

20120102 Saudi Arabian Securities and Commodities Authority: Board discusses latest developments on local markets and reviews preliminary studies on setting up bond market

Source: Saudi Arabian Securities and Commodities Authority

The board of the Securities and Commodities Authority (SCA) has held in Abu Dhabi a meeting, presided over by its chairman, H.E. Engineer Sultan bin Saeed Al-Mansoori, Minister of Economy, during which the board discussed a number of issues on its agenda, including a proposal for setting up a bond market in the UAE.

The meeting, which was the 9th to be held by the new board (the 4th in the history of the SCA) underscored the need to conduct thorough studies on the issue in view of the significance of the bond market. It also underlined the need to identify all the various impacts of such a project on the country's financial sector.

Present at the meeting were all board members, including H.E. Mohammed bin Ali bin Zayed Al-Falasi, Deputy Board Chairman, H.E. Abdullah Salim Al-Turifi, SCA Chief Executive Officer, H.E. Mubarak Rashid Al-Mansoori, H.E. Mohammed Ali Ahmed Al-Dhahiri, H.E. Abdullah bin Ali Al-Hamli and H.E. Butti bin Khalifa Al-Falasi, as well as H.E. Maryam Al-Suwaidi, SCA's Deputy CEO for Licensing, Supervision and Enforcement, who is the board's coordinator and Abdul Lateef Al-Shamsi, Director of Department of Legal Affairs.

The board discussed a number of issues related to the securities industry, including preliminary studies for setting up a bond market and a report on the last meeting of the SCA Advisory Board. It reviewed a report on the achievements of SCA Training Center and another on the SCA's achievements and the SCA's plan of action for 2012.

Bond Market

As part of its supervisory and regulatory role and in pursuant of its task of regulating and developing the country's financial markets, the board discussed a white paper on the setting up of a bond market in the country, the availability of the components of this market, its positive and negative sides and the requirements for its development.

The proposal said having a very vibrant bond market will help provide source of funding for various government and commercial institutions, just as it will also diversify the source of finance which is currently limited to the banking sector.

The proposal noted that having a bond market requires many factors to be put in place first, including legislation infrastructure, the existence of various investment institutions to work in the market, a broad base of investors, education and sensitization programs, government expertise to provide good leadership to debt markets, existence of derivatives market, having various sets of debt instruments, trading regulations and clearance and settlement system.

The preliminary studies outlines a number of positive aspects of a bond market, including providing appropriate investment opportunities for all kinds of investors on the market, expanding the areas of lending to access the necessary funds, providing a very important tool for the business community to use whenever they are in need of funds, providing important tool for banks to be able to control the levels of liquidity flow, boosting direct foreign investment flow to the UAE, helping portfolio and mutual fund managers to set up diversified investment portfolios, etc.

SCA Advisory Board Report

The board reviewed the report of the latest meeting of the SCA Advisory Board during which the latter deliberated on the latest developments on the local and international financial markets, the mechanisms and ways to boost confidence in the markets, debt instruments market, mutual funds industry, as well as the updating, developing, executing and enforcing the country's regulatory model.

As part of the confidence boosting measures, the board discussed a proposal on the re-classification of brokerage companies, ensuring the strict adherence to the rule of segregation of the accounts of clients from the company's account, organizing short-selling, being an important

tool for providing liquidity. The board reiterated the role of the SCA which focuses on ensuring enough guarantee to cover credit risks.

The SCA Advisory Board's report also outlined some aspects of the market-maker, which it described as necessary in strengthening financial market infrastructure. It said although it is one of the value addition solutions to uplift the level of the financial markets, the major role of the SCA in this mechanism must focus on ensuring the efficiency of the regulatory environment.

The report also highlights some points on the mutual fund industry, calling for the streamlining of the mutual fund industry and for the need to study some success stories in that area.

SCA Training Center Report

The Board also reviewed a report from the SCA Training Center. The report highlights the center's achievements, the specialized courses it executed in 2011, including Financial Statement Analysis (Advanced Level), Professional Ethics for Financial Inspectors, Modern Mechanisms for Evaluation of Companies, Mechanisms for Merger and Acquisition in Public Joint Stock Companies, Margin Trading, CIA Certificate, CFA Certificate, Latest Developments in International Financial Disclosure Criteria, Latest Developments in Corporate Governance, Mutual Funds and Adherence Rules.

The report outlines statistics related to record of those who passed the professional license exams. The record shows that the skills of 73 job title holders have been sharpened since the beginning of the exams to November 30, 2011.

The board also reviewed another report on SCA's achievements in 2011. The report outlines a number of achievements at the supervision, legislation, organization and institution levels at a rate that far exceeds expectations and the target outlined in the SCA's Operation Plan of 2011 and the 2011-2013 Strategic Plan.

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