-type: none"> – QFI Framework went live 	<ul style="list-style-type: none"> – A key moment in the history of Saudi Capital Market
August		
<ul style="list-style-type: none"> – QFI rules resulted in multiple questions; frequently asked questions (FAQs) were required to address repetitive questions from investors 	<ul style="list-style-type: none"> – CMS published the first iteration of the FAQs on the QFI regime 	<ul style="list-style-type: none"> – Introduction of new rules resulted in many questions from the market participants, including Deutsche Bank – CMA was quick to publish the first version of the QFI FAQs based on collated feedback

2016 – Constant Learning, Development and Improvement		
Past/ Headline	Present	Impact
March		
<ul style="list-style-type: none"> – Depository was integrated within the exchange – This was an accepted operating model in many CSD's across the region 	<ul style="list-style-type: none"> – CMA announced the split of the CSD function from the exchange – Securities Depository Centre Company ('Edaa') was established in 2016 as a closed joint stock company 	<ul style="list-style-type: none"> – Establishment of Edaa laid the groundwork for further developments and the split of responsibility and risk – The development was also an indication of a possible IPO of Tadawul

2016 – Constant Learning, Development and Improvement		
Past/ Headline	Present	Impact
<ul style="list-style-type: none"> – Under the QFI regime, the list of eligible countries was limited 	<ul style="list-style-type: none"> – CMA reviewed the list of eligible countries whose institutions would be eligible for QFI status 	<ul style="list-style-type: none"> – CMA continued to expand the list of eligible countries through bilateral discussions with foreign countries
June		
<ul style="list-style-type: none"> – KSA targeted MSCI inclusion 	<ul style="list-style-type: none"> – MSCI provided positive feedback on the index inclusion related developments 	<ul style="list-style-type: none"> – Under MSCI's Market Classification Review of 2016, MSCI welcomed the accessibility enhancements and indicated its intent to monitor the positive evolution – Changes were expected around the settlement cycle, elimination of cash pre-funding requirements, and introduction of Delivery versus Payment (DvP) mechanism along with rejig in the QFI rules
<ul style="list-style-type: none"> – Capital markets were awaiting the Investment Fund Regulations 	<ul style="list-style-type: none"> – CMA published revised Investment Fund Regulations 	<ul style="list-style-type: none"> – Rules governing KSA-registered investments funds were notably enhanced across key areas – Governance, Anti-Money Laundering (AML), and risk management were also the key actionable areas – There was a mandate to appoint an independent custodian
August		
<ul style="list-style-type: none"> – Revised QFI rules were expected as the CMA was reviewing the feedback provided by capital market participants 	<ul style="list-style-type: none"> – CMA published the second iteration of the QFI rules 	<ul style="list-style-type: none"> – CMA incorporated the feedback from the market participants/ investors into the latest version of the QFI rules – There was increased focus on the requirements of investors which were further addressed in subsequent versions that followed
October		
<ul style="list-style-type: none"> – To function as investors' proxies, the proxies themselves were required to own shares 	<ul style="list-style-type: none"> – Tadawulaty, the web portal for proxy voting started gaining traction with the QFIs 	<ul style="list-style-type: none"> – Tadawul enhanced Tadawulaty by facilitating electronic voting for QFIs, by themselves or through their custodians

2017 – Settlement Changes		
Past/ Headline	Present	Impact
February		
– Working towards launching a listing venue for SME's	– Tadawul announces the launch of the Nomu-Parallel Market	– An initiative very much aligned to Vision 2030 encouraging SMEs to list their companies
April		
– Settlement Cycle T+0	– Settlement Cycle of trades changed to T+2 – Several developments to settlement models followed	– Settlement cycle now aligned with international standards – Smooth implementation within 12 months of announcement, initial announcement made in May 2016. – One of the biggest post trade developments after the announcement of the QFI framework in 2015
– Mandatory settlement of executed trades – No Fails Cycle, all executed trades settled on T+0	– Delivery vs. Payment – Custodians able to reject trades not instructed by clients – Fail Management Process Implemented by the CSD	– Compliance with the principle of DvP – Delivery of securities subject to corresponding payment of funds – Increased asset security – Multiple options for executing brokers to cover securities shortage – Mandatory buy-in implemented by CSD
– Participants working on Securities Lending and Borrowing initiative	– Implementation of securities lending, borrowing covered short selling	– First steps towards increased liquidity – Alignment with international market practices
June		
– Saudi Arabia targets MSCI inclusion	– MSCI adds Saudi Arabia to watch list for Emerging Market status	– Milestone for Saudi Arabia to be added directly to the Emerging Market watch list – Saudi Arabia to largest inclusion since 2001 with an expected weight of 2.6%
July		
– No Value Added Tax (VAT) in the region	– VAT law is published in official gazette	– Successful implementation of 5% VAT across the country in a short period of time – DSSA worked closely with external consultants to ensure smooth transition of its clients to the new tax environment

2018 – Banner Year for Saudi Arabia Capital Markets		
Past/ Headline	Present	Impact
January		
<ul style="list-style-type: none"> – Second iteration of QFI rules active. CMA working on incorporating further feedback into third iteration 	<ul style="list-style-type: none"> – CMA publishes the third iteration of the QFI rules 	<ul style="list-style-type: none"> – This iteration was marked by significant amendments to the QFI regime – The AUM entry point for QFI's was halved to \$0.5 billion – Authorised persons such as custodians were entrusted with the responsibility for determining the eligibility of the QFI applications
<ul style="list-style-type: none"> – Custodian had to update the daily 'Buying Power' per client in order to ensure that trades were accepted at the exchange – Custodian unable to reject trades if the client had failed to fund their account sufficiently 	<ul style="list-style-type: none"> – The 'Buying Power' requirement was removed. ICM Custodians could reject trades where the client had failed to fund – Rejected trades become the obligation of the executing member to settle 	<ul style="list-style-type: none"> – This change gave clients and custodians more flexibility regards funding deadlines (subject to agreement between investors and their ICM provider) – Custodians able to reject transactions where investors had not credited sufficient funds – The obligation to settle rejected trades (due to lack of funding) became the responsibility of the Executing Member – Model more closely aligned to developed markets
March		
<ul style="list-style-type: none"> – Saudi Arabia awaiting classification by FTSE Russel 	<ul style="list-style-type: none"> – FTSE Russel announced the classification of Saudi Arabia as a secondary emerging market 	<ul style="list-style-type: none"> – Major milestone in its quest to grow and diversify its economy – At 2.7% of the FTSE Emerging Index, KSA ranks as the 10th largest stock market in its index
<ul style="list-style-type: none"> – Working on the country's insolvency regime to bring it at par with international standards 	<ul style="list-style-type: none"> – Bankruptcy law introduced 	<ul style="list-style-type: none"> – New law introduced to address previous issues related to lack of liquidity resulting in defaults and overall inefficiency in the financial system
April		
<ul style="list-style-type: none"> – Working on an exchange trading platform for debt securities 	<ul style="list-style-type: none"> – CMA approves listing and trading of certain government debt securities 	<ul style="list-style-type: none"> – Introduction of additional asset class to the trading environment – Investors provided the option of holding debt through Edaa as opposed to local bank/ Saudi Central Bank considered a very positive development
May		
<ul style="list-style-type: none"> – Working towards setting up Central Counterparty Clearing (CCP) 	<ul style="list-style-type: none"> – Central Counterparty Clearing House (Muqassa) established 	<ul style="list-style-type: none"> – A precursor to the introduction of CCP in H2 2020
<ul style="list-style-type: none"> – Clarification required on conversion of SWAP holdings by QFIs 	<ul style="list-style-type: none"> – CMA clarifies that QFI's can convert SWAP holdings to their new QFI account 	<ul style="list-style-type: none"> – CMA permits QFIs to continue transacting under swap agreements for a period not exceeding 12 months from the date of the QFI account opening – The conversion may be completed in multiple phases

2018 – Banner Year for Saudi Arabia Capital Markets

Past/ Headline	Present	Impact
June		
– Saudi Arabia awaiting classification into MSCI emerging markets index	– MSCI announced the inclusion of Tadawul in the MSCI Emerging market Index	<ul style="list-style-type: none"> – This change was scheduled to be effective in the 2019 semi-annual index review – This was closely followed by the inclusion of Tadawul in the S&P Dow Jones Index
November		
– CMA AML Rules in place in need for a refresh	– CMA AML Rules replaced with the new AML Rules & Implementing regulations	– New laws aligned with developed markets and most importantly transparent in regard to the CMI's ability to rely on the CDD of a third-party

2019 – Reaping Upgrade Rewards

Past/ Headline	Present	Impact
March		
– First tranche of FTSE Russel awaited	– First tranche of FTSE Russel inclusion implemented	<ul style="list-style-type: none"> – Saudi Arabia's inclusion as a secondary emerging market in the FTSE Global Equity Index Services during 2019/ 20 in multiple tranches – First tranche was effective on March 18, 2019. Following tranches are scheduled for April, June, September and the following year in March 2020
June/ August		
– First tranche of MSCI index inclusion awaited	– MSCI emerging market index completed	<ul style="list-style-type: none"> – The first phase of Saudi Arabia's upgrade to emerging market by MSCI was completed – The second tranche closely followed in August resulting in aggregate weight of 2.83% in the index – Both inclusions were successful as planned without any issues
– Saudi Arabia an observer member since start of 2015	– Saudi Arabia is granted full membership of FATF	<ul style="list-style-type: none"> – First Arab country to be granted full membership of the Financial Action Task Force (FATF) – Kingdom has made tangible progress in its efforts of implementing the FATF's guidelines – This is massive step towards easing KYC requirements for QFIs and cementing the position of Saudi Arabia as a financial powerhouse

2019 – Reaping Upgrade Rewards		
Past/ Headline	Present	Impact
<ul style="list-style-type: none"> – Working on specific guidelines for foreign strategic investors 	<ul style="list-style-type: none"> – CMA publishes specific rules for foreign strategic investors 	<ul style="list-style-type: none"> – Key part of Vision 2030 to make Saudi Arabia an attractive destination for foreign investors – Formalise the ability of a foreign strategic investor to acquire more than the current 10% of the QFI limit in a Saudi enterprise – Such investors are not subject to the QFI rules – In August, CMA further published draft instruction for comments to market participants
August		
<ul style="list-style-type: none"> – Paying agent appointed by issuer or function maintained internally 	<ul style="list-style-type: none"> – Edaa announced the availability of paying agent services 	<ul style="list-style-type: none"> – In line with international best practice services, the CSD introduced paying agent service to facilitate cash dividend payment from listed companies to market participants – This service is immediately available to the issuers

2020 – Planning the Future Market Infrastructure		
Past/ Headline	Present	Impact
January		
<ul style="list-style-type: none"> – Clearing House launch 	<ul style="list-style-type: none"> – Muqassa announces approval of Securities Clearing Center Rules and Procedures 	<ul style="list-style-type: none"> – The Securities Clearing Center Rules and Procedures aim to (i) facilitate Muqassa's role as a Central Counterparty (CCP) clearing house in the Saudi Capital Market and (ii) regulate the Clearing Members' responsibilities. According to the Securities Clearing Center Rules and Procedures, these will contribute to developing clearing services in accordance with international practices, enhance market stability, reduce post-trade risks and provide for the introduction of new financial instruments and services
March		
<ul style="list-style-type: none"> – Saudi Arabia awaiting classification by FTSE Russel 	<ul style="list-style-type: none"> – Implementation of fifth and final tranche Inclusion in FTSE Russell as an Emerging Market 	<ul style="list-style-type: none"> – The implementation of the fifth and final tranche is to be split into two phases: (i) phase one, which is to take place on Monday, March 23, 2020 is to be based on the closing prices as of Thursday, March 19 with 25% of the inclusion factor and (ii) phase two, which is to take place in June 2020 with 75% of the inclusion factor. The exact date of the second phase is to be communicated in due course

