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THE FUTURE OF FINANCE IN SAUDI ARABIA

SPECIAL REPORT

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THE BUSINESS YEAR:

The Future of Finance in Saudi Arabia Special Report

The role of banks and financial institutions is changing, not only in Saudi Arabia, but across the GCC. Aligned with Vision 2030, the country's blueprint for a diversified economic future, key players in the sector are reinventing their offers and services by innovating new products and supply chain finance solutions.

There is a need for new financial tools, services, and policies to ensure the SME segment will reach its potential in the country. With new and innovative offers, the leaders of the sector have the power to directly impact corporate culture and local communities via the creation of new funds, financial packages, and borrowing schemes, all empowered by digital solutions and platforms. This could go a long way to unlocking the potential of every segment of the economy, from real estate and housing to industry, retail, and tourism.

Once a slow-moving ecosystem, Saudi Arabia has bloomed into a dynamic landscape for entrepreneurs, offering them greater access to funding and friendlier regulations.

The fintech sector, in particular, has grown from just 10 start-ups registered under the Fintech Saudi initiative in 2018 to a total of 155 in 2020. The concerted IPO push across the entirety of the economy, but particularly in the finance sector, has seen almost weekly announcements of companies going public and raising swathes of capital in the process. In 2021, fintech start-ups based in Saudi Arabia raised almost USD130

million, a whopping jump from the USD23 million raised by the sector from 2015-2020.

And this turbo-charged trend is set to continue in 2023.

The Saudi cabinet recently approved the Kingdom's financial technology strategy, which further exemplifies Saudi Arabia's aim of attracting foreign companies and growing local players. This strategy continues to bolster wider digitalization efforts, with Riyadh poised to be a global tech hub. In the Kingdom, the implementation of new technologies is expected to boost the development of Islamic finance by increasing accessibility to banking and other financial services and democratizing access to investment opportunities. At the same time, new technologies will increase financing opportunities and facilitate asset management for sharia-compliant businesses. A collection of interviews in this publication from selected experts in the field of Islamic fintech discussing some of the most topical issues serve to highlight potential in this niche area.

In this context, The Business Year is thrilled to be the first major global media group diving into the details of this burgeoning sector in this way. This special report will navigate the major challenges, prospects, and trends that will guide the sector over the coming years. It features insights from the leading decision makers in the sector and seeks to be a reference for those wanting impactful information on investment opportunities in Saudi Arabia. ✖

This publication has been produced by The Business Year International's expert cadre of journalists, writers, editors, and designers. The content contained within is original and was compiled by our team on the ground.

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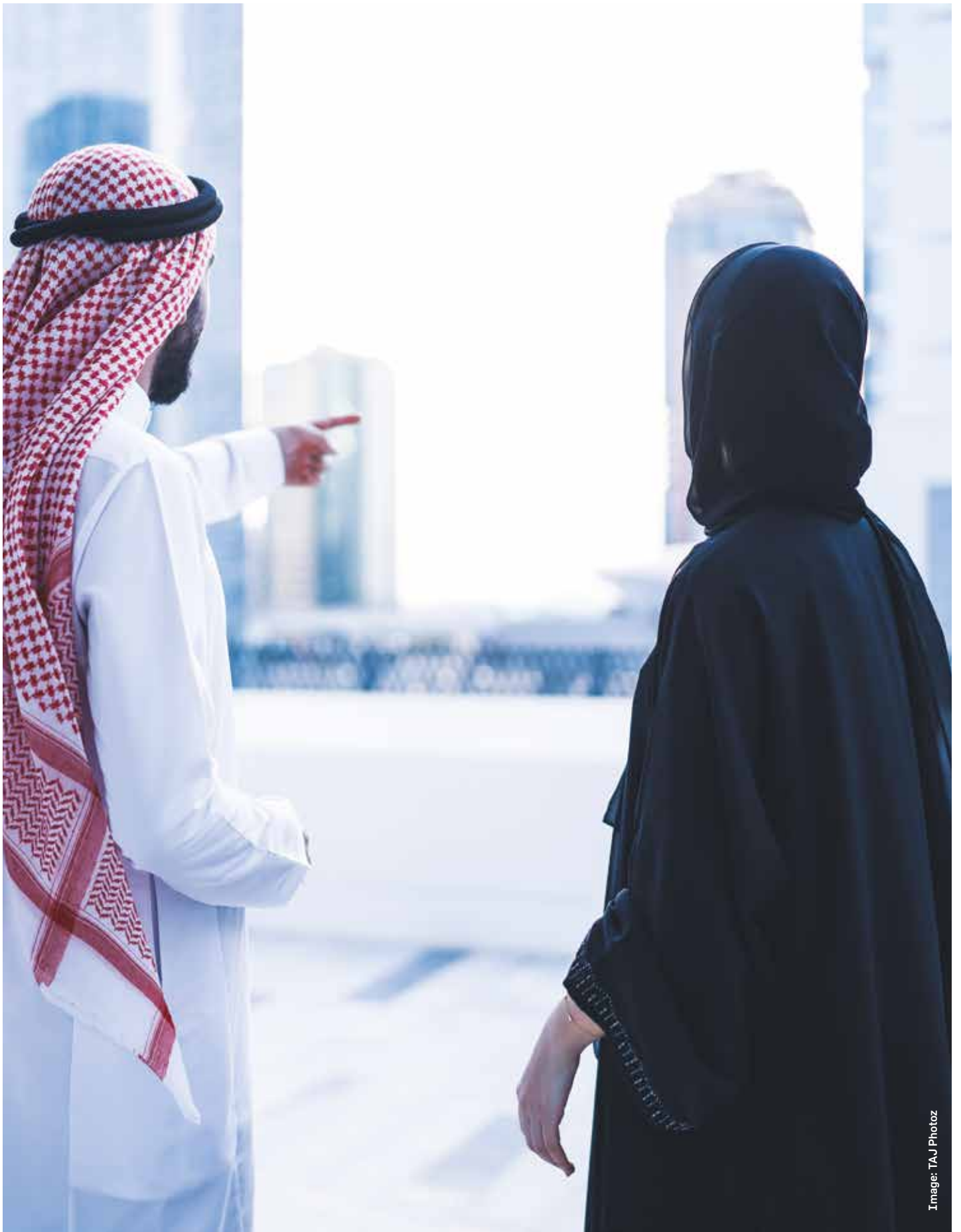
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Crown Prince
Mohammed Bin
Salman pictured
outside Downing
Street

SAUDI CENTRAL BANK 2023 GOALS

SOURCE: FSDP ANNUAL REPORT 2022

Continued development of open banking system

150 fintech companies

Continued adherence to international standards

Support for finance sector through improving regulatory environment

RATINGS AGENCIES

SOURCE: FSDP ANNUAL REPORT 2022

Affirmed credit rating

S&P	A-/A-2
Fitch	A
Moody's	A1

Outlook

S&P	Stable -> Positive
Fitch	Stable -> Positive
Moody's	Stable

Outlook improved thanks to

GDP improvement, enhanced medium-term fiscal position, oil sector outlook, government reforms

GDP (USD BN)

SOURCE: THE WORLD BANK

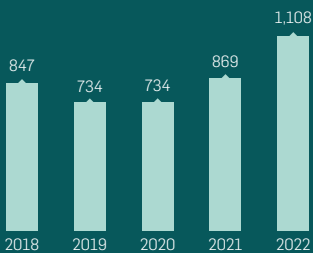


Image: Fred Duval

Pioneering Progress: Government Bodies & Authorities

GUIDING HANDS

With a strong and dynamic financial sector at its core, Saudi Arabia is poised to emerge as a leading financial hub in the region and beyond.

The financial performance of the Kingdom is benefitting from the several initiatives promoted by Saudi Arabia's Financial Sector Development Program (FSDP), a comprehensive and ambitious initiative that plays a pivotal role in Vision 2030 plans. Launched by the Saudi Arabian government, the FSDP aims to modernize and diversify the Kingdom's financial sector, making it more robust, agile, and aligned with international best practices.

Through strategic reforms and targeted investments, the FSDP seeks to create a thriving financial ecosystem that supports economic growth while attracting FDI and fostering financial inclusion. As Faisal Al-Sharif, Director General of the Financial Sector Development Program, recently said in an interview, "The creation of the program aims at ensuring we have a proper and robust governance to manage all initiative and projects in an effective way and also bring all stakeholders in the right form to ensure we extend all required support to deliver on the aspirational objectives of the program. To ensure alignment and readiness of the financial sector with the aspirations of our country's vision, FSDP has set numerous objectives matched with ambitious commitments."

One of the primary objectives of the FSDP is to reduce Saudi Arabia's reliance on oil revenues by fostering the growth of the financial services industry. By promoting the development of non-oil sectors such as banking, insurance, asset management, and fintech, the program aims to create a more balanced and resilient economy.

The FSDP seeks to improve the efficiency and competitiveness of KSA's financial sector as a

whole. To achieve this, the program is currently focusing on streamlining regulations, promoting digitalization, and encouraging innovation within financial institutions.

At the same time, as the Kingdom aims to become a global investment hub, the FSDP plays a vital role in achieving this goal. The program is launching new initiatives to enhance transparency, regulatory clarity, and investor protection with the final goal to increase foreign direct investment inflows into the Kingdom's financial markets and other strategic sectors.

The FSDP is working to transform the Saudi stock market—locally known as Tadawul—into a more liquid and diverse market. This includes enhancing market infrastructure, introducing new financial products, and easing restrictions on foreign investors' participation in the market.

Last but not least, the program has a strong focus on fintech and digital payments. FSDP is fostering the growth not only of fintech start-ups, but also of digital payment solutions.

FSDP is one of the drivers behind the adoption of digital financial services through the establishment of a supportive regulatory environment and the establishment of strategic collaborations between traditional financial institutions and fintech firms.

By promoting a supportive regulatory environment and encouraging collaboration between traditional financial institutions and fintech firms, the program aims to drive the adoption of digital financial services.

As stated by all the interviewees we met while compiling this chapter of the report, it's clear that the program is expected to contribute significantly to the nation's long-term vision of a vibrant, sustainable, and globally competitive economy by 2030. ✖

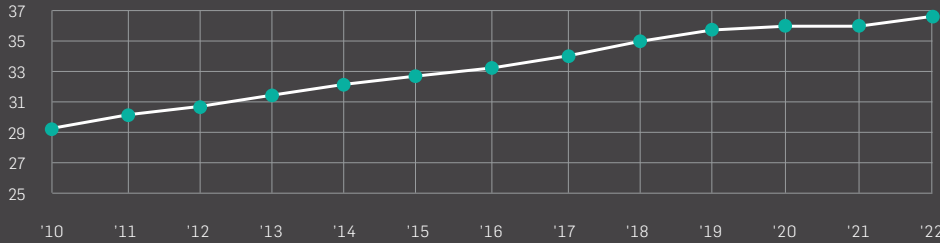
INFOGRAPHIC

Country snapshot & aspirations

THE LAUNCHPAD TO MORE

Saudi Arabia's financial institutions have a solid economic base from which to build, as well as ambitious aspirations about the shape of the future of the country's finance sector, from the capital markets to fintech.

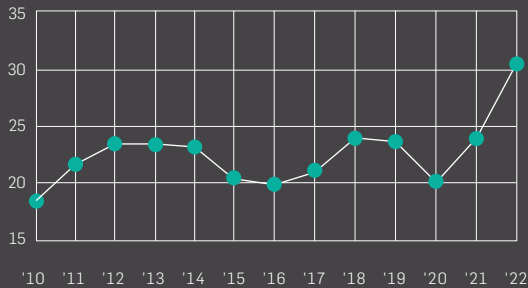
POPULATION (MN)



77
Life expectancy (2021)

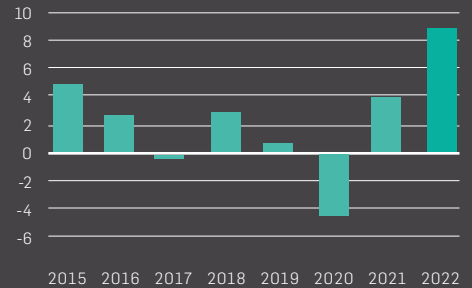
1.3%
Population growth (2022)

GDP PER CAPITA (CURRENT USD)



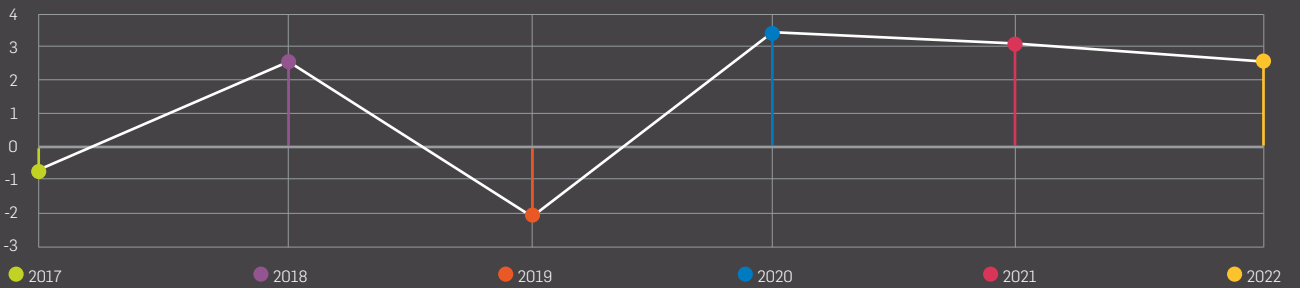
5.6%
Unemployment (2022)

GDP GROWTH (ANNUAL %)

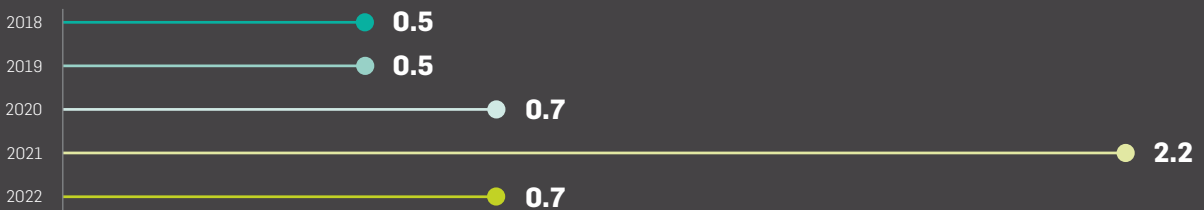


COUNTRY SNAPSHOT

INFLATION, CONSUMER PRICES (ANNUAL %)



FDI NET INFLOWS (% OF GDP)



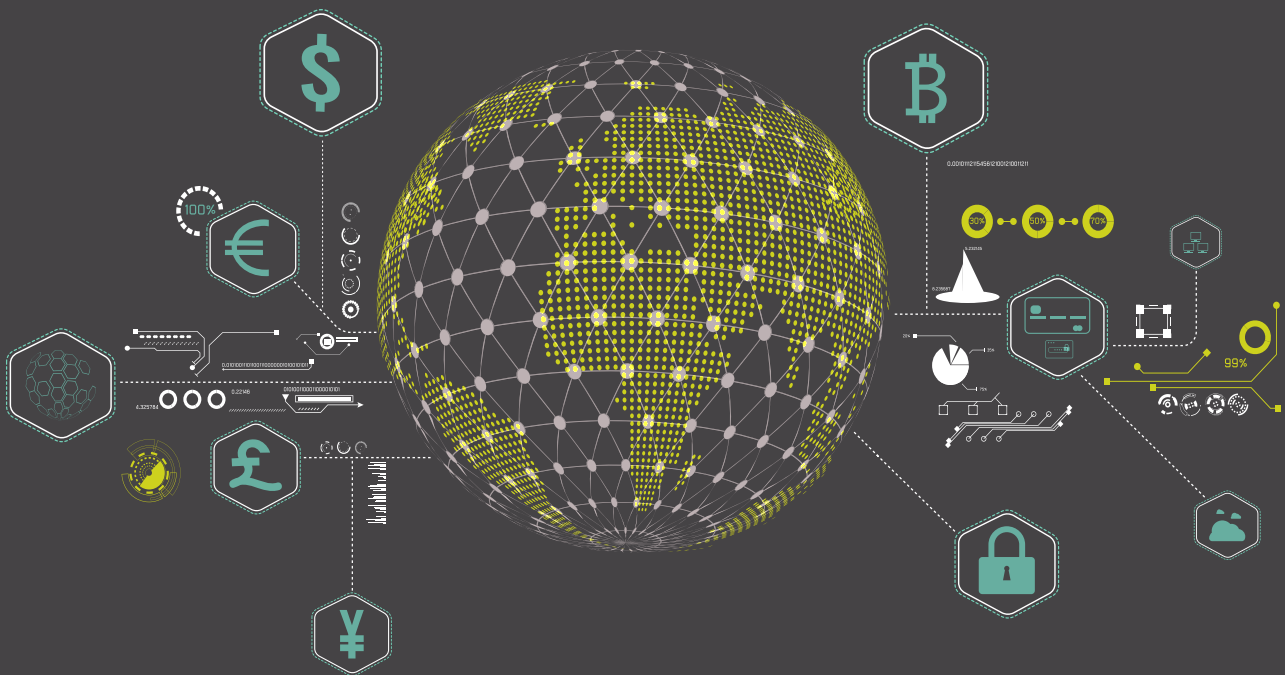
SAUDI CENTRAL BANK'S ASPIRATIONS FOR 2023

Continue the development of the open banking system in the Kingdom to enable banks and fintechs to launch their services to beneficiaries during 2023, which will **contribute to the development of new and innovative products and raise competitiveness** in the financial sector

Work collaboratively with the partners to implement fintech strategy initiatives to build a diversified, inclusive, innovative financial sector and attract the most prominent companies to **reach 150 fintech companies in the Kingdom by 2023**

Keep abreast of the best practices and adherence to international standards in a way that preserves the Kingdom's position and contribute to enhancing the strength and stability of the financial sector and enabling it to support the economy and encourage investment

Support the growth of the financial sector through the development of regulatory frameworks that promote the entry of new financial institutions that provide diverse, innovative, and sustainable products and services that take into account the needs of beneficiaries while managing the associated risk in a way that contributes to **protecting the rights of the financial sector and its consumers, as well as supporting the growth of the private sector**



FINANCE SECTOR ASPIRATIONS

CAPITAL MARKET AUTHORITY'S ASPIRATIONS FOR 2023

Attracting foreign investors to the market and increasing their ownership as a percentage of the **total market value of free float shares to reach 16.5% by the end of 2023**

Deepening the sukuk and debt instruments market, and raising the volume of **the debt instruments market as a percentage of GDP, to reach 20.1% by the end of 2023**

Increasing assets under management, as % of GDP, to reach 27.4% by the end of year 2023 by promoting institutional investment in the capital markets, deepening the investment funds sector, increasing its attractiveness to investors, and raising its effectiveness as an institutional investment channel

ENHANCING *competitiveness*



Faisal M Alsharif
DIRECTOR GENERAL,
FINANCIAL SECTOR
DEVELOPMENT PROGRAM (FSDP)

The FSDP program continues to foster technological advancements and promote financial inclusion by digitalizing the sector, launching the KSA FinTech Strategy, increasing cashless transactions, and implementing initiatives to stimulate the fintech ecosystem.

