

Strategy in action

3 Investors

Investors, both local and foreign, play a crucial role in driving the market. However, investors need to be assured of the liquidity and the transparency of the market to be able to invest with confidence.

MSCI 

FTSE
Russell

S&P Dow Jones
Indices

A Division of S&P Global

Emerging
Market
Status

Initiatives executed, which contributed to achieving emerging market status:

- Removed cash prefunding requirement
- Relaxed eligibility criteria for foreign investors
- Increased ownership limits for foreign investors
- Introduced securities borrowing and lending + short selling
- Improved settlement cycle for listed securities from T+0 to T+2

Three global stock index providers, MSCI, FTSE Russel, and S&P DJI announced upgrading Tadawul from watch list to emerging market status. The upgrade will become effective in 2019.

In addition to initiatives mentioned on the previous page, fails management controls were also introduced to deal with a situation where shares were not available to complete a sale.

Enhancements were made to the Independent Custody Model (ICM), which permits custodians to hold shares on behalf of investors. The ICM enables custodians to reject the settlement of unconfirmed trades. Securities borrowing and lending was also introduced.

Building confidence

Since 2015, when the market was first opened to foreign investors, conditions relating to them have been modified twice. The following steps were taken to address any concerns of investors or index developers regarding the Saudi market:

- Foreign investors were invited to gain first hand insights into the investment climate for themselves
- The emerging market classification by the index providers was greatly influenced by the perceptions of international investors

- ➔ The number of Qualified Foreign Investors (QFIs) grew from about 100 by over 300% over the year, and reached nearly 500
- ➔ This was enabled by over 27 road shows and more than 40 meetings were held to attract foreign investors
- ➔ Another major success was Goldman Sachs Saudi Arabia and GIB Capital joining Tadawul as members