2020 – Planning the Future Market Infrastructure

Past/ Headline	Present	Impact
May		
– PTTP launch date revision	– Revised dates to the planned H2 2020 implementation (PTTP)	– The PTTP includes the introduction of a new depository system and interface, a central Clearing Counterparty (CCP) and the introduction of ISO standard messages for market participants
July		
– Updated Trading and Membership rules published for public consultation	– Saudi Exchange, Muqassa, and Edaa Publish for Consultation Drafts of Amended Trading and Membership Rules, Securities Clearing Centre Rules and Securities Depository Centre Rules	<ul style="list-style-type: none"> – Involving all interested parties in the consultation exercise and are said to welcome any observations on the proposed frameworks – The amendments would capitalise on the market framework to be operational post PTTP implementation
– Launch of Wamid Company	– Saudi Tadawul Group Holding Company recently established technology innovation subsidiary WAMID	<ul style="list-style-type: none"> – To enhance the investor experience in the market by advancing technology and access to data – Acting as a hub for innovation across the group – To increase the diversification of Tadawul's operating revenues

2021 – Government Debt Instruments (Sukuks) and Derivatives

Past/ Headline	Present	Impact
January		
– Depository safekeeping invoices frequency change	– Edaa announces change in invoice frequency	<ul style="list-style-type: none"> – Independent Custody invoices (Edaa Depository Fees) are to be issued on a monthly basis. These monthly invoices are to replace the former bi-annual billing of Independent Custody fees – Clients will now receive monthly invoices from Deutsche Securities Saudi Arabia in respect of Independent Custody fees
– Trading Government Debt Instruments	– Saudi Exchange announces regarding the approval on Listing and Trading Government Debt Instruments	– The Saudi Exchange has reportedly issued its resolution approving the listing request of the debt instruments which is starting from the January 25, 2021. It's issued by the Government of the Kingdom of Saudi Arabia and submitted by the Ministry of Finance. As per the Listing Rules with a total value of (SAR 2,955,020,000)

2021 – Government Debt Instruments (Sukuks) and Derivatives		
Past/ Headline	Present	Impact
<ul style="list-style-type: none"> – Amendments to multiple fund regulations 	<ul style="list-style-type: none"> – The CMA announce amendments to multiple regulations 	<ul style="list-style-type: none"> – Investment Funds Regulations and Real Estate Investment Funds Regulations and Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority – Rules on the Offer of Securities and Continuing Obligations – Rules for Special Purposes Entities – Market Conduct Regulations
August		
<ul style="list-style-type: none"> – Launch of first Exchange Traded Derivatives 	<ul style="list-style-type: none"> – The launch of the derivatives market on the exchange takes place on August 30, 2020 	<ul style="list-style-type: none"> – Tadawul considers that this will mark the beginning of trading in the Saudi Futures 30 (SF30) Index Futures Contract – The SF30 Index Futures Contract is based on the MSCI Tadawul 30 (MT30) Index – The SF30 is to provide investors with hedging tools to manage risk more effectively and will reportedly deliver expanded opportunities to gain exposure to the Saudi Arabia's capital market
September		
<ul style="list-style-type: none"> – Channels of investment in securities 	<ul style="list-style-type: none"> – Investment channels available to non-resident foreign investors 	<ul style="list-style-type: none"> – A foreign investor who is non-resident in the Kingdom can invest in securities through one of the following: <ul style="list-style-type: none"> – As a qualified foreign investor – As an ultimate beneficiary in swap agreements – As a foreign strategic investor – As a direct investor – A non-resident foreign investor can invest in securities in the main market and the Nomu-Parallel market through the following channels: <ul style="list-style-type: none"> – Stock market (Not for direct investor) – Debt market (Not for foreign strategic investor) – Investment funds (Not for foreign strategic investor)
October		
<ul style="list-style-type: none"> – Saudi Arabia awaiting classification by FTSE Russel for Government Bonds 	<ul style="list-style-type: none"> – Saudi Arabia to be incorporated into FTSE Emerging Markets Government Bond Index 	<ul style="list-style-type: none"> – Saudi Exchange is understood to have announced that FTSE Russell, a global index provider, is to incorporate Saudi Arabia's sukuk into its FTSE Emerging Markets Government Bond Index (EMGBI) with effect from April 2022 – 42 government sukuks will be incorporated into the above-mentioned index, thereby representing 2.75% of the index on a market value weighted basis

2022 – Infrastructure for the Future		
Past/ Headline	Present	Impact
April		
– Market Launches PTTP	– Tadawul, Edaa and Muqassa launches the new market infrastructure project PTTP	– PTTP includes the introduction of a new depository system and interface, a Central Clearing Counterparty (CCP) and the introduction of ISO standard messages for market participants
July		
– Exchange launches Single Stock Future contracts	– Trading of Single Stock Futures contracts is launched in the Saudi Arabia market with 10 listed stocks as underlying assets	– SSFs are the second in a series of Derivatives products to be introduced in the Saudi Exchange and will be cleared by the Securities Clearing Centre Company 'Muqassa' – The exchange and the Securities Clearing Center have published amended regulations governing SSF trading
– TASI Islamic Index	– Launch of the TASI Islamic Index, the first Shariah Compliant Index to track the performance of Shariah compliant companies on the Saudi Exchange	– The Index will act as a tool for investors and wider market participants to guide and inform decisions into Shariah-compliant investments, while allowing asset managers to benchmark the performance of their Shariah compliant investment portfolios. In addition, the index can serve as a base for financial products including Derivatives and ETFs
August		
– Amendment of Cash market Clearing Procedures	– Muqassa and Edaa announces the approval of amended Cash market clearing procedures and amended Depository Center Procedures	– The amendments include changing the failed settled trades. Intended Settlement Date (ISD), from two business days from the intended settlement date (ISD) to eight business days from intended settlement date (ISD) and Muqassa will initiate the cash substitution process, whereby securities obligation is substituted with a cash obligation
September		
– Amendments to the Rules on the Offer of Securities and Continuing Obligations	– The Capital Market Authority announces the approval of Amendments to the Rules on the Offer of Securities and Continuing Obligations	– Key amendments included stipulating the conditions and requirements for the registration of debt instruments offered by way of private placement for the purpose of direct listing on the Exchange, developing the regulatory framework for convertible debt instruments, including the provisions relating to private placements of such instruments by companies listed on the Exchange and regulating the issuance of exchangeable debt instruments

2022 – Infrastructure for the Future		
Past/ Headline	Present	Impact
November		
– First dual listing in the Saudi Market	– The Capital Market Authority announces the Approval on the Concurrent and Dual KSA and UAE Registration and Initial Public Offering	– This dual offering is the first of its kind in the Saudi Capital Market, the dual listing is taking place in the Saudi Stock Exchange and Abu Dhabi Securities Exchange
December		
– Market Making Framework for Equity and Derivatives Markets	– The Saudi Stock Exchange announces the launch of Market Making framework for Equity and Derivatives Markets	<ul style="list-style-type: none"> – Market Making is launched with the objective to ensure the availability of liquidity and increase price formation efficiency in line with its efforts to advance the growth of the Saudi capital market as part of the Kingdom's Vision 2030 – The Saudi Exchange published on its website a list of Market Makers and the securities on which they are performing this activity

2023 – Expansion of Horizons		
Past/ Headline	Present	Impact
May		
– Amended Draft Rules for Foreign Investment	– The CMA publishes the Amended Draft Rules for Foreign Investment in Securities for Public Consultation	– The main elements of the Draft Rules represented in developing the qualification conditions and facilitating requirements that must be met by the Qualified Foreign Investors (QFIs), including removing the requirements on application for qualification and QFIs assessment agreement and only requiring the QFI to open an investment account in accordance with the Investment Accounts Instructions. In addition, waiving the requirements of assets under management size for some classes. Also, adding a new channel for foreign investment in the Main Market-listed securities by allowing all foreign natural and legal
November		
– Single Stock Options	– The Saudi Stock Exchange announces launching single Stock Options in the market	– In continuation of the markets efforts to introduce new derivatives to the market, Single Stock Options are a long-awaited development providing investment managers an important hedging tool

Information available on upcoming market developments are summarised below for your reference.

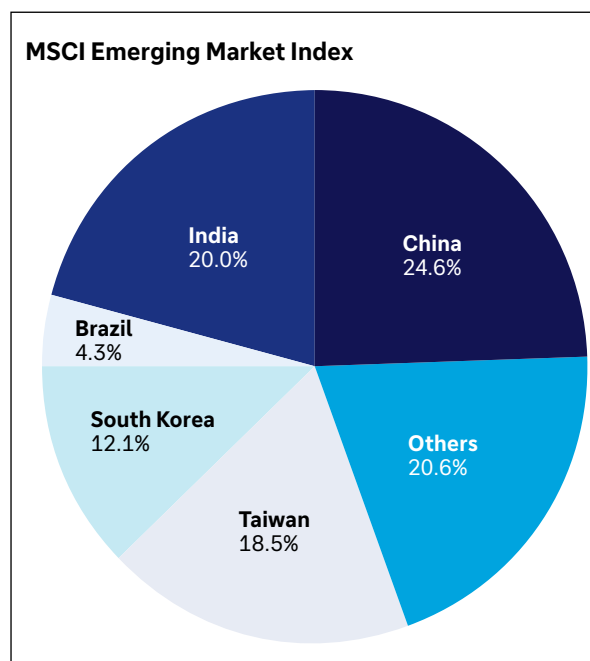
Expected Market Development	Comment
SWIFT connectivity between the depository and the custodians	As the depository switched to ISO messages post PTTP, it is expected as the next step of connectivity options, allowing market participants already implementing SWIFT to connect to the depository with ease
Securities Borrowing and Lending improvements	The market is expected to launch an SBL solution mediated by the depository Edaa as lending agent
Securities Omnibus accounts	The regulator and the Market are reviewing omnibus security accounts structures and procedures and may allow further use in the market environment for these setups
Inbound DRs	The market is expected to allow foreign issuers to offer depository receipts in the local market
Mutual Funds Trading Platform	An initiative postponed from the market and as the infra structure has been applied, it is expected that mutual fund units are to be offered via the exchange

2 Market Upgrade – Emerging Markets Indices Inclusions

2.1 MSCI Emerging Market Index

Since KSA's inclusion in the index in 2019, the equity market has broadened with investors having more-diversified sector exposures. In the last 6 years, foreign investor participation in Saudi capital market has increased multifold as the erstwhile regulatory restrictions impacting them have been relaxed. From 2.83% weightage in August 2019, KSA's weightage in the MSCI Emerging Market Index has increased to 4.4% in June 2024, and is further expected to touch 4.5% at the next reset.

As of early June 2024, the MSCI Saudi Arabia IMI, constituting of 123 securities, as compared to 70 in June 2019 has seen convincing sectoral diversification over the last five years. From no information technology (IT) companies, the index has four IT companies now, and financials and materials happen to be the two largest sectors. The listing of leading companies, like Saudi Aramco and Saudi Arabian Refineries Company, have expanded the index's exposure to energy sector.