BIO

Faisal M Alsharif is a senior executive in the public sector, currently leading government initiatives aimed at enhancing and uplifting the Kingdom's financial sector, serving as the acting CEO of the Non-Oil Revenue Development Center and the Director General of the Financial Sector Development Program, a Vision 2030 program. He is also a member of several boards and committees. He previously held the position of Head of Derivatives/Flow Solutions Saudi Arabia/MENA-Financing & Solutions Group at Deutsche Bank. Prior to that, he gained valuable experience at Saudi British Bank (SABB), holding different positions within the treasury department with his last role as the manager of treasury wealth solutions. He holds a bachelor's of science in financial management from Long Beach State University.

Can you provide an overview of the program's objectives and its significance for the country's financial sector?

The Kingdom has embarked on an audacious transformational journey, known as Saudi Vision 2030, that aims to harness our potential to achieve our aspirations and ambitions on various fronts such as growing and diversifying the economy. At the heart of the transformational journey lies FSDP as a significant enabler to support the development of the economy. The creation of the program aims at ensuring we have proper and robust governance to manage all initiative and projects in an effective way and also bring all stakeholders in the right form to ensure we extend all required support to deliver on the aspirational objectives of the program. To ensure the alignment and readiness of the financial sector with the aspirations of our country's vision, FSDP has set numerous objectives matched with ambitious commitments. We can summarize our objectives as: enabling financial institutions to support private sector growth; ensuring the formation of an advanced capital market; and fintech strategy. Our plan includes a clear roadmap that aims to achieve these objectives including our targets and initiatives, all of which provide clarity to where the KSA financial sector is headed and at what pace, providing market participants and beneficiaries clarity on the positive developments within the sector. From the myriad objectives set by FSDP, let me select a few examples, including increasing banking sector assets, increasing the number of fintech players, increasing funding to SMEs, increasing the number of listings on the Saudi Stock Exchange, developing workforce skills in the financial sector, increasing the val-

“We have successfully digitalized the whole sector with a clear impact on the beneficiaries.”

ue of investment, and many more, all of which have, and will continue to increase the effectiveness and efficiency of KSA's financial sector on all fronts and for all participants/beneficiaries.

FSDP aims to enhance the competitiveness and efficiency of Saudi Arabia's financial sector. What specific measures or reforms have been implemented to achieve these goals?

The financial sector houses multiple sub-sectors and segments such as banking, insurance, capital markets, financial institutes, and infrastructure providers, with FSDP's plan as mentioned earlier covering the full suite of segments/sectors. As such, the reforms and measures that were put in place since the inauguration of the program are plentiful. Picking out a few, the announcement of regulatory enhancements across various laws such as banking, lending, listing, and fund management aim to clarify and/or support the development of the sector. Some of the reforms include allowing foreign investors to invest in the stock market, opening the Saudi market to outside investors. We have also worked with the Saudi Central Bank (SAMA) to issue licensing guidelines for digital banks that resulted in the licensing of three digital banks. As a result of the reforms and measure that were put in place by FSDP, KSA has advanced in the Global Compet-

itiveness Index associated to the financial market, according to the international Competitiveness Yearbook issued by the International Institute for Management Development (IMD) for 2022.

How is the FSDP program facilitating the growth and diversification of the non-banking financial sector, and what opportunities does it present for investors?

Let me kick off with our efforts in growing and developing the insurance sector, starting off with the major regulatory overhaul that was conducted by reviewing all insurance laws and regulations and amending them with the aim of enabling the growth of the sector. In addition, we have launched an initiative dedicated to strengthening both health and motor insurance enforceability with the ultimate aim of protecting the individual. Moreover, our efforts around facilitating insurance market mergers and acquisitions aiming to increase the scale and solvency of existing insurance market players. On the capital market front, we pride ourselves with the growth that we have witnessed throughout the past couple of years in both debt and equity capital markets. In 2022, we witness the first dual listing on the Saudi stock exchange. Also, the number of listed companies in 2022 on the equity capital was at a high point historically with 49 companies listed. The funds industry in KSA saw a significant uptick in the number of funds and the asset under management figures. Five international financial institutions joined the primary dealers' program of the government local debt instruments, including: BNP Paribas, Citi-

group, Goldman Sachs, J.P. Morgan, and Standard Chartered Bank. The growth that we have seen was a result of our unwary commitment when it comes to regulatory enhancement and infrastructure upgrades. When it comes to supporting start-ups, Saudi Arabia led the Middle East and North Africa region in attracting the highest number and value of venture capital investment for its start-ups in 1Q2023. The Kingdom achieved a record-breaking start to the year with USD359 million in funding, according to Magnitt report. This was driven by the effort of FSDP to develop non-banking sector since the creation of the program.

Can you elaborate on the initiatives and strategies implemented to foster technological advancements and promote financial inclusion in the Saudi financial sector?

Our financial sector has always enjoyed a solid ranking when it comes to digitalization and technology advancement, and FSDP aims to leverage this setup even further. And since the beginning of the program in 2018, digitalization was a top priority, with all of the subsectors having dedicated and clear initiatives that aim to digitize the sector. We have successfully digitalized the whole sector with a clear impact on the beneficiaries. The number of cashless transactions has been increasing ever since at record numbers per year, reaching 62% in 2022 compared to 36% in 2019. The completion of the digitalization activities allowed us to reimagine the digitization sphere of the financial sector and to increase our ambitions. Hence the inauguration of KSA FinTech Strategy in 2021, which aims to

achieve the aspirations set by the Kingdom's leadership to position the Kingdom of Saudi Arabia amongst the leading countries in the field of fintech, with Riyadh becoming a global fintech hub. With the launch of the strategy, we have witnessed an increase in the number of fintechs operating in the Kingdom from 20 in 2019 to 183 in 2Q2023. The strategy welcomes multinational corporations, foreign investments, and global talent to a rapidly growing sector. The strategy aspires by 2030 to increase the number of fintech companies operating in the Kingdom to 525 while creating approximately 18,000 jobs in the fintech sector, increasing the sector's GDP contribution to SAR13 billion and increasing the value of venture capital investments into the sector to reach SAR12 billion. The strategy is equipped with numerous initiatives and activities that aim to not only stimulate the development of the fintech ecosystem in KSA, but also to play a pivotal role in increasing financial inclusion within the Kingdom by offering various products and services to beneficiaries. As a result, we have issued the open banking framework, which includes a comprehensive set of legislation, regulatory guidelines, and technical standards based on international best practices to enable banks and fintechs to provide open banking services in the Kingdom. We have also obtained the approval of the regulatory framework for equity crowdfunding, which enables the transfer of the fintech business model from the experimental environment (fintech lab) to the sustainable environment in the financial market. ✖

FOCUS

Saudi Arabia's FSDP

STRONG BACKING

Saudi Arabia's Financial Sector Development Program (FSDP) has turned Riyadh into a leading financial market, while still more can be achieved through further developing the Kingdom's stock market, fintech sector, neo-banks, and international profile.

SAUDI ARABIA LAUNCHED THE FSDP IN 2017 to reorganize the Kingdom's financial institutions in the most productive way possible, as part of the Kingdom's Vision 2030. For one, at that stage during its economic transformation, Saudi Arabia needed a robust financial sector to support its megaprojects, which were being announced one after another. Moreover, Saudi Arabia was, at the time, on the verge of an economic reformation that intended to empower the country's private businesses and unlock their potential, and this would not be possible without world-class capital markets to support the growth of private enterprises.

The FSDP thus explains its central mission: "to develop a diversified and effective financial sector to support the development of Saudi Arabia's economy, diversify its sources of income, and stimulate savings, finances, and investments," while adding that "the aim is to achieve this ambition by boosting financial sector institutions, and by developing the Kingdom's financial market to become an advanced capital market without weakening the financial sector's stability."

The FSDP is headed by some of the most influential figures in the Saudi economy, including the Minister of Finance, Mohammed Abdullah Al-Jadaan, who serves as the FSDP's chairman, as well as the ministers of investment and economy and planning. Also present is the governor of the Center Bank of Saudi Arabia.

No financial sector is complete without a strong stock market. The FSDP relies heavily on the performance of the Saudi Stock

Exchange, locally known as Tadawul. The Saudi Stock Exchange is now a well-functioning institution recognized by international indices such as FTSE and MSCI, which have ranked the country's capital markets favorably in their ratings. One of the climactic moments in the history of Tadawul happened in 2019 during Aramco's IPO—the largest IPO the world had ever seen, which fetched over USD25.5 billion. In line with the objectives laid down by the FSDP, the Saudi stock market is fostering ties with regional and overseas markets, including signing MoUs with the Egyptian, Qatari, and Singaporean stock exchanges as of 2023. "Our aim is to collaborate with regional and international exchanges on areas ranging from dual listing, ESG, fintech, diversity, and inclusion to achieve our goal of becoming an investment destination linking East and West," says Khalid Alhussan, CEO of Tadawul, according to Arab News.

The FSDP is also keen on fintech and is contributing to the sector by helping startups focusing on fintech. Like most economic policymakers today, the FSDP believes that Saudi Arabia should soon become a cashless economy, and fintech firms are playing an important role in this regard by rolling out a diverse set of e-payment methods. As such, the FSDP recently launched its fintech strategy implementation plan, with the ambitious aim of turning Riyadh into a global hub of fintech. Many high-potential and innovative fintech enterprises have enjoyed the full support of the FSDP since 2022, according to the program's chairman, Mohammed Abdullah

Al-Jadaan. Around 82 promising fintech businesses are now operating in the Kingdom and involved in cashless transactions. The FSDP is determined to raise the number of fintech businesses in the kingdom to at least 230 by the year 2025, which will hopefully make the Saudi economy over 70% cashless (both by volume and the number of transactions).

As worthy as fintech businesses and their innovations are, their influence is currently much smaller than traditional banks. The FSDP's plans for having a highly developed financial sector cannot be realized with the participation of the Kingdom's traditional banks which hold much sway over the Saudi economy. Unfortunately, however, innovation can be notoriously slow in the traditional banking sector. Saudi Arabia, and specifically the Saudi Central Bank (SAMA), have decided to change this by launching an initiative entitled the Open Banking Lab. The central bank, whose governor, Ayman bin Mohammed Alsayari, is also a board member at the FSDP, announced the Open Banking Lab in 2022 to "accelerate the development of open banking services in the Kingdom," according to SAMA.

Open banking is a new framework in the industry that can speed up the expansion of the financial sector in the country, as it enables traditional banks to enter partnerships with third parties for the development of application programming interfaces (APIs).

This, however, will not be possible without comprehensive legislation to ensure that nothing goes wrong. The Open Banking

Framework was also launched in 2022, putting forth the regulatory and technical guidelines to ensure best practices in open banking. Thanks to such legislative efforts and the launch of Open Banking Lab, we are soon likely to see the first fruits of innovations across the banking sector. "Saudi Central Bank is tracking the development of banks and fintechs to ensure their readiness to launch open banking services within 1Q2023," according to SAMA.

To stay lively and dynamic, Saudi Arabia's finance sector must maintain links with the rest of the world and stay abreast of new developments in the finance sector. HE Mohammed bin Abdullah Al-Quwaiz, Chairman of the Capital Markets Authority, who is also a board member at the FSDP, has stressed the importance of the kingdom's annual Financial Sector Conference (FSC). The event's 2023 edition took place on March 15-16 and brought together "more than 3,000 local and international decision makers in the financial sector," according to Saudi Gazette. Al-Quwaiz stated in the conference that Saudi Arabia is serious about becoming one of the largest financial markets in the world—an ambition which was proven achievable with the historic IPO of Aramco. This has already put Saudi Arabia among the top ten financial markets of the world, according to some estimates.

Even more interesting developments are likely to happen in the Kingdom's finance sector between 2023 and 2025, when Saudi Arabia's Public Investment Fund is expected to announce a handful of new megaprojects such as The Mukaab. ✖

INTERVIEW



Khaled Al-Dhaher
VICE GOVERNOR FOR
SUPERVISION AND
TECHNOLOGY,
SAUDI CENTRAL BANK (SAMA)

MOVING *the needle*

SAMA focuses on maintaining the soundness, resilience, and effectiveness of the Saudi financial sector while ensuring the Kingdom is up to date with the latest financial technology developments.

BIO

Khaled Al-Dhaher is the Vice Governor for Supervision and Technology at SAMA. He has over 30 years of leadership experience in technology and financial services. Before joining SAMA, he was the chairman and country managing director of Accenture Saudi Arabia. Al-Dhaher has held leadership positions in various companies in Saudi Arabia, the Middle East, and Africa, including Microsoft, Hewlett Packard Enterprise, and Oracle. He holds memberships on several committees and boards of directors. Al-Dhaher earned his PhD in computer science and engineering from the University of Illinois Urbana-Champaign in the US and holds master's and bachelor's degrees in computer science and engineering from King Fahd University of Petroleum and Minerals in Saudi Arabia.

What steps has SAMA taken to promote financial inclusion in Saudi Arabia, particularly through the use of technology?

SAMA continuously works on enhancing access to financial products and services through the development of laws, regulations, and guidelines. The launch of open banking enhances trust among customers and market participants, which is important on the journey toward innovation and financial inclusion. SAMA has an always-open regulatory sandbox for fintechs that continues to facilitate financial inclusion by promoting the development of new solutions offering access to affordable financial products and services to segments of the population currently underserved or unserved. All common metrics related to financial inclusion have improved over the past few years. As of 2022, financial services penetration has reached 94%, compared to 72.6% in 2019 of the adult population aged 15-plus, with an active and unique bank account or e-wallet account.

With the rise of fintech and innovative payment solutions, how does SAMA approach the regulation and supervision of these emerging technologies while balancing innovation and risk management?

The regulation for innovative financial products and services at SAMA combines both risk-based and opportunity-based regulations. With the initial introduction of cohort based regulatory sandbox has now evolved into a 24/7 regulatory sandbox. This approach to opportunity-based regulations ensures that SAMA actively supports cutting-edge innovation for the benefit of consumers, the industry, and the wider economy. For fintech, a risk-based approach for both regulations and supervision is followed. The regulatory requirements and supervision frameworks follow the fintech's business model, size, and impact on the sector, which is translated into different tiers of regulatory requirements and supervision methodologies for different types of business models. This ensures secure and added value financial services in an innovative manner.

What strategies and initiatives has SAMA undertaken to promote collaboration between the banking sector, technology companies, and fintech start-ups and foster an ecosystem of innovation and development?

As part of the Fintech Strategy, SAMA works closely with various government agencies to drive the growth of the fintech ecosystem in the country. There are a number of active initiatives ongoing, with more planned as the sector grows. These initiatives include: launching SAMA's Regulatory Sandbox, which allows innovative business models and concepts to be introduced in the market when a full regulatory framework is not in place and launching Fintech Saudi, which has grown into being the focal point of the fintech ecosystem in the country and has introduced many initiatives to foster an ecosystem of innovation and development. These include collaborating with international stakeholders to support foreign fintech companies seeking entry into the Saudi market, the introduction of the "Fintech University Challenge" to foster innovation in the banking sector by solving business problems, and the introduction of technology-related training and development courses in collaboration with the Financial Academy. These courses align with the talent development agenda under Financial Sector Development Program. Banks are key strategic partners in all of Fintech Saudi's initiatives. They interact and mentor fintech players, acting as their banking partners as well as investors.

Looking ahead, what major technological advancements or trends will shape the future of the financial sector in Saudi Arabia, and how is SAMA preparing for them?

Several technological advancements and trends are likely to shape the future of the financial sector in Saudi Arabia. This could include blockchain and distributed ledger technology (DLT), AI and machine learning, regtech and supotech, digital twins, and more. SAMA's preparation for these emerging technologies and trends involves a proactive approach with extensive research, internal studies, and proof of concepts being implemented long before any releases are made. A key area where SAMA is working with partners and global stakeholders is the Central Bank Digital Currency (CBDC). While different central banks around the world may opt to have their own CBDC, interoperability is critically important for cross-border usage. This requires extensive design considerations and SAMA is involved in multiple discussions and experiments. ✖

everyone TO MARKET

The CMA is at the sharp end of efforts to encourage a larger, more robust, and welcoming capital markets environment to support economic diversification in the country.

Abdulaziz Abdulmohsen Binhassan
MEMBER OF THE BOARD OF DIRECTORS,
CAPITAL MARKET AUTHORITY (CMA)



What are CMA's key priorities in regulating and developing the capital markets in the country?

The CMA is committed to creating a robust, open, and dynamic capital market ecosystem. Investor protection, preserving market credibility, fostering financial innovation, and promoting sustainable finance are our key priorities. In addition, we aim for a capital market environment that is robust, inclusive, and innovative, making sure that it not only meets the demands of today's investors, but is also ready for the opportunities and challenges of tomorrow.

The CMA has been working on the implementation of the Financial Sector Development Program (FSDP). Can you provide an overview of the program and its impact on the capital markets and financial sector in Saudi Arabia? The FSDP plays a crucial role in shaping the future of Saudi Arabia's financial sector by encouraging income diversification, boosting savings, and providing a range of financing and investment options. The program is promoting economic expansion and diversification in the Kingdom by establishing a strong, vibrant, and stable sector. As the Kingdom's economy grows, the program is strengthening financial sector institutions, expanding the financial market, boosting savings, and fostering the rise of fintech firms in the Kingdom's aim of a world-leading financial sector.

