

EXECUTIVE SUMMARY SIGNIFICANT ANNOUNCEMENTS

COVERAGE: **CAPITAL MARKET AUTHORITY**

LOCATION: **SAUDI ARABIA**

ISSUE: **MARCH, 2021**



INTRODUCTION & SUMMARY

During the month of February 2021, Saudi Arabian Capital Market Authority issued a total 10 Announcements on different matters. These are predominantly announcements in the areas of Saudi Capital Market.



DETAILS OF ANNOUNCEMENTS

Key announcements by CMA during the month of February, 2021 are summarized below:

Announcement from the General Secretariat of CRSD Regarding the Issuance of the ACRSD Decision, Convicting Violator of the Capital Market Law and its Implementing Regulations dated February 07, 2021

The General Secretariat of the Committees for Resolution of Securities Disputes (GS-CRSD) decides the issuance of the Appeal Committee for Resolution of Securities Disputes' (ACRSD) final decision No. (2117/L. S/2021) of 1442 H., in the case filed by the CMA against: Faisal bin Musa'ad bin Abdulaziz Aldo'ajj.

- The decision concluded that the abovementioned individual is liable for violating the Capital Market Law and the Market Conduct Regulations, when trading the shares of Abdullah A. M. Al-Khodari Sons Company during the period between 14/10/2014 G and 19/10/2014 G. Such acts and practices constituted manipulation and fraud, created a false and misleading impression regarding the trading of the security of said company.
- The decision included the imposition of a number of sanctions and fine upon him according to the following:
 - Imposing a fine upon him amounting to SR. 30,000
 - Banning him from trading by purchasing shares of companies listed on the Exchange for his own account or as agent of others for a period of one year, excluding trading through investment funds with authorized persons.
 - The decision also included liable to an investor to pay to the CMA account an amount of SR. 1,087,236.56 against the illegal gains achieved in his investment portfolio as a result of trading violations committed by the convicted person: Faisal bin Musa'ad bin Abdulaziz Aldo'ajj.
- CMA also inform that if any person affected by these acts is entitled to file a compensation claim with the CRSD. Such claim is preceded by a complaint filed with the CMA as website is available with announcement.

The Capital Market Authority Approves the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company's (MEDGULF) Request to Reduce its Capital dated February 08, 2021

The CMA has approved the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company's (MEDGULF) request to reduce its capital from SAR 800,000,000 to SAR 700,000,000, resulting the reducing the number of shares from 80,000,000 shares to 70,000,000 shares. This approval is conditional on the Company's extraordinary general assembly approval and completion of the necessary procedures in relation to the applicable regulations.

- The Company will publish a disclosure document to its shareholders related to the proposed method of capital reduction and the expected effect of reduction within sufficient time prior to such meeting
- The CMA mentioned that approval of company's application to reduce its capital should never be treated as an endorsement of the feasibility of the capital decrease. It means that the regulatory requirements as per the Capital Market Law and its Implementing Regulations have been met.

The Capital Market Authority approves Tabuk Agricultural Development Company's request to increase its capital by way of Rights Issue February 08, 2021

The CMA has approved the Tabuk Agricultural Development Company's request to increase its capital by way of rights issue valued at SAR 150,000,000. The increase will be limited to the shareholders who are registered in the shareholder's registry at the Security Depository Centre as of the closing of the second trading day after the extraordinary general assembly meeting. The offering price and the number of shares offered for subscription will be determined by the Company after market closing of the same day in which the extraordinary general assembly meeting is to be held. The rights issue prospectus will be made available to the public at a later time.

- CMA advise that investors should carefully read the prospectus, which contains detailed information of the Company and risk factors
- The CMA's approval of the prospectus should never be considered as a recommendation to participate in the offer nor invest in the Company's shares. The CMA's approval of the prospectus merely means that the legal requirements have been met

The Capital Market Authority Publishes Draft Amendments of the Corporate Governance Regulation for Public Consultation dated February 08, 2021

CMA Board has issued the amended Corporate Governance Regulation "Draft Amendments" for public consultation for a period of (30) calendar days ending on 26/7/1442H corresponding to 10/3/2021G.