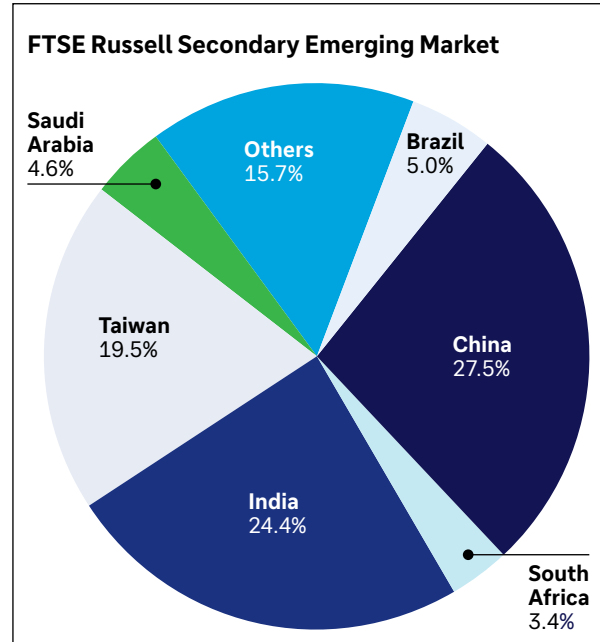


Source: MSCI
Note: Values are rounded-off, and as of June 2024

2.2 FTSE Russell Secondary Emerging Market

Following the announcement of Saudi Arabia’s inclusion in FTSE Russell’s indices, in March 2018, the Kingdom’s journey began with 2.86% weight in the FTSE Emerging All Cap Index. Over the years, KSA’s country-weightage has witnessed considerable increase at 4.27%, constituting of 90 companies with market capitalisation of USD 354.5 billion at the end of August 2024. Saudi Arabia’s weight in FTSE Emerging Index stood at 4.51% through 62 company constituents with market capitalisation of USD 336.1 billion at the end of August 2024.

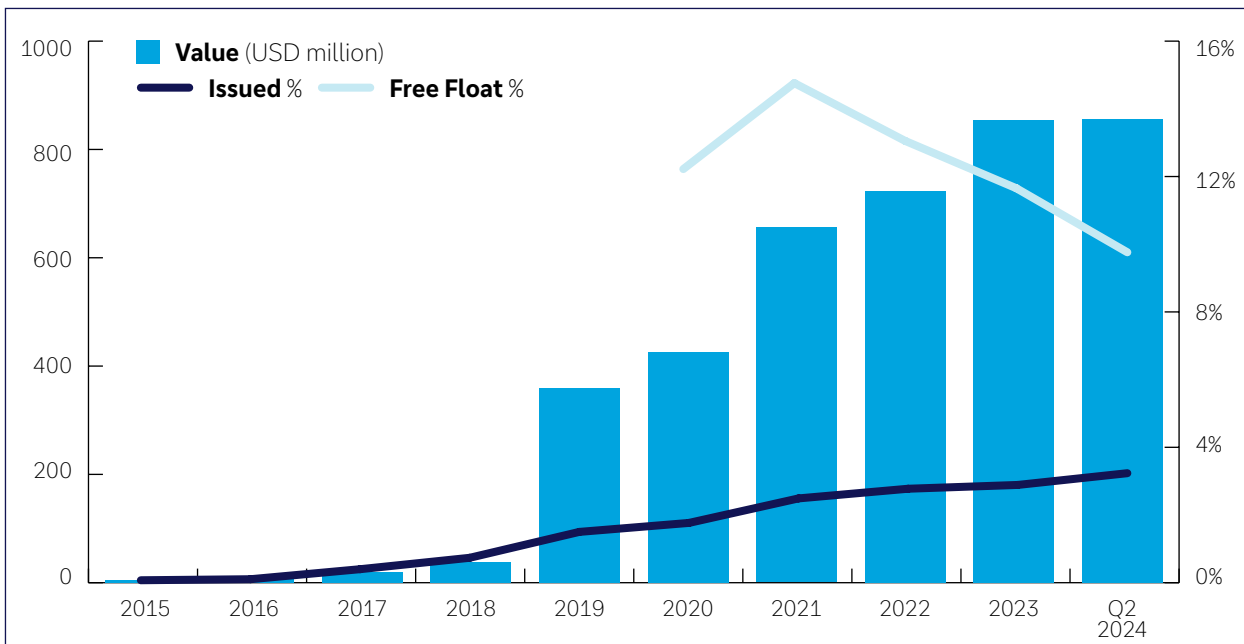
Current Weights of Countries in FTSE Emerging All Cap Index



Source: FTSE Russell
Note: Values are rounded-off, and as of June 2024

2.3 QFI Ownership Trend

QFI ownership stands at 9.79% after reaching its peak in 2021 at 14.74%

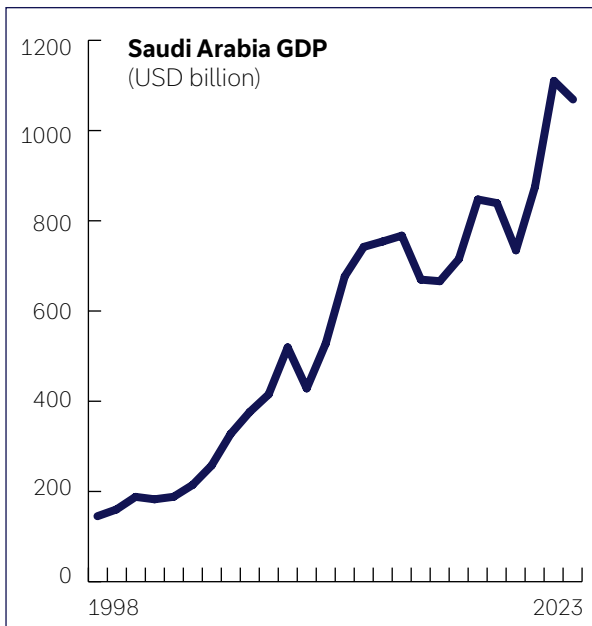


Source: Tadawul

3 Macro Focus

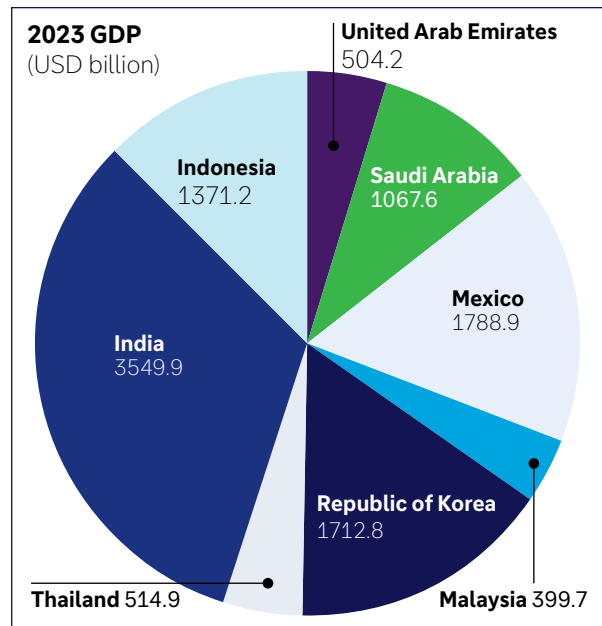
The Kingdom of Saudi Arabia is expected to maintain its growth in the coming years, emerging from a period of low energy prices. While the Kingdom remains dependent on oil revenues, the government has launched a series of initiatives, demonstrating its commitment to economic diversification and long-term growth.

**Saudi Arabia GDP (in USD billion)
1998 – 2023**



Source: World Bank

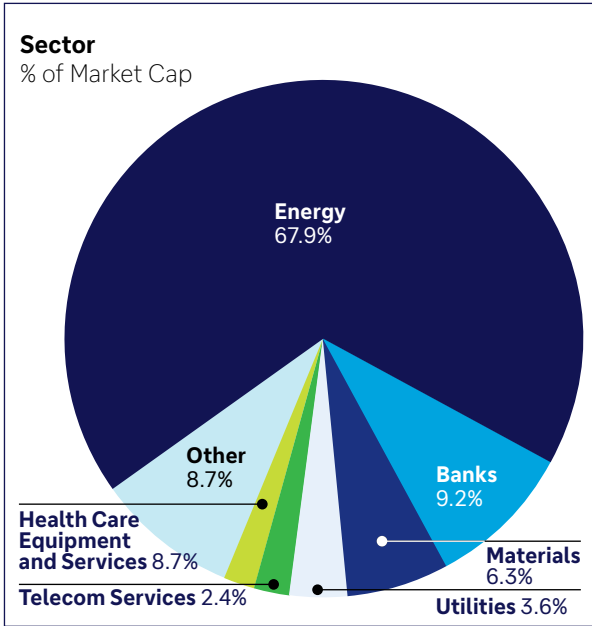
**GDP Comparison with related EM
Economies (in USD billion)**



Source: World Bank
Note: Values are rounded-off

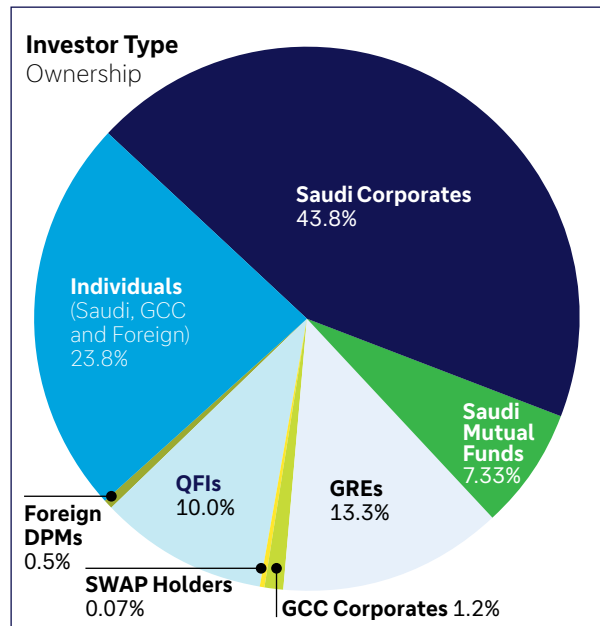
3.1 Capital Market Focus

% Market Cap by Sector



Source: Saudi Stock Exchange
 Note: Values are rounded-off, and as of H1-2024

% Ownership

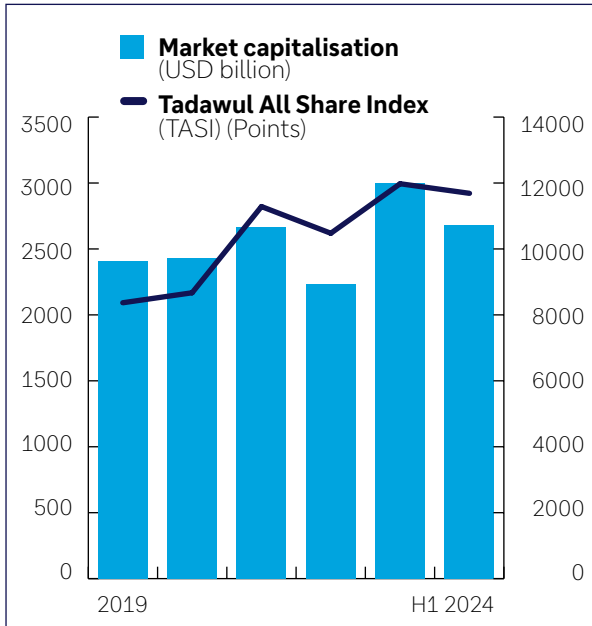


Source: Saudi Stock Exchange
 Note: Values are rounded-off, and as of June 2024

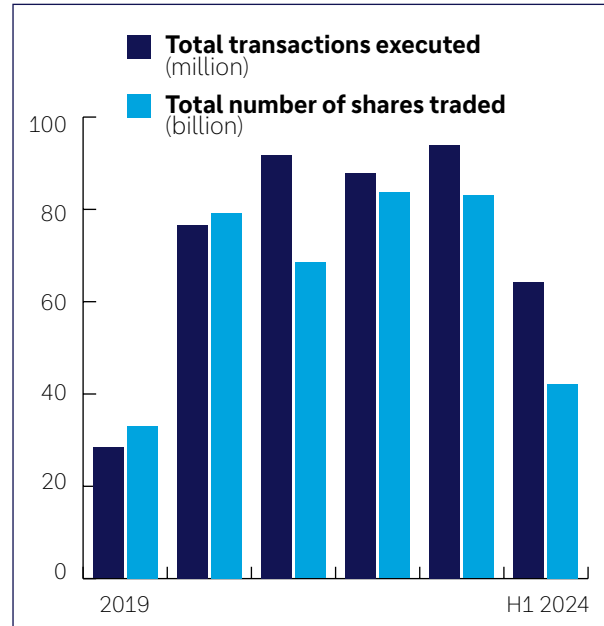
% Value Traded by Sector September 1st Half 2024