Saudi Arabia has taken significant steps to enhance its capital market infrastructure and attract foreign investors. How would you assess the progress made so far and what are the key achievements in this regard?

The CMA has made major efforts in recent years to increase the attractiveness of the Saudi capital market to foreign in-

vestors and to encourage their entry and participation in the trading and offerings. Since allowing foreign investors to directly invest in the capital market in 2015, the Saudi Capital Market has evolved from a local market to one where the foreign investor participates in daily trading at rates exceeding 17%, compared to less than 4% before. One of CMA's recent efforts is the approval of the Rules for Foreign Investment in Securities, which is expected to have a positive impact on boosting liquidity in the Saudi market, deepening and raising its attractiveness, and enhancing its global status. The approval of the rules adds a new channel for foreign investment in main market-listed shares by allowing all foreign natural and legal persons to invest in main market-listed shares through DPMs. As for the achievements of Saudi Arabia's capital market in foreign ownership, it has witnessed remarkable growth, reaching unprecedented levels in recent years. In 2022 alone, net foreign investment in the main market surged to about SAR184 billion, marking the highest influx since the market's joined the FTSE Russell Emerging Market Index in 2019. Furthermore, the value of foreign investor ownership reached SAR 347 billion, an increase of 13.8% compared to 2021, constituting approximately 14.2% of the total free float on the main market. This robust foreign participation underscores global confidence in Saudi Arabia's financial market.

The introduction of the parallel market (Nomu) was an important development for SMEs. Can you share the benefits that this market has brought to SMEs and the efforts taken to encourage their participation?

Nomu is a parallel equity market that acts as an alternate venue for companies to go public with lighter listing requirements;

participation in this market is limited to qualified investors. Opportunities for Saudi Arabia's SMEs have been transformed as a result. By the end of 2Q2023, the market had experienced a striking surge in activity, with the number of listed businesses having doubled to 62, an increase of 100% compared to 2Q2022.

The digital transformation of the capital markets has gained momentum globally. How is the CMA facilitating this transformation in Saudi Arabia, and what initiatives have been taken to enhance the use of technology in trading, settlement, and overall market operations?

With a view to keeping pace with the great digital transformation currently happening in the Kingdom and in order to achieve a shift in financial technology (fintech) services and products, the CMA approved in 2022 the regulatory framework for equity crowdfunding, which aims to support fintech innovations in the capital market in accordance with international best practices. The kingdom continued to support developing and enabling the fintech sector, as 2022 saw 992 institutional investors, 7,248 sophisticated investors, and about 156,140 retail investors benefitting from the services of fintech companies. ✖

BIO

Abdulaziz Abdulmohsen Binhassan has a degree in strategic alignment from Said Business School, University of Oxford, and a degree in law from King Saud University in Riyadh. He is currently a Member of the Board of Directors at the CMA. Previous positions have included CEO and managing director at Credit Suisse, KSA and managing director at Rana Investment Company.

INTERVIEW



Suhail bin Mohammed Abanmi
GOVERNOR,
ZAKAT, TAX AND CUSTOMS
AUTHORITY (ZATCA)

ZATCA works to ensure Saudi Arabia remains a top business destination by ensuring fair commercial practices, facilitating transparency, and increasing compliance among all taxpayers.

BIO

Suhail bin Mohammed Abanmi is currently Governor at ZATCA. He has held several leadership positions, including governor of the General Authority for Zakat and Tax, acting governor of the General Customs Authority, deputy minister of Internal Commerce at the Ministry of Commerce, advisor to the Minister of Commerce and Investment, general supervisor of the Qawaem Program, and chairman of the board of directors of Bayan Credit Bearer. He has 20 years of experience in business and IT development in the banking and financial sector. He has a degree in computer science from King Saud University, a master's degree in computer engineering from the University of New South Wales, and a master's degree in business administration from the University of King Faisal.

FAIR PRACTICES & *transparency*

What is the main mandate of ZATCA?

ZATCA is responsible for collecting zakat, taxes, and customs duties, as well as ensuring the highest levels of compliance via best practices and efficiency. ZATCA's vision is to protect the Kingdom and be a universal model in running zakat, taxes, and customs and facilitating trade effectively and transparently with customers. ZATCA seeks to achieve its vision by accomplishing several strategic objectives, the most important of which are strengthening security by protecting society and the national economy from unfair commercial practices, combating smuggling in all forms and types, and supporting national security entities in implementing policies. It also seeks to increase compliance rates among all taxpayers at all stages of the customer's journey and ensure a positive experience that promotes the Kingdom of Saudi Arabia's position as an excellent location for business activities. One of ZATCA's objectives is to support economic development and cross-border trade in order to contribute to the Kingdom's social and economic development, as well as to enable the Kingdom to become a global logistics hub through trade facilitation and to organize and manage all activities related to customs work and customs ports on land, sea, and air to ensure maximum efficiency, productivity, and competitiveness by providing high-quality services.

Vision 2030 covers multiple important themes and seeks to transform the Kingdom's economy and society. How does ZATCA align with it?

The three main pillars of the Kingdom's Vision 2030 are a vibrant society, a thriving economy, and an ambitious nation. Those pillars were the foundation for developing the Zakat, Tax, and Customs Authority's strategy and defining its vision: "To protect the Kingdom and be a universal model in running zakat, taxes, and customs, facilitating trade effectively and transparency with customers." We are working to achieve our vision by launching multiple programs and initiatives and ensuring effective implementation. For example, various programs linked to the vision of becoming a global logistics hub and in line with ZATCA's strategic objective

supporting economic development and trade facilitation include developing an operational model that will allow exports and imports to be cleared in less than two hours. Furthermore, one program covers developing the operating model of ZATCA's logistics and shipping services to ensure seamless trade operations, import flows, and trade exchanges. Moreover, ZATCA has launched several initiatives during the past months to enhance the private sector's contribution to the economy, including the removal of customs declaration fees for Saudi exports to facilitate local industries exports and the reclassification of VAT violations and penalties related to field inspections to support economic growth and trade facilitation.

Looking ahead, what are ZATCA's priorities for the next six to 12 months?

ZATCA's strategy is currently focusing on delivering a best-in-class integrated entity realizing synergies of combined tax and customs administration and preparing ZATCA to innovate and drive the global agenda on zakat, tax, and customs while maintaining security, business continuity and seamless customer experiences. ZATCA strives to be a worldwide leader in defining future tax and customs directions by focusing on service digitalization and automation, as well as creating flexible processes and procedures to ensure a positive experience for customers across all stages of their journey. Additionally, ZATCA will continue to contribute to social and economic development by implementing a number of programs. Examples of such programs include an e-invoicing program to convert the issuing of paper tax invoices into an electronic process that allows the exchange and processing of tax invoices in a structured electronic format through an integrated electronic solution. The second is a land ports and infrastructure development program to develop the ports to serve the Kingdom's taxpayers, individuals, and visitors, as well as organize shipping areas and provide high-quality shipping and clearing logistics facilities and services. The program facilitates trade, import flow, and trade exchanges, enhancing Saudi Arabia's global logistics hub position. ✖



Image: HINI

INTERVIEW



Mohammed bin Sulaiman Al-Rumaih
CEO,
SAUDI EXCHANGE

A NEW *era*

The Saudi Exchange continues to take significant steps to incentivize international participation in the exchange by investing in world-class market infrastructure and introducing diverse opportunities.

How has the launch of the Derivatives Market in 2020 made the market more attractive to overseas share buyers, and how have your efforts to introduce products such as options into the Derivatives Market progressed?

The introduction of derivatives products and trading opportunities to the Saudi capital market in August 2020 attracted foreign investors looking for new opportunities on the Saudi Exchange. The first derivatives product we launched was the MT30 Index Futures, an index futures contract based on the broader MSCI Tadawul 30 Index (MT30). The product is designed to reflect the performance of the 30 largest and most liquid stocks listed on the exchange. Since then, we have continued to grow our derivatives market in ways that appeal to investors and increase the attractiveness of the Saudi capital markets. For example, in July 2022, the Saudi Exchange launched Single Stock Futures. The stocks underlying this derivatives product are from the 10 most liquid companies on the exchange. Importantly, we believe that SSFs demonstrate the sophistication of the Saudi Exchange's offering and enable local and international investors to hedge and manage portfolio risk more effectively. Trading volume for Single Stock Futures has increased by almost four times since launch, and trading volume for Index Futures has increased by 11% since launch. We are looking to enhance our derivatives offering further through the introduction of new products, such as single stock options.

As the world moves toward a greener future, how is Saudi Exchange enforcing ESG practices? How can investors invest while still aligning with environmental sustainability?

Incorporating ESG practices can help a company succeed in today's business landscape with many investors considering a strong ESG focus as a signal of business resilience and competitive strength. We are playing an active role in directly advising listed companies on incorporating ESG practices into their businesses. In November 2021, we launched ESG disclosure guidelines to equip listed companies with the information that they need to navigate the dynamic ESG landscape and provided them with various reporting options. In February 2022, the Exchange launched an awareness-building webinar series to

“By the end of 2022, 21% of Saudi Exchange issuers disclosed their ESG efforts.”

educate companies about the benefits that incorporating ESG practices within their businesses can bring. Recently, in February 2023, the Saudi Exchange signed an agreement with the Capital Market Authority and Ministry of Economy & Planning to develop a national ESG taxonomy in Saudi Arabia. This initiative will help drive sustainable development and advance ESG industry standards in the Kingdom. Sustainability continues to be an important issue at the Saudi government level as well. Saudi Arabia aims to achieve net zero emissions by 2060 and generate 50% of the country's energy from renewables by 2030. The launch of the Saudi Green Initiative, Middle East Green Initiative, and the Regional Voluntary Carbon Market further demonstrate the importance of ESG across the Middle East region. Incorporating ESG principles can contribute to the long-term growth of a company and deliver additional business opportunities. We are eager to help listed companies and investors alike capitalize on this exciting opportunity and have seen positive trends in this regard. By the end of 2022, 21% of Saudi exchange issuers disclosed their ESG efforts, and we are seeing more and more issuers commit to net zero.

How has Saudi Arabia's inclusion in the MSCI Emerging Market Index incentivized foreign investment into the Saudi Exchange Market?

Joining the MSCI Emerging Market Index in 2019 required Saudi Arabia to meet strict inclusion criteria. Our inclusion in the index indicated the sophistication of our infrastructure and strong governance of the Saudi Exchange and listed companies. The inclusion gave investors the confidence that they need to enter our capital market. We have seen tremendous growth in the number of QFIs in our market in recent years. This, in many ways, is a result of the changes we have implemented as part of our effort to secure inclusion in the MSCI Emerging Market Index and align our market operations with peers around the world. ✖

BIO

Mohammed bin Sulaiman Al-Rumaih is the Saudi Exchange CEO. He joined Tadawul in 2009, where he has held various administrative and leadership positions. In 2021, he was appointed CEO of Saudi Exchange after the transformation of the Saudi Stock Exchange (Tadawul) into a holding company (Saudi Tadawul Group Holding). He has extensive experience in the financial sector and has led Tadawul through numerous milestones and a period of exponential growth. Al-Rumaih holds a bachelor's degree in management information systems from King Fahd University of Petroleum and Minerals (KFUPM) and an MBA from Manchester Business School.

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Financial Pillars: Exploring Banks & Capital Markets

BANKING ON GROWTH

Saudi Arabia's financial sector is one of the largest in the Middle East and has undergone significant growth and development in recent years. The sector comprises various financial institutions, including banks, insurance companies, investment firms, and exchanges.

The country's central bank, the Saudi Arabian Monetary Authority (SAMA), plays a crucial role in regulating and supervising the financial sector. SAMA's main objective is to maintain monetary stability, ensure the soundness of the financial system, and support economic growth.

The banking sector is the largest segment in Saudi Arabia's larger financial sector and the most developed in the region, with a total of 30 banks operating in the country. These banks offer a wide range of services, including personal and commercial banking, corporate banking, Islamic banking, and investment banking. SAMA acts as the country's central bank and is responsible for regulating the banking industry.

Saudi Arabia's banking sector has remained stable in recent years, with high levels of liquidity and solid capital adequacy ratios.

One of the most notable developments in the Saudi financial industry in recent years has been the growth of Islamic finance. Islamic finance is based on the principles of shariah law and prohibits interest-based transactions. Instead, Islamic finance uses profit-and-loss shar-

ing agreements and other structures to enable investment and financing. In Saudi Arabia, Islamic finance has become a significant component of the financial industry, with many banks offering Islamic finance products and services, drawing an abundance of quality investors to the sector.

The capital markets in the Kingdom are also developing apace. The Saudi Stock Exchange (Tadawul) is the largest in the Middle East, with a market capitalization of over USD2 trillion. The market is regulated by the Capital Market Authority (CMA), which oversees the listing of companies, trading activity, and the conduct of market participants.

Saudi Arabia's well-developed capital market includes Tadawul and the Saudi Arabian Monetary Agency Debt Management Office (DMO), the latter of which is responsible for managing the issuance and servicing of the government's domestic debt.

The government is taking steps to promote investment and innovation in the wider finance sector, with most plans laid out in Vision 2030. The blueprint aims to diversify the economy and reduce dependence on oil. As part of this program, the government is promoting the development of the financial industry, with a focus on increasing access to finance for small and medium-sized enterprises (SMEs) and promoting the growth of the capital markets. ✖

CAPITAL MARKET STRATEGIC PLAN (2021-2023) PILLARS

SOURCE: CAPITAL MARKET AUTHORITY

First pillar	Facilitating funding
Second pillar	Stimulating investment
Third pillar	Fostering confidence
Fourth pillar	Capacity building

SELECTED RESULTS OF STRATEGIC INDICATORS FOR 2022

SOURCE: CAPITAL MARKET AUTHORITY

	Target	Realized	Achievement rate
No. of listed firms	24	49	204%
Equity market cap. as a % of GDP	77%	91%	118%
Weight of top-10 firms in terms of market cap	54%	56%	96%
Trading volume of institutional investment as % of total	40%	38.8%	97%
Foreign investor ownership of equity market cap	16%	14%	88%

MARKET SHARE OF LEADING COMMERCIAL BANKS (% , 3Q2022)

SOURCE: STATISTA

SAUDI NATIONAL BANK

24.4

AL RAJHI

25.3

RIBL

11

SAUDI ARABIA BRITISH BANK

8.5

BANQUE SAUDI FRANSI

7.3

تداول
Tadawul

grabbing THE REINS

Alinma Bank has evolved to focus on growing its portfolio with a strong emphasis on digital services and banking innovation.

Abdullah Ali Al-Khalifa
CEO,
ALINMA BANK



How has Alinma Bank evolved recently, and what milestones have you met?

Alinma is the most recent full-service bank in the Kingdom, established in 2006 and launched publicly in 2009. The bank initially focused on large corporates and project finance, because of the liability of having such significant capitalization. Our focus today is on growing our portfolio, and adopting a more holistic approach to products and services that lean heavily in the direction of the digital space, allowing us to leverage our historical technological advantages and break new ground with regard to banking innovation. Alinma has one of the most modern, up-to-date IT infrastructures in the industry. So, our technological evolution continues at a rapid pace; and we expect to evolve significantly as we navigate our current strategic cycle. That cycle began at the start of 2021, when we set building a new strategy as our top priority. This developed into our formal Strategy 2025 initiative, which allows us to differentiate more substantively from the more traditional Saudi banking model that focused on trust, loyalty, and location. These remain imperatives in terms of building and maintaining the customer relationship. We recognize that speed and convenience have become ever more important, and they are the pillars of our strategy. In the digital space, customer experience is exceedingly important, and our focus is on ease of obtaining products and speed of execution. Toward this end, we have invested in building a digital factory and have outsourced to an international advisor to do so. The effects have been noteworthy, especially

in terms of our retail business, where we have been able to build high-net-worth and affluent franchises, which are the main source of non-interest-bearing deposits. We have also reoriented toward youth, with development of products and services catered to their needs and aspirations taking.

Are fintechs your competition or your partners in the market?

We see fintech as an opportunity. Because the market is developing quickly in the direction of digital in general and fintech in specific, Alinma can find many new and innovative ways to ensure that we consistently introduce or improve quality services and products. Because the opportunity is so great, we have established a wholly owned fintech subsidiary, which has launched ClickPay, a payment aggregator, and AlinmaPay, our digital wallet service. Our fintech strategy is one of both opportunity and cooperation, whereby we continually scan the market for worthy fintech investments, with the intent of partnering where and when it makes sense. In fact, we are well known in the market as a truly fintech-friendly bank.

What opportunities do fintechs provide that you can leverage in your own operations?

There are many opportunities, such as supply chain financing, where we have signed with a fintech company to provide supply chain solutions. Wealth management is also an opportunity where we are eager to leverage fintech to provide for our affluent customers. Through these services and innovative

products, we can attract new customers and significantly grow the customer base. Young people also present numerous opportunities; and we currently have a targeted, youth-oriented smart app under development. Through that app, we intend to introduce innovative features that currently do not exist among many digital banking solutions around the world. We believe this will create a great deal of excitement in the market, which will, in turn, continue to attract young people.

What are your next strategic steps, and where would you like to take an Alinma Bank in the upcoming year?

In less than two years, we have delivered 38 of Alinma's 76 Strategy 2025 initiatives, which focus on areas in which we have both the skill and resources to deliver. And thanks to our approach to leveraging human capital, we have one of the best management teams in the Kingdom. With this strategy and with these staff members, we have put the bank in a unique position, not only in terms of customer service, but also in terms of innovation and growth. ✖

BIO

Abdullah Ali Al-Khalifa joined Alinma Bank in late 2020 with over 28 years of experience, having previously held leadership roles in the Saudi banking industry at Samba Financial Group, Al-Rajhi Bank, and Banque Saudi Fransi. Al-Khalifa holds a master's degree in accounting from the University of Miami in the US.

INTERVIEW

TRANSFORMATIONAL *change*

Saudi EXIM Bank is a key player in the Kingdom's mission to diversify its economy and support local SMEs, businesses, and entrepreneurs.

Saad Alkhalb
CEO,

SAUDI EXPORT-IMPORT BANK (SAUDI EXIM BANK)



Can you shed some light on Saudi EXIM Bank and how it is positioned to create added value for Saudi-made exports?