The Draft Amendments aim to strengthen the internal controls of listed companies on the Exchange, and develop the provisions regulating board members' independence in line with best practices and international standards. The main elements of the Draft Amendments are as follows:

- Changing the following Articles of the Corporate Governance Regulation related to internal audit's activities from "guiding articles" to "mandatory articles" aiming to strengthen listed companies' internal controls:
 - Article 76 related to composing of an internal audit unit or department
 - Article 77 related to the internal audit plan
 - Article 78 related to the internal audit report
- Amending Article 39 of the Corporate Governance Regulation relating to the board of directors' and the executive management training to include training and qualifying members of the committees formed under the Regulation thereof
- Amending Paragraph (c) of Article 20 of the Corporate Governance Regulation by stating the cases related to businesses and contracts that are executed for the Company's account which negate the independence of an independent board member, and amending the scope of the definition of the term "relatives" in order to implement Article 20 of the Corporate Governance Regulation, in accordance with best practices and international standards
- Draft amendments to Corporate Governance Regulation is available on website of CMA
- The CMA require opinions/comments of relevant and interested persons, through the prescribed form via the email (Laws.Regulations@cma.org.sa)

CMA Announces the Approval of National Commercial Bank request to increase its capital to merge Samba Financial Group into National Commercial Bank through a securities exchange offer dated February 08, 2021

The CMA has approved National Commercial Bank request to increase its capital from SAR 30,000,000,000 to SAR 44,780,000,000 by issuing 1,478,000,000 ordinary shares to merge Samba Financial Group into National Commercial Bank and transferring all of Samba Financial Group assets and liabilities to National Commercial Bank through a securities exchange offer.

- National Commercial Bank capital increase shareholder circular will be published within sufficient time before the Extraordinary General Assembly Meeting which must include all relevant information that the shareholders need to know before making decision when voting on the capital increase
- The CMA approval included the proposed offer timetable, as well as the approval of the publication of the offer document by National Commercial Bank to Samba Financial Group shareholders to merge Samba Financial Group into National Commercial Bank through a securities exchange offer
- The offer document of National Commercial Bank will be published to Samba Financial Group shareholders to merge Samba Financial Group into National Commercial Bank through securities exchange within sufficient time before the Extraordinary General Assembly Meeting of Samba Financial Group The offer document must include all relevant information that the shareholders need to know before making an informed decision when voting on the offer
- If the shareholders of National Commercial Bank approved the capital increase, and the shareholders of Samba Financial Group accepted the offer in their Extraordinary General Assembly Meetings, the new shares will be issued to Samba Financial Group shareholders who are registered in the shareholders' registry and the shares of Samba Financial Group will be delisted from the Saudi Stock Exchange after the merger decision becomes effective
- The CMA's approval should never be considered as an endorsement of the merger's feasibility. The CMA's approval of the application merely means that the legal requirements as per the Capital Market Law and its Implementing Regulations have been met

Cancellation of the license granted to Gulf One Capital Company, upon its request dated February 10, 2021

The Capital Market Authority has approved to the cancellation of the license granted to Gulf one Capital Company to conduct Arranging and Advising activities in the Securities Business activities, based upon its request.

CMA Announces the Approval of Public Offering of "Derayah GCC Growth and Income Equity Fund" dated February 14, 2021

The CMA has approved the public offer, by "Derayah Financial Company", of "Derayah GCC Growth and Income Equity Fund".

- CMA has advised the investors to carefully read the Terms and Conditions which includes detailed information on the Fund, investment strategy and risk factors

- The CMA's approval of the fund should never be considered as a recommendation to subscribe in the fund, it is merely means that the legal requirements as per the Capital Market Law and its Implementing Regulations have been met

The Capital Market Authority announcement with respect to postponing the effectiveness of Subparagraph (a) of paragraph (2) of Article 8 of the Rules for Registering the Auditors of Entities Subject to the Authority's Supervision dated February 16, 2021

The CMA Board approval dated 20/12/2018G with regard to the adoption of the Rules for Registering the Auditors of Entities Subject to the Authority's Supervision which includes that the Rules shall be effective upon its publication date, except some provisions that will be effective starting from 20/12/2021G, such as subparagraph (a) of paragraph (2) of Article 8 of the Rules, which requires for the registration of a certified public accountant. Such certified public accountant must obtain a fellowship certificate in accordance with the Law of Certified Public Accountants.