Energy 38.7%	Materials 7.6%	Capital Goods 3.7%	Commercial & Professional Services 2.3%	Transportation 3.1%	Consumer Durables & Apparel 0.3%	Consumer Services 1.8%
Media and Entertainment 0.6%	Consumer Discretionary Distribution and Retail 1.0%	Consumer Staples Distribution and Retail 1.5%	Food & Beverages 2.2%	Health Care Equipment & Services 5.8%	Pharma, Biotech & Life Sciences 1.0%	Banks 11.9%
Financial Services 0.8%	Insurance 4.7%	Software & Services 1.6%	Telecommunication Services 4.7%	Utilities 4.7%	REITs 0.2%	Real Estate Mgmt & Dev't 1.6%

Market Statistics 2019 – 1st Half 2024



Source: Saudi Stock Exchange



Source: Saudi Stock Exchange

3.2 Government: Key Initiatives

3.2.1 Vision 2030

Launched in April 2016, the Vision 2030 marks the Kingdom’s long-term strategic goals for economic, social, and fiscal reforms. The ambitious programs of Vision 2030 are aimed at reshaping the future trajectory of Saudi Arabia’s economy by boosting development across industries, including renewable energy, technology, infrastructure, tourism and health care, as KSA planned to invest more than USD 7.1 trillion over a 10-year period. Also, as part of this ambitious plan, the government aims to lower its dependence on oil by increasing the private sector’s contribution to GDP, promoting the growth of SMEs, reducing unemployment and turning the Public Investment Fund into the world’s largest sovereign wealth fund.

Vision 2030 – The Key Goals

Pillar	Goal	From	To
A vibrant society	Increase the capacity to welcome Umrah visitors	8 million	30 million
	Double the number of Saudi heritage sites registered with UNESCO		
	Increase the number of Saudi cities recognised in the world's 100 top-ranked cities	0	3
	Increase household spending on cultural and entertainment activities	2.90%	6%
	Increase the ratio of individuals exercising at least once a week	13%	40%
	Raise the Kingdom's position in the Social Capital index	26	10
	Increase the average life expectancy	74	80
A thriving economy	Lower the rate of unemployment	11.60%	7%
	Increase SMEs' contribution to the GDP	20%	35%
	Increase women's participation in the workforce	22%	30%
	Move from the current position among the largest economy in the world	19	15
	Increase the localisation of oil and gas sector	40%	75%
	Increase the Public Investment Fund's assets	SAR600 billion	SAR7 trillion
	Rise from the current position on the Global Competitiveness Index	25%	10%
	Increase foreign direct investment as percentage of GDP	3.80%	5.70%
	Increase the private sector's contribution to GDP	40%	65%
	Raise the global ranking in the Logistics Performance Index	49	25
	Raise the share of non-oil exports in non-oil GDP	16%	50%
An ambitious nation	Increase non-oil government revenue	SAR163 billion	SAR1 trillion
	Raise the ranking in the Government Effectiveness Index	80	20
	Raise the ranking on the E-Government Survey Index	36	5
	Increase household savings as percentage of total household income	6%	10%
	Raise the non-profit sector's contribution to GDP	1%	5%
	Rally volunteers per year	11,000	1 million

3.3 KSA Investment Routes for Foreign Investors

Foreign investors can be sub-divided into the following groups: those originating from within the Gulf Cooperation Council (GCC) region and those from non-GCC regions.

While ownership restrictions apply equally to each group, the KYC/ market entry requirements differ.

- GCC investors, including an individual, a GCC Company, a GCC Investment Institution, a Gulf Pension and Social Insurance Institution or a subsidiary investment fund affiliated to the entities listed above must be domiciled within the Gulf Cooperation Council (Kuwait, Qatar, Bahrain, United Arab Emirates and Oman). It must be noted that entities majority owned in the GCC but registered in Dubai International Financial Centre (DIFC) can potentially be considered for QFI status

- Non-GCC foreign investors can be sub-divided into two classes; non-QFI and QFI. Different restrictions apply to each class of foreign investors
- Foreign investors domiciled in KSA, holding a valid Resident Permit, are free to invest without restrictions, however, they cannot access the market through the routes that are specifically available for non-resident (non-GCC) foreign investors

The securities markets in KSA have witnessed significant reform initiatives over the past few years to broaden the investment choices and provide attractive opportunities to foreign investors:

- In August 2008, the Capital Market Authority (CMA) opened the equities market to non-resident foreign investors, enabling them to trade shares of Saudi companies listed on the Saudi Exchange via SWAP Agreements with local participants, locally known as Capital Market Institutions (CMIs)
- In June 2015, the Saudi Arabian Stock Market was opened for Qualified Foreign Institutional Investors (QFIs) registered with the CMA
- In June 2019, the CMA announced the adoption of the instructions for the Foreign Strategic Investors' ownership in listed companies
- In September 2020, the CMA allowed foreign investors to invest directly in debt instruments
- In May 2023, the CMA amended the foreign investor regulations, including easing of entry and account setup and allowing non-QFI non-resident clients to directly invest in the capital market with adherence to certain conditions

The Saudi Exchange is the only stock exchange in the country through which trades are executed. In February 2017, the Saudi Exchange introduced the Nomu-Parallel Equities Market, as an alternative equity market with lighter listing requirements.

Various statutes that regulate the securities market include:

- Capital Market Law
- KSA AML Law and its implementing regulations
- Capital Market Institutions Regulations
- Securities Business Regulations
- Investment Accounts Instructions
- Rules for Foreign Investment in Securities
- Securities Depository Centre Rules
- The Resolution of Securities Disputes Proceedings Regulations

4 Securities Market

4.1 Legal Framework

The umbrella legislation governing the securities market in the Kingdom of Saudi Arabia (KSA) is the Capital Market Law (CML). The CML was promulgated by Royal Decree dated July 31, 2003. The law is principally designed for restructuring the capital market within the KSA, through the introduction of new mechanisms aimed towards protecting investors, enhancing confidence in the market, and attracting incremental investments. The law provides an integrated regulatory infrastructure for the market, and governing guidance on structures, regulations, operational and supervisory responsibilities. The law also defines the regulatory duties and powers while demarcating the control, supervision and operations roles within the market, through the creation of new institutions and dispute settlement committees which include:

- Capital Market Authority (CMA)
- Saudi Stock Exchange (Saudi Exchange)
- Securities Clearing Center Company (Muqassa)
- Securities Depository Centre (Edaa)
- Committee for Resolution of Securities Disputes
- Appeals Committee

The CMA is supported in its functions by the statutory objectives of the Saudi Stock Exchange which, amongst other things, is required to:

- Make the listing requirements, trading rules, and technical mechanisms fair, efficient and transparent, and provide the necessary information around the securities listed on the exchange
- Establish and enforce professional standards for capital market institutions
- Conduct periodic reviews of compliance on the part of Authorised Persons to ensure financial security

KSA follows the beneficial ownership concept, whereby the title and legal ownership is always in the beneficial owners' name, while the segregated securities and cash accounts are held on the books of the investors' custodians. The nominee concept is currently recognised in the KSA for very specific scenarios.

4.2 Regulatory Structure

4.2.1 Stock Exchange and Capital Markets Supervision

Capital Market Authority (CMA)	
Contacts	Capital Market Authority CMA Head Office - King Fahad Road P.O. Box 87171 Riyadh 11642, Kingdom of Saudi Arabia +966 11 205 3000
Website	http://www.cma.org.sa

The Capital Market Authority (CMA), a governmental organisation with financial, legal, and administrative independence, was established by the Capital Market Law dated 2/6/1424 H (16/06/2003 G). The CMA reports directly to the Prime Minister of the Kingdom of Saudi Arabia. A board of five full-time members, periodically appointed by Royal Orders, governs the CMA.

The functions of the CMA are to regulate and develop the Saudi Arabian capital market. Entusted with legal powers, CMA issues the requisite rules and regulations, for the implementation of the provisions of the Capital Market Law, aimed at creating an appropriate investment environment while regulating and supervising the financial system.

CMA's duties and authorities comprise the following:

- Regulate and develop the capital market and promote appropriate standards and procedures for all the participants involved in securities trading operations
- Protect investors from unfair and unsound practices involving fraud, deceit, cheating, manipulation, and inside information trading
- Maintain fairness, efficiency, and transparency in the transactions of securities
- Develop appropriate measures to reduce risks pertaining to the transactions of securities
- Develop, regulate, and monitor the issuance of securities and underwriting transactions
- Regulate and monitor the activities of entities working under CMA
- Regulate and monitor full disclosure of information related to securities and issuers

4.2.2 Banking Supervision

Saudi Central Bank	
Contacts	Saudi Central Bank King Saud Bin Abdulaziz Street P.O. Box 2992 Riyadh 11169 Kingdom of Saudi Arabia +966 11 463 3000 +966 11 466 2936/ 466 2966
Website	http://www.sama.gov.sa

The Saudi Central Bank, established in 1952, performs the following primary functions:

- Manages the banking affairs of the Government
- Minting and printing the national currency (the Saudi Riyal), strengthening the Saudi currency and stabilising its external and internal value, in addition to strengthening the currency's cover
- Managing the Kingdom's foreign exchange reserves
- Managing the monetary policy for maintaining the stability of prices and exchange rate
- Promoting the growth of the Kingdom's financial system and ensuring its soundness

- Supervising commercial banks and exchange dealers
- Supervising the non-banking finance firms
- Supervising cooperative insurance companies and the self-employment professions relating to the insurance activity which include insurance brokers, insurance consultants, and inspection and loss assessment experts among others

4.2.3 Taxation Authority

Zakat, Customs and Tax Authority (ZATCA)	
Contacts	Zakat, Customs and Tax Authority P.O. Box 6898 Riyadh 11452 Kingdom of Saudi Arabia +966 11 402 2893
Website	https://zatca.gov.sa/

Zakat, Customs and Tax Authority (ZATCA) is a government department that reports to the Ministry of Finance. It was established per Ministerial Resolution no. 394, dated 7/8/1370 H. (14/06/1951).

The Department has several responsibilities which include:

- Assessing and collecting Zakat duty from Saudis and citizens of member states in the Gulf Cooperative Council, in accordance with relevant regulations
- Assessing and collecting tax from persons subject to tax including persons working in the fields of oil and gas investment according to relevant laws and regulations
- Setting-up and implementing procedures to follow-up on delinquent taxpayers and take necessary actions to ensure their compliance
- Providing fair treatment to taxpayers and improve their voluntary compliance
- Issuing statistical reports on the Department's operations and taxpayers
- Submitting an annual report on actual and projected revenues and expenditures to competent authorities

4.2.4 Anti-Money Laundering and Counter-Terrorism Financing Laws

Historically, the CMA was responsible for the publication and oversight of the AML and CTF Rules in relation to capital market activities. These rules were replaced with general statute and on November 21, 2018 the Anti-Money Laundering (AML) Law and its Implementing Regulations came into effect. The revised AML Law and its Implementing Regulations, are considered to be materially in-line and compliant with most of the money laundering laws in other developed countries, international conventions, and UN Security Council Resolutions on combating terrorism financing. The Kingdom of Saudi Arabia, an 'observer member' of the Financial Action Task Force (FATF) since 2015, was confirmed as a full member of FATF in June 2019. KSA is the first Arab country to be granted full membership of the FATF.