Founded in 2020, Saudi EXIM Bank has been established to promote non-oil Saudi exports, increase their availability in global markets and boost their ability to compete across various sectors worldwide. 2022 was Saudi EXIM's first fully operational year, as the bank has made considerable strides, approving export-focused loans worth over SAR3.5 billion by 3Q2022. Through the provision of financing services, guarantees and export credit insurance, the bank's strategic aim is to ensure transformational change for Saudi Arabia's economy beyond petroleum. We have approved lending requests totaling SAR14.5 billion since inception in addition to approved export credit insurance of over SAR5 billion. Our export credit activities have helped export activities into over 50 countries.

Can you elaborate on Saudi EXIM's efforts to facilitate and increase the global participation for Saudi exporters through strategic partnerships with both national and international institutions?

Saudi EXIM's newly re-hauled strategy is one which enables Saudi non-oil exports to reach global markets by bridging financing gaps and reducing export risks. From now until 2026, the strategy also focuses on maximizing the economic impact of our transactions, improving customer experience and utilizing innovative, cutting-edge technology. A fundamental component of this strategy is creating strategic partnerships both domestically and globally. Saudi EXIM has signed several MoUs with leading global banking and government organizations to provide tailored financing

solutions to the exporters and importers of Saudi goods and services. By adjusting our internal strategy and leveraging the expertise of other institutions through partnerships, Saudi EXIM is on course to help raise the share of Saudi Arabia's non-petroleum exports relative to non-petroleum GDP to 50% by 2030, which is a prime objective of Vision 2030. Earlier in 2022, Saudi EXIM also signed a cooperative memorandum of understanding with the UK Export Finance (UKEF). The agreement lays the foundation for our organizations to combine financial support to assist UK and Saudi businesses secure export contracts across the world.

In 2021, EXIM Bank signed MoUs with three major Omani banks. What are the focus and relevance of these agreements?

The total exports from Saudi Arabia into Oman reached close to SAR4.4 billion during 2021, underlining deep commercial and collateral ties between the two countries. In line with the two nations' cooperation, Saudi EXIM's engagement with major Omani banks is a measure to strengthen industrial cooperation and fortify regulations and services concerning Saudi exports. Our agreement with the banks also discussed cooperation in extending credit financing and securing financing guarantees for Saudi exporters and Omani clients. A key highlight of such an engagement with Omani banks is to avail lines of credit in support of Oman's procurements of Saudi non-oil goods and services.

What specific initiatives and actions are you promoting to generate awareness of your services and products among Saudi exporters?

By continuing to establish strategic partnerships with multinational financing

institutions, such as HSBC Bank Middle East Limited (HSBC) and Saudi British Bank (SABB), Saudi EXIM continues to raise awareness and grow the ranks of its service clientele. In 2022, the bank also inaugurated its Jeddah-based representative office located within the Jeddah Chamber of Commerce and Industry (JCCI). Since its inception, Saudi EXIM has also participated in a total of five conferences and exhibitions, 22 workshops, and three trade missions. These efforts have been made to help Saudi non-oil exporters and the bank's wider potential and existing customer base gain a better understanding of their range of products and services and raise the financial literacy of our clients. With the establishment of our new office in Jeddah, Saudi EXIM is also closely positioned to two of the Kingdom's key export outlets, Jeddah Islamic Port and King Abdullah Port at King Abdullah Economic City. ✖

BIO

Saad Alkhalb was appointed CEO of Saudi EXIM Bank in 2021. He has over 25 years of experience in the private sector within KSA and abroad with leading global organizations in the fields of banking services and manufacturing. Furthermore, Alkhalb worked in the public sector where he served as vice minister of transport and more recently as president of the Saudi Ports Authority (MAWANI). He holds a bachelor's degree in electrical engineering from King Fahd University of Petroleum and Minerals and has attended several advanced training programs in the fields of strategic planning, financial management, bank credit, and corporate financing.

The King Abdullah Financial District in Riyadh



INTERVIEW

THE RIGHT *balance*

SRC is supporting the Kingdom to raise homeownership to 70% by 2030.

Fabrice Susini
CEO,

SAUDI REAL ESTATE REFINANCE COMPANY (SRC)



How would you assess the current status of the Saudi real estate market?

The recent findings by Knight Frank on the residential market in Saudi Arabia highlighted the decline in residential transactions across the real estate market. The decline by 32% in the first half of the year indicates potential affordability concerns, cost of borrowing, and macroeconomic factors. However, the sharp 65% surge in mortgage values in May, as compared to April, is a positive indicator. This could signify that while the volume of transactions has decreased, the value or price of individual properties might be on the rise. Additionally, the increase in mortgage values suggests there's still strong buyer interest and financial institutions remain confident in the real estate market's resilience, willing to lend more.

How is SRC supporting the government to achieve its targets set with Vision 2030?

As a pivotal contributor to Vision 2030's housing objectives, our role goes beyond financial sustainability. We're on a mission to boost homeownership rates, targeting 70% for Saudi nationals. This entails not just driving the secondary mortgage market—by refinancing existing mortgages and enhancing liquidity for primary lenders—but also centering our strategy on affordability and relevance to the needs of Saudi citizens. Our partnership with primary originators, including banks and finance companies, is anchored in providing both liquidity and strategic balance sheet solutions. The evolution of our commitment to Vision 2030 is evident in the growing deployment of our balance sheet in support of these primary entities, with a total injection SAR42.8 billion (approx. USD11.4 billion) to date. SRC's regular sukuk issuance is twofold—it bolsters the depth of Saudi Arabia's capital markets while attracting both local and international investment, thus stimulating economic growth. These

efforts underscore our commitment to Vision 2030's objectives, particularly the goal to uplift homeownership to 70% by 2030 and foster financial inclusion. Recognized by leading credit agencies, SRC's robust financial position and trustworthiness positions us as an indispensable force in transforming Saudi Arabia's housing sector in line with Vision 2030. We continuously strive to make mortgages as economical and long-term viable for borrowers as possible. A testament to this commitment was our introduction of the long-term fixed rate (LTFR) in 2018. This initiative, proposed to banks, emphasized our drive to prioritize the refinancing of mortgages with long-term fixed rates, thereby ensuring stability for homeowners. To further underscore affordability, we've actively reduced the margins for the mortgages we refinance.

What emphasis are you placing on the concept of market education, and how are you working to instill and spread awareness among your products and activity?

There's an imperative need to amplify awareness surrounding the mortgage ecosystem within the Kingdom. For many, especially our financial institution "constituents," a mortgage represents the most significant financial commitment of their lives. Yet, curiously, it often garners limited contemplation or comparative analysis. We aim to transform this approach, given the profound implications of mortgages—encompassing costs, obligations, and operational liabilities for buyers and their families. Historically, in-depth comprehension of financial products hasn't been a primary focus for Saudi citizens. Our objective is to ensure that customers make well-informed decisions, truly aligned with their best interests. However, this is just one aspect of the challenge. Our interactions with both regional and global investors reveal enthusiasm for the Kingdom's mortgage

market. But there remains a evident gap in the understanding of its nuances, features, and inherent quality. The narrative of our mortgage market is compelling and deserving of a broad audience. In summary, we're committed to enhancing communication—both internally with borrowers and externally with global investors and FDI.

What are the key priorities and targets for SRC for 2023?

In 2023, we continue to strengthen our balance sheet and engage with the banks and mortgage finance companies to support market liquidity, driving growth and accessibility of home financing in Saudi Arabia. In early 2023, we entered a portfolio purchase agreement for SAR5 billion with Alrajhi Bank, renowned as the world's largest Islamic bank in terms of mortgage assets and market capitalization. For the rest of 2023, we will continue to enhance our strategies to address the requirements of our stakeholders as we enrich our offerings to offer a more comprehensive range of solutions. From expanding our financing and funding options to introducing specialized hedging solutions for originators. ✖

BIO

Fabrice Susini was appointed CEO of SRC in 2017, following the establishment of the organization. Before that, he was global head of securitization at BNP Paribas. Based in London since 2000, he managed teams in New York, London, Paris, Milan, Hong Kong, Tokyo, and Brussels and was involved in structuring, evaluating, trading, and managing ABS and structured securities. Before joining SRC, he initiated an SME alternative lending project with BNP Paribas Asset Management. Susini holds an MBA from the London Business School, a master's degree in finance from the University of Dauphine Paris IX, and a degree in law from the University Nanterre Paris X.



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Capital markets

MONEY MATTERS

Saudi Arabia's capital markets registered a stellar performance in 2022-2023, but how will the Kingdom's Capital Market Authority ensure continued excellence and sustainability in the current changing landscape?

SAUDI ARABIA'S PRIMARY AND SECONDARY CAPITAL MARKETS experienced substantial growth in terms of fundraising in 2022-2023, with over 50 new listings joining the kingdom's stock exchange through IPOs or direct listings. It is estimated that in 2022, alone, the market size grew by SAR40 billion (equal to over USD10 billion). The year 2023 may turn out to be even more remarkable. There are currently over eighty companies and economic entities on the waiting list to join the primary market, according to the Saudi Capital Market Authority (CMA). A similar number of listings will be added to the waiting list over the next twelve months, ensuring a busy schedule throughout 2024 for the financial sector, with the launch of major IPOs throughout the year.

This volume of activity is created only by the country's domestic capital markets, excluding the inflow caused by international investors. Indeed, foreign investors constitute a relatively new force within the market, as they first gained the right to have direct access to Saudi Arabia's capital markets only eight years ago, thanks to a permit issued by CMA in 2015. The year 2022 also marked a climactic point in the inflow of foreign capital, with over USD10 billion worth of foreign capital being injected into the Saudi economy. Evidently, the Kingdom's domestic equity market and FDI inflow have been growing hand in hand over the last couple of years—once again confirming the well documented correlation between the increase of domestic free float and the likelihood of foreign investment going up.

DEVELOPING THE FINANCIAL SECTOR

At the helm of all this is the CMA, which has been overseeing the Saudi Arabia's capital markets since its inception exactly two decades ago. CMA was officially formed in 2003 with a royal decree to

“regulate and develop” the Kingdom's capital markets. Despite being a government body, CMA enjoys a large degree of administrative independence to be able to regulate the capital markets in the most unbiased manner. The most critical markets watched by CMA is perhaps Saudi Arabia's stock exchange, Tadawul, and the securities depository center (EDAA). With the aim of market diversification, the country launched a parallel—or secondary—equity market in 2017 known as Nomu, which has a more relaxed regulatory framework than the primary market. Nomu has provided an alternative fundraising platform for smaller companies that wish to go public, considerably expanding the Saudi capital market and opening its doors to a larger number of issuers.

CMA and its successful policing of the Kingdom's financial markets have certainly contributed to the markets' prosperity in 2022-2023. The significant milestones of 2022-2023 were reached against the backdrop of the CMA's Strategic Plan, which had been launched a year earlier in 2021. The strategic plan rested on four pillars: facilitating the process of funding, encouraging domestic and foreign investment, building capacity, and promoting investors' confidence. This latter objective was perhaps the most important of all, as without confidence in the Kingdom's capital markets, investment could never have reached the current level. It is fair to say that the regulatory framework has been successful in fostering confidence, while the capital market has collectively implemented effective PR strategies.

The Council of Economic and Development Affairs (CEDA) is yet another government body playing a part in Saudi Arabia's capital market. CEDA oversees running the Financial Sector Development Program, which “aims to develop a diversified and effective financial sector to support the development of Saudi Arabia's economy,

diversify its sources of income, and stimulate savings, finances and investments,” according to Vision 2030. Saudi Minister of Finance Mohammed bin Abdullah Al-Jadaan noted in the latest annual report on the Financial Sector Development Program in 2022—with an air of optimism—that Saudi Arabia has been largely successful in overcoming the challenges.

Nevertheless, every stakeholder in the sector, including CMA, has been faced with a series of new challenges with the rise of digital and crypto-based assets in recent years. The authority, therefore, is trying to act dynamically to remain relevant in an ever-evolving financial landscape. “In recent months, CMA has had several discussions with other regulators in Saudi Arabia to ensure that we distribute the authority of who regulates what in the world of digital assets, which is a critical piece to get right,” said CMA Chairman Mohammed Bin Abdullah Elkuwaiz to *The Banker* in July 2023, adding that “once this has been agreed, each entity can start regulating in its own right, and begin to allow and encourage activity in their own domain, according to their own strategy.”

ESG AND FINANCIAL SUSTAINABILITY

There is perhaps no better way for a sector to foster confidence and encourage the inflow of investment than to focus on the right environmental, social, and governance (ESG) practices. The relationship between ESG and financial performance is well documented. “There has also been a surge in investor interest in companies that are rated highly on ESG performance or appear to be taking ESG goals seriously,” notes a 2022 article by *Harvard Business Review*, while adding that “surprisingly few companies are making meaningful progress in delivering on their ESG commitments.” Saudi Arabia’s financial market regulators want to make sure that this will not be the case in

the country and that all stakeholders are taking ESG seriously.

Saudi Arabia embarked on a series of corporate governance reforms in the 2020s which, among other markets, had a great impact on the kingdom’s capital markets. However, the effects of these reforms had not been properly studied until recently. A study titled “ESG and Financial Sustainability” was published in March 2023 in a joint effort between CMA and academic centers such as King Faisal University’s school of business. The study set out to examine the “relationship between corporate ESG and financial sustainability” and how corporate governance reforms ensure a better performance in the market. After analyzing a large dataset containing information about companies listed on the Saudi Stock Exchange (Tadawul) between 2013 and 2021, the study found strong links between improvements in ESG practices and the financial performance and sustainability of the listed companies. The joint study was well-received by the financial sector and encouraged many companies to further invest in ESG.

Some major stakeholders in the sector have taken steps toward the betterment of their ESG practices. In February 2023, Arab News reported that the “operator of the Saudi stock market, Saudi Tadawul Group, has signed a trilateral memorandum of understanding with the Ministry of Planning and Economy and the Capital Market Authority to help the group implement environmental, social and governance framework in the capital market.” And since February 2023, ESG reforms have been underway. Tadawul has, for instance, launched an ESG index for over 70 major listed companies “in cooperation with global index provider MSCI,” according to Reuters. The measure will hopefully increase the level of transparency across the Kingdom’s capital market and make Saudi Arabia a generally more conducive place for investment. ✖

INTERVIEW

INVESTMENT *needs*



AJC is working to position itself as the prominent diversified Islamic investment capital in Saudi Arabia, offering its clients integrated investment solutions.

Naif Mesned Al-Mesned
CEO & MD,
ALJAZIRA CAPITAL (AJC)

Can you elaborate on the work of Aljazira Capital?

AJC is the investment arm of Bank AlJazira (BAJ) and is a full-fledged investment bank, licensed by the Capital Markets Authority (CMA) to conduct all regularized securities business activities in Saudi Arabia. We started as a brokerage house for the Saudi market; we were, in fact, amongst the first in Saudi. We maintained leadership in the brokerage market for several years and still operate as a prominent broker in KSA, holding position among the top five brokers in terms of market share despite the fierce competition and increasing number of players. More importantly, we have a clear vision and plan to expand our product offerings, in brokerage and other business lines, to achieve the aimed diversification of the organization's products and services. We are particularly keen to expand on the asset and wealth management side, providing proper and diversified investment solutions. In such as a striving effort, AJC started to facilitate transactions across a much wider value propositions that were formerly exclusive or catered for by specific players in the market. This will allow us to enhance the well-being of targeted client segments by supporting their investment needs for the coming years. As such, we have a long-term commitment towards our clients' needs, at the heart of which is transparency. Therefore, we consider investing in step with our clients as our root philosophy. I assumed the position of CEO in March 2021, and my particular interest is to expand into additional business lines and support the team's activities to position AJC as the prominent diversified Islamic investment capital of KSA that offers integrated investment solutions to our clients. Hence, we intend to maintain our position as a leading brokerage house, and to capitalize more on the digital side of the business. We are, also, keen to innovate and come up with new solutions in other business lines that meet the diverse needs of our clients and will allow us not only to consolidate, but also expand our market position.

How are you working to expand your business beyond national borders?

Internationally, we have concluded a transaction to acquire 7 Built to Suit logistics assets in the US, leased to FedEx Ground Package System Inc. for around 15 years. Moreover, we have offered our clients an opportunity to participate in an income generating, asset backed opportunity in agricultural finance in Australia. These two investment opportunities will give our clients exposure to international income generating investments with attractive cash distributions. Meanwhile, we have about 10 international deals in the pipeline that are in line with our diversification strategy, and that include pre-IPO, private credit, leasing, venture capital, and real estate opportunities. We do not act as a distributor of investment opportunities presented to us by other international investment houses. Alternatively, we identify unique investment opportunities, underwrite them, and later invite investors to participate in these investments. Our main focus is the US and, to some extent, the UK. We are also looking closely at the GCC as opportunities are developing extremely quickly in the region.

How do you educate your existing and potential partners regarding your services and solutions?

We have designed a program called "10+" that caters to the mass and affluent segments alike. The program is about enhancing the financial and business knowledge to meet the common need of the society. The name comes from the idea that we want people to start investing at least 10% of their incomes at an early stage. Clients, through this digital platform, can get onboarded and start investing. Online contact will be available with relationship managers and investment advisors. There will also be a tailor-made service to advise clients on how to virtually invest their money throughout their journey. As part of our commitment to the educational component, we have hired a special team not only to develop the digital platform, but also to educate community about our service. ✖

BIO

Naif Mesned Al-Mesned formerly served as managing director of wealth management at NCB Capital. He is well versed in the securities business sector in the Kingdom, with diversified experience in the field. He served prominent positions in Barclays Investment Bank in Saudi, the Capital Market Authority, and Ernst & Young. During his Journey, Al-Mesned has developed seasoned capabilities in developing and implementing corporate and business strategies for success of organizations.

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ALJAZIRA CAPITAL الجزيرة للأسواق المالية



INTERVIEW

GROWTH *in sight*

ANB Capital offers the full spectrum of investment services both conventional and shariah-compliant to all client categories, including private and institutional investors.

Khalid Alghamdi
CEO,
ANB CAPITAL



Can you introduce ANB Capital and its recent highlights and achievements?