- The Capital Market Authority Board has approved as on 01/02/2021G to postpone the effectiveness of subparagraph (a) of paragraph (2) of Article 8 of the Rules to be effective on 01/06/2022G.

The Capital Market Authority announces allowing Investment Fund Managers to use the Fair Value Model or the Revaluation Model to measure property and investment property for the fiscal periods for the fiscal year beginning in 2023 dated February 22, 2021

As per the CMA resolution dated 16/09/1438H / 12/06/2017G, which obligated investment fund managers to apply the cost model to measure the property, plant, equipment, investment property, and intangible assets upon preparing IFRS Financial Statements. The resolution indicated that the Authority will analyze the feasibility of continuing to apply the cost model after three years from the date of this resolution.

Based on the Authority's role in regulating and monitoring the works and activities of parties. CMA approved the further regulations in this regards which includes the following:

- Obligating investment fund managers to continue to use the cost model to measure properties and investment property in the financial statements prepared for financial periods within fiscal years starting before the calendar year of 2023
- Allowing investment fund managers to use the fair value model or the revaluation model to measure property and investment property in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2023 or thereafter
- Obligating investment fund managers to continue to use the cost model to measure plant, equipment and intangible assets for five years starting from 01/01/2021, The Authority will study the appropriateness of continuing to use the cost model or allowing the use of fair value model or the revaluation model when this period ends

Announcement for the Issuance of a CMA Board Resolution Regarding the Referral of a Suspicion of Violating Article (49) of the Capital Market Law and Articles (2) and (8) of the Market Conduct Regulations to the Public Prosecution dated February 22, 2021

The CMA inform the investors and participants in the capital market that a CMA Board has approved regarding the referral of a suspicion of a violation to the Public Prosecution. The suspicion is regarding the violation of Article (49) of the Capital Market Law and Articles (2) and (8) of the Market Conduct Regulations by investors, where they carried out practices and involved manipulation and /fraud in market trades, by entering purchase or sale orders for the purpose of influencing the price of the security, and trading (purchasing) in the shares of a number of listed companies, then promoting opinions via the social media platform "twitter" for the purpose of influencing the price of the security, then trading (by selling) the shares of the listed companies affected by the promoted opinions. The suspicion cases consisted of them affecting the shares prices of listed companies on the Saudi Stock Exchange during the period between 20/01/2020G until 01/10/2020G.

- If any person affected by these violations is entitled to file a compensation claim, against the violators before to the Committee for the Resolution of Securities Disputes as per the Capital Market Law. Such claim is preceded by a complaint filed to the CMA via the link available with announcement

Bahrain

Office 63, Building 2317,
Road 2830, Block 428, Al Seef,
Manama, Kingdom of Bahrain
waqas.alam@benchmatrix.com
M: +973 3513 9689

Canada

53 Village Center Place,
Mississauga, ON, Canada
noman.zahid@benchmatrix.com
D: + 1 (647) 546-1985

Pakistan

3rd Floor, Lakson Square,
Building No.3, Sarwar Shaheed
Road, Karachi, Pakistan
taimur.kaleem@benchmatrix.com
T: +92 21 35620944
M: +92 332 5432689

Kingdom of Saudi Arabia

3373, Abdulaziz Alkhuraijy,
Alzahra District, Jeddah
Kingdom of Saudi Arabia
sultan.malki@benchmatrix.ca
M: + 966 55 031 3461

United Arab Emirates

Business Centre, Building C, 3rd
Floor, Dubai Logistics City, United
Arab Emirates
asad.ali@benchmatrix.com
M: +971 50 8508325

Kuwait

nadeem.mukaddam@benchmatrix.com
M: +965 9406 7607

