



THE
FINANCIAL
SECTOR
DEVELOPMENT
PROGRAM
2021
ANNUAL REPORT



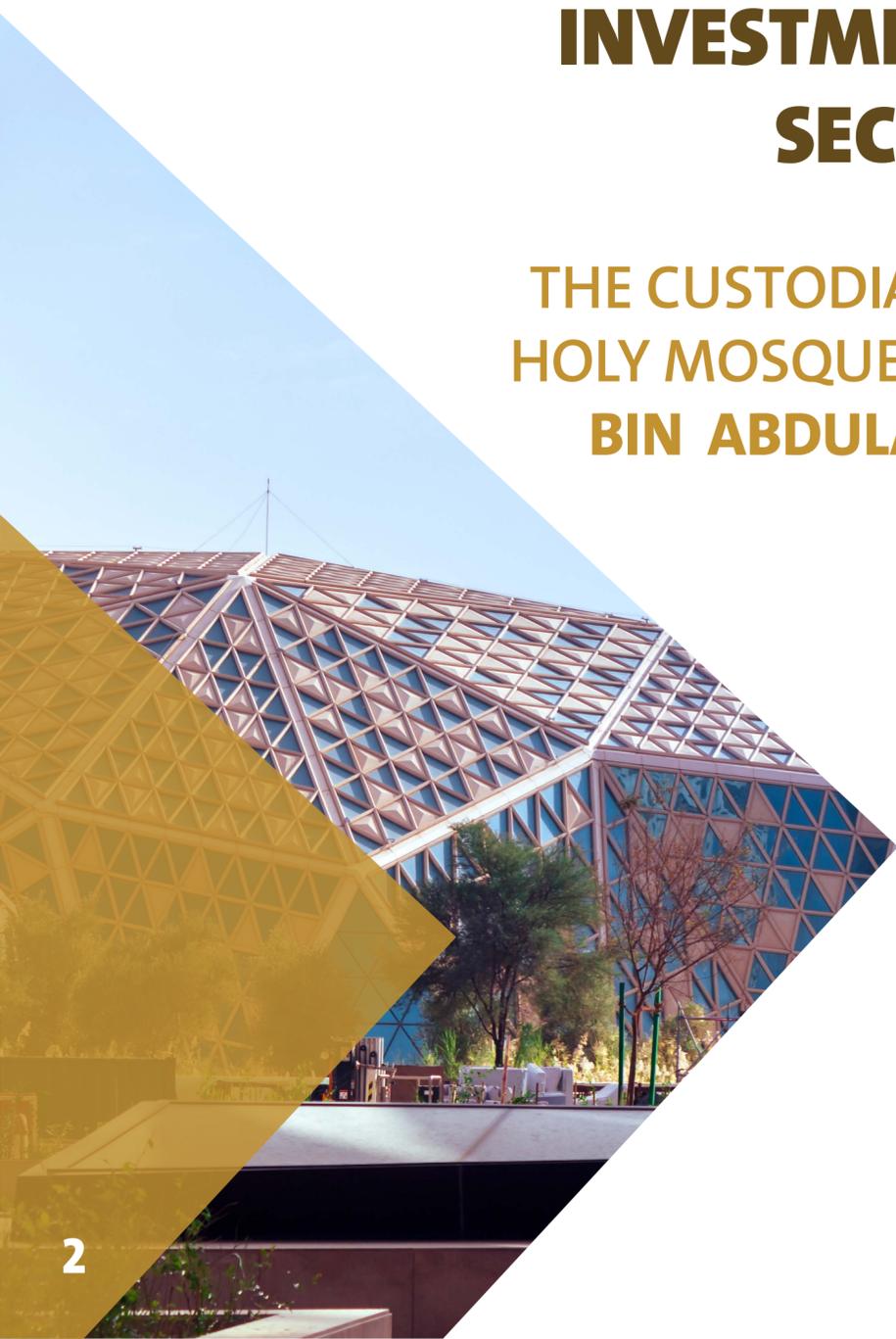


“

**THE KINGDOM IS
DETERMINED TO
ENHANCE LEVELS
OF GROWTH AND
PROSPERITY THROUGH
EMPOWERMENT AND
INVESTMENT IN NEW
SECTORS**

”

THE CUSTODIAN OF THE TWO
HOLY MOSQUES KING SALMAN
BIN ABDULAZIZ AL SAUD





**“ OUR AMBITION IS
TO BUILD A MORE
PROSPEROUS COUNTRY
IN WHICH EVERY
CITIZEN CAN FIND
WHAT THEY DESIRE ”**

**HIS ROYAL HIGHNESS PRINCE
MOHAMMED BIN SALMAN
BIN ABDULAZIZ AL SAUD
CROWN PRINCE, DEPUTY PRIME
MINISTER, AND CHAIRMAN OF
THE COUNCIL OF ECONOMIC AND
DEVELOPMENT AFFAIRS**





CONTENT

FSDP COMMITTEE CHAIRMAN STATEMENT

5

FSDP COMMITTEE MEMBER TESTIMONIALS

7

2022 ASPIRATIONS

11

FINANCIAL TECHNOLOGY (FINTECH)

16

FINANCIAL MARKET DEVELOPMENT

28

DEBT CAPITAL MARKET

33

REGULATIONS IN THE FINANCIAL SECTOR

45

SMALL AND MEDIUM ENTERPRISES

59

FINANCIAL LITERACY

65



Financial Sector
Development Program

FSDP COMMITTEE CHAIRMAN STATEMENT

FINANCIAL SECTOR DEVELOPMENT PROGRAM

FINANCIAL SECTOR DEVELOPMENT PROGRAM COMMITTEE CHAIRMAN STATEMENT

Another year has passed, several challenges have been confronted and noteworthy achievements have been made in the Saudi financial sector; to prove, once again, its resilience, robustness, stability and balance. The Financial Sector Development Program's partners have made continuous and increased efforts to keep pace with the major transformations in the Kingdom since the launch of Vision 2030 and its objectives. At the forefront of which is building a thriving economy under the leadership of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud and His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, Crown Prince, Chairman of the Council of Economic and Development Affairs.

The Vision also aims to create a vibrant society by implementing a number of structural economic reforms in the Kingdom. As a result, the Kingdom has succeeded, in overcoming challenges that confronted the world economy as a whole, and the Saudi economy in particular. This was achieved in part by meeting the objectives of the Financial Sector Development Program (FSDP), which is based on Saudi Vision 2030; particularly in terms of enabling a diverse and effective financial sector that supports the development of the national economy, diversifies its sources of income, and stimulates savings and investment, and by developing the Saudi financial market to become an advanced financial market in line with the strategic objectives of maintaining the stability and security of the financial sector of the country.



To reflect these goals, the relevant sectors upped their efforts in 2021, and succeeded in achieving several accomplishments, the most notable of which was the adoption of the Fintech strategy within the framework of the program, which seeks to develop the FinTech sector and propel it towards innovation in the services it provides. In addition, the Instant Payment System "sarie" was launched; the share of non-cash transactions in the Kingdom was increased to 57% for the year 2021, exceeding the target percentage of 55% set for the year 2021; two local digital banks were licensed; and the open banking policy was issued, which will boost confidence in both customers and market participants from banks, FinTech companies, other financial entities and stakeholders, as all of these parties play a pivotal role in the journey of innovation and financial inclusion.

The Saudi Financial Market has also witnessed an increase in the pace of listings, with 20 companies listed in the past year, bringing the number of listed companies to more than 220. This had a direct positive impact on the Saudi Capital Market's depth and breadth, as well as the growth and sustainability of the private sector companies. The tangible progress in the Sukuk and Debt Instruments Market has also led to the inclusion of the Saudi Capital Market in the FTSE Russell Emerging Markets Government Bond Index (EMGBI), which will positively affect the financial market's investor base and liquidity levels.

The Kingdom ranked 12th in the Index of Venture Capital Availability, one of the most prominent sub-indicators in the World Competitiveness Yearbook Report issued by the World Competitiveness Center. The Kingdom has also advanced to rank second among the Middle East and North Africa region in terms of overall venture capital value, accounting for 21% of the total investment value. Last year, the Securities Depository Center Company "Edaa" announced the activation of the linkage with "Clearstream", the post-trading services provider of Deutsche Brse Group, which will allow international investors to benefit from the services of the International Securities Depository Center (ICSD), with the option of investing in the Sukuk, Bond Market and Exchange Traded Funds (ETFs) listed on the Saudi Exchange (Tadawul).

I would like to take this opportunity to express my appreciation to all of the Program partners' staff for their efforts through one of the most stressful and challenging times. We are moving forward to confront challenges and realize achievements and aspirations that will help develop the financial sector and enable the Kingdom to be one of the largest financial centers in the world by the year 2030.

Mohammed Al-Jadaan



FSDP COMMITTEE MEMBER TESTIMONIALS



"During 2021, our Ministry worked on supporting the Financial Sector Development Program (FSDP) by providing market's perspective and its ability to attract foreign investments and by creating an environment to facilitate and promote the growth of local investments. In addition, the Ministry has launched the National Investment Strategy (NIS), which aims at increasing the investment in Saudi Arabia to induce economic growth in all priority sectors in line with Saudi Vision 2030. Special emphasis is given to the role of the private sector, providing support to strategic sectors, and foster investments to promote innovation and help develop local content. The strategy included four pillars, one of which is

providing financing solutions, which aims to remove financial barriers that hinder the growth of investments through creating new co-financing opportunities with the private sector, creating specialized development funds in key sectors and creating new funding products, all of which aim at making the Kingdom a key center that provides a wide range of innovative financing products for investors. In addition, the Ministry works in alignment with the FSDP and the NIS, especially in the international financial center working group in order to enhance the role of the financial sector in achieving the developmental goals of the kingdom."