ANB Capital, until recently known as ANB Invest, is one of the leading investment banks in Saudi Arabia with an equity base that exceeds SAR1.5 billion. Our service offering covers investment banking, asset management, alternative investments including real estate advisory, real estate fund management and private equity, and brokerage in securities listed on the Saudi Stock Exchange as well as on international markets. Today, we are particularly prominent in the real estate space where we have outpaced competition. In the past 12 months, we have launched five real estate funds, all structured in line with Shariah principles, bringing our total number of real estate funds to eight and the value of real estate funds under management to just over SAR10 billion. In November 2021, we launched a SAR1.1-billion fund developing a growth corridor along Thumamah Road in Riyadh. Subsequently, we launched two funds in 2022 that will focus on the development of infrastructure in Taif, which follow His Majesty King Salman's inauguration of the Taif Development Commission

indicating the government's renewed focus on Taif region's population and economy. We have also launched a fund valued at more than SAR3.5 billion that will invest in an infrastructure development in the Dirab region of Riyadh, and a SAR780-million fund that will develop raw land in north Jeddah, part of the urban transformations in Saudi Arabia envisioned under Vision 2030. In asset management, we have put together an industry leading team that has already started yielding strong returns for us. Argaam's July report on the Kingdom's equity funds with more than SAR100 million under management identified three of ANB Capital funds among the top six performers for the first half of 2022. ANB Capital IPO Fund (Shariah) took second place, ANB Capital Pure Saudi Equity Fund (Shariah) came in third, and ANB Capital Saudi Equity Fund came in sixth. Asset management will continue to be a core area of focus for us, as we expand our bouquet of funds to include global, thematic, and income-generating funds. This year has also been a banner year for our investment banking business which is now in the process of executing more than 10 capital market transactions. We have expanded our team and secured several mandates for mergers & acquisitions, initial public offerings (main market and parallel market), and debt capital market transactions. In 2021, we advised Saudi Aramco on a USD sukuk issuance. Right now, we are advising three high-profile Saudi companies on the sale of minority equity stakes to a large sovereign wealth fund, as well as a number of other companies on main market and parallel market IPOs. We are also assisting a number of companies with debt capital market issuances. In the brokerage space, we increased our

market share from 2.9% in the first half of 2021 to 3.3% for the second half of 2021, moving us from 11th place in the market to eighth place.

What is your vision for the company, and what targets will characterize your operations?

Two key factors drive the success of an investment bank: people and technology. Upon joining, I inherited a strong client base and infrastructure. We also have full support from anb, our parent bank, which has access to a client base comprising more than 2 million Saudi-based individuals and corporates. With such capabilities and strengths already in place, my mission is to continue to diversify our product offering while also identifying synergistic acquisition and investment opportunities that bring ANB Capital to the forefront of the Saudi capital markets. Since 2019, ANB Capital's revenue and net profit have grown at CAGRs of 17% and 68%, respectively, and we still have a long runway ahead of us. At this time, we are heavily investing in our team and in technology, and we are setting up new business lines. We have bolstered our alternative investments, asset management, investment banking, and brokerage services teams with talent acquired from local and international markets, with a view to expanding our existing product portfolio and growing into areas that are new to us but where we know there is demand among investors. Within three years, ANB Capital will be much stronger within its existing business lines while also contributing to the Saudi capital markets by introducing new offerings and services, and enhancing the capability set of the Saudi talent through, amongst other things, the transfer of knowledge from our international partners. ✖

BIO

Khalid Alghamdi has been in the investment banking industry for more than two decades, starting at Merrill Lynch as a stockbroker. Subsequently, he joined Salisbury Associates as a corporate finance projects supervisor. From 2004-2016, he led GIB Capital's investment banking effort in Riyadh. In 2018, he joined Mizuho Saudi Arabia as managing director/executive board member. In 2019, he joined Credit Suisse Saudi Arabia (CSSA) as CEO/executive board member.



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Commitment, Integrity, Excellence

INTERVIEW

FINANCING *solutions*

As stewards and facilitators of capital, SFC helps provide the most optimal solutions to support and accelerate the Kingdom's goals of economic transformation and diversification.

Salam Al-Khunaizi
CEO,
SAUDI FRANSI CAPITAL (SFC)



Can you elaborate on Saudi Fransi Capital's achievements and milestones in the last few years?

The key to our success and achievements stemmed from our ability to grow in our existing activities and venture out successfully into new initiatives as well. In investment banking, we completed three main market IPOs with recorded order-book of SAR103.4 billion, driven by our strong advisory, execution, and placement capabilities. SFC also advised on PIF's acquisition of Emaar the Economic City by restructuring its capital through debt conversion, which was one of the largest debt conversions by a listed company in recent years at SAR2.83 billion. We successfully executed a SAR479-million accelerated book building transaction in the main market as a joint book runner. We also supported the Riyadh-based food delivery firm Jahez with its Nomu IPO as a joint bookrunner for the institutional tranche and as a receiving agent for the retail tranche. This was the first IPO of a technology start-up on the Saudi Exchange. We were also active in the debt capital markets arena, advising Saudi Real Estate Refinance Company for its SAR10-billion sukuk program. In addition, we supported Saudi Aramco as a joint bookrunner in the offer of its USD6-billion inaugural multi-tranche sukuk issuance. We continue to lead in M&A advisory capabilities with several merger and acquisition deals, such as the M&A transaction of SABB takaful. Reflecting the caliber of this work, we were named the "Best Investment Bank" in Saudi Arabia. In addition, we earned a recognition as Best Equity House and

Best Investment Bank in Saudi Arabia. We were also awarded Best Sukuk Deal of the Year and best Public Sector Deal of The Year for SRC sukuk. Our asset management business registered another milestone: our maiden launch in the domestic infrastructure space in 2021. We successfully debuted our Saudi Data Center Fund 1, which has the ambition of developing and operating data centers across the country. We continued to grow our global advisory platform with several deals in US and European real estate. Our success in real estate investment was demonstrated with a Best REIT Management Firm recognition for Bonyan REIT. In the securities brokerage business, we expanded our institutional sales trading product offering by focusing on niche services such as bulk liquidation and bulk purchasing. We delivered the first liquidity plan in the Saudi market for a new listing on NOMU. Following these accomplishments, we reported an increase in net income of 68%, the largest increase among all bank-affiliated investment banks and capital market institutions.

What are your domestic and international expansion plans and ambitions?

As stewards and facilitators of capital, SFC is constantly looking to tap into various initiatives that will provide the most optimal solutions to support and accelerate the goals of economic transformation and diversification. Whilst our first initiative in this regard was in digital infrastructure, we are actively looking at opportunities in tourism and hospitality, as well as education and healthcare. We

will also continue our expansion of the international client base that adds new liquidity to the capital markets in Saudi Arabia. By expanding our research to pre-IPO listing, we will help to provide more color on new listings to the Saudi capital markets, facilitating easier participation for institutional investors to the Saudi equity market. We are launching a VC fund with three main initiatives: fintech, open banking, and buy now and pay later. This will be a SAR150-million VC fund focusing on the Saudi market.

What plans and projects have you established to support economic diversification in KSA?

We work on many initiatives, identifying several sectors, such as technology and real estate. We have two funds in the technology sector, and a third is underway. We also focus on real estate projects linked to KSA's giga-projects as part of Vision 2030. These are mostly focused on infrastructure and real estate. Accordingly, we are financing solutions, along with partners, to address the challenges of those giga-projects. ✖

BIO

Salam Al-Khunaizi is CEO & board member of Saudi Fransi Capital, the investment arm of Banque Saudi Fransi, with over 20 years of banking and financial services experience. He also serves as a member of CMA's Capital Market Institutions Committee as well as other internal board committees. Before joining Saudi Fransi Capital, Al-Khunaizi most prominently served as CEO of Samba Capital.

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السعودي الفرنسي كابيتال
Saudi Fransi Capital



INTERVIEW

making the RIGHT MOVES

HSBC is investing in the development of its workforce while expanding its presence in the market, prioritizing growth, and bringing its global expertise to the Kingdom.

Faris I. AlGhannam
CEO & BOARD MEMBER,
HSBC SAUDI ARABIA



What are the defining trends that are shaping Saudi Arabia's financial sector?

For many decades and years, public-sector spending and capital expenditure has been the main driver for Saudi economy's performance; however, this has started to change under Vision 2030. According to government announcements and information, more than SAR25 trillion is expected to be invested in the Kingdom from now until the year 2030, and over 50% of that will come from the private sector. In order to achieve the above, you will need a financial sector that can cater for the expected increase in the size of the market and this expected investment boom. Commercial banks will remain a key source for that funding, though the central bank. In addition, we should expect to see more Saudi banks tapping capital markets for financing the growing needs of their clients.

BIO

Faris I. AlGhannam has been CEO & a board member of HSBC Saudi Arabia since 2022. Prior to this, he led the investment banking, capital markets, and issuers services business and operations for HSBC in the Kingdom. Before joining HSBC, AlGhannam worked at another banking institution in London for several years. He is also an independent director on the board & chairman of the audit committee of a leading pharmaceutical manufacturer in the MENA region as well as an independent director of the board of a leading consumer company in Saudi Arabia. AlGhannam holds an MBA from the Jones School of Business at Rice University and a BSc in accounting from Prince Sultan University (first honors).

How is HSBC capitalizing on the wave of financing activity that characterizes the Kingdom?

HSBC is significantly ahead in terms of scale and consistency in this market and the wider region than any other international bank. For us, through the cycle, even when markets slowed down, we never stopped investing in the Kingdom and in the region, particularly and most importantly investing in the development and training of the human capital and the local talent. In Saudi Arabia, we have a significant footprint of people on the ground, with the regional equities leadership based here. This is also the case with custody, where one of the key global sectors is led from Riyadh. In capital markets, investment banking and advisory, we have the largest team on the ground compared to any other bank, global or local. As we continue to invest and grow in this market, and despite our already large scale in the country, we plan to expand by adding at least 20-30% increase in our workforce in the coming three years, which is exciting for me personally and for us as a team and institution.

Know-how and expertise are part of HSBC's competitive advantages in Saudi. What is your approach to human capital?

Human capital is central and our top priority in Saudi. The right strategy and model to address this is to constantly invest and develop with an eye on the medium-term requirements and not only the short term. In the last few years, HSBC has been continually developing the top leadership layers of the company. We

subsequently focused on the second layer, third, and so on, continuing until we have achieved wide-spanning investment in our people across the whole business. We already have many younger Saudi nationals, both men and women, working for us around the world, and they may well choose to subsequently return here, bringing the great experience gained from working across the global HSBC family. We have the best quality people when it comes to our segment and market, and that contributes to our brand strength here, and our long-term commitment to Saudi Arabia. Many of our former HSBC employees are today partners, clients, or even competitors, and they spur us to do better.

What is your main target or priority on your agenda for this year?

For 2023-2024, growth is our priority, and we have already started investing in resources on-the-ground and globally in order to be able to participate in the development of the Saudi market and economy and cater to the growing and increasingly complex requirements of our clients in the Kingdom, reaffirming our commitment to clients and the market. Second, we will focus on bringing our global expertise and support to the Kingdom, including on key themes such as ESG and the energy transition, which is a top priority for Vision 2030. The third priority is to continue to play our role as a bridge between Saudi Arabia and the rest of the world, especially in key trade corridors, such as Asia and China as well as Europe, where we are an established market leader. ✖

elevating financial EXPERIENCES

American Express Saudi Arabia is taking advantage of the country's digital revolution to bring its considerable international heft to bear at a local level.

Fahad Mubarak Al Guthami
CEO,
AMERICAN EXPRESS SAUDI ARABIA



In light of the global operations of the company, how would you assess the importance and the potential of KSA for American Express?

As a result of recent economic and social reforms in the Kingdom, the financial services industry is thriving, particularly in the area of digital payments. Within this context, American Express Saudi Arabia is a well-established case study of a global company with a local footprint. With all this in mind, we will continue to cement and expand both our operations and our brand reputation in Saudi Arabia. Our aim is to provide maximum value to consumers and companies.

You were appointed CEO in October 2022. What is your strategy?

My strategy is to provide exceptional services that benefit our valued cardmembers. Our priority is to increase the number of locations at which our cardmembers can use their American Express cards. Since 2022, we have been successful in signing agreements with some of the largest banks in Saudi Arabia such as Riyadh Bank, Al Jazira Bank, Al Rajhi Bank, Saudi National Bank (SNB), and Bank Albilad. We are fully committed to creating and strengthening valuable agreements with prominent financial institutions every day. At American Express Saudi Arabia, we also strive to contribute to the overall growth and aspirations of the constantly changing market-demand. In addition to increasing the number of places that accept American Express, our top priorities are to enhance our digital capabilities and the value of our products and services. We are motivated to provide world-class customer service to be the top choice for consumers and companies. Our recent revamp of the all-in-one smart app also

reflects our commitment to providing seamless and cutting-edge technological solutions. The app, which offers comprehensive services and the best possible user experience, is just one of many digital innovations that American Express Saudi Arabia is bringing to the market.

What challenges do you face when expanding your operations?

Operational challenges are something we anticipate and plan for accordingly. Our current priority is to attract and retain top talent within our organization. With the job market growing at a rapid pace, we understand that the competition for skilled individuals is fierce. To succeed, we must stay attuned to the market and remain focused on our goals.

Where do you see opportunities for growth?

As a forward-thinking and market-aware company, we create our own growth opportunities by continuously innovating and improving our products, services, and customer experiences to meet their evolving expectations and needs. We are committed to staying ahead of the curve by engaging in extensive R&D efforts, collaborating with banks, fintech companies, and sandboxes to optimize our services and retain our competitive edge in the market. We embrace the exciting addition of fintech to the market, viewing it as an opportunity to both learn and contribute to the industry. We continue to provide business payment solutions to corporate and SME sectors in Saudi Arabia and are committed to delivering exceptional products and services that exceed expectations and drive growth.

What are your main priorities in your 2023/24 agenda?

From a strategic CEO perspective, my primary objective is to grow the number of locations that accept American Express payments – for example through agreements with banks and other financial institutions. We are also thrilled to offer our new Plan It service, providing convenient equal monthly installment options to our cardmembers. At the same time, we are committed to elevating our loyalty programs and enhancing our overall public engagement across all consumer segments to better serve our valued cardmembers. These multifaceted efforts are what will make American Express Saudi Arabia the Kingdom's go-to resource for personal and corporate financial solutions. ✖

BIO

Fahad Mubarak Al Guthami is CEO of American Express Saudi Arabia. Having previously served as COO of the company, he has an extensive career spanning 16 years at American Express Saudi Arabia. Prior to his tenure at American Express, he held senior executive positions, including CEO roles in various Saudi Arabian businesses, and also served as an executive advisor to the Ministry of Municipal and Rural Affairs and Housing of the Kingdom of Saudi Arabia.



Abdullah Saleh Bakhrebah
CEO,
STATE STREET SAUDI ARABIA



Bader Alamoudi
SENIOR COUNTRY OFFICER &
MANAGING DIRECTOR SAUDI
ARABIA,
J.P. MORGAN

INVESTMENTS

Saudi Arabia's tremendous growth under Vision 2030 has compelled State Street and J.P. Morgan to reaffirm their commitment and play a bigger role in investment activities in the country.

State Street recently inaugurated its office in Riyadh as part of the company's strategy to better serve clients in Saudi Arabia and the Middle East. What factors contributed to this decision?

ABDULLAH SALEH BAKHREBAH State Street had a relationship with Saudi Arabia for over two decades. However, our strategic decision to open an office in Saudi Arabia is a testament to our commitment to KSA and a steppingstone to our growth and exploration in the market. Saudi Arabia is embarking on tremendous growth, and we want to be in the center of that and Vision 2030, given that the financial sector development is a major contributor to the vision's aspirations. One way we will accomplish this is by staying close to our clients. In addition to understanding them well, this is a part of our special offering. We develop bespoke tailored solutions for our clients in a partnership model. We understand their needs, and we prepare an advanced interoperable model that we put directly in their hands. This puts us ahead of our competitors. We are market leaders in asset servicing, and we stay ahead of the development curve for our clients. We aim to grow our relationship with

our current clients while expanding our base in Saudi Arabia. We want to tap into strategic partnership with institutions that sit at the core of Vision 2030 framed around knowledge transfer.

J.P. Morgan has announced its plans to double the size of its Saudi operations by the end of the year, compared to its 2016 size. What was the driver underpinning such remarkable growth?

BADER ALAMOUDI The demand and activities in Saudi Arabia are unique compared to the rest of the world. We consider it a privilege to serve the country and are keen to deepen our roots. The growth in activities is in line with Vision 2030, and the equity market is experiencing a healthy pipeline, with many companies planning to go public. Companies look for partners who can help provide efficient solutions and synergy creation, which we continue to deliver. In addition, J.P. Morgan has led approximately 70% of all the international debt capital market transactions from Saudi Arabia since 2021 and is proud to have the leading position amongst all banks. We take pride in playing a leading global coordinating role on all the major bond

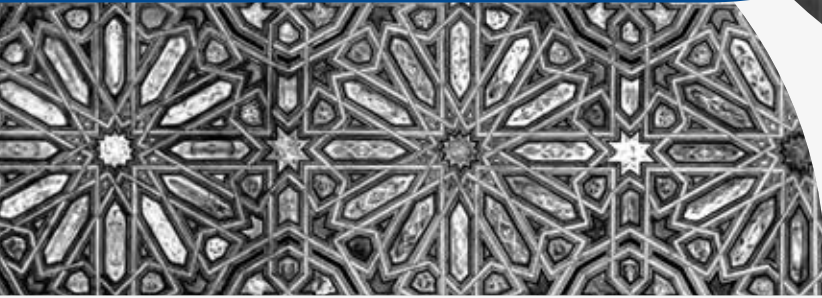
and sukuk issuances from the Kingdom, including sovereign, PIF, and Aramco.

What is your assessment of the current environmental, social, and governance (ESG)-focused landscape and the potential appetite for them by local investors?

ASB The pandemic has accelerated engagement with ESG issuers in the Middle East; two out of three issuers place greater emphasis on employees' social well-being. Over 50% of investors see great value in organizations that take care of employees' health. In addition, companies are facing increasing pressure to make more-detailed ESG-related disclosures. To unlock the full potential of sustainable finance in the region, more efforts are needed from investors and, most importantly, regulators to include more disclosures on ESG. Since the pandemic, we have seen an increased number of global businesses setting up policies and making responsible investing. Generally, Saudi Arabia seeks to attract global capital, and ESG is one way to do that. In the Middle East, there are issuers that care about environmental and social issues. Awareness of the subject is growing; however, there are areas where it could improve. For example, there is a lack of compatibility in ESG data and access to local expertise or stronger regulatory influence. Therefore, while this is picking up momentum, there is still more to do in the area.