4.3 Local Market Administrative Structure

4.3.1 Saudi Exchange

Saudi Exchange	
Contacts	6897 King Fahd Road - Al Ulaya Unit Number: 15 Riyadh 12211-3388 Kingdom of Saudi Arabia (+966) 92000 1919 +966 (0)11 218 9133
Website	https://www.saudiexchange.sa

The Saudi Exchange is a fully-owned subsidiary by Saudi Tadawul Group, and was established in March 2021 following the transformation of the Saudi Stock Exchange (Tadawul) into a holding company. The ninth largest among 67 members of the World Federation of Exchanges, Saudi Exchange is also a dominant player in the Gulf Cooperation Council (GCC). Additionally, the exchange is the third largest amongst its emerging market peers, and is an affiliate member of the International Organization of Securities Commissions (IOSCO) and the Arab Federation of Exchanges (AFE).

As KSA's dedicated stock exchange and the largest stock exchange in the Middle East, the Saudi Exchange carries out listing and trading in securities for local and international investors. The exchange is instrumental to achieving long-term growth for Saudi capital market, and providing the market participants with attractive and diversified investment opportunities.

The legal status, duties, and responsibilities of the Saudi Exchange are explicitly defined in the Capital Market Law (CML) issued by Royal Decree Number (M/30), dated on June 16, 2003. The Saudi Exchange website provides near real-time information on stock prices and trade volumes.

4.3.2 Securities Depository Center (Edaa)

Securities Depository Center - Edaa	
Contacts	6897 King Fahd Road - Al Ulaya Unit Number 11 Riyadh 12211-3388 Kingdom of Saudi Arabia (+966) 9200 26000
Website	http://www.edaa.sa
Eligible Securities	Equities, ETFs, REITs, Bonds and Sukuks (Corporate and Government)

The Kingdom's Central Securities Depository is known as the Securities Depository Center (SDC), or Edaa. It undertakes the clearing and settlement of on-exchange transactions, and also provides settlement, depository, and registrar functions, and interfaces with the Saudi Arabian Interbank Express (SARIE) to facilitate payments between local capital market intermediaries (CMI) and the Settling/ Clearing Banks. Edaa was incorporated on September 5, 2016 as a closed joint stock company with a capital equivalent of SAR 400 million which comprised of 40 million shares with a face value of SAR 10 per share.

Registrars/ Registration Office

The SDC provides central registration facilities for companies listed and traded on the Saudi Exchange.

Dividend Distribution/ Paying Agent

Edaa provides dividend distribution service for securities' issuers listed on the Saudi Stock Exchange, where the 'issuer' authorises Edaa to distribute the cash dividends to the issuers' shareholders through Tadawulaty. The benefits of using the Dividends Distribution (Paying Agent) include:

- Preserving the confidentiality of shareholder registry information, and their dividends' information
- Standardising the procedures related to dividend distribution, and reducing the dividend distribution related costs for issuers while improving the efficiency and speed of the distribution process
- Calculating non-resident shareholders' tax for the company 'issuer', which the later deducts and withholds, and Edaa receives the net amount for distribution to the investors
- Completing the entire dividend distribution process for the listed companies' 'issuers' and providing the reports, via Tadawulaty

4.3.3 Securities Clearing Center Company – Clearing House/ CCP

Securities Clearing Center Company (Muqassa), is a closed joint stock company fully-owned by the Saudi Tadawul Group in accordance with the Saudi Companies Law issued by Royal Decree No. M/3 dated 28/01/1437 – November 11, 2015, which operates the services related to clearing of securities. As a process, clearing guarantees and confirms the transactions between the participants prior to their trade settlement, and establishes the participants net settlement of cash and derivatives market trade positions.

Muqassa was established to clear the exchange traded products on open offer basis, where Muqassa places itself between the counter parties at the time of trade matching and follows the Three Lines of Defence (3LoD) model to maintain an integrated and comprehensive risk management system that identifies, measures, monitors and manages the risks, that Muqassa takes over from the Clearing Members.

4.4 Market Instruments

Securities are held in registered form, and are immobilised at the Securities Depository Centre (Edaa). The various types of securities are as follows:

Market	Instruments	Comment
– Equities	– Main Market - Ordinary Shares – Nomu-Parallel Market – Ordinary Shares	– Listed and traded on the Saudi Exchange
– Debt	– Sukuk – Corporate Bonds – Government Sukuk	– Listed and traded on the Saudi Exchange
– Funds	– Exchange Traded Funds (ETFs) – Real Estate Investment Trusts (REITs)	– Listed and traded on the Saudi Exchange
	– Open-Ended Mutual Funds – Closed Funds – Private Equity Funds	– Not listed on the Saudi Exchange, typically subscriptions made through Investment Managers
– Money Market	– Time Deposits – Murabaha Agreements	– Typically sold by Banks' Treasuries on OTC, and settled and cleared independently
– Derivatives	– Index Futures – Single Stock Futures – Single Stock Options	– Listed and traded on the Saudi Exchange

4.4.1 Equities Market

Equities, the most-traded securities in KSA, are predominantly exchange traded via the Saudi Exchange.

- Edaa undertakes the clearing and settlement of on-exchange equity transactions, and also provides settlement, depository and registry functions, as well as interfacing with SARIE to facilitate payments. The settlement cycle for exchange-traded equities is T+2, the lot size is one, and the transactions are pre-validated
- In April 2017, the Saudi Exchange introduced fails management, buy-in protocols, and delivery versus payment (DVP). However, the market follows Delivery versus Payment (DvP) Model 3 of the Bank for International Settlement (BIS) settlement process i.e., securities are exchanged on a gross basis while cash is settled on a net basis. The settlement process typically takes place on three subsequent batches distributed throughout the Settlement date
- Since July 2014, the Saudi Exchange provides Over The Counter (OTC) trading platform for exchange specified securities that are suspended and/ or delisted from the regular exchange. The delisted securities primarily belong to issuers with accumulated losses of 20% or more of their capital. The OTC market follows a T+2 settlement cycle, however the settlement can be effected between T+0 and T+5 as agreed on between the Buyers and Sellers

4.4.2 Debt Market

In the Saudi Arabian debt market, Sukuk, bonds and government debt instruments are the principal debt securities listed and available for trading at the Saudi Exchange. Sukuk are usually non-callable and have maturities ranging between 2 to 10 years. The Sukuk carry fixed or floating rate, and pay coupons and interest semi-annually. Government Sukuk are typically issued in multiples of SAR 1,000 to institutions.

- Various governmental agencies are permitted to issue development Sukuk. The National Debt Management Center (NDMC) is responsible for issuing Sukuk through periodic auction to investors, via primary dealers appointed by the NDMC. Secondary market trading for these issuances is enabled on the Saudi Exchange. The settlement cycle for the Sukuk and bond trading activities is T+2

4.4.3 Funds

Funds are available to investors in the KSA. Mutual funds are typically open-ended and are not listed at the Saudi Exchange. Mutual funds must have a minimum of two subscription/redemption windows per week.

- On March 16, 2010, the CMA approved the introduction of Exchange Traded Funds (ETFs) in the Saudi market. ETFs are exchange traded on the Saudi Exchange. While ETFs are permitted investments, very few are currently listed on the exchange. From October 24, 2016 the listing and trading of Real Estate Investment Traded Funds (REITs) was permitted by the CMA

4.4.4 Money Market

Certificates of Deposits (CDs) are eligible securities in the KSA, although very few institutions utilise the facility. Most fund managers use this instrument in money market funds and excess liquidity utilisation.

- The Saudi Central Bank is responsible for issuing Treasury Bills (T-bills) on behalf of the Ministry of Finance, with maturities include and vary between 30 days, 90 days, 180 days and 52 weeks (one year). T-bills are issued at a discount, and mature at par, in multiples of SAR 1 million to institutions and SAR 50,000 to retail investors, and are available through weekly auctions held every Monday. T-bills can only be purchased through local authorised banks
- Local banks treasuries offer time deposits and Murabaha agreements (Shariah compliant) for various maturities and interest-correlated components

4.4.5 Derivatives

With the launch of the derivatives market, the Saudi Exchange is diversifying the opportunities it offers to investors. Derivatives products can be used to diversify the investment portfolio, protect against downside risk by hedging equity investment positions, speculate on the directional movement of an underlying asset, or leverage investments using a limited amount of invested funds.

4.4.6 Securities Identification

ISIN codes are available in the market for all listed securities in the KSA. Generally, local brokers tend to use a ticker code or 'security symbol' as it is referred to locally. The Saudi Exchange is the national numbering agency for KSA securities.

4.5 Market Characteristics

4.5.1 Listing Requirements for Main Market

- i. The company should be a Saudi Arabian joint stock company
- ii. The company should have been carrying on as its main activity, either by itself or through one or more of its subsidiaries as an independent business for at least three financial years under substantially the same management
- iii. The company should have published audited accounts covering at least the last three financial years, prepared in accordance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA)
- iv. At the point of Initial Public Offering (IPO), the Issuer must meet the following criteria: at least 200 public shareholders, atleast 30% of the share capital in public ownership. Equity offerings must have a minimum value of SAR 100 million, whilst debt offerings must have a minimum value of SAR 50 million
- v. CMA Listing Rules (Article 14) permits eligible foreign Issuers to dual list on the Saudi Exchange
- vi. The CMA can suspend listings or delist securities for a variety of reasons including but not limited to:
 - Mergers and acquisitions activity
 - Insufficient liquidity or insufficient shareholders
 - Non-payment of exchange fees or regulatory fines
 - Where the CMA considers it necessary to delist a security for the protection of investors

4.5.2 Exchange Trading Hours

Saudi Exchange Trading-related Details	Trading Period (Local Time)
Pre-opening phase (Orders entered into the trading system)	09:30 - 10:00 hours
Trading hours	10:00 - 15:00 hours
Closing auction	15:00 - 15:10 hours
Trade at last	15:10 – 15:20 hours
Final closing prices/ Absolute market close	16:00 hours

A trading day is divided into four distinct sessions:

- i. First session: Pre-open (or Open order maintenance)
During the first trading session:
 - Orders can be entered, amended, or cancelled
 - No matching occurs, orders are only held in the order book
 - Auction mechanism to calculate the opening and closing price
- ii. Second session: Open trading
During the second trading session all functions in the preceding session are allowed in addition to:
 - Opening prices are determined, orders are matched, and continuous trading commences
 - Orders can be entered, amended, or cancelled
 - Orders can be kept in the system up to 30 days
- iii. Third session: Pre-close
During the third trading session:
 - Auction mechanism calculates the opening and closing price
 - Orders can be cancelled and order validity amended
 - Order prices cannot be changed; quantities can be decreased but not increased
 - New orders cannot be accepted

iv. Fourth session: Market close

During the fourth and final trading session:

- The market is closed
- No action can be performed on any of the market instruments

4.5.3 Main Market Indices

The Tadawul All Share Index (TASI) is the primary index in the Saudi Arabian market. The TASI is a listed companies' market capitalisation based value-weighted index. The Saudi Exchange became the first stock exchange in the GCC market to introduce the free-float methodology for index calculation.