Minister of Investment
His Excellency Eng. Khalid Alfalih



"The Saudi economy is recovering from the impact of the pandemic due to the policies and procedures taken by regulatory and supervisory authorities in the Kingdom despite the continued challenges that some global economics are facing. As part of its efforts to foster this recovery, SAMA has continued to provide indirect support for micro-, small and medium-sized enterprises and enhance financial stability by ensuring that the financial sector meets the requirements of financial soundness. It has also facilitated business for financial sectors by providing the general framework of financial governance. In addition, SAMA has

supported the technological development of the financial sector, which resulted in launching the Instant Payments System "SARIE", licensing two local digital-only banks, and issuing the Open Banking Policy. Moreover, the wise leadership has paid special attention to the financial sector by supporting it, giving the Royal Approval on the payment system and services, and updating some Articles of the Cooperative Insurance Companies Control Law. This support came to strengthen and accomplish the objectives of the Financial Sector Development Program (FSDP) and achieve the aspirations of the Saudi Vision 2030."

Governor of the Saudi Central Bank
His Excellency Dr. Fahad Almubarak



"The Capital Market Authority, has continued its efforts to develop the financial sector, enabling it to play a pivotal role in developing the national economy to achieve the Kingdom's Vision 2030. During 2021, we have witnessed an increase in the number of listed companies in the capital market, and the impact of this in supporting the increase in the depth and breadth of the market, the growth and sustainability of private sector companies, and the significant improvements in

debt and sukuk market; which contributed to joining the FTSE Russell Emerging Markets Bond Index, and this had the effect of expanding the base of investors in the market and improving liquidity levels. Work has also continued to enhance institutional investment, develop the asset management industry, and facilitate development in data solutions and financial technology to keep pace with the accelerating technological revolution in the financial sector."

Chairman, CMA Board
His Excellency Mr. Mohammed El-Kuwaiz



"The year 2021 witnessed a growth in lending and capital financing and financing guarantee for the small and medium enterprises sector , one of the Financial Sector Development Program (FSDP) initiatives. The value of financing guarantees provided by the "Kafala" program amounted to more than SAR 12 billion,

benefiting 5,178 enterprises. In the indirect lending initiative, more than SAR 377 million were disbursed to 527 establishments, while 317 establishments benefited from the Saudi Venture Investment Company, with a total amount to SAR 298 million."

Governor of Small and Medium Enterprises General Authority
Eng. Saleh Alrasheed



"The Public Investment Fund (PIF), as a strategic partner of the Financial Sector Development Program, seeks to support the growth of the financial sector and achieve the goals of the Kingdom's Vision (2030), through PIF's investment in financial institutions, listed companies and many financial instruments in the Saudi

financial market, and offering a number of its portfolio companies for subscription. This will lead to the recycling of capital and the expansion and development of the Saudi financial market, in addition to activating the participation of financial institutions in supporting and financing PIF's plans and projects."

Head of Global Capital Finance at PIF
Mr. Fahad Al-Saif



"The financial sector ecosystem has overcome many challenges in light of the continuing repercussions of the (Covid-19) pandemic, thanks to God then to the support of our wise leadership and the partners of the Financial Sector

Development Program. We seek to complete the goals and achievements of the program, and we aspire to continue efforts and achieve the aspirations of 2022."

Secretary of the Financial Sector Development Program committee
Mr. Faisal Alsharif



2022 ASPIRATIONS

FINANCIAL SECTOR ASPIRATIONS 1/3

Launch of the first savings product backed by the government

strengthen collaboration with the private sector to provide various saving products

The Saudi Central Bank (SAMA) strives to launch a Fintech strategy that will promote and enhance the development of the innovation system in financial services

Updating Finance Laws to keep abreast of the latest developments in the finance sector, address issues and legal gaps, and expand SAMA's powers to control the sector

Granting licenses for fintech companies to engage in debt-based crowdfunding activities and finance aggregator services

Issuing Rules on Liquidity Risk Management for finance companies to support the management of liquidity risk and contribute to the stability and growth of the sector

Launching the Second Phase of "SARIE" which will include many additional services

FINANCIAL SECTOR ASPIRATIONS 2/3

Launching the Open Banking Policy will enable bank customers to manage their bank accounts and share their data securely by allowing third-party service providers to access their bank information through explicit approval. Moreover, customers can benefit from the best financial products and services ranging from bringing all accounts into a single dashboard to finding smoother patterns in daily banking activities

Listing 24 companies in 2022

Raising the percentage of assets under management from the GDP to reach 25.6% by the end of 2022, by diversifying the products available in the capital market, facilitating the requirements for issuing investment management licenses, developing regulations related to investment funds in line with international best practices

Raising the market attractiveness to foreign investors and increase the ownership of foreign investors as a percentage of the total market cap of free float to reach 16% by the end of the year 2022

Efforts will continue to deepen the market for sukuk and debt instruments, and to raise the volume of the debt instruments market as a percentage of GDP to reach 18.7% by the end of 2022, by working on a number of strategic initiatives, including: working with government entities to address the mechanism for calculating zakat on securities with the aim of stimulating issuance and trading, and preparing the regulatory framework for the direct listing of sukuk and debt instruments

FINANCIAL SECTOR ASPIRATIONS 3/3

The launch of the SME Bank which aims to bridge the funding gap in SMEs and provides direct and indirect funding programs

The expansion of the Indirect Funding Program which provides liquidity to Financing Companies to enhance its role in SMEs lending

The expansion of the subsidized COVID relief programs for SMEs including Guaranteed funding program by the Saudi Central Bank and the National Development Fund with Loan Guarantee Program (Kafala)

The launch of new investment programs to support Accelerators Fund, Venture Debt Funds, and Debt Funds

The launch of the annual borrowing plan that the National Debt Management Center (NDMC) prepared for the year 2022 as a general statement of its financial policy showing the government's net financing needs during the fiscal year. As part of the initiatives of the National Debt Management Center to improve local market conditions in line with best practices, the annual borrowing plan for the year 2022 will be published, including a table of its local releases that are commensurate with the working days of the international market in terms of issuance announcements and settlement dates



ACHIEVEMENTS



FINANCIAL TECHNOLOGY (FINTECH)



The Licensing for Two Local Digital Banks

The Cabinet has approved licensing of two local digital banks. First, STC Pay will be converted into a local digital bank, with a capital of SAR 2.5 billion (STC bank). Second, a number of companies and investors, led by Abdul Rahman bin Saad Al-Rashed and sons Company, will establish a local digital bank to conduct banking business in the Kingdom, with a capital of SAR 1.5 billion (Saudi Digital Bank).



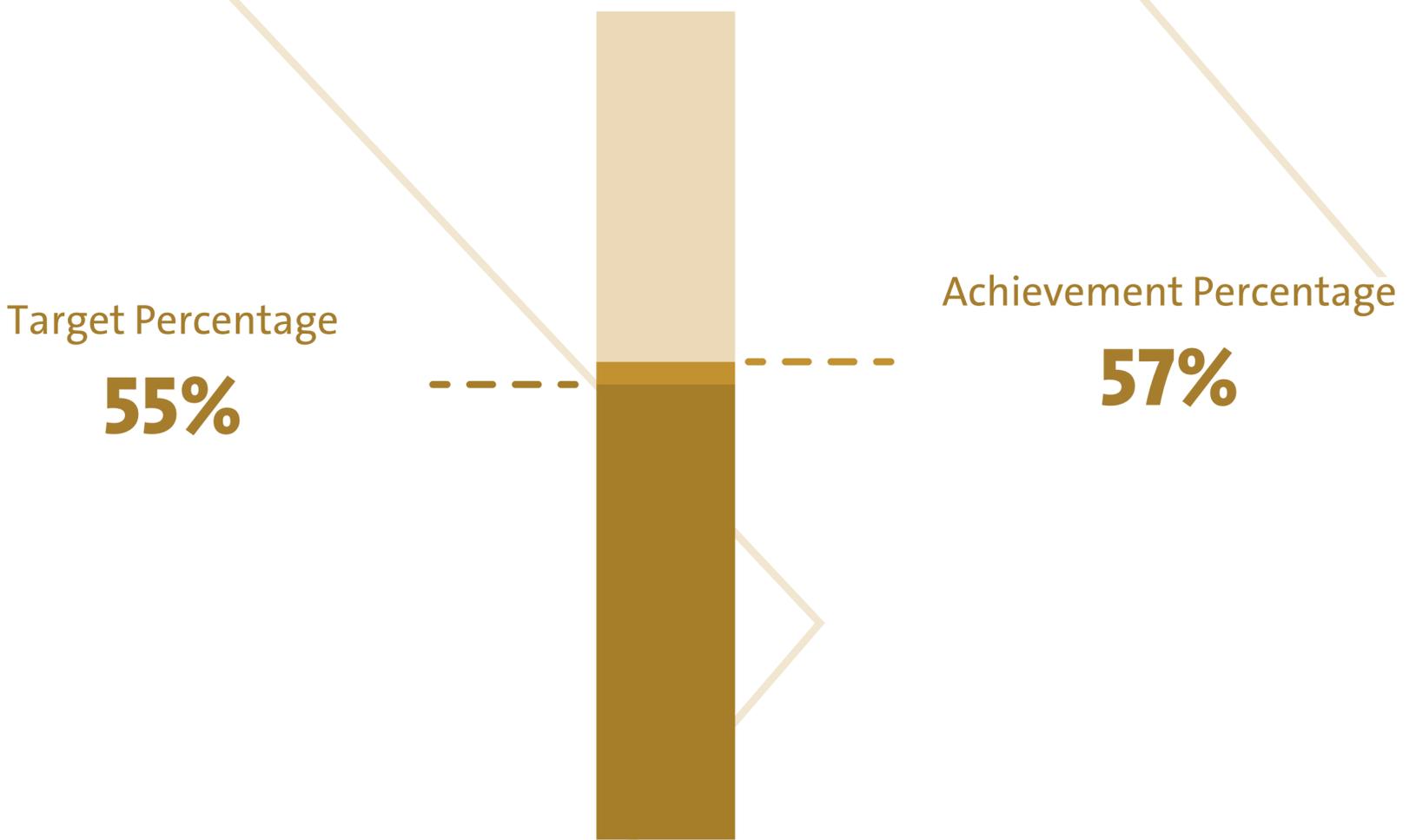
SAMA Launches the Instant Payment System “Sarie”