What efforts have you made to attract high-quality investors to Saudi Arabia?

BA J.P. Morgan has established and built a local custody business within its Securities Services arm, resulting in multiple service providers in the market and increasing the ease for international investors to custody investments with a reliable partner that they know and have banked with globally. In addition, we host our annual Saudi Investment Forum in New York to connect international investors with local publicly listed companies. The Forum gives us the unique opportunity to present the fundamental strength, stability and growth prospects of Saudi Arabia's economy and its companies to what is by far the largest universe of equity investors globally. It is a real privilege to witness the Kingdom's most successful companies and US investors come together. ✖



About Us

SEDCO Capital is a Shariah-compliant, ESG led asset management and investment advisory firm. We provide clients with investment solutions through a dynamic asset allocation process across diversified asset classes that deliver strong risk-adjusted returns.

In 2014 SEDCO Capital became the first Saudi and Shariah compliant asset manager to sign the United Nations' Principles of Responsible Investing (UNPRI).



SEDCO Capital obtained its license from Capital Market Authority of Saudi Arabia (CMA) CMA license No. 11157-37



Our investments span developed and emerging markets though investments in income assets that provide short to long term fixed income, in equities that are listed or private, and in real estate properties spanning a variety of market segments. We cultivate long-standing, trusted relationships with our clients and currently oversee more than USD 5.9 billion in total assets under management (AUM) built on a long record of success.

Asset Classes

Income Assets

Public Equity

Private Equity

Real assets

SEDCO Capital Offices



ATTRACTIVE *offerings*



ICD is able to offer Islamic financial solutions as a source of much-needed capital for projects large and small.

BIO

Ayman Amin Sejiny is the CEO of ICD. He is a highly accomplished financial industry leader with in-depth knowledge and more than 29 years' experience in investment and corporate banking in the local, regional and international markets. Sejiny is a board member of Kidana Development Company owned by the Royal Commission for Makkah Al-Mukarramah and a member of the investment committee in King Abdullah Foundation. Moreover, he is the vice-chairman of the International Development Finance Club (IDFC). He served as CEO of Barclays Capital Saudi Arabia, assistant general manager in Citi Bank, and was a senior manager in ABN AMRO affiliate in Saudi Arabia.

Ayman Amin Sejiny
CEO,
THE ISLAMIC CORPORATION
FOR THE DEVELOPMENT OF THE
PRIVATE SECTOR (ICD)

How would you characterize the potential for Islamic finance and economics to provide out-of-the-box innovations to mitigate economic strains and provide solutions as we move out of the pandemic?

There are three stages here. There is the big-picture stage, where we go for a large size issuance of sukuk. It is considered an alternative investment vehicle for institutions and hedge funds investing in it. We are focusing on green and blue sukuk in order to help the sustainability of the economies in our member countries. This also depends on the issuance that they do. We have 119-plus financial institutions in our network, and we have ownership in some of them. With financial inclusion, we have enabled people to stay safe during COVID-19. With technology, we have been able to provide services and products that have a better reach. On the other hand, we have zakat, which has been used in Islamic finance as a tool to provide emergency support in the short term. It can be used from donors and requires disbursement within one year of being given.

How do you see the ecosystem of Islamic finance branching and connecting out to conventional financial firms as a way of developing in Islamic finance?

The ecosystem of Islamic finance acts with the reality of our daily lives without any interference as many might expect. It is important to say that Islamic finance has the right structure in place. If it is a real bankable transaction, then the transaction will happen. All the rest of the internal program regarding how we need to have it documented or how it must be worded falls into place. Also, sukuk continues to be an important source of much-needed capital as an alternative means of mobilizing medium- to long-term savings. There is an increased demand for sustainable infrastructure development across the globe. At the same time, it helps meet the ambition of the objectives of Vision 2030 and supports mega infrastructure projects and the target of economic growth. In Sau-

di Arabia, the government, through sukuk issuance, can access more financing from domestic as well as international markets.

What role can Islamic financing and ICD play in achieving Vision 2030?

Saudi Arabia, like all the member countries, enjoys utilizing our products. We do sukuk issuance, which is for infrastructure. We can issue green and blue sukuk for such things as tollways, power plants, solar projects, aqua projects, and any other environmentally friendly projects. We also have term financing for 12-18 years, which is helpful for banks. The third is public-private partnerships (PPPs), which can all be structured in a shariah-compliant manner. They make total sense in that program. The other business line that we consider attractive is providing private equity investments from our side and perhaps bringing other investors into some transactions that might be of interest for local and international investors. We also have the business line of asset management. We can create a fund for a specific project or a vision of a particular transaction.

Are you looking into promoting a business line in one region over another?

We work across the board, and it depends on the member country and how they would like to utilize it. Some are not interested in sukuk issuance but are interested in term financing or PPPs. Others meanwhile want us to have a private equity investment in a financial institution, so we provide line of finance to those entities. This has been extremely helpful. For example, if there is an SME in Senegal, we cannot do a good job of evaluating or analyzing the entity from Jeddah. We have the Senegal Islamic Bank, which has the relevant expertise, and we are a shareholder in it. At the same time, we provide it with a line of finance. It analyzes SMEs on the ground in Senegal, disburses the money, collects it back, and monitors it during that time period. ✖



Muadh Alhusaini
CO-MANAGING PARTNER,
EHATA FINANCIAL COMPANY

What sets Ehata Financial Company apart from the competition in the market?

We provide independent advice and arranging services. Unlike other financial institutions that sell financial instruments and cannot advise clients themselves, we provide unbiased advice that forms a solid relationship with our clients. When we left the banking sector, my partner and I saw a need for such an independent financial advisory and established Ehata to fill the knowledge gap in the market. It was a difficult start and led us to collaborate with one of the most prominent hedge advisors in the world. We have since expanded our team to be primarily represented by Saudi talents. We also boast a massive network of professionals if we need to work on specific areas that complement our offerings.

How does your partnership with Tadawul help you upskill Saudi talent and boost financial literacy among the growing youth demographic?

Our collaboration with Tadawul has been invaluable and strategic. When Tadawul introduced futures, we agreed with them to create

a futures guide in Arabic and English to help people understand the local futures market. Tadawul was supportive and collaborative, and after months of collaboration, we produced the first-of-a-kind futures guide exactly one year after the launch of futures in Saudi. This guide was well received by Tadawul, and we even had the CEO commending our work. We are proud of the knowledge transfer we were able to accomplish through this guide.

How would you assess the progress of the sector with the launch of the Financial Sector Development Program (FSDP)?

FSDP is a critical part of Vision 2030, and it stands out for its transparency and disclosure. It was among the first programs to include a quarterly report showing progress, KPIs, numbers, and more. This has incentivized the whole industry to embrace development, as it sends a strong signal that FSDP is on top of global trends and is pushing for growth. FSDP covers many aspects, including financial literacy, the diversification of products, liquidity in the market, saving, sukuk issuances, derivatives, and promoting knowledge around them. It is a positive example of how FSDP addresses transparency and regulatory requirements, monitoring, and communication of progress. ✖

BIO

Muadh Alhusaini is Co-Founder & Co-Managing Partner at Ehata Financial. Before pursuing a consultancy career six years ago, Alhusaini spent nearly 10 years as a senior banker in the global markets and financing solutions with local and international banks. He holds several board and committee memberships in the banking, investment, fintech, and mining industries. He is a CFA charter holder, holds the Financial Risk Manager (FRM) certification, and is a certified alternative investment analyst (CAIA).

Click for the Development



We fund projects that are aimed at creating competition, entrepreneurship, employment opportunities and export potential. We also bring **additional resources** to projects, encouraging the development of Islamic finance, attracting co-financiers and advising governments and private sector groups on how to establish, develop and modernize private enterprises and capital markets. **We advise** on best management practices and enhancing the role of the market economy.



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Abdullah AlRashoud
CEO,
BLOMINVEST



Bader Hamed Al Anazi
FORMER CEO,
SAUDI KUWAITI FINANCE
HOUSE (SKFH)

PRIVATE INVESTMENT

These companies are working to encourage more investment in Saudi Arabia by utilizing their expertise to provide advice on local opportunities for investors, including due diligence and market research.

How is the company positioned to foster the development of KSA's real estate industry?

ABDULLAH ALRASHOUD Blominvest firmly believes the real estate market will continue to witness growth in its different segments and offer interesting opportunities for new investments. We utilize our expertise to adapt to market needs and provide outstanding opportunities to our clients in real estate funds through reliable structures that suit a diversified client portfolio. Over the years, we have cemented our reputation with an active presence in various real estate investment segments, generating trust among our clients and partners. In cooperation with prominent developers, we aim to provide the investment community with reliable and professional real estate investment funds and society at large with high-quality real estate products. Our investment products in the real estate sector are mainly focused on construction structural development funds, initial development funds (infrastructure) for plots of land that are later sold during the term of the fund, and development funds that we lease (income-generating) for a certain period of time. Blominvest is currently the biggest player in Saudi Arabia in real estate funds.

How does SKFH shape its competitive advantages in such a fiercely competitive market?

BADER HAMED AL ANAZI We are an investment house owned by Kuwait Finance House, one of the world's largest Islamic banks in the world. Since 2013, SKFH has been a leader in new product launches in the Saudi market. We always seek to be the first movers with new products and think out of the box, for example IPO funds and finance funds (direct/indirect Murabaha and DPMs). We are selective and are geared toward the high-net-worth client. Our products are mostly private placement products. It is by invitation only, and we do not rely on marketing, but rather attend conferences and network as individuals. Sometimes, there is a way of doing business in our culture by being socially active. We rely primarily on word of mouth and we make our assessments accordingly.

What role do partnerships, alliances, and strategic cooperation play in your business?

AAR One of the most important tests to determine if someone believes in alliances is to see if they form alliances with their competitors. Blominvest has signed an agreement with a licensed company to develop digital platforms to distribute funds. In 2022, we also launched a platform to distribute crowdfunding. It was a major success, raising around SAR139 million in total. We have also signed an agreement with Yaqeen Cap-

ital to launch a fund that will be listed on the market. CMA has approved that, and we are currently in negotiations on the timeline. From these few examples, it is clear that Blominvest considers strategic partnerships as a pivotal element to cement and expand our business.

How do you assist the government in attracting FDI?

BHAA Our company, with branches all over the world, helps to attract FDI by assisting the government in various ways including: conducting market research to identify potential investors from foreign countries and provide insights and data that needed by investors to make informed decisions; leveraging our wide network of clients, including high net-worth individuals, corporations, and institutional investors to connect with potential investors and help to attract FDI; structuring investment deals that are attractive to foreign investors by negotiating favorable terms and conditions; conducting due diligence on potential investors and investment opportunities on behalf of their clients; and helping businesses raise capital for their investment projects by pitching to potential investors and facilitating the investment process. Overall, SKFH plays a critical role in attracting FDI investment.

What are the main priorities and targets on your agenda in 2023?

AAR First, we want to increase the value of our brand, focus on recruiting and retaining qualified human capital in the company, and increasing the efficiency of our business strategy. We will look at doing more branding initiatives and boost our presence in events such as exhibitions, conferences, and the media. These are all extremely important and will increase our employees' pride in the company. Our employees are our ambassadors, and our priority remains investing in them.

BHAA SKFH's priorities for the year ahead include ensuring that our staff stick to our core values in their daily work; capitalizing on market opportunities, including identifying undervalued assets, emerging markets, or sectors that are expected to grow; building strong relationships with our clients; enhancing our technology infrastructure to improve our data analytics capabilities, trading platforms, and risk management systems; and focusing on ESG factors in investment decisions for our clients. ✖

**BIO**

As the Founder & CEO of Mozn, Mohammed Alhussein oversees one of the most innovative companies in the region. Prior to founding Mozn, he was a founding committee member and board member for Saudi Information Technology Company (SITE) and a member of the founding team of Elm. Alhussein was an assistant professor at the College of Computer and Information Sciences at King Saud University in Riyadh. He holds a PhD from George Mason University in the US, where he obtained several patents in the field of cybersecurity. Alhussein also holds a master's degree in information security from Royal Holloway in the UK. He graduated from King Saud University with a bachelor's degree in computer science with honors.

Mohammed Alhussein
CO-FOUNDER & CEO,
MOZN, SAUDI ARABIA

How does Mozn serve the technology industry?

Our mission is to assist organizations in making critical decisions by leveraging the power of data and AI. We focus on empowering those organizations to solve problems of local, regional, and global significance. We are a Saudi company that was founded in 2017 to identify market-relevant challenges and provide solutions accordingly. We have identified three main challenges in doing so. First, the global shift toward digitalization in 2017 highlighted the importance of leveraging data and AI to transform business processes, with Vision 2030 being the catalyst. Second, there are over 300 million Arabic speaking people in the world, and we recognized the need for an Arabic language natural understanding platform to fuel the massive movement in AI. And the third challenge was the increase in financial crime during the digitalization of the financial sector, which was further accelerated by COVID-19. Our mission is to solve these three challenges

by leveraging AI and data.

What is the significance of your offices in KSA, the UK, and the UAE?

Our headquarters are in Riyadh; however, these offices help us export our knowledge and gain the know-how to import into Saudi Arabia. For example, we have expanded into the UK primarily to achieve technology transfer and we are hiring a team there that can enable us to grow locally; moreover, within our expansion plan, we are also expanding our commercial offering. We have opened our UAE office, which helps us extend our commercial offering to our export markets. Although we are currently focusing on the Saudi and UAE markets, we intend to eventually expand into other countries and establish commercial offices. We are also shortly expanding into the rest of the GCC as we see a revolution happening in the MENA region in terms of the sheer number of financial institutions and organizations digitalizing their offerings. In turn, there is a clear need for a product that can assist these organizations in navigating the complex compliance and regulatory environments and ensuring the safety of their clients. Financial crime is rising in our region and organizations are seeking solutions to help mitigate this risk. ✖



Next-gen global CX leader

We design, build and deliver end-to-end CX for many of the world's most respected digital-native and vertical leading brands.

Our comprehensive east-to-west global footprint in 41 countries across five continents, with 78,000+ team members and 60 languages, means we can deliver flexible solutions that leverage our unique expertise in cultural nuance-essential for true excellence in CX.

GROSS WRITTEN PREMIUMS (2022, SAR MLN)

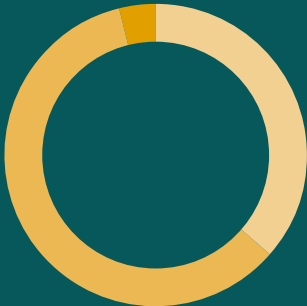
SOURCE: SAUDI CENTRAL BANK



- 19.65 General insurance
- 31.83 Health
- 1.87 P&S (life) insurance

INSURANCE PENETRATION TO GDP (2022)

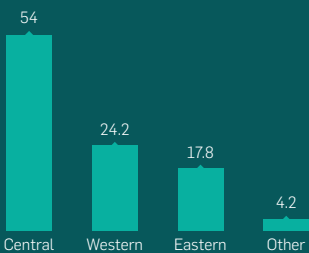
SOURCE: SAUDI CENTRAL BANK



- 0.47 General insurance
- 0.77 Health
- 0.05 P&S (life) insurance

GROSS WRITTEN PREMIUMS BY REGION (2022)

SOURCE: SAUDI CENTRAL BANK



Risk & Reward: Insurance Leadership

MARCHING ONWARD

The insurance sector in Saudi Arabia has been experiencing steady growth in recent years, and 2023 is expected to be no different. The country's efforts to diversify its economy and attract foreign investment have led to an increase in demand for insurance services.

According to a report by the Saudi Arabian Monetary Authority (SAMA), the local insurance sector recorded 6% year-on-year growth in 2022, with gross written premiums reaching SAR42.6 billion (USD11.4 billion). The report also highlighted the significant role played by the non-life insurance segment, which accounted for 79% of total premiums.

One of the factors driving the growth of the insurance sector in Saudi Arabia is the government's focus on enhancing the country's healthcare system. The government has implemented various initiatives aimed at improving the accessibility and quality of healthcare services, which has resulted in increased demand for health insurance.

Another factor is the growing awareness of the importance of insurance among the Saudi population. This has been particularly evident in the life insurance segment, where there has been a steady increase in demand for policies in recent

years.

The Saudi insurance market is dominated by local players, with Saudi Arabian Cooperative Insurance (SAICO), Bupa Arabia, and Tawuniya being the three-largest insurance companies in the country. However, there has been a growing trend of foreign insurers entering the market in recent years, attracted by the country's large population and growing economy.

In terms of regulation, SAMA has been taking measures to strengthen the oversight of the insurance sector and ensure that companies adhere to international standards. In 2021, SAMA introduced a new set of regulations aimed at improving the transparency and governance of insurance companies in the country. These regulations are expected to have a positive impact on the performance of the sector by enhancing consumer confidence and promoting fair competition.

Looking ahead to 2023, the Saudi insurance sector is expected to continue its growth trajectory. The country's Vision 2030 initiative, which aims to diversify the economy and reduce dependence on oil, is expected to drive demand for insurance services in various sectors, including construction, transport, and manufacturing. ✖

INTERVIEW



Rami Omar Alhoshan
GENERAL MANAGER,
ACE GALLAGHER ARABIA
INSURANCE BROKERS

SECRET *to success*

Leveraging its knowledge of the unique cultural, political, and regulatory environment to navigate complex insurance requirements in the MENA region, ACE Gallagher serves as an intermediary between clients and insurers.

BIO

Rami Omar Alhoshan has over 21 years of experience in the insurance industry working for several insurance companies in KSA mainly. Before joining ACE Gallagher Arabia Insurance Brokers as general manager, he was with Medgulf as its chief commercial officer, senior VP for marketing and sales in Malath, and worked in different sales positions with Tawuniya and SANAD insurance companies. Alhoshan holds an MBA from Prince Sultan University and a bachelor's degree in chemical engineering from King Saud University.

Can you elaborate on the role ACE Gallagher plays in the MENA region and specifically in Saudi Arabia?