Index	Composition	Base Value (Base date)
TASI	The total number of shares issued, less the non free-float shares, which are (i) capable of being traded on the Saudi Exchange and (ii) incorporated into future Index calculations	5,000 (January 1, 2007)

4.5.4 Other Stock Exchange Indices

Since 2017, the Saudi Exchange has adopted the so-called Global Industry Classification Standards (GICS) in the equities market, owing to which the equity market structure consists of 20 industry groups under the second level of GICS. With a base date of January 8, 2017, the pre-open value for New Sector Indices of 5,000 points (base value) was applied. For efficiency, the new sector indices have calculated values for 12 months prior to implementation date. The market sector summaries and indices are calculated/ based on the following 20 industry groups:

Level 1 - Sectors	Level 2 - Industry Groups
i. Energy	i. Energy
ii. Materials	ii. Materials
iii. Industrials	iii. Capital Goods iv. Commercial and Professional Services v. Transportation
iv. Consumer Discretionary	vi. Consumer Durables and Apparels vii. Consumer Services viii. Media ix. Retailing
v. Consumer Staples	x. Food and Staples Retailing xi. Food and Beverages
vi. Health Care	xii. Health Care Equipment and Services xiii. Pharma, Biotech and Life Sciences
vii. Financials	xiv. Banks xv. Diversified Financials xvi. Insurance
viii. Telecommunications Services	xvii. Telecommunications Services
ix. Utilities	xviii. Utilities
x. Real Estate	xix. REITs (Real Estate Investment Traded Securities) xx. Real Estate Management and Development

4.5.5 Nomu-Parallel Market

In 2017, the Saudi Exchange introduced a Nomu-Parallel Equities Market with lighter listing requirements that serves as an alternative platform for companies to go public. The investment in this market is restricted to Qualified Investors, as defined below:

- Authorised persons acting for their own account
- Clients of a person authorised by the Authority to conduct managing activities provided that the authorised person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in Nomu-Parallel Market on the client's behalf without obtaining prior approval from the client
- The Government of the Kingdom of Saudi Arabia, any government body, any supranational authority recognised by the Authority or the Exchange and any other stock exchange recognised by the Authority or the Securities Depository Centre
- Government-owned companies either directly or through a portfolio managed by a person authorised to carry out investment management activities
- Companies and funds established in a member state of the GCC
- Investment funds
- Non-resident foreigners permitted to invest in the Nomu-Parallel Market and who meet the requirements stipulated in the guidance note for the investment of Non-resident foreigners in the Nomu-Parallel Market
- Qualified foreign investors
- Any other legal persons allowed to open an investment account in the KSA and an account at Edaa
- Natural persons allowed to open an investment account in the KSA and an account at Edaa, and fulfil any of the following criteria:
 - Have conducted transactions in security markets totalling not less than SAR 40 million
 - Have conducted not less than 10 transactions in each quarter during the last 12 months
 - Have net assets of not less than SAR 5 million
 - Working or had worked in the financial sector for at least three years
 - Holding the General Securities Qualification Certificate which is recognised by the Authority CME-1
- Any other persons prescribed by the Authority

The listing Requirements for Nomu-Parallel Market are as follows:

- i. The Issuer must be a Saudi Arabian joint stock company or a joint stock company in which the majority of the capital is owned by citizens of a member state of the GCC and enjoys a nationality of one of them
- ii. Minimum market cap of SAR 10 million
- iii. At least 20% of shares owned by the qualified public, with no single investor owning more than 5%
- iv. Minimum 1 year of operational and financial performance
- v. Having a financial advisor is mandatory, while having a legal advisor is optional
- vi. Latest annual audited financial statements
- vii. Latest quarterly reviewed financial statements
- viii. Disclosure of material information
- ix. Track record of profitability is not mandatory
- x. Lock-in period: 100% of pre-offering investor shares have a 1 year lock-in
- xi. A minimum of 50 public shareholders are required at the time of listing

4.5.6 Electronic Trading Systems

The Kingdom's first electronic share trading system Electronic Securities Information System (ESIS) was introduced in 1990, and was replaced in 2001 by a more advanced system which introduced new order types and was able to handle larger trading volumes. Since introduction the exchange systems have gone through a series of enhancements to support the significant increase in the trading volumes.

In 2006, the Saudi Exchange signed a contract with OMX, a leading supplier and operator of stock exchange technology, for the design, supply and implementation of trading, information

dissemination, surveillance, as well as depository and settlement systems. The current infrastructure supports the Saudi Exchange's plans for continuing expansion of its business and broadening of its product offerings.

The Saudi Exchange is an auction market with a quote-driven system. Buying and selling investors submit orders via their respective brokers in the market.

The brokerage firms' systems are connected to the Saudi Exchange's systems which enables the brokers to enter and amend sell and buy orders, and obtain the market information and news online.

4.5.7 Foreign Exchange

The Kingdom of Saudi Arabia has no foreign exchange control restrictions on inward remittances or repatriation of funds provided that the transfers are made through a registered bank or an authorised foreign exchange dealer.

4.5.8 Brokerage Commission

Brokerage commission on listed securities can be negotiated directly between client and local brokers, and the maximum chargeable brokerage commission, inclusive of the Saudi Exchange Trading Fees, is as follows:

- Equities/ REITs: maximum of 15.5 basis points on trade value (no minimum charges applicable)
- Rights: maximum of 12 basis points on the trade value (no minimum charges applicable)
- ETFs: maximum of 12 basis points on the trade value (with a minimum of SAR 12)
- Sukuk/ Bonds: maximum of 10 basis points on the trade value (with minimum of SAR 500)

5 Foreign Investors - Market Entry

5.1 QFI Program Introduction

The Saudi Arabian capital market opened to the Qualified Foreign Investors (QFIs)–registered with Capital Market Authority (CMA)–on June 15, 2015. Subsequently, the QFI rules underwent multiple modifications, with the latest modification, in May 2023, which introduced multiple easements of QFI entry and extending conditioned direct access to non-resident foreign investors who do not meet the QFI criteria.

The detailed rules for Qualified Foreign Financial Institutions Investment in Listed Securities can be accessed at: <https://cma.org.sa>

5.2 QFI Market Entry Requirements

An investor will need to meet the following qualification criterias to be classified as a QFI:

- I. Size of Financial Institution – Assets Under its own or its groups ownership, management or custody
- II. Category of Applicant – Legal form

I. Size of the Financial Institution

- i. Investor shall have assets under its own or its groups ownership, management, or custody of SAR 1.875 billion, or more (equivalent to USD 500 million)
- ii. CMA may reduce the requirement of Assets Under Management (AUM) at its discretion
- ii. The following client categories are exempted from the size requirement:
 - Pension funds in which the main objective is to collect fees or periodic contributions
 - From participants or for their interest, for the purpose of compensating them according to a specific mechanism
 - Endowment funds in which the main objective is to making grants to organisations, institutions, or individuals for scientific, educational and cultural purposes, including university endowments fund
 - A market-maker's client, provided that the Capital Market Institution verifies that the investment account is for market-making purposes
 - Government entities, central banks and investment funds fully-owned (directly or indirectly) by a government entity, including sovereign funds and funds which take the form of pension and endowments funds; and
 - International organisations of which KSA is a member, and their affiliated institutions

II. Category of Financial Institution – Legal Form

- The Investor must be a legal entity and have and independent legal personality

5.3 QFI Classification Procedure

5.3.1 QFI Status

QFI status is perpetual as long as the conditions set out in the QFI rules continue to be met

5.3.2 QFI Classification Fees

Currently, there are no fees imposed by the CMA for QFI classification

5.3.3 QFI Application Procedure

The Capital Market Institution will determine if the investor satisfies the QFI classification criteria based on the evaluation of the Investor's documentation during the KYC process

5.4 Non-QFI Non-Resident Foreign Investors

The Foreign Investor rules allow foreign investors who do not match the QFI criteria to enter the Saudi Arabian capital market under different classifications and criteria as mentioned below:

5.4.1 Foreign Strategic Investor (FSI)

A Foreign Strategic Investor does not need to meet the QFI criteria and is permitted to directly invest in the market however an FSI is required to hold the shares acquired for a minimum of two years.

5.4.2 Ultimate beneficiaries of Swap Agreement

Capital Market Institutions are permitted to enter into swap agreements with Foreign Counterparties only for the benefit of non-resident foreign investors for the purpose of transferring the economic benefits of securities listed on the Saudi Exchange to these investors in their capacities as Ultimate Beneficiaries.

5.4.3 Investors appointing local Saudi Asset Manager

Foreign natural or legal person may directly invest in the market, provided they are a client of a local Capital Market Institution authorised by the CMA to conduct Managing Business and is appointed on conditions that enables it to make all investment decisions on the client's behalf without obtaining prior approval from the client.

5.5 Account Framework Overview – Deutsche Securities Saudi Arabia (DSSA)

Function	Description
Securities account structures	Fully segregated at beneficial owner level.
Cash account structure	Each ultimate beneficiary to have a segregated cash account in DSSA books as per Client Money Rules.
Regulatory	Foreign investors are required to meet a classification of foreign investors as defined within the Foreign Investor Rules.
Market registration/ account opening/ maintenance fee	Currently, the CMA has not imposed any fees for opening, and maintain securities and cash accounts.
Credit interest	All accounts with DSSA are non-interest bearing for credit balances.

Function	Description
Credit facilities/ debit interest	Investors are permitted to obtain credit facilities from local banks only for the purpose of securities settlement at Edaa. The Saudi Central Bank has permitted the local banks to charge debit interest on such facilities.
Repatriation	Proceeds from sales or corporate actions can be freely repatriated.
FX	No restriction on FX execution.
Taxation	Foreign Investors are subject to 5% withholding tax (WHT) on dividend and interest income. There is currently no capital gains tax (CGT). For more details, clients are requested to contact their local tax advisors, as DSSA does not offer tax services/ advice.

5.6 Investment Limits

5.6.1 Ownership Limits, Restrictions and Disclosure Requirements

The foreign investors ownership limits, restrictions and disclosure requirements are as follows:

- A single foreign investor cannot hold more than 10% of a Saudi Arabian joint stock company or convertible debt instrument of the Issuer
- Foreign investors (residents or non-residents) including GCC investors, cannot own more than 49% of the issued shares for each listed company. This includes interests under SWAPs
- Foreign Investors can invest in all companies listed on the Saudi Exchange (including companies quoted on the Nomu-Parallel Market) except for companies that are specifically restricted for investment. DSSA can provide an updated list on request
 - Foreign Investors are permitted to participate in Initial Public Offerings (IPOs) unless the IPO prospectus specifically restricts their participation
- No single foreign investor can own more than 10% of the issued units in a locally regulated mutual fund managed by a local fund manager
- Under the GCC specific ownership limits, restrictions, and disclosure requirements, no GCC-based entity can hold more than 49% of a Saudi Arabian joint stock company

Notes:

- The Saudi Exchange is responsible for providing the overall market limits on their official website on a daily basis
- Where the 10% per QFI limit is reached, further trade settlement on the client's Investor ID will be prevented by the depository
- In case of limit breach of 49% by all foreign investors in one company, further trade settlement on the clients' Investor IDs will be prevented by the depository
- It is recommended that Foreign Investors monitor the limits on the Saudi Exchange website prior to investing

6 Know Your Client (KYC) Framework

Capital Market Institutions are required to be fully adopted by the intermediaries such as custodians and broker dealers. KYC requirements vary depending on the legal form of the institution being adopted. Typically, intermediaries will be required to provide copies of constitutional documents including but not limited to;

- Articles of association
- Board resolutions
- Annual report
- Financial statements
- Commercial license
- Commercial registration

The intermediary will be required to have a Power of Attorney (POA) in place with the CMI. The POA will need to be notarised and validated by the Saudi Embassy/ Consulate in the domicile of the intermediary. Clients domiciled in countries which are member of the Hague convention will only need to notarise the POA.

It is possible for CMIs to place greater reliance on the due diligence of third parties (the intermediary) subject to certain CMA conditions being met and subject to certain Deutsche Bank conditions also being met. Where Deutsche Bank can rely on the due diligence of an intermediary, minimal documentation is required for the adoption of underlying clients. The KYC requirements for the underlying client vary depending on the legal form of the client being adopted. Intermediaries will be required to provide scanned copies of documents that will evidence the following:

- i. Assets under management, ownership, or custody – size of financial institution
- ii. Category of client – legal form

Typically, this would include:

- Commercial registration and/ or license
- Annual report
- Financial statements
- Prospectus (for collective investment schemes)
- Articles of Association/ Trust Deeds/ Charter documents

The underlying client will also be required to have a Power of Attorney (POA) in place with the CMI – the POA should include details of the appointment of the intermediary as Custodian and the appointment of the CMI as the local sub-custodian. Where DSSA reasonably believes the veracity of the evidential documents provided, it is no longer necessary to have such documents certified as a true copy of the original – scanned copies will suffice.