The Instant Payment System "Sarie" represents an added value and qualitative value for the capabilities of the national payments infrastructure, keeping pace with the development witnessed by the national payments sector in the Kingdom for more than 30 years.

The launching of **Sarie** comes as part of a series of SAMA-led initiatives to promote the national payments' ecosystem and to enhance its infrastructure, aiming to achieve financial inclusion besides, the national payment systems are fundamental in strengthening the Kingdom's pioneering position in the financial sector. They offer secure and innovative payment solutions that meet the needs of various segments of the society, increase the effectiveness of the liquidity circulation in the financial system, reduce cash transactions and their operational costs, facilitate payment and collection transactions and increase digital transactions. National payment systems also drive the digital transformation in the Kingdom by increasing the volume of digital financial transactions.

The Share of Electronic Payments Exceeds the Target Set Out by the Financial Sector Development Program for 2021

The share of electronic payments in retail has exceeded 57% of total transactions conducted in 2021, surpassing the 55% target set out by the Financial Sector Development Program (FSDP), one of the main programs of Saudi Vision 2030.



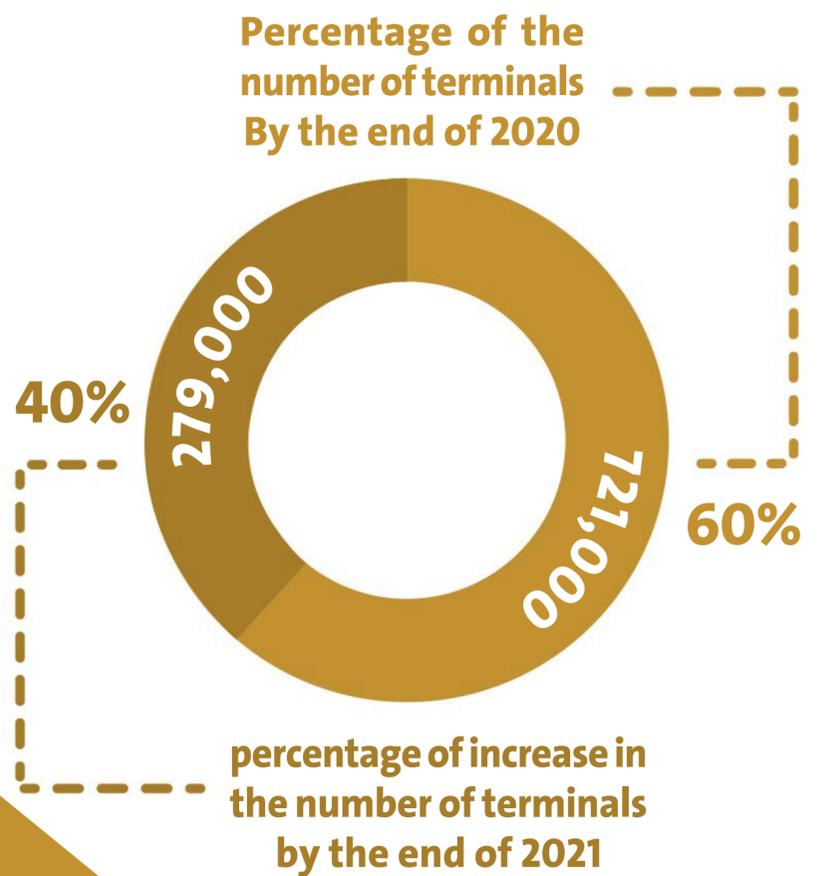
SAMA, in line with the guidelines of the Kingdom's wise leadership, is working on promoting electronic infrastructure, expanding electronic payment activities and accelerating the electronic transformation of transactions, remarking that this most recent achievement was driven by the Financial Sector Development Program and the implementation of the Bank's strategic plans for the payments sector, primarily aiming to reduce dependency on cash, and increase the rate of electronic payments to 70% by 2025. Almubarak also noted that joint efforts between the government and private sectors to increase payment choices and implement many payment digitization initiatives together with private sector innovation and expansion initiatives as well as opening financial services to a new class of FinTech stakeholders in the Kingdom, all played an instrumental role in making this achievement possible.

Point of Sale Terminals in the Kingdom Exceeded One Million

The number of **Point of Sale (PoS) terminals inside the Kingdom has exceeded the one million** threshold. These terminals can be found at commercial sales outlets in more than 180 cities and villages.

The number of PoS terminals in the Kingdom exceeded one million, hence reflecting the increase in both consumers and merchants' trust in relying on digital payment methods for their daily transactions, which directly supports the leadership's directions in the digital transformation of the Saudi economy. In fact, PoS terminals are considered as a crucial means to achieve one of the major strategic goals of the Financial Sector Development Program for the growth of payment digitalization, and the increase of its deployment across all commercial sectors in the Kingdom.

The year 2021 witnessed a growth in PoS terminals exceeding 40%, as the number of terminals increased from 721 thousand at the end of 2020 to more than one million by the end of 2021. This increase comes together with a significant growth in transactions through PoS terminals by 80%, which translated into the number of PoS terminal transactions reaching more than 5 billion by the end of 2021, compared to 2.8 billion transactions in 2020.



Saudi Arabia Achieves Highest Adoption of NFC Contactless Payments

Saudi Arabia has recorded the highest adoption rate of contactless payments through Near-Field Communication (NFC) with 94%, the highest in the Middle East and North Africa, above of the European Union average, and ahead of Hong Kong and Canada.

The kingdom's successful adoption of contactless payments is part of SAMA's strategy, which builds on the goals of the FSDP, one of the Saudi Vision 2030 realization programs, that aims to reduce cash transactions while raising electronic payments to 70% of all transactions by 2025. To achieve these goals, SAMA has fully adopted NFC payments since 2016, taking strategic steps to accelerate and facilitate e-payment transactions after ensuring the highest level of security in accordance with international standards and best practices.

Launching an Accelerators Program to Support the Growth of Fintech Startups

The program is designed to transfer the best practices, tools, and resources available for FinTech startups to develop and expand their existing businesses in the Kingdom of Saudi Arabia. 10 companies were graduated, with the opportunity to present their projects to local investors, partners, media and the financial technology community, after 3 months of intensive training through workshops and advisory sessions that helped them develop their product strategy.

Granting License to 5 Fintech Companies in 2021

The total number of companies licensed by the Saudi Central Bank (SAMA) in 2021 reached 5, raising the number of

companies licensed to 18 companies



This step comes as part of SAMA's role in supporting the financial technology sector to be able to offer new activities to strengthen and enhance the sector, and to attract a new segment of investors and companies to work under its supervision.