As the oldest broker in Saudi Arabia, ACE Gallagher acts as an intermediary between clients and insurers. With our knowledge of the unique cultural, political, and regulatory environment, we help clients navigate complex insurance requirements and tailor insurance products that meet their specific needs. From Saudi Arabia, we have successfully expanded to the region. We use our knowledge of the local market to negotiate favorable terms and conditions for clients and leverage our longstanding relationships with insurance providers in the region to procure comprehensive coverage at competitive rates, ensuring clients are adequately protected against risks. I expect competition to be tough as the Kingdom attracts many investors, including brokers, so we need to develop ourselves to stand out; however, what sets us apart is the importance we place on human connections. We conduct many trainings in partnership with UK-based Gallagher Global Brokerage to ensure our team remains up to standard. We have a regional program for the 16 offices around the GCC and other countries to ensure we stay ahead of the competition and always remain up-to-date in terms of products and solutions. The secret behind ACE Gallagher's success is customization, mainly by studying clients' current and future needs and delivering tailor-made proposals. Now, with the new partnership, we have access to 150 countries and are able to offer our best practices and do benchmarks around the world for our customers. The partnership also gives us access to large and megaprojects that were only allocated to international brokers. Large projects require multiple insurance players to cover such projects. ACE Gallagher understands the risks and has the capabilities and access to the global market, which helps us cater to such projects. The collaboration has opened the doors for us to consolidate the business with existing clients while expanding our network with new ones.

How will the company capitalize on the mega and gigaprojects, and which specific sectors are on your radar?

ACE Gallagher is a leading provider of tailored solutions, and is poised to maximize opportunities presented by mega and gigaprojects. With a proven track record

“ACE Gallagher is ideally positioned to guide these organizations in their search for optimal solutions.”

of delivering customized solutions, the company stands as the foremost authority in meeting clients' unique needs. As these ambitious projects often incorporate cutting-edge technologies, they necessitate a global perspective and expertise. ACE Gallagher possesses the means to develop and deliver innovative solutions for such endeavors. In light of the growing portfolio of projects with the oil and gas industry giants, the demand for expert brokers to navigate complex challenges has surged. ACE Gallagher is ideally positioned to guide these organizations in their search for optimal solutions. As emerging technologies introduce new risks, the support of seasoned brokers becomes paramount on both regional and global scales. We are fully equipped to provide this crucial support and ensure the successful realization of projects.

Where do you see an increase in demand for your services, and what is your current focus?

At present, we are observing a rise in demand for our services, especially directors and officers (D&O) and cyber insurance. However, with the nation's growing openness to foreign investment across various sectors, including tourism, gigaprojects, sports, and more, we have identified several promising avenues for expansion. Our team envisions significant prospects in the realm of sports in the foreseeable future. As the country proceeds with the privatization of its football and other athletic clubs, ACE Gallagher, along with potential investors, is poised to seize ample opportunities. Moreover, the burgeoning tourism industry and the hosting of events in Saudi Arabia necessitate insurance coverage, such as public liability insurance, to safeguard against potential cancellations or delays. Additionally, the renewable energy sector and energy-saving technologies hold immense potential for growth. We have initiated discussions and are actively tailoring a bespoke solution for one of our esteemed clients in this domain. ✖

All vehicles must have at least third-party liability insurance in Saudi Arabia



Image: FELIX DE JUAN

INTERVIEW

VISIONARY *outlook*

Rasan has become a pioneer in Saudi Arabia, developing innovative solutions that meet the market's unfulfilled needs and setting the company apart in a competitive market.

Moayad Alfallaj
CEO & CO-FOUNDER,
RASAN & TAMEENI



What milestones has the company reached since its inception in 2016?

At that time, we saw an unmet need in the market, prompting us to conduct a study. It was difficult to find insurance online in Saudi Arabia, as customers typically had to visit a physical branch, which is an unpopular option. Furthermore, the physical route took about a day to set up insurance; it was expensive with low benefits. In 2016, based on needs of the market and the gap we had identified, we focused on the digitalization of buying insurance. During the process of developing Tameeni, we uncovered many opportunities. One of the core challenges we faced was that the infrastructure for insurance in the private sector simply did not match that found in the public sphere. While establishing Tameeni, we decided to create Rasan, a company focused on simplifying the processes related to insurance and banking. We developed the first platform for Tameeni in 2017, and by 2018 we had secured a 5% market share. In 2019, we hit 20% in retail. Later that same year, we launched a new product called Awalmazad, which is an online auction platform that allows insurance companies and banks to list and sell all salvaged and repossessed vehicles in a completely transparent process. This was a strategy to go up the value chain and provide a solution that can resolve some of the issues encountered by insurance companies, at the same time creating a competitive advantage for Tameeni. When we launched, we were in a sandbox situation, and by 2020 we were already accelerating. The pandemic further spurred our growth. With

the population in lockdown, adoption of online experiences increased. Our focus on innovation and agile way of working ensured we were ready for this growth, and we quickly grabbed this opportunity to penetrate further in the market. Then, we launched a health project for SMEs and collaborated with Monsha'at to launch an SME Health platform to offer a simplified insurance buying experience for the employees of SMEs. Subsequently, we launched the most important product: Treza. This product helps all the leaders in Saudi Arabia, banks, and financial providers with their auto lease insurance. Nine out of 10 leasing cars on the street are insured by Treza.

Alliances and partnerships form two critical components of Rasan's corporate strategy: how are you cultivating and selecting them?

According to our philosophy, partners are part of our family, and we do not expand partnerships; we grow our family. We asked ourselves what the future of insurtech looked like and how we wanted to position ourselves as an insurtech company. With this in mind, we started reshaping our strategy and carefully selected our family members, maintaining excellent relations with the entire neighborhood. Our know-how, along with our "family members," allows us to develop a product that will make profound changes in the market. Having said that, our main focus is the customer, so we always put ourselves in the customer's shoes. When we develop something, we look to our partners on how to integrate them and create a solution that can provide a unique benefit for the end user.

What are the main objectives in your 2022/23 agenda?

As a company we dream big. Also, the Kingdom's Vision 2030 is the biggest motivation for us because it obliges us to innovate. Earlier in 2022, the authorities announced the fintech strategy focused more on the banking and insurance sector, which has put pressure on us to develop unique products. In the coming year, we are focused on the banking sector, though we are also looking to create a new insurance model, from underwriting right through to distribution. Vision 2030 provides us with a guideline and a boost to innovate for tomorrow. Meanwhile, we also have plans to launch an IPO in the near future as well. ✖

BIO

Moayad Alfallaj is the CEO & Co-founder of Rasan & Tameeni. He brings 13-plus years of transformational leadership experience in launching successful start-ups, creating market leading brands and introducing innovative life touching technology. Apart from KSA's first digital insurance aggregation platform Tameeni, he has introduced many industry-first initiatives and brands such as Treza, an insurance leasing aggregation platform for the banking and leasing industry; Awalmazad, a digital vehicle auction and marketplace; and many more.



Pioneering, simplified and
sustainable digital innovations
for insurance and banking industry

Our Brands



Tameeni



awal
mazad



treza

FOCUS

Evolution of the insurance market in Saudi Arabia

POSITIVE MOVEMENTS

The Saudi insurance sector remains profitable after a challenging year that involved the adoption of a new industry standard (IFRS27) and opening the market to international businesses.

THE SAUDI GENERAL INSURANCE SECTOR saw two game-changing developments in early 2023: the adoption of a new standard of practice, IFRS17, and the sector's opening up to foreign investors. Thanks to these developments, the sector is expected to grow slowly but surely until at least 2026 at the rate of 6% per year.

This is a notable accomplishment in these troubled times when the insurance sector is still struggling in many countries in the wake of the pandemic in 2020-2021 and then the ensuing inflation spiral in the following years. Many businesses affected by these incidents across the world have turned to their insurers, sometimes necessitating lengthy litigation processes between the insurer and policy holders, but Saudi Arabia's insurance sector has been largely immune to this turmoil.

This is not to say that all has been well. Although the sector as a whole is performing well, some smaller firms registered net losses for the financial year of 2022. The Kingdom's stock exchange, Tadawul, has reported losses of over 20% for a dozen small insurance companies. Nevertheless, the larger market players dominating the sector have all closed the financial year with net profit—of which more later.

"The loss ratios and net profit after zakat [an Islamic levy] and tax stand at 81.79% and SAR566.12 million as of 3Q2022 compared to 81.36% and SAR533.84 million as of 3Q2021 respectively," according to a report by global accounting and auditing firm KPMG.

As of YE2022, the Saudi market has managed to maintain its positive growth trend for three years in a row. The total gross written premium is estimated at over SAR53.4 billion. In the absence of any monopolies, the market players are many, although the market is currently dominated by a handful of companies including Tawuniya, Bupa Arabia, Al-Rajhi Takaful, Walaa, Medgulf, and Wataniya, among some others.

Developed by the International Financial Reporting Standards (IFRS) organization, IFRS17 is the world's first truly international standardized way of laying out insurance policies. "IFRS 17 requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. This requirement will provide transparent reporting about a company's financial position and risk," according to the organization.

The new standard, however, was not introduced abruptly. To ensure a smooth transition across the sector, SAMA had instruct-

ed insurance companies to carry out dry-runs since as early as 2021. It was, nevertheless, a challenge for many insurance companies to convert their preexisting data sets to the formats required by the IFRS17, but after an audit phase the results were deemed satisfactory, and now the sector is fully operating using the new reporting standard.

By using the industry's latest standards of reporting and premium writing, Saudi firms will be well-equipped to work with international market players. 2023 saw the entry of first foreign insurance company into the Saudi market. British company Cigna Worldwide Insurance received its license in February 2023, marking the beginning of a new era in the Saudi insurance industry.

The step was taken with a view to make the sector more international while sparking competitiveness in line with the objectives of Vision 2030. The decision is also likely to ramp up foreign investment in the sector. "SAMA stated that this falls under SAMA's initiatives to encourage foreign direct investments to increase competitiveness of the sector and utilize potentials of the Saudi economy," reported Zawya, citing sources connected to SAMA.

Foreign companies coming to Saudi Arabia will face a strong local competition, at least regarding more mainstream products such as motoring and medical insurances. Bupa Arabia and Tawuniya enjoy the largest market share in terms of turnover, with each controlling approximately 25% of the insurance sector. The remaining 50% of the market is divided between roughly 25 companies, the most notable of which are Al-Rajhi Takaful (7%), Medgulf (6%), Walaa (3%), and AXA Cooperative (3%).

In terms of product lineup, the market is relatively diversified, with various insurance products being on offer. Motor insurance, non-life health insurance, property insurance, and liability insurance make up the bulk of the demand in the sector. Some degree of specialization is visible among the firms. The Jeddah-based giant, Bupa Arabia, for instance, is exclusively active in health insurance, while the Kingdom's de-facto national insurance company, Tawuniya, is an all-rounder, providing anything from motoring insurance to liability insurance.

Even more specialization is likely to be observed over the next couple of years with the arrival of foreign insurers. They will be unlikely to compete with long-established Saudi giants for mainstream trade, and instead opt for niche markets, which will make the Saudi insurance sector more diverse and mature than ever. ✖

INSURANCE

The insurance sector in Saudi Arabia is strong and is starting to attract attention from foreign companies that want to get a piece of the lucrative pie.

SAR53.4b

Total gross written premiums (2022)

SAR42b

Total gross written premiums (2021)

SAR38.8b

Total gross written premiums (2020)

26.9%

Premium growth rate (2022)



LARGEST SEGMENTS OF INSURANCE BY GROSS WRITTEN PREMIUMS

General



36.8%

Health



59.7%

9.9%

Growth of online sales (2022)



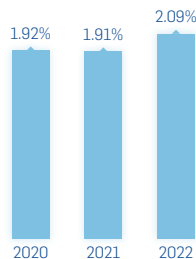
7.5%

Growth of online sales (2021)

MAJOR MERGERS IN 2022



Ratio of insurance to non-oil-GDP



Saudization ratio in insurance companies



First foreign insurance company to receive a license to operate (Feb 2023)

MARKET SHARE IN TERMS OF TURNOVER (MEDICAL AND MOTOR)

25%
Bupa Arabia

25%
Tawuniya

7%
Al-Rajhi

6%
Medgulf

3%
Walaa

3%
AXA



Adel Zamzami
GENERAL MANAGER,
ALJADARA ALALAMIA
BROKERAGE CO.



Johnson Varughese
CEO,
WALAA

INSURANCE

Local insurance companies view the proposed unified regulation for the insurance market as a positive move that will create significant opportunities for new products and services.

Can you provide an overview of the company and its target market?

ADEL ZAMZAMI Aljadara started in 2019 and is considered a start-up in the market. Our advantage is that our CEO is considered one of the godfathers of insurance in Saudi Arabia, and our staff has about 50 years of combined experience in this field. 80% of the insurance market caters to the medical field. Other types of insurance, such as property or fire hazard, need skills in underwriting and analytics, and these are the markets we are trying to penetrate. The competition has several types of brokers; however, we are unique in terms of real insurance and how we approach it. We work with pioneers in the insurance field and transfer know-how to people and our clients. We are also committed to Vision 2030's Saudization plans and ambitions to upscale local talent.

What steps have you taken to diversify into the health insurance sector?

JOHNSON VARUGHESE We are predominantly a property and casualty company, although most of our business comes from the motor segment. Health is the largest segment in the Saudi insurance market. We wanted to enter that line only

after consolidating our position in motor and P&C, which we have now achieved, and therefore decided to expand our health insurance business. In 2020, we did around SAR100 million, and in 2021 our target is SAR250-260 million, which we are on track for. We are working on increasing our scale to SAR500 million in 2022, and then we can start competing with the larger players, as you need the scale to do the same. Only with scale, you can approach providers and ask for discounts. We have a calculated, steady growth plan. We have a vision for the company for 2025 and 2030, and we are right on track. Without getting into the health segment, an insurance company cannot truly gain sizable scale in this market, as it accounts for around 55% of the market share.

How will the proposed unified regulation for the insurance market affect operations, and what changes should we expect?

AZ SAMA's efforts to regulate the market are laudable, and this will elevate our position globally. Our main founder was one of the pioneers, in partnership with SAMA, to put forth these initiatives to regulate the insurance market. In addition, these regulations will open doors to opportunities for new products and ser-

vices. Partnerships are also something we want to venture in, especially if we want to digitalize the insurance sector. Strategic partnerships with fintech companies would help us attain these objectives and eventually have these services be done in-house instead of outsourcing them.

How has digitalization impacted the products and services you offer?

JV Like any other segment, insurance is also going through a digital transformation. For Saudi insurance, motor has significantly moved to the digital platform from the agency or branch network model, which is slowly becoming less relevant since there are aggregators available. In the case of Walaa, we are on a path of digital transformation and are investing in a major ERP system. In 2020, we were able to grow despite the pandemic since we were able to serve our customers while working from home. We have the IT capabilities, though there is a significant opportunity to expand, and we are investing in digital capabilities at this point. It will take two to three years to achieve the optimum level, as it is a journey.

How do you shape your competitive advantages as a brokerage company, and what are your key plans for the year ahead?

AZ As brokers, our main target is to not just provide products, but also consult them on the product that best suits their needs. We also offer competitive prices in the market that put us ahead of everyone else in the industry. Through this strategy, we have established ourselves in the market with excellent word of mouth, as advertising insurance on social media platforms and other tools are still in the early stages and need approvals and regulations.

Are you targeting the younger demographic of Saudis?

JV They play an important part, though product wise there is nothing specifically catering to this segment. However, as more female population enter the workforce, we hope protection and savings insurance in Saudi Arabia will kick in over the next two years. Saudis will have to start saving for their future, as the cost of living is increasing. I am hopeful about the growth of protection and savings insurance as the younger generation enters the workforce. ✖

The property insurance market is expected to grow at a CAGR of 4% through 2028



Image: Mohammed Younes



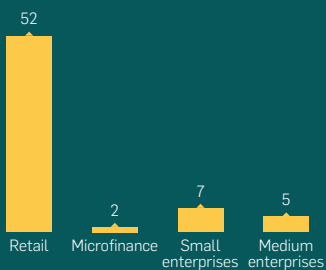
SME FINANCING SNAPSHOT (2022)

SOURCE: THE FINANCIAL SECTOR DEVELOPMENT PROGRAM ANNUAL REPORT 2022

SMEs as % of total listing on Saudi capital markets	55%
Growth in venture funding reached	72%
VC funding spend	\$987M
No. of investors participating in deals closed by Saudi start-ups	104
Exits	10
Share of total deployed capital in MENA	31

CREDIT OFFERED BY FINANCE COMPANIES BY SECTOR (SAR BN, 4Q22)

SOURCE: SAMA



Unlocking Potential: Unleashing Growth in SME Development

EMERGING TRENDS

As the Kingdom continues to progress in its economic diversification agenda, small and medium-sized enterprises (SMEs) play a pivotal vital role in fostering innovation, creating jobs, and driving economic growth. Over the past few years, the Kingdom has witnessed a surge of trends that have significantly impacted the SME landscape, empowering them to bloom into a dynamic business environment.

The Saudi Arabian government has been actively promoting SMEs through various initiatives and policies. In recent years, the government has implemented reforms to simplify business regulations, reduce bureaucratic hurdles, and offer financial incentives to foster SME growth.

The number of Saudi SMEs has more than doubled to 1.14 million since Vision 2030 launched. The number of SMEs more than doubled since the launch of the Vision 2030 program to 1.14 million in 2022, the National Transformation Program (NTP) said in its annual report.

When it comes to SMEs, tech adoption and digital transformation are the common denominators underpinning the transformations that Saudi SMEs are going through.

Supported by several initiatives, SMEs are quickly adopting digital tools and platforms to

boost the performance of their operations, reach new clients, and increase their business efficiency. From cloud computing to e-commerce and mobile payment solutions, tech-savvy SMEs keep on expanding their share in the market.

The fintech spring is blossoming in the Kingdom and has become a significant game-changer for SMEs. With a surge in digital payment platforms, crowdfunding, and online lending services, SMEs now have several financing options.

In such a dynamic and liquid environment, innovation has become a core focus for SMEs in Saudi Arabia. Whether through partnerships with research institutions or internal R&D efforts, SMEs are steadily investing in innovation to create cutting-edge products and services. The government's commitment to funding research and development initiatives has further catalyzed the innovation drive, reinforcing the competitiveness of SMEs not only in the domestic market, but also in the regional and international ones.