On request, DSSA can provide additional details in relation to the KYC requirements for the adoption of an intermediary and the on-boarding of the intermediaries underlying clients.

7 Cash Management

Cash Management Highlights	
Currency; Convertibility	Saudi Arabian Riyal (SAR); fully convertible
Payment systems	Saudi Arabian Riyal Interbank Express (SARIE)
RTGS	Yes – SARIE
Credit facilities	Yes, possible for trading and settlement purposes
Funding requirements	Should have sufficient funds available or credit facility
Types of FX contracts	Ready, TOM and SPOT
Restrictions on repatriation of funds	No restrictions

7.1 Cash/ FX Restrictions

The Kingdom of Saudi Arabia has no foreign exchange control restrictions. There is no limit to the amount of local currency (SAR) that foreigners may hold in the market at any given time, also there no special requirements to convert funds, and FX reporting is not required. All investors must maintain and operate cash accounts locally. There are no minimum or maximum balance requirements.

7.2 Credit Facilities

Credit facilities (credit lines) can be provided by a CMI or commercial banks to both local and foreign investors. DSSA, at its discretion and subject to internal Credit Risk Approval, may offer clients a Settlement Limit Facility (SLF). The SLF gives clients more flexibility with regards to the timing of funding for buy-side activities.

7.3 Payment Systems

The Saudi Arabian Riyal Interbank Express (SARIE) is the RTGS system in KSA, which was launched in May 1997. SARIE is a payment and settlement system that links all the banks in the KSA, and provides a mechanism for the banks to exchange fund transfer and direct debit messages safely and efficiently on behalf of their customers, as well as for their own trading purposes.

The SARIE system, designed on the concept of RTGS, has revolutionised electronic banking and commerce within the KSA by providing the backbone for a number of advanced and sophisticated payment and settlement systems already in place. These include Automated Clearing Houses (ACH), an electronic cheque clearing system, the Saudi Payments Network (SPAN) and Electronic Bill Presentment and Payment system (EBPP- SADAD).

7.4 Funding Procedures

Settlements on the Saudi Exchange is in Saudi Arabian Riyals (SAR).

- The CMI (custodian or broker) is responsible for ensuring that funding is in place with the settlement bank
- The settlement bank of the custodian is responsible for settlement towards the market

On the settlement date, Edaa sends a file to the Saudi Central Bank advising the funds to be debited/ credited to the custodians settlement bank account, upon the delivery of settlement amounts that Edaa would process with the settlement of shares. Edaa attempts settlement on settlement date at three different intervals throughout the day.

Client funding for trade settlement may take place in one of two ways i.e. either the client funds it's cash account with the custodians in local currency SAR or through an FX transaction to purchase SAR and/ or a pre-agreed SLF is in place in order to meet the settlement obligation(s) on the settlement date(s).

7.5 Foreign Exchange

SAR is freely convertible and there are no FX restrictions. The SAR is pegged to the USD \((USD 1 = SAR 3.75).

7.6 Credit/ Debit Interest

7.6.1 Credit Interest

Credit interest is not paid on cash balances.

7.6.2 Debit Interest

Where credit facility or a SLF is offered by a commercial bank or a CMI, debit interest charges may be applicable and will be agreed between the client and the services provider(s) offering the credit facility.

7.7 Securities Lending

Securities Borrowing and Lending (SBL) was implemented in the KSA since April 2017. Typically, the SBL transaction can be entered into for one of the following purposes:

- Executing short-sell transactions pursuant to the Short Selling Regulations
- Re-lending transactions
- Resolution of securities settlement failures
- Creation of units of exchange traded fund (ETF), or
- Other purposes determined by the Depository from time to time

Further, SBL transactions must typically meet the following conditions in order to be entered into:

- Must only be between eligible participants as specified in the SBL regulations
- Only for eligible listed securities as specified in the SBL regulations
- Must comply with the minimum collateral requirement as specified in the SBL regulations
- The parties must have in-place a binding SBL agreement in compliance with the SBL regulations
- The lender enters into the transaction through a lending agent, where applicable
- The borrower enters into the transaction through a borrowing agent, where applicable



8 Clearing and Settlement Environment

8.1 Settlement Cycle

The following are the settlement cycles for different investment instruments in the market:

- Equities: T+2 (BIS DvP Model 3)
- Equities (OTC): T+2 (BIS DvP Model 3)
- Fixed income: T+2 (BIS DvP Model 3)
- Mutual fund units: Unlisted (subscription and redemption frequency varies by fund)

8.2 Clearing and Settlement

All securities listed at the Saudi Exchange are dematerialised and follow the settlement cycles as illustrated in the section above. Effective April 2017, DvP was implemented in the Saudi Arabian capital market along with the implementation of the T+2 settlement cycle.

The market follows BIS DvP Model 3 – a DvP settlement mechanism where the final transfer of securities from the seller to the buyer (delivery) occurs on gross (trade by trade) basis, but final transfer of cash from the buyer to the seller (payment) occurs on net basis.

The Saudi Exchange introduced a failed trade procedure with associated penalties, up to and including enforced buy-ins in April 2017, as part of the T+2 settlement model. There is a pre-validation mechanism for securities to be sold, i.e., securities (settled + pending-in – pending-out) have to be available in the investor's account prior to the order being entered in the trading system. An insufficient securities balance will cause the order not to be accepted in the trading system. Partial settlements are permitted.

As soon as orders are matched (executed), trades are generated and reported electronically to Edaa, for subsequent settlement on the Settlement Date (SD), which is T+2. Post settlement, on the SD, the depository system immediately updates the share books of the companies.

All custodians maintain a settlement bank account with a locally designated Saudi Central Bank regulated bank. Settlement banks receive the net obligation payable/ receivable to/ by a clearing member. Settlement of cash in relation to securities trading activities takes place on a DvP basis on the SD.

There are two settlement flows available in the market: a flow for accounts where broker/ custodian is the same entity, and a flow for settlement where broker/ custodian are different. The latter is referred to as the Independent Custody Model (ICM) which was introduced in June 2015 at the same time as the first iteration of the QFI rules. The trade settlement flow followed under the ICM is provided in the following pages.

8.2.1 Trade and Settlement Market Wide Flow

Trade Date (T)

- Once order is executed by LB;
- IB sends confirmation to Client including IB commission
- LB sends Broker Contract Note (BCN) to CC and IBC

T+1

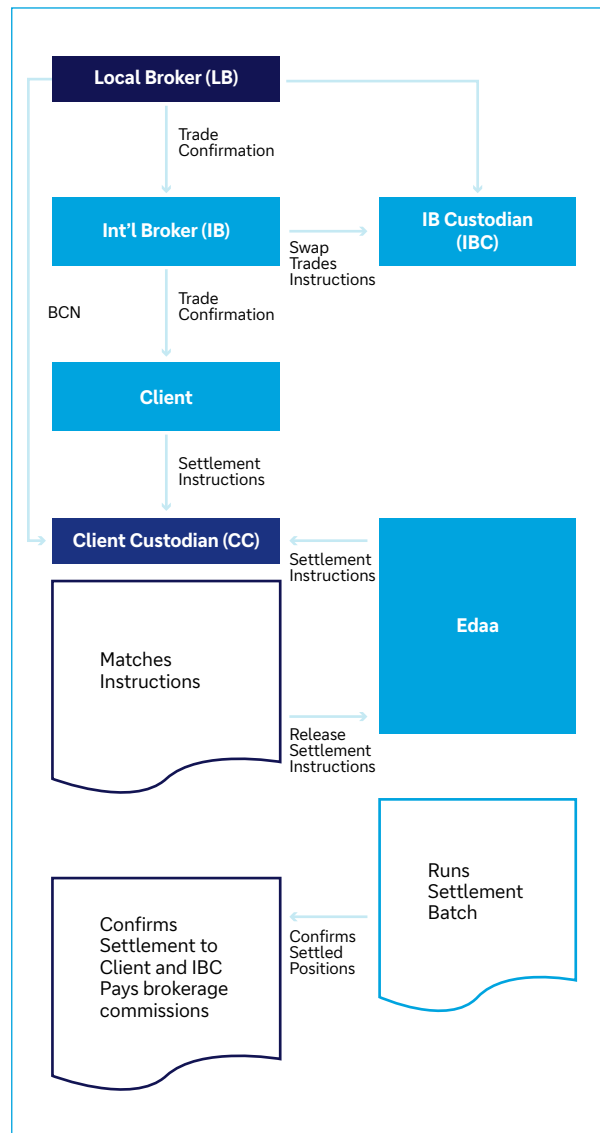
- Client sends the settlement instruction to CC
- CC matches Client Instructions against Market and LB BCN file
- Once trade matching and internal checks are successful, CC releases settlement instructions to Edaa
- IB to send swap trade confirmation to IBC, two instructions for each trade (a sell and a buy) for the same ISIN and quantity but with different price, the difference will be it's IB Commission

T+2 (Settlement Date)

- Market runs settlement batches, settling all released instructions by CC
- Market 'Trade Report' available to CC, confirming settled positions
- CC confirms settlement to the client
- CC confirms settlement to IBC
- IBC updates swap trade status to settled

T+3 (SD+1)

- CC pays brokerage and exchange fees to the LB
- CC pays IB commission to the IBC
- IBC pays commission to the IB



8.2.2 Custody/ Safekeeping Fee

The depository fees structure announced by Edaa with effect from July 1, 2018 is as below:

Pre-July 2018 Fee Structure	Post-July 2018 Depository Fees
1 basis point	1 basis point
Minimum fee SAR 10,000 p.a.	No minimum fee
Maximum fee SAR 250,000 p.a.	Maximum fee SAR 250,000 p.a.
Invoice Frequency – Monthly	Invoice Frequency – Semi Annual
Calculated on End of Day (EOD) values	Levied on Investor's average daily value

8.2.3 Fails Management Fees

Type	Value	Charged On	Charged To	Charging Basis
Late settlement fee	31 basis points*	Exchange member	End-buyer(s)	Applied on every transaction
Late confirmation transfer fee	SAR 250	Transferor	SDC	Fixed Per transaction
Processing of late settlement	SAR 1,500	Exchange member	SDC	Fixed per fail trade
Processing of late settlement - CA	SAR 3,000	Exchange member	SDC	Fixed per fail trade during a CA
SDC compulsory fails management	SAR 3,000	Exchange member	SDC	Fixed per mandatory buy-in or cash substitution

* Min. SAR 2,000 – Max. SAR 20,000

8.2.4 Securities Borrowing/ Lending Fees

Type	Value	Charged On	Charged To	Charging Basis
SBL initiation fee	SAR 500	Borrower	SDC	Fixed per SBL transaction
SBL termination fee	SAR 500	Failing Party	SDC	Fixed per termination request

8.2.5 Pre-matching

The process of pre-matching is managed between the custodian, the executing broker and the depository. The custodian receives settlement instructions from the depository and trade confirmation data from the brokers independently. Typically, the custodian will reconcile both files with the clients' instructions. The matching is deemed successful once all three data sets are fully matched.

8.2.6 Settlement Assurance

The Saudi Exchange does not check availability of holdings in the client's portfolio account as trades are entered into the trading system. In the event of insufficient holdings, the order will be placed on hold in post-trade procedures by the depository and the client, broker and custodian must arrange for an appropriate action to ensure the trade settlement is completed. Naked short selling is not allowed.

8.2.7 Partial Settlements

Partial settlements have been permitted in the KSA since April 1, 2018.

8.2.8 Turnaround Trades

Shares are available for sale as soon as a buy trade is executed.