Permitting **34** New Fintech Companies to Operate in the Regulatory Sandbox

34 fintech companies have been permitted to operate in the Saudi Central Bank (SAMA)'s Regulatory Sandbox. Such companies will provide innovative solutions, such as



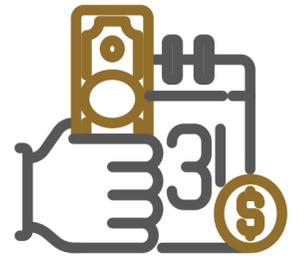
“buy now pay later”
service



digital payments



debt crowdfunding
platforms for SMEs



savings solutions
for individuals

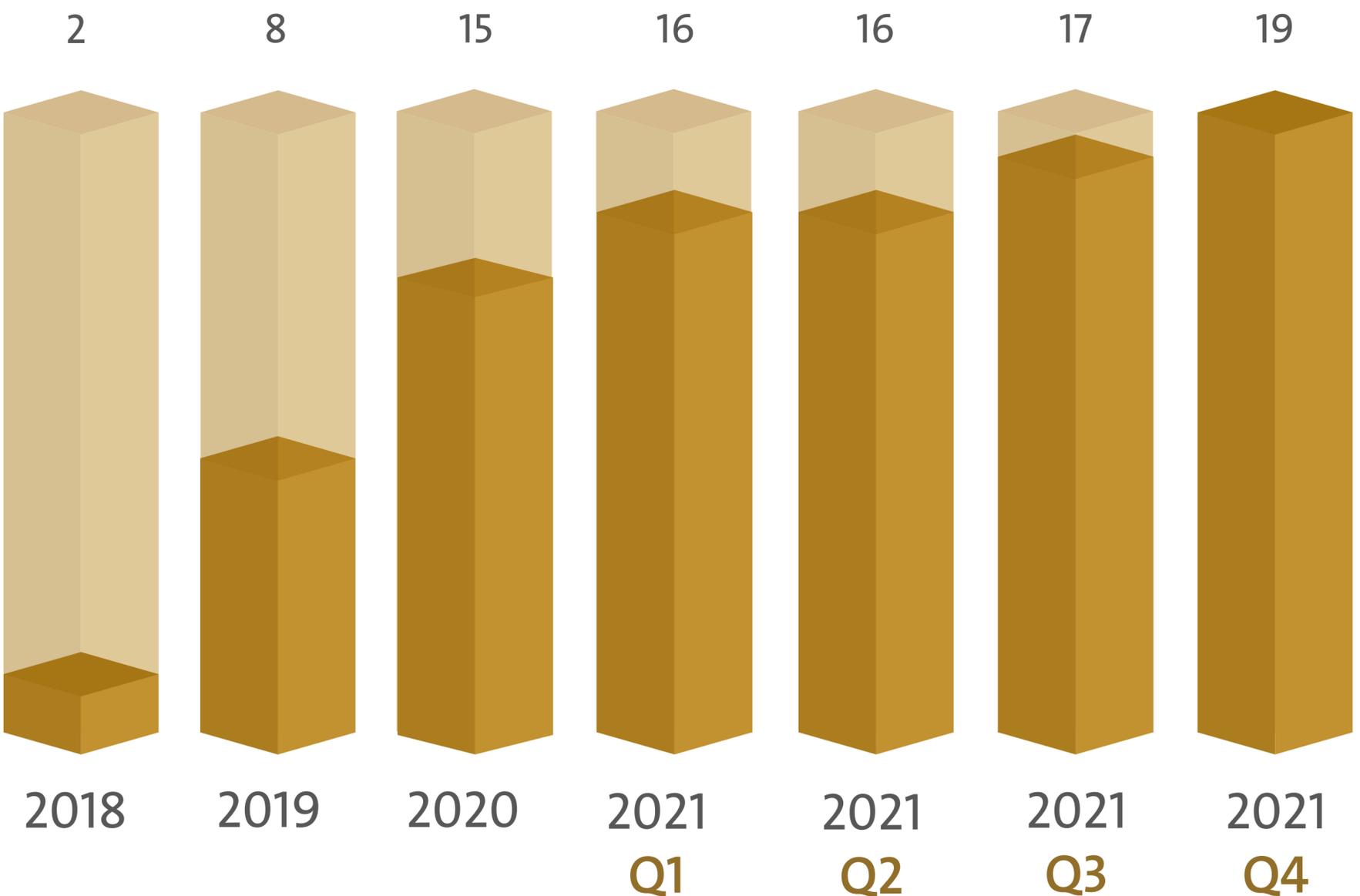
Currently, in 2021, 14 fintech companies operate in the Regulatory Sandbox.



Financial Technology Developments

The Capital Market Authority (CMA) has supported Financial Technology through creation of a legislative and regulatory environment for FinTech products in the capital market. CMA has also worked on continued development to attract innovative business models and emerging technologies that break new grounds to facilitate financing and stimulate investment in an effort to build economic entities that enhance the depth and diversity of the financial sector and are in line with the objectives of the Financial Sector Development Program. In this regard, CMA has launched five batches of the Financial Technology Experimental Lab since mid-2018, and applications for the fifth batch are being evaluated. Approximately 242 applicants applied for a permit to practice FinTech business until the fourth quarter of 2021, where the fifth batch witnessed a growth rate of 59% in the number of applicants compared to the previous batch. In addition, CMA agreed to grant 19 permits to experiment with FinTech as in the fourth quarter of 2021, compared to 15 permits as at the end of the same period last year, with an estimated growth rate of 27%. The FinTech Lab currently includes 16 licensed companies covering 6 different models of FinTech business. CMA also aims to continue the momentum of progress of licensing of FinTech and to provide support in licensing it to serve the development of the financial technology sector and the diversification of its models.

Number of licensed FinTech companies:



The Saudi Central Bank Receives the Global Impact Award for its Outstanding Efforts in the Financial Technologies

The Saudi Central Bank (SAMA) has received the Global Impact Award 2021, which was granted by the Central Banking Committee as part of its Central Banking FinTech & RegTech Global Award. This award is given to outstanding financial supervisory organizations that demonstrate a profound ability to innovate and develop within the global central banking community.



Approval of Amendments to Financial Technology Experimental Permit Instructions

In continuation of the Capital Market Authority's (CMA) role in regulating and developing the capital market, and as a part of its effort to cope with the continuous changes in the international markets seeking to apply the best international standards and practices, CMA is keen to enable new products and support the financial technology (FinTech) industry, CMA Board issued its Resolution approving the amendments to the Financial Technology Experimental Permit Instructions, that shall become effective from the date of their publication.



The amendments on the instructions approved by CMA aims to enhance the regulatory framework to continue supporting financial technology innovations (Fintech) in the Saudi Capital Market.



FINANCIAL MARKET DEVELOPMENT



Listing Numbers of Companies in the Capital Market

The Capital Market Authority (CMA) recognizes the importance of the Capital Market as a channel for building and forming capital in supporting the growth and sustainability of companies. Therefore, CMA seeks to increase the pace of listings in the capital market as part of efforts to support the economy, develop new and promising sectors and provide financing channels for them.

Thus, CMA approved the offering and listing of 20 companies in the capital market in 2021, including 8 companies that were directly listed in the parallel market (Nomu). Thus, the number of companies listed in the capital market increased to 224.

The Saudi Tadawul Group Signed MoU with Swiss Stock Exchange

The SIX and Saudi Exchange signed the agreement at the third “financial dialogue” between the two countries in Zurich. The delegations were led by Swiss Finance Minister Ueli Maurer and his Saudi Arabian counterpart, Mohammed Al-Jadaan.

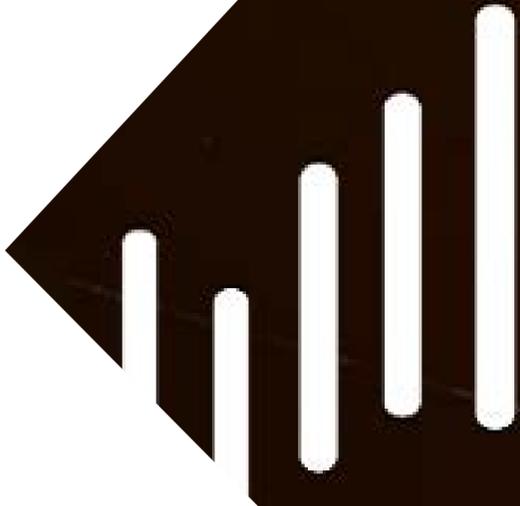
The two sides discussed issues such as the digitalization of sustainable financial services, access to each other’s markets and sovereign debt management.



Clearstream and Edaa Launch Partnership to Link the Saudi Capital Market with Investors on Clearstream

Clearstream, the post-trading services provider of Deutsche Börse Group, connected the Saudi capital market to its network through a linkage with the Securities Depository Center Company (Edaa), to offer international investors access to the Saudi capital market. Its eligible clients will be allowed to access and trade on the Saudi Exchange.





حوارات
مؤتمر القطاع المالي
FINANCIAL SECTOR
CONFERENCE
TALKS

The Financial Sector Development Program Launches the “Financial Sector Conference Talks”

The conference discussed the most important financial issues, current and future variables, regional and global challenges, sustainability, improving the quality of life, protecting the environment, natural resources and the corporate world. The conference was organized by the partners of the Financial Sector Development Program (Ministry of Finance, Central Bank of Saudi Arabia, Capital Market Authority).



DEBT CAPITAL MARKET



Listing Government Debt Instruments in the Saudi Stock Exchange with a Total Value of **SAR 108,753,651,000**

The Saudi Stock Exchange (Tadawul) has issued its resolution approving the listing request of the debt instruments issued by the Government of the Kingdom of Saudi Arabia submitted by the Ministry of Finance in 2021 as per the Listing Rules with a total value of SAR 108,753,651,000 detailed as follows:

▶ Listing government **debt instruments** with total value of **SAR 52,924,487,000**

▶ Listing government **debt instruments of a class already listed** with total value of **SAR 55,829,164,000**



The Sovereign debt portfolio increased during 2021 by approximately SAR 85 bn to reach SAR 938 bn

During 2021, the Sovereign debt portfolio increased by approximately SAR 85 bn to reach SAR 938 bn, representing 29.2% of estimated GDP, against 32.5% in 2020. The debt-to-GDP ratio is expected to decrease further in 2022 to 25.9% due to the forecasted stabilization of debt levels and the estimated GDP growth, As per the official budget statement for the fiscal year of 2022.

The National Debt Management Center announces the completion of 2021 borrowing plan exceeding SAR 125 bn

Last December, the NDMC announced the completion of the 2021 borrowing plan, with total financing of SAR 125 bn. Total domestic issuances reached to 60.5%, while total international activities reached 39.5%.