With the right mix of innovation, digital transformation, and sustainable practices, SMEs in Saudi Arabia are well positioned to become key contributors to the Kingdom's economic prosperity in the years to come. ✖

INTERVIEW

LEAVING *a mark*



SME Bank in Saudi Arabia has achieved significant milestones, including creating a digital lending platform and partnering with institutions to provide funding and knowledge support to SMEs.

Abdulrahman bin Mansour
ACTING CEO,
SMALL AND MEDIUM ENTERPRISES
BANK (SME BANK)

Aims to support Vision 2030 to raise SME sector's contribution to GDP to 35%

Umbrella for all financing solutions, including debt financing, equity financing, and providing loan guarantees on behalf of SMEs

BIO

Abdulrahman bin Mansour is the Acting CEO of SME Bank. In addition, he is Chairman of the Board of Directors of the Financing Guarantee Program (Kafalah), Member of the Board of Directors of Saudi Venture Capital Company, and a Member of the Executive Committee Supervising the National Initiative (Nusaned-SABIC). He has extensive experience in the local market within sectors of investment, financing, and financial management during a career spanning more than 21 years. Bin Mansour holds an MBA in finance from the University of Manchester (UK) and Executive Finance Education form both INSEAD (France) and London Business School (UK).

Can you highlight SME Bank's milestones thus far in terms of supporting the growth of SMEs in Saudi Arabia?

When I assumed my role in January, we looked at the strategy of SME Bank and its three main pillars, or ABC, which stands for activate, build, and consolidate. We began with "Activate" soft launch of the bank's products and activities, which took place in December 2022. In the meantime, in November, the government released a new bylaw that clearly defines SME Bank as a digital bank. Subsequently, that helped with the second part of our strategy, "build," which we focused more on in 2023. Our "build" phase is divided into four pillars: pre-purchased efficiency systems; governance; integration and consolidation of our subsidiaries, namely Kafalah and Saudi Venture Capital company; and, lastly, business development. From day one, we made the decision to handle indirect lending and formed agreements with banks and NBFIS, companies, and fintech and rely on their infrastructure, systems, and governance to lend on our behalf. We are currently still working on the "build" phase, implementing our initiatives in terms of efficiency and people and building up our internal culture in addition to digital capabilities, governance, and consolidation. We are also working with our subsidiaries to develop our own internal culture, essentially defining the DNA of the company.

How does SME Bank collaborate with other government entities to further support the SME ecosystem in Saudi Arabia?

SME Bank is set to play an important role in the country in terms of improving local content. We have held discussions with SABIC and are also in advanced talks with Aramco and many other stakeholders. We also plan to approach PIF to outline our offerings and capabilities. This includes our website, where we have 50 lenders all aggregated, similar to a marketplace platform. We want SMEs and fintech to visit our website, where they

have the option to choose between 50 lenders and compare offerings. In its first quarter alone, our lending amount reached SAR1.7 billion. We can offer this funding gate to all government agents and the entire ecosystem. We can also offer six products that have been designed to suit SMEs' needs. When talking to government entities, we also discuss our plans in terms of digital transformation and improvement, our digital strategy, and the future digital capabilities. We aim to create a positive disruption in the market and digitalize the entire lending process from A to Z. This means that when SMEs apply for a loan, we will handle the KYC and the credit scoring digitally. The final part, lending, will also be fully digitalized with minimal, or zero, human intervention, which is our eventual target. We are investing in our digital capabilities with this target in mind. Once we have the infrastructure in place, we can offer these capabilities to others as well, including government agencies. I would like to help to reinvent the wheel so we can do business in a different way. I would like to have everything that can help SMEs grow all on one platform.

What are SME Bank's short-term goals?

Our immediate priorities are to complete our regional strategy, namely activate, build, and consolidate, and subsequently integrate with Kafalah and SVC. On top of that, we are focused on building up our partnership with international and local institutions. We are currently in discussions with technical institutions and banks to transfer our know-how to SMEs. Approximately 80% of SME issues have to do with funding; the rest is knowledge about growth. SMEs may not be well-versed in accounting, cash flow, calculating risk, and so on; however, SME Bank cannot do this alone. That is the reason why we focus on partnering with entities in the ecosystem to also provide financial support and educate SMEs. We are working on a closer alignment with others in the ecosystem. ✖

significant SUPPORT

Kafalah has emerged as a prominent player in the domain of SME finance in Saudi Arabia to foster business growth and support the realization of Vision 2030.

Homam Abdulaziz Hashem
CEO,
KAFALAH



What is the role of Kafalah in supporting SMEs in Saudi Arabia?

Kafalah is a loan guarantee program that has been in operation for 17 years. It was initially established by a mandate at the Ministry of Finance and was previously part of the National Development Fund (NDF); however, it has been moved under the SME authority. Recently, a royal decree brought Kafalah under the umbrella of SME Bank, which operates under the supervision of National Development Fund (NDF). The program's aim is to provide SMEs with a guarantee to facilitate access to finance. This is particularly important since SMEs often face challenges in obtaining financing as they are typically required to provide collateral for loans. Such collateral usually amounts to 120% to 150% of the loan net value. Unfortunately, these collaterals often end up being stored and forgotten in banks, with NBFIs failing to add value to either the banks or the SME themselves nor to the economy. As a result of this requirement, SMEs need to secure collateral equivalent to 120% of the loan value to access financing, which can hinder their growth and business activities. The numbers published by December 2022 show the Central Bank issued SAR228 billion in loans to SMEs. Now, imagine having SAR273 billion frozen in the vault, with no one able to access it. That's a significant challenge. This is where Kafalah and the Loan Guarantee Program step in to mitigate the financial burden on SMEs.

Can you share a case study or some examples of funding that truly exemplify the mandate and concept of Kafalah?

Kafalah's Guarantee Programs have proven to be more efficient during cri-

sis. SMEs often struggle to access finance and their survival is crucial to maintain jobs and keep businesses running and contribute to the overall economy. The COVID-19 pandemic posed significant challenges for several SMEs worldwide, leaving them in a precarious situation. During this critical time, Kafalah emerged as a beacon of hope for the Saudi economy by providing financial support and guarantees to SMEs. As a result, the volume of issued balances increased almost five-fold annually. This was made possible by the support of the Central Bank and the National Development Fund. To support SMEs during the pandemic, we implemented two programs, each offering exciting initiatives. First, we raised the coverage ratios to 95%, ensuring better financial security for SMEs. Second, we waived fees and collateral mandates set by the banks. Additionally, we introduced a six-month holiday period during which SMEs weren't required to make any payments or pay interest or profit rate. Simultaneously, we targeted sectors such as education, healthcare, culture, sports, technology and industrial. These industries helped us to improve the impact of Kafalah during that time. As a result, we have seen substantial growth in Kafalah's contributions to the total lending for SMEs from both banks and non-banking institutions, increasing from 4% when was the total SME lending at SAR109 bn to more than 13.2% of the total lending on December 2022 when SME lending reached SAR228 bn. This remarkable success reflects the effectiveness of our global program.

June 2023, Kafalah signed seven agreements worth SAR300 million, with SME banks being part of one of these deals. Could you elaborate

more on these agreements, their impact, and the relevance of these partnerships?

Kafalah believes in fostering a mutually beneficial relationship between three key parties. First, the SMEs are at the core of our business. Second, we work with financing parties, which are typically banks or non-banking financial organizations licensed by the central bank, providing financing to these SMEs. Third, we recognize the importance of collaborating with government entities as they play a crucial role in supporting specific sectors and SMEs. We actively engage with various ministries and reach agreements with them to mitigate their risk and facilitate their businesses. By targeting the core SMEs that these ministries support and providing them with appropriate finance, we contribute to the growth and development of their respective sectors. In conjunction with banks and NBFIs, Kafalah has achieved success by providing higher coverage ratios and lower fees and risk to support SMEs. ✕

BIO

Homam Abdulaziz Hashem earned a bachelor of information systems from King Fahd University of Petroleum & Minerals. He worked at several Saudi banks and financing companies for 24 years and attended many advanced training courses in the field of finance, risk mitigation, and financial consultancy. He also served as an international consultant for Visa International and representative of the Middle East and North Africa region. He held many leading positions in the field of finance, until he joined the Kafalah Program in 2017.

Jeddah has emerged as a prime commercial hub on the Red Sea



Image: Saimuddin Alantbi

thriving ECOSYSTEM

SVC plays a pivotal role in the Kingdom by supporting a wide range of funds and investment stages and fostering cross-border activities to create a thriving start-up ecosystem.

Nabeel Koshak
CEO & BOARD MEMBER,
SAUDI VENTURE CAPITAL (SVC)



Can you provide an overview of SVC and how it fits into the Saudi venture capital ecosystem?

The venture capital investment movement was triggered by Vision 2030. I have been in this sector and a part of ecosystem-building activities since 2010. Vision 2030 made it clear that start-ups and SMEs are key to the thriving economy that the Kingdom aspires to build. Many initiatives and programs soon followed, among them a program on how to stimulate venture investment. SVC was launched in 4Q2018, with two main areas of focus. One is an investment in funds program through which we back the backers, while the fund managers conduct the deal sourcing and portfolio management. Since inception, we have been sector and stage agnostic. We cover everything from funds focusing on pre-seed to those working on being listed on the stock exchange. We also conduct venture investment and cover private equity funds. Recently, we also started backing venture debt and private debt funds to cover a company's entire journey, whether it is a venture start-up or an SME during this journey from IDEA to IPO. They would always require equity and debt financing, and we back those funds that fund these two main instruments.

How has the ecosystem you are operating evolved?

The ecosystem has evolved rapidly. We initially started with local fund managers, but later started to attract regional and international fund managers. However, last year, two major things happened. One is the listing of the first venture-backed company in the public market, which has prompted more investments. There were also numerous M&A activities taking place in the venture

investment scene. Another significant observation is that top-tier VCs globally are increasingly investing in Saudi in the last two years. Global investors such as General Atlantic are realizing the potential of KSA and opening offices in Riyadh given that much more can be done based on the potential and size of the Saudi economy. Since our inception, we have backed 43 funds, and they all have a similar mindset and view the MENA region as one potential market. We encourage local start-ups to launch here and then expand beyond Saudi Arabia. We also back a group of companies through the fund of funds that similarly encourages start-ups in Egypt, the UAE, or Jordan to expand to Saudi or even Europe at a later stage. These spinoffs are crucial to having a thriving start-up ecosystem. SVC views venture investment as a global game; it entails cross-border activities with fund managers, investors, founders, entrepreneurs, teams, talents, and central banks all coming from all over the world.

What have been the main highlights since the company's inception?

In 2018, the total venture capital invested in Saudi Arabia was around USD60 million, though in 2022, we reached USD1 billion, demonstrating 17x growth. We were lean and agile, while backing local, emerging fund managers as well as regional and international funds. We invested in Endeavor Catalyst, a US cycle value-based fund; Hambro Perks, a UK-based fund; and also, MSA Capital, a China-based fund. The only requirement was that every fund we backed needed to have a portion investing in Saudi Arabia. We link our investment ticket size in the fund with their ability to de-source and invest in Saudi Arabia. This approach

not only supported local emerging fund managers, but also enabled us to attract regional and international fund managers to invest in Saudi Arabia. This approach eventually led to great success, and we gained significant traction from local emerging fund managers backing these investments as well as regional investors. We started to back accelerator and start-up studio funds such as the Flat6Labs accelerator fund to enhance the pipeline. We always monitor the funnel from pre-seed to pre-IPO and try to stimulate the market wherever possible. We have funds that focus on the pre-seed as well as others focused on series A and B. In August, we invested in a pre-IPO fund with Investcorp that focuses on helping companies get listed. ✖

BIO

Nabeel Koshak is the CEO & Board Member at SVC. He is also a member of the Executive and Investment Committee at the Cultural Development Fund. Koshak has been an angel investor since 2018. He is also chairman of Saudi Venture Capital and Private Equity Association and a board member of Middle East Venture Capital Association (MEVCA). Furthermore, Koshak is a member of the Investment Committee at KAUST's Innovation Fund and a board member of the Arab Fund for Economic and Social Development. He received an executive education in international board directors' program (IDP) from INSEAD in 2021, executive education in venture capital and private equity from Harvard in 2019, and executive education in a regional entrepreneurship acceleration program and management, innovation, and technology from Massachusetts Institute of Technology (MIT) in 2017, a PhD in design computing from Carnegie Mellon University in 2002, and a Master of Architecture in computing in design and PI.

Igniting Dreams and Fueling Growth.

From Boosting **2,800+** SMEs to Securing SAR **5.6** Billion in Q1 2023. A Decade of Dedication Since 2006 – Empowering around **20,000** SMEs with a Total Financing of SAR **83.6** Billion

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SVC is leading the development of the Private Capital ecosystem, and has invested SAR **2 billion** since its inception into **34** investment funds, supporting **600+** startups and SMEs

KSA is the top country in the **MENA** region for venture capital investment during the first half of 2023, capturing **42%** of the total capital deployed in the region.

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FORUM

VENTURE CAPITAL

These VC funds are propelling innovation and digitalization within Saudi Arabia while also unlocking the Kingdom's full entrepreneurial capacity.



Mohammed Almeshekeh
MANAGING PARTNER,
OUTLIERS VENTURE
CAPITAL

OUTLIERS is a venture capital firm that partners with exceptional entrepreneurs. The firm was formed with two main convictions: the best early-stage investors come with an operational background, and the most successful venture funds investing in emerging ecosystems are the ones who are investing as corridor funds. At Outliers, we believe that having a mixture of investment and operational background is crucial to the success of early-stage investments. We also posit that corridor funds, which invest between a mature market and an emerging ecosystem, have higher chances of creating top quartile returns. Many emerging eco-systems at their time, such as China and Japan, showed their corridor funds back the best companies in their targeting regions. This is the opportunity that we saw in the MENA ecosystem: building knowledge and networks in a mature market and investing in outlier companies in emerging ecosystems. Outliers started in 2019 and became fully operational in early 2020. Since then, we have invested in 17 different companies.



Fahad S. Alidi
MANAGING DIRECTOR,
WA'ED VENTURES

WA'ED WAS ESTABLISHED in 2011 by Saudi Aramco under the official name of "Saudi Aramco Entrepreneurship Center" to unlock the entrepreneurial capacity within the Kingdom. Initially, our core functions revolved around business coaching and mentoring for emerging start-ups, and we also offered SME lending as a supportive function. However, between 2013 and 2014, we recognized a massive shift in the local ecosystem; on the one hand, there was this increasing capability among founders to develop new technologies, and on the other venture capital was starting to become a reality globally but not exactly within the Kingdom. We realized that in the local ecosystem there was limited VC activity at that time, and it was at that same period when Wa'ed became the recipient of a USD200-million venture capital fund, making it one of the first institutional VCs in the Kingdom. Since then, our mandate was meant to evolve at each ecosystem shift to enable us to become an entity that propels innovation and advances digitalization within the Kingdom through its VC arm.



Abdullah Altamami
FOUNDING PARTNER
& CEO,
MERAQ CAPITAL

THE FINTECH SECTOR has been booming for the past few years and has recently been accelerating in Saudi Arabia and the region. We have multiple companies in our portfolio, including Hyperpay, Qoyod, and other fintechs. We established Merak in 2018, and today we manage two venture capital funds and a new private equity fund being worked on as we speak. In the past, banks used to do funding, payments, and cash management—the full suite of financial tools and products, all inhouse. Today, they are all broken down, and the payments sector, debt sector, and B2C savings are rising separately. This is only the beginning. We see it evolving alongside the economy's transformation and growth. When it comes to investing in fintech, we are theme based. For example, we invest in payments to supply businesses and even banks the ability to process digital transactions. In such a structure, our main clients are not only merchants, but also banks themselves, because we can empower them to digitalize their payments, both online and offline.



Omar Almajdouie
FOUNDING PARTNER,
RAED VENTURES

OUR FOUNDER-CENTRIC approach to investing means that, after we invest, we need to continue supporting the founders in a constructive and fruitful way. We do our best to make sure all of our founders receive the right help at the right time, going the extra mile to make it work. If one of the founders is looking to connect to a certain person and we do not have that connection, we create it for them. We believe that with the right connections to potential employees, clients, vendors, and advisors, they will have better chances of success. We are sector agnostic, but we do focus from time to time. Usually, the ecosystem generates leads organically. For example, due to the emergence of e-commerce, we can see many opportunities in logistics/fulfillment technology and payment technology. Currently we tend to focus our investments in fintech, commerce and enterprise software sectors, this is why we invested in two social commerce companies in Egypt and Pakistan. Social commerce is a channel that is emerging rapidly across the socially oriented regions.

doing THE NUMBERS

While Khwarizmi Ventures believes the MENA region will remain its primary focus, it is also exploring opportunities in other regions, including the US.

Abdulaziz AlTurki
MANAGING PARTNER,
KHWARIZMI VENTURES



Can you provide an overview of the company's history?

Khwarizmi was established by two founding partners, Yasser AlKadi and Dr. Ibrahim Almojel. And when things started to progress in Saudi, they started angel investing for several years before joining forces in early 2018 to create Khwarizmi Ventures with the initial intention to combine both of their families' tech investments. Fortunately, our paths crossed, and I started with Khwarizmi as Managing Partner in 4Q2020. That is when we began strategizing, setting the fund's thesis, and speaking to investors. In August 2021, we closed our first fund at USD63 million, and today our fund is valued at USD70 million after its second closing. We invest in early-stage companies, from seed to series A, all the way from Morocco to Pakistan, covering the MENA region. Mostly our investments are concentrated in Saudi Arabia, Egypt, and the UAE, although we do have investments in Morocco, Bahrain, and Jordan, as well.

Can you walk us through some of your investment processes?

It is a highly selective process. The deals we look at go through a funnel or a pipeline that starts with initially coming across a company, whether they applied through our website, we saw them at conferences, or have been directly referred to us. These companies can also have been scouted by our team and identified as an opportunity. After that, the decision process takes place regarding which ones we view as exciting and are in markets or space we consider

worth exploring further. We then meet the company, which consequently triggers further decision points: "Were we impressed with the founders? Do we want to continue the conversation?" If so, we proceed with preparing an investment memo