8.2.9 Failed-trades and Buy-ins

Independent Custody Model (ICM) service providers have the ability to hold client settlement instructions in the event of a discrepancy in trade confirmations, or a lack of securities or funding. Instructions on hold exceeding the intended settlement date are subject to delayed settlement fees and ultimately triggers the fail-trade management procedures. The cut-off to receive settlement instructions may vary amongst sub-custodians.

8.2.10 Physical Settlement

All listed securities are dematerialised. Hence, physical settlements are not applicable.

8.2.11 Free of Payment Transfers (FOPs)

- Permitted between Portfolio Accounts opened under the same Investor ID
- Permitted between synthetic Investor ID and new QFI Investor ID on completion and submission of the relevant forms to Edaa. The transaction is specific to transferring SWAP positions to the direct ownership of the (QFI) foreign investor
- FOPs are also possible via a 'Special Transaction' subject to provision of documents validating such transfer and subject to approval from the CMA and Edaa

8.3 Investor Protection

8.3.1 CCP Backing

The CCP (Muqassa) took over the responsibility of clearing equity and debt clearing at the Saudi Exchange in April, 2023, with several clearing members licenced under the CMA. The CCP implements multiple measures to mitigate settlement failure and default risks.

8.4 Registration

8.4.1 Registration

- Registration of listed securities takes place on the settlement date when trades are settled in Edaa. Registration and settlement happen simultaneously
- All securities are held in registered form and there are no specific fees for registration

8.4.2 Registration Time

Electronic movement of securities in the SDC, into the buyer's account through book entries, constitutes registration. Securities are automatically registered upon settlement.

8.4.3 Central Securities Depositories

Edaa acts as the Central Securities Depository and is responsible for the deposit, transfer, and registration of ownership of securities traded on the Saudi Exchange. The depository and settlement services for treasury bills are provided by the Saudi Central Bank.

8.4.4 BIS DvP Model

The KSA has adopted the BIS DvP Model 3, whereby there is gross transfer of securities and net transfer of cash.

9 Asset Servicing

9.1 Corporate Actions

The Saudi Exchange supports a variety of corporate actions. The most common events are cash dividends, bonus issues, rights issues and stock splits. The entitlement computation takes place on the basis of the shareholder's position as at record date, according to the SDC's records, and is based on the settled position. If shares are blocked, they are still entitled/ eligible.

9.1.1 Rights Issues

- The rights entitlements are credited to the investors account shortly after the record date. Rights are tradable and additional rights may be purchased and settled via the exchange. During this period investors can exercise, sell, or lapse their entitlement
- If all the issuances are not subscribed to by eligible rights holders at the end of the tradable rights period, investors are allowed to subscribe to additional rights, at the rate advised by the issuer, through an institutional bid managed by the issuance lead manager
- The cash payment for the rights subscription is made during the subscription period. The investor is provided with a subscription form and is required to complete and submit the subscription form prior to the subscription period's closing. DSSA accepts MT5XX instructions in lieu of the subscription form
- The credit of new shares in the client's security account typically takes place 7 business days following the subscription closing date

9.1.2 Cash Dividends

Where an investor is due to receive a cash entitlement, on the pay-date the amount is credited in the investor's respective cash account as defined in the dividend mandate setup of the investor's PA.

Income Collection Highlights	
Peak period	January – March, June – August
Source of information	Company announcements on the Saudi Exchange website
Entitlement date	Record date
Entitlement computation	As per the close of business on the record date
Pay date	As announced by the issuer, typically 7 to 10 days after the announcement date
Income claims	Fully managed by Edaa with no requirement of CMI intervention. However, disa greements may be taken up separately with the Edaa/ issuer, as the case may be

9.1.3 Stock Dividends (Bonus)/ Stock Splits

Where an investor receives a stock entitlement as a result of a stock split or stock dividend (bonus), the additional shares are immediately reflected in the account (or accounts) of the shareholder by the SDC on the pay-date.

9.1.4 Corporate Action Notifications

The Saudi Exchange provides a website that offers investors and issuing companies support in relation to asset servicing and corporate actions (Tadawulaty). Corporate action notices are also published in the company announcements section of the Saudi Exchange main website. Additionally, information may also be obtained from the following sources:

- Capital Market Authority (CMA) website
- Company announcements in local newspapers
- Feeds from data vendors

Please note that DSSA uses the information from the Saudi Exchange as the primary source of information for the purposes of notifying clients.

9.1.5 Equities

Cash dividends are credited to a client's SAR account upon receipt of cleared funds from the paying company. Issuing companies have the option to distribute the dividends through the depository, or through the SARIE payment network involving a paying agent.

When the investor's account is opened at Edaa, the investor's cash account details (i.e., the account to which dividends will be paid) need to be advised – this is typically the cash account opened with the custodian. The Issuer's paying agent then pays according to the IBAN details of the investor. Should an investor use multiple brokers, he can choose to have all dividends paid to any one account.

If the issuers opts to distribute dividends through a paying agent, one week before the pay date, the investor's bank receives an excel file from the Issuer's designated paying agent requiring confirmation of details, such as client's name, Investor ID, banking relationship and account number/ IBAN.

On the pay-date, the paying agent electronically transfers funds to the investor's account per the respective IBAN details. The investor's bank receives one lump sum payment from the issuer's paying agent whereby the client breakdowns are detailed in the SARIE report.

9.1.6 Bonds

Similar to the dividends on equities, the payments of bond interest coupons and redemption proceeds are conducted by the respective company (or their elected paying-agent) either in the form of cheque payments, or through SARIE to the clients' designated bank account. The company may also opt for the distribution through Edaa.

9.1.7 Central Paying Agent

Edaa has been offering the Paying Agent Service – Issuers, from July 2019, and paying companies/ Issuers have the option of outsourcing dividend payments service to Edaa.

9.1.8 Income Payment Procedure

There is no market fixed pay-date. Generally, entitlements are received 7-10 business days after the announcement date and income proceeds are credited into the clients' respective cash accounts upon receipt of the cleared funds from the Issuer's paying agent.

9.2 Proxy Voting

Proxy Voting Highlights	
Peak season - AGM	January – March, June – August
Eligible securities	Ordinary shares
Notification source	Company announcements on the Saudi Exchange website
Notice period	Notice is given at least 21 days prior to the meeting date
Eligibility date	Date of the EGA (Extraordinary General Assembly of Shareholders)
Eligibility computation	Date of the EGA
Blocking of shares	No
Re-registration	Not applicable since securities are all held in dematerialised form
Voting method	In-person/ online/ through an appointed proxy
Voting restriction	Local banking entities are not permitted to vote basis the shares held in other local banks
Split voting	No
Meeting results	Listed companies inform the Saudi Exchange as soon as the outcome is made available and the results are posted on the Saudi Exchange website

9.2.1 Extraordinary General Assembly of Shareholders (EGA)

Listed companies have to convene an annual General Assembly within six months of the company's financial year-end. General Assemblies are broadly similar to Annual General Meetings (AGMs).

9.2.2 Voting Procedures

An investor can nominate a proxy to vote on their behalf, subject to certain conditions. Some key points to note are below:

- A Power of Attorney (POA) must be given in favour of the proxy for a specific meeting, at least three days prior to the meeting. The POA must be appropriately notarised and/ or authorised by the Consulate. Documents may be required to support the POA
- The appointed proxy must also be a shareholder of the company
- The proxy must hold a civil registration
- The proxy must not be an employee or a board member of the company
- QFIs can request that the Custodian registers in Tadawulaty – Saudi Exchange's 'e-platform' that can be used to facilitate the casting of voting rights on-line

9.2.3 Notifications

An announcement should be made by the Issuers/ Companies at least 20 days prior to the meeting taking place. Meeting announcements must be made through the Saudi Exchange website, the Issuers/ Companies' website and two widely circulated newspapers. Significant shareholders (those holding 5% or more) are entitled to add items to the meeting agenda. Agendas have to be published by the Issuers/ Companies in Arabic. The majority of large Companies now provide an English translation.

9.2.4 Publication of Outcome of the Meeting

The Issuers/ Companies must make the minutes of the General Assembly available to the CMA within 10 days of the meeting date. The Issuers/ Companies must also immediately inform the Saudi Exchange of the results of the General Assembly.

10 Tax Aspects

Duties and Tax	
Withholding tax on cash dividend and income from debt instruments	5% for non-residents
Capital gains	Not applicable
Stamp duty	Not applicable
Value Added Tax	15% - subject to service provider treatment
Other taxes	Not applicable

10.1 Double Taxation Treaties (DTTs)

Saudi Arabia has entered into tax treaties with several countries. They generally follow the OECD Model Treaty and may provide certain relief, including WHT on dividends, interest and royalties.

For more information on countries which Saudi Arabia has signed DDTs, please refer to Zakat, Tax and Customs Authority (ZATCA) at <https://zatca.gov.sa>

10.2 Tax Relief at Source and Tax Reclaims Procedure

Investors can seek tax relief at source and tax reclaims if warranted. However, investors must seek details from their local tax advisors, as DSSA does not offer tax advice or services.

Appendix 1

Local Time and Holiday List for 2024

Saudi Arabia standard time is GMT + 3. Saudi Arabia does not observe daylight saving time.

Saudi Arabia working days are from Sunday to Thursday; and weekends are observed on Friday and Saturday.

Standard operating hours are from 09:00 to 17:00, except during the month of Ramadan, where operating hours are reduced. Revised Ramadan timings will be advised separately via market newsflash.

Date	Day	Description	DSSA	Tadawul	Saudi Central Bank
February 22	Thursday	Founding Day	✓	✓	✓
April 7 - April 11	Sunday - Thursday	Eid-Al-Fitr*	✓	✓	✓
June 16 - June 20	Sunday - Thursday	Eid-Al-Adha*	✓	✓	✓
September 23	Monday	Saudi National Day	✓	✓	✓

* Subject to official announcement by the Saudi Exchange

Glossary of Acronyms

AGM	Annual General Meeting	IPO	Initial Public Offering
CCP	Central Clearing Counterparty	KSA	Kingdom of Saudi Arabia
CGT	Capital Gains Tax	Muqassa	The Central Clearing House for the Saudi Exchange
CMA	Capital Market Authority	OTC	Over The Counter
CMI	Capital Market Institution. An institution licenced by the CMA to provide capital market services, including brokerage, custody, investment banking and wealth management	PA	Portfolio Account
CML	Capital Market Law	POA	Power of Attorney
CSD	Central Securities Depository	QFI	Qualified Foreign Investor
DBAG	Deutsche Bank AG, Riyadh Branch	RTGS	Real Time Gross Settlement
DSSA	Deutsche Securities Saudi Arabia	SAR	Saudi Arabian Riyal
Edaa	Saudi Securities Depository Centre	SARIE	Saudi Arabian Riyal Interbank Express
EGA	Extraordinary General Assembly	Saudi Exchange	Saudi Arabia Stock Exchange
FPM	Foreign Portfolio Manager	SD	Settlement Date
GCC	Gulf Cooperation Council	SDC	Securities Depository Centre, also known as Edaa
IBAN	International Bank Account Number	SOCPA	Saudi Organisation for Certified Public Accountants
Investor ID	The unique identification number of an investor in the local market. Replaces the previously used National Identification Number (NIN)	Tadawul	The market group company consisting of the stock exchange, the depository centre, and the clearing house
IOSCO	International Organization of Securities Commissions	TASI	Tadawul All Share Index
		TD	Trade Date
		VD	Value Date
		WHT	Withholding Tax
		ZATCA	Zakat, Customs and Tax Authority

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Licenses

Deutsche Securities Saudi Arabia (DSSA) is authorised by the Capital Market Authority of the Kingdom of Saudi Arabia with a license number (No. 37-07073) to conduct the following business activities: Dealing, Arranging, Advising and Custody activities. DSSA obtained its license in 4/7/2007G and start commencing of business in 12/1/2008G.

In addition, DSSA is also certified by Edaa to provide custody services under the Saudi market-recognised Independent Custody Model.