NDMC arranged issuance of sovereign bonds worth EUR 1.5 billion with the highest negative yield issuance ever outside the European Union

The National Debt Management Center has announced the receipt of subscriptions from investors for its second international note issuance denominated in Euro under the Kingdom of Saudi Arabia's Global Medium-Term Note Program.

the issuance was oversubscribed by more than 3 times, with total orders amounting to more than 5 billion Euro. The issuance was with a total of 1.5 billion Euros (equivalent to SAR 6.83 billion), consisting of two tranches as follows:

- ▶ **1 billion Euro** (equivalent to SAR 4.55 billion) for 3 year notes maturing 2024
- ▶ **0.5 billion Euro** (equivalent to SAR 2.28 billion) for 9 year notes maturing 2030



With a value exceeding SAR 33.48 billion, NDMC successfully completed the second early repurchasing transaction of the kingdom

The National Debt Management Center completed the second early repurchasing transaction of domestic securities maturing during 2022, and issued new Sukuk in exchange to the repurchased amount.

This transaction is one of the initiatives of the National Debt Management Center (NDMC) which aims to unify the issuer's domestic issuances to be under the Sukuk Issuance Program in Saudi Riyal. This step is the second stage of the initiative which started in 2020, and it will be followed by other stages leading to the unification of all local issuances enabling Sukuk holders to benefit from zakat recovery applicable to the Sukuk Issuance Program in Saudi Riyal.

This initiative is a continuation of NDMC's efforts to strengthen the domestic market, and to keep up with market developments which is reflected in the increase of trading volume in the secondary market. It is also an enhancement to NDMC's role in managing government debt obligations and future maturities and to the integration between NDMC and other initiatives to optimize public finance in the medium and short term, and ensuring the Kingdom's access to debt markets at a fair price

National Debt Management Center Wins Two GlobalCapital Awards for Second Year Running

The National Debt Management Center (NDMC) was awarded for the second time in a row

the

**“Most Impressive Emerging
Market Issuer”**

and the

**“Most Impressive Middle East
Sovereign Issuer”**

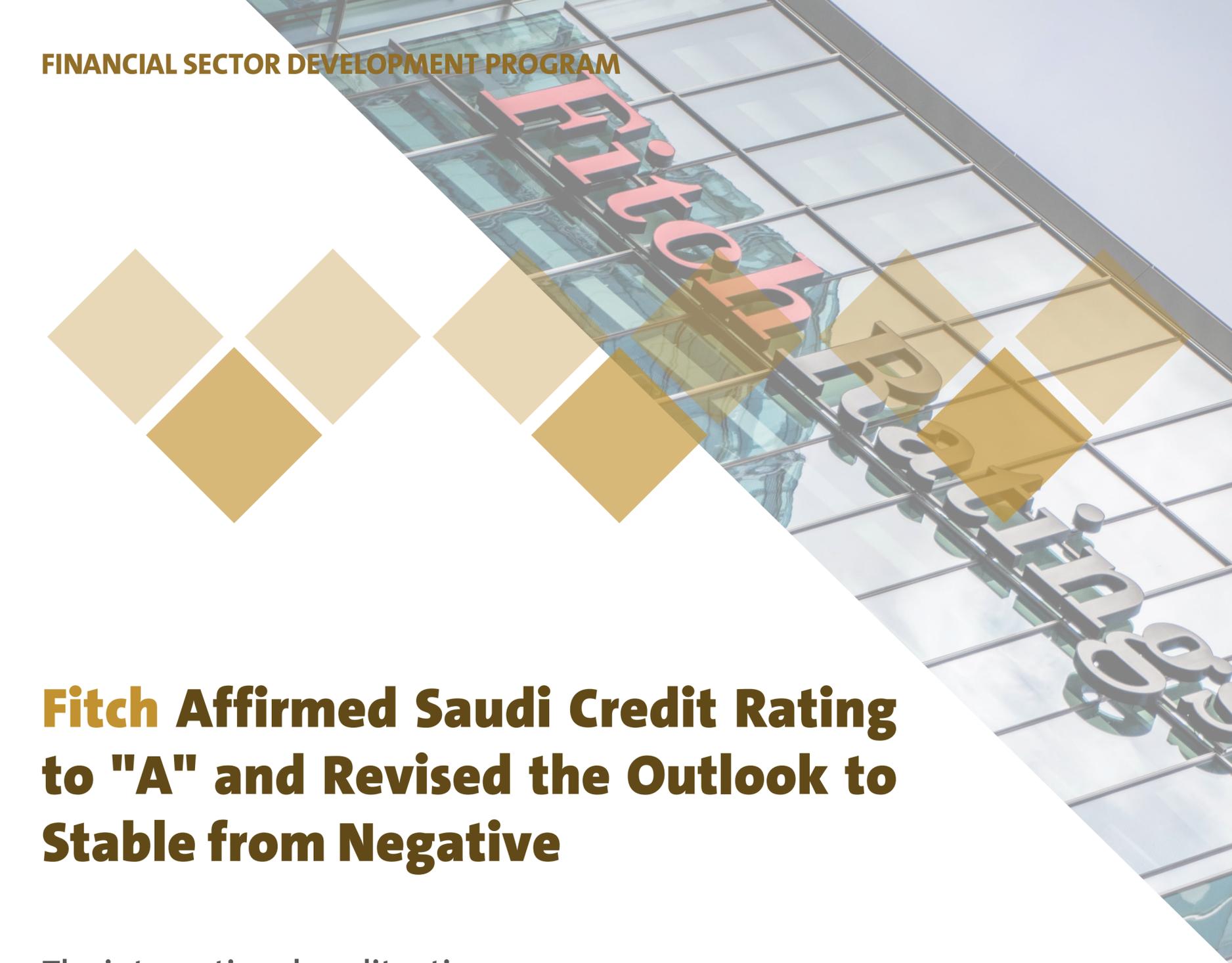
rewards at the 2021 GlobalCapital
Bond Awards.

MOODY'S

Moody's revises Saudi Arabia's outlook from Negative to Stable and while affirming credit rating at "A1"

The international Credit rating agency "Moody's" updated its credit report for Saudi Arabia affirming its A1 rating for the Kingdom and changing the negative outlook in its June 2021 rating to a stable outlook. The agency predicted the Saudi economy will return to positive growth in 2021, and the current account level will return to surplus as the fiscal deficit shrinks in 2021, accompanied by a reduction in the level of debt in the medium term. Moody's also praised the Kingdom's fiscal policies effectiveness evidenced by policy responses in periods of both low and high oil prices.

A stable outlook suggests that despite to the economic recovery from the pandemic and improved oil prices, the financial position and net external assets of the Kingdom remain strong enough to support its credit rating. The agency also noted that one of the key pillars of the change in its outlook was the Government's commitment to medium-term fiscal reforms, including fiscal Sustainability Programme which aims to further enhance fiscal discipline, improve effectiveness of public finance management, support the rebuilding of fiscal buffers by adopting fiscal rules and by transitioning to a multi-year budgeting process, which will also better align the forward-looking fiscal framework with national expenditure priorities. The financial sustainability program framework between 2015-2020 contributed to the growth of non-oil revenues from less than 10% in 2015 to more than 18% in 2020, and the reduction of non-interest expenditures from 56% in 2015 to 53% in 2020.



Fitch Affirmed Saudi Credit Rating to "A" and Revised the Outlook to Stable from Negative

The international credit rating agency "Fitch" affirmed Saudi Arabia's credit rating at "A" and revised the outlook to stable from negative. This makes the Kingdom, due to its economic reforms and the appropriate policies and processes taken against the fallout of COVID-19 pandemic among only a few countries who had a positive revised credit rating outlook.

Ministry of Finance and the National Debt Management Center Sign an Agreement with AlRajhi Bank to join the Primary Dealer Program of Government Debt Securities

The Ministry of Finance and The National Debt Management Center (NDMC) signed on Sunday, August 15, 2021, an agreement with AlRajhi Bank to appoint AlRajhi as a primary dealer in government local debt securities at the Ministry's headquarters in Riyadh, to join Alinma Bank, Bank Al-Jazira, Saudi National Bank, and Saudi British Bank (SABB), previously appointed as primary dealers.



وزارة المالية
Ministry of Finance



الأهلي SNB

Saudi National Bank

SABB ساب

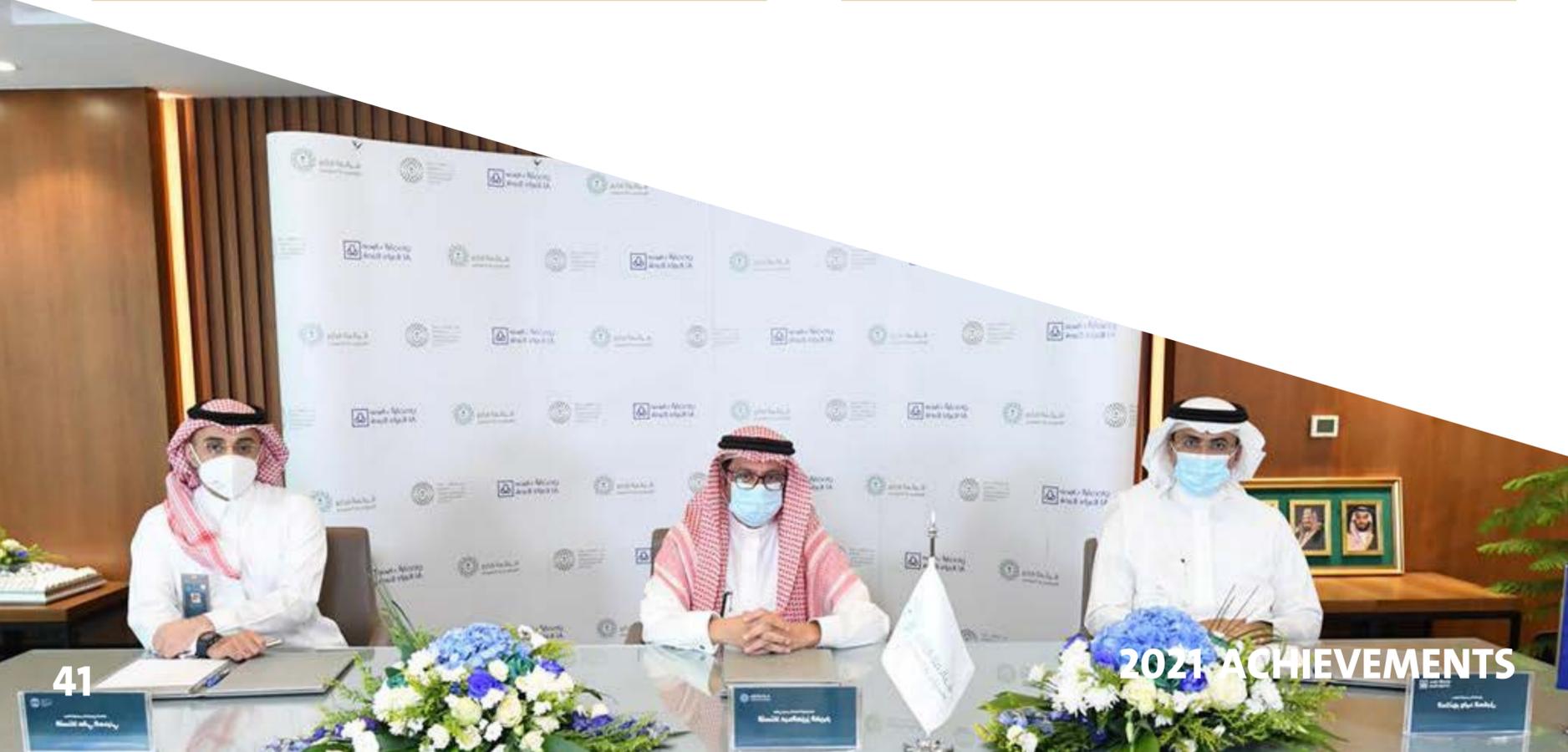
Saudi British Bank (SABB)

بنك الجزيرة
BANK ALJAZIRA

Bank Al-Jazira

مصرف الإنماء
alinma bank

Alinma Bank



S&P affirms Saudi Arabia's Credit Rating at "A-" with Stable Outlook

S&P has updated its Saudi Arabia's credit rating report affirming its rating at "A-" with a stable outlook. On its report issued Monday, the agency expected a rebound in economic growth in 2021. It also expected a return in the current account level to surplus with the reduction of the deficit rates in the public finances in 2021 and a sharp rebound in real non-oil economic activity in the second quarter of 2021. The agency highlighted the improvements in the real estate, manufacturing, and wholesale and retail trade, restaurants and hotels sectors.

Saudi Arabian Government SAR-denominated Sukuk included in FTSE Emerging Markets Government Bond Index

The Ministry of Finance and The National Debt Management Center (NDMC) welcome the announcement made by FTSE Russell, the global provider of indices, yesterday Thursday, September 30th, 2021, regarding the inclusion of local currency Saudi Arabian government Sukuk in FTSE Emerging Markets Government Bond Index (EMGBI), scheduled to start in April 2022.



Ministry of Finance and the National Debt Management Center (NDMC) Sign MOUs with Four International Financial Institutions to Join the Primary Dealers Program of the Government Local Debt Instruments

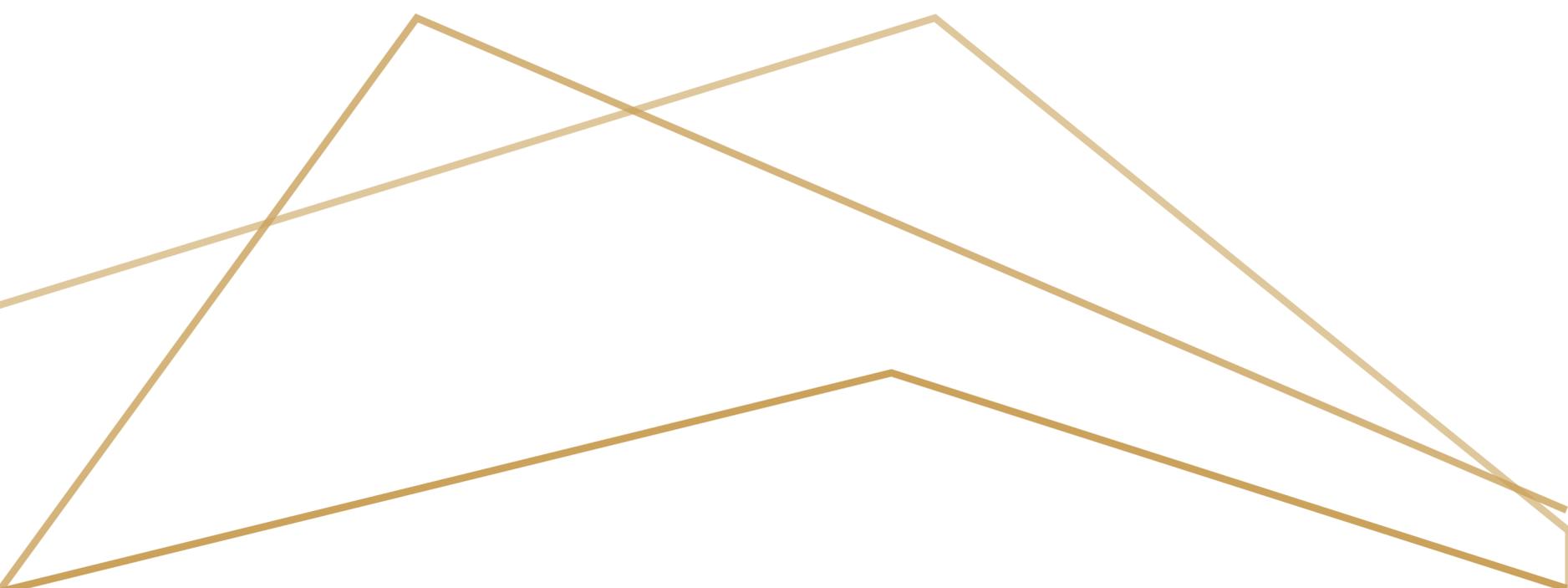
Coinciding with the Future Investment Initiative conference, held in Riyadh between the 26th and 28th of October 2021, the Ministry of Finance and NDMC signed four memorandums of understanding with BNP Paribas, Citi, Goldman Sachs and J.P Morgan that aim to explore the possibility of joining the Primary Dealers' Program of the government local debt instruments.

The MOUs were signed by the Chairman of the Steering Committee at the Ministry of Finance, H.E. Abdulaziz AlFuraih, the acting CEO of NDMC Mr. Hani AlMedaini, and representatives of the financial institutions.





REGULATIONS IN THE FINANCIAL SECTOR





Saudi Central Bank Announces the Extension of Deferred Payment Program for the Impacted MSMEs for Another Year

The Saudi Central Bank (SAMA) announces the extension of the **Deferred Payment Program** - one of SAMA's Private Sector Financing Support Programs - in 2021, for an additional 3 months starting from 1 January 2022 till 31 March 2022 for the benefit of micro, small and medium enterprises (MSMEs) that continue to be affected by the COVID-19 precautionary measures. Based on the assessment of the financing entities.

It should be noted that the number of the contracts that are benefiting from the Deferred Payment Program since its launch in 14 March 2022 has exceeded 107 thousand contracts. The value of the deferred payments for those contracts has reached about SAR 181 bn.

SAMA Issues the Open Banking Policy

The Saudi Central Bank (SAMA) has issued the “Open Banking Policy”, which, if implemented, will enable bank customers to manage their bank accounts and share data securely. Customers can allow third-party service providers to access their banking information through an explicit and clear consent. On the other hand, customers can benefit from the best financial products and services, from integration of all accounts in one control panel to creating more seamless patterns in their daily banking activities.

Open banking is consistent with the key strategic objectives of the Saudi Vision 2030 and the FSDP, and contributes to enabling financial institutions to support the growth of the private sector by opening the way to new players to provide financial services and promoting digital economy.

Cabinet Approval the Amendment of Some Articles of the Cooperative Insurance Companies Control Law

The cabinet approved the amendment of some Articles of the Cooperative Insurance Companies Control Law, under Royal Decree No A/32 dated 02/06/1424H. H.E the governor stated that this approval came as part of relentless efforts towards ensuring the sustainability and stability of the financial sector, enhancing the financial status of insurance companies, and improving oversight and control within the insurance sector. These amendments shall strengthen the Central Bank's ability to preserve the rights of policyholders, beneficiaries and investors. This amendment is made after comparing the previous System with the best practices adopted by the G20 Nations and other countries leading in the field of insurance.





The Saudi Central Bank Issues Rules for Practicing Debt Crowdfunding Activities

The issuance of the rules for practicing debt crowdfunding activities, which aim to regulate the provisions for licensing this type of company and to regulate its conduct of activities, in accordance with the powers granted to the Saudi Central Bank under the provisions of the Finance Companies Control Law.

The Merger of Two Insurance Companies

The two board chairs of Al-Jazirah Takaful Tawuni and Solidarity Saudi Takaful have been honored after their recent merger, in the presence of the CEO of the newly formed company. This the third merger in the insurance sector was preceded by the merger of Wala cooperative insurance and MetLife and the American international Group and the Arab National Bank on one hand and and the Gulf Union and Al-Ahlia on another.



Leadership Approval of the Payments law and Its Service

The approval underscores the leadership's keenness to support the development of the financial sector and maintain fairness and stability of transactions. The provisions of the law will enable SAMA to exercise its supervisory oversight of the payments sector in the Kingdom of Saudi Arabia in accordance with the international best practices and compliance standards. Furthermore, the law will support the financial sector's contribution to providing payment services through the utilization of financial technologies and expanding the base of participants in the private sector.



The completion of the 3rd Edition of its Cybersecurity Program (Secure)

The Cybersecurity program (Secure) was launched with the purpose of training and qualifying a number of national cadres in the field of Cybersecurity to work in the financial sector. The program had globally acclaimed Cybersecurity experts to deliver theoretical and practical training to the participants. The program covers discussion sessions, work on collective projects and provide a presentation that reflects their overall experience at the end.

Throughout the program, **21 participants** were intensively trained for six consecutive months between Saudi Arabia and the United States in four key aspects of Cybersecurity:



Defense and protection



attacks and hack testing



infrastructure and structure



governance and risk management

It is worth noting that the Cybersecurity program (Secure) helps create qualified national cadres, and it contributes to building a Saudi generation specialized in the Cybersecurity of the Financial Sector, giving it the ability to safeguard this vital pillar, and to drive the field of information security towards more excellence and innovation.

SAMA Issues Information Technology Governance Framework for Financial Sector

The Saudi Central Bank (SAMA) has issued the information technology governance framework for a number of financial institutions operating in the Kingdom of Saudi Arabia, including local banks, Saudi Payments and credit information companies. The governance framework falls within the mandate of the Saudi Central Bank in accordance with the authority vested to SAMA as issued by the Royal Decree No. (M/36), dated 11/04/1442H, and other relevant regulations, which seek to effectively identify and address potential IT risks and threats.



In a circular addressed to those financial institutions operating in the kingdom, SAMA highlighted that the framework intends to improve IT governance practices as well as developing effective controls. SAMA is keen to improve the financial infrastructure that ensures optimizing utilization of available technological resources and minimizing IT related risks. SAMA emphasizes that compliance with the framework is mandatory for financial institutions.

Developing and Amending Market's Regulations and Rules 1/2

In continuation of the Capital Market Authority's (CMA) efforts in improving regulations and developing the regulatory and supervisory environment and in order to enhance stability in the capital market, CMA worked during the year 2021 to implement a set of projects that are related to the market's regulations and rules. which include the following:

Approval of Amendments to the Market Conduct Regulations

Approval of Amendments to the Rules on the Offer of Securities and Continuing Obligations and the Glossary of Defined Terms Used in the Market's regulations and Rules

Approval of Amendments to the Rules for Special Purposes Entities

Approval of Amendments to the Investment Funds Regulations and Real Estate Investment Funds Regulations and Glossary of Defined Terms Used in the Market's regulations and Rules

Developing and Amending Market's Regulations and Rules 2/2

Approval of the amendments to the short selling regulations

Approval of the amendments to the listed securities borrowing and lending regulations

Approval of the amendments to the exchange and center procedures

Approval of the amendments to the Glossary of Defined Terms Used in the Exchange Rules

Approval of Amendments to Financial Technology Experimental Permit Instructions

Approval of Amendments to the Instructions for Investment Funds Announcements



Approval of International Central Securities Depositories Instructions and Activation of the Linkage with the International Central Securities Depository “Clearstream”

Capital Market Authority (CMA)’s Board issued its resolution approving the International Central Securities Depositories Instructions. These instructions regulate the linkage application process and its conditions, related Depository Centre accounts, and additional general provisions. Through these changes, Edaa aims to develop consistent regulatory environment with the international best practices and to raise the efficiency and attractiveness

of the Capital Market towards foreign investors. Edaa also announced the activation of the linkage with Clearstream, the post-trading services provider of Deutsche Börse Group. Through this linkage with Edaa, Clearstream international clients will be allowed to invest in the Saudi Sukuk and Bonds Market, and Exchange Traded Funds (ETFs) listed on the Saudi Exchange.

Issuance of ESG Disclosure Guidelines

The Saudi Exchange (Tadawul) has issued Environmental, Social, and Governance (ESG) disclosure guidelines to promote sustainable growth in the Kingdom. The guidelines showcase Saudi Exchange's ongoing commitment to support listed companies and raise awareness of the importance of ESG within the Saudi capital market.



Public Investment Fund and Saudi Tadawul Group announce establishment of voluntary carbon trading platform

The Public Investment Fund in collaboration with the Saudi Tadawul Group announced plans to establish an exchange for carbon offsets and credits within the MENA region as part of efforts to combat climate change.

Under the initiative, the platform will become the primary destination for companies and institutions seeking to reduce their emissions through the trading of verified, approved and high-quality carbon equivalent credits certificates.



SMALL AND MEDIUM ENTERPRISES



270% Growth in Venture Capital in the Kingdom During 2021, with a Total of SAR 2.1 bn and SAR 55 mn

2021 Saudi Arabia Venture Capital Report revealed that the year 2021 witnessed the implementation of investments with a record value of SAR 2.1 bn and SAR 55mn in Saudi startups, achieving a growth rate of 270% compared to 2020, while the number of deals in Saudi startups grew by more than 54% compared to 2020, with a total of 139 deals.

The report issued by the MAGNiTT platform, specialized in data on venture capital in startups, and sponsored by the Saudi Venture Capital Company established by the General Authority for Small and Medium Enterprises "Monsha'at", confirmed that although 2020 was a positive year for venture capital in the Kingdom, the year 2021 witnessed larger flows, as the value of venture capital and the number of deals executed during the year set a new record. The Kingdom advanced from third to second place among the countries of the Middle East and North Africa in terms of the total value of venture capital, accounting for 21% of the total investment value in the region, up from a share of 15% in 2020. The growth rate recorded between 2020 and 2021 in the value of venture capital investment in the Kingdom is the highest among the three most active countries in the region.

The number of investors who invested in Saudi startups rose to a new record high of 76 investors, achieving a growth of 52% compared to 2020. The financial technology sector led the scene in terms of the number of deals, while the e-commerce sector acquired the largest share of the investment value in Saudi Arabia during 2021.



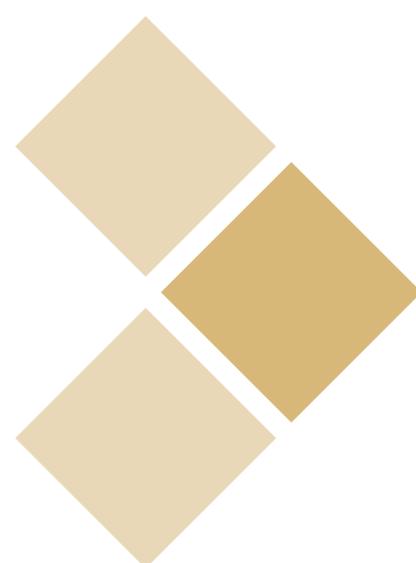
The Kingdom's Advances in Global Competitiveness Indicators

The Kingdom of Saudi Arabia ranked 12th in the Availability of Venture Capital Index among the most prominent sub-indicators in the Global Competitiveness Yearbook report issued by the Global Competitiveness Center. This reflects the keenness of the General Authority for Small and Medium Enterprises Monsha'at to create a competitive environment that encourages the entry of new enterprises into the market and enables small and medium enterprises to grow and expand, and find appropriate financing solutions and investment opportunities, in order to raise their contribution to the GDP to 35% in 2030. The venture capital initiative launched by "Monsha'at" has contributed to the Kingdom's progress in the index of the availability of venture capital, especially as it aims to stimulate capital financing for small and medium enterprises and entrepreneurs, enhance ways to invest in emerging enterprises during their various stages of growth, and exploit local capabilities by investing in companies in the early stages and stages of growth with the aim of creating financial returns for investors and achieving strategic returns that serve the growth of the economy in the Kingdom of Saudi Arabia.

2,164 SMEs Benefiting from the Indirect Lending Initiative

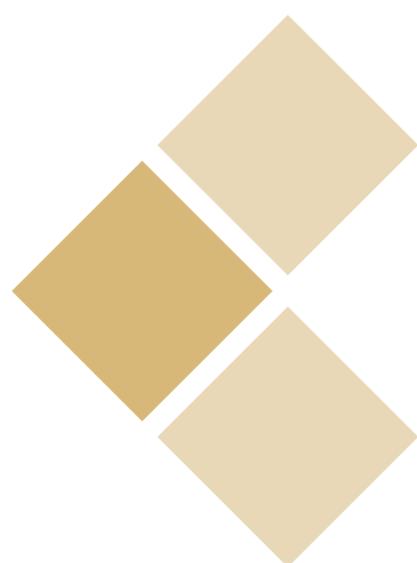
1.

The initiative contributed to reducing average funding rates to SME from 15% in 2018 to 8.4% this year



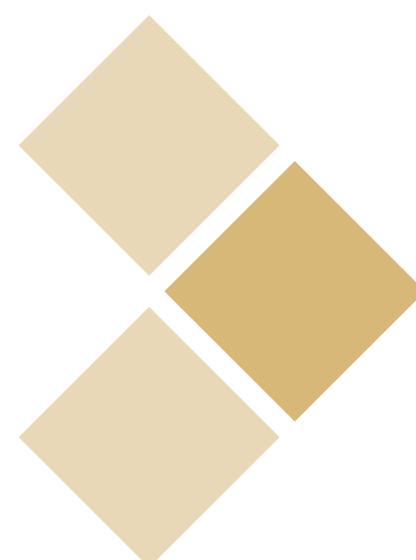
2.

The total amount of funding extended to SMEs through the initiative's partners amounted to SAR 2,359 bn



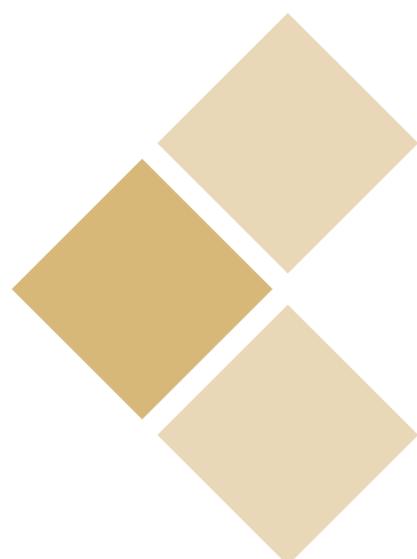
3.

The number of loan contras reached 2,895, with a total of 2,164 SMEs benefiting from the initiative



4.

Stimulating finance companies to increase lending by more than SAR 6.4 bn, growing their SME loan portfolio by about 83% since the launch of the initiative.



SAR 10.2 bn in Financing for 5,546 Company Through “Kafala”

1.

The program issued guarantees amounting to SAR 10.2 bn during the year 2021, and issued guarantees resulted in financing amounting to SAR 13 bn

2.

During the year 2021, 5,546 establishments benefited from the program

3.

The Kafalah Program achieved a 47% growth rate in the main areas for the year 2021, according to the number of benefiting companies compared to the year 2020

4.

The Kafalah Program achieved a growth rate of 180 % in the promising areas for the year 2021, according to the number of benefiting companies compared to the year 2020

The Saudi Venture Capital Company Launches the Investment Product in Debt Funds and Venture Capital Funds

The Saudi Venture Capital Company (SVC) has launched the investment product in funds that offer debt instruments and funds that offer venture capital instruments, as well as the investment product in accelerators funds and start-up studios. These products come as the SVC seeks to fill the current financing gaps.





FINANCIAL LITERACY



SAMA Launches "MALEE" App to Promote Awareness and Financial Empowerment for Children

The Saudi Central Bank (SAMA) launched 'Malee' App – a unique educational tool- aimed at spreading financial literacy and awareness as well as financial empowerment among children, thereby building a financially educated generation that understands the importance of money and the need to preserve it. Malee App is dedicated to children aged 8-12 and aims to provide them with the skills to properly manage their financial resources apart from the misperceptions of handling money. Moreover, it focuses on introducing them to information and trends related to financial culture.





The Financial Sector Development Program Honors SEDCO for its Efforts in Financial Literacy Program

The Director General of the Financial Sector Development Program Office, Mr. Faisal Al Sharif, on behalf of the Minister of Finance honored SEDCO Holding Group where it launched the "Riyali" program as part of its community initiatives to guide the necessary skills for entrepreneurs, such as:

- **Cash flow management and financial planning**
- **Responsible accounting in order to enable them to run their businesses successfully**

The scope of the program was expanded with the aim of assisting emerging businesses in overcoming financial difficulties and obstacles, and developing links and communication channels with business incubators and accelerators, and chambers of commerce and industry within the Kingdom to help empower entrepreneurs and facilitate the avenues of success for their businesses.

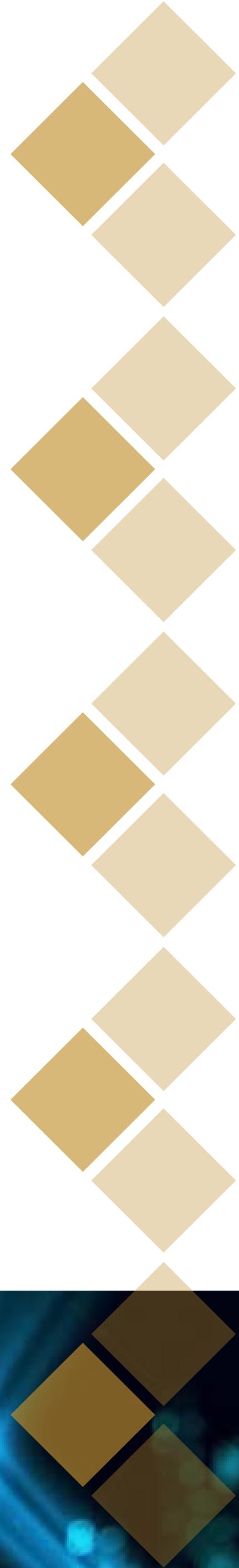
Saudi Central Bank Governor Commended the Efforts of the "Saudi Banks" in Promoting the Financial Literacy Among Customers

The Governor of the Saudi Central Bank, H.E. Dr. Fahad AlMubarak commended the efforts made by the Media and Banking Awareness Committee for Saudi Banks, aiming to spread and promote financial literacy and achieve a state of financial awareness among all members of the society, through a better understanding of banking services and products, in addition to raising awareness of the proper and safe use of banking transactions, as well as emerging issues and developments within the banking sector, at local and international levels.



SAMA Received Best Central Bank Award for its Outstanding Efforts in Islamic Finance

The Global Islamic Finance Awards (GIFA) awarded the Saudi Central Bank (SAMA) the Best Central Bank award for 2021 at its 11th Annual Awards, held virtually on September 14, 2021, in recognition of SAMA's outstanding contributions to Islamic finance.



WINNER
SAUDI CENTRAL BANK

BEST CENTRAL BANK OF THE YEAR 2021



SAMA Launches Islamic Finance Research Support Program

The Saudi Central Bank (SAMA) has announced the launching of the Islamic Finance Research Support Program to support researchers in Saudi Arabia and abroad and to advance and benefit from scientific research.

SAMA has emphasized that the Program will enhance Saudi Arabia's leading role in the Islamic finance sector globally and will confirm SAMA's continuous effort and determination to achieve integration in the research system as part of its social responsibility obligations and pivotal role in the field. Additionally, the Program will contribute to fulfilling the objectives of Vision 2030 which aim to promote Saudi Arabia's knowledge position. Furthermore, the Program will allow researchers to develop scientific solutions and contributions to advance the qualitative development of Islamic finance.

Saudi Central Bank Launches First Version of Open Data Platform

The Saudi Central Bank (SAMA) has announced the launch of the first version of the Open Data Platform, which contains economic, financial and monetary statistics and indicators for Saudi Arabia. This step comes as part of SAMA's commitment to providing accurate and up-to-date information and data for specialists and stakeholders; via upholding highest levels of transparency and benefiting from international best practices. The Open Data Platform offers a number of features, including displaying data, indicators and charts directly on the platform as well as browsing detailed data in a tree data structure and enabling users to select a set of data and indicators from various sectors onto one page. Additionally, the Open Data Platform allows downloading the available information in various formats, such as Excel and CSV, as well as specifying the time period and periodicity of the data and indicators to be viewed or downloaded. Moreover, the platform provides time series for data and indicators, in addition to the quick search feature.



Financial Sector
Development Program

The Financial Sector Development Program is one of the executive programs launched by the Council of Economic and Development Affairs (CEDA) to achieve the objectives of Vision 2030. The role of the program is to create a diversified and effective financial sector to support the development of the national economy, diversify its sources of income and stimulate savings, finance, and investment. The program will achieve its ambition by enabling financial institutions to support private sector growth, promoting and enabling financial planning, and ensuring the formation of an advanced capital market, without impeding the strategic objectives intended to maintain the financial services sector's stability.

Sources:

Ministry of Finance, Saudi Central Bank (SAMA), Capital Market Authority (CMA), Monsha'at, National Debt Management Center (NDMC), Saudi Tadawul Group, General Authority of Statistics, Bloomberg, Reuters Eikon. This report has been published by Financial Sector Development Program Office. For questions or comments, please contact us at fsdp@mof.gov.sa

or for more information, please visit:
www.vision2030.gov.sa/v2030/vrps/fsdp

Disclaimer:

All information contained in FSDPs annual report is solely for general guidance and is not aimed to provide any representations or warranties, express or implied, about the completeness, accuracy, reliability, relevance or availability of data, information or related materials provided in such pages for any purpose and may not be used for purposes other than the general purpose. In no event shall FSDP be liable to any party for any decision or action taken or to be taken by such party based on the content contained in the annual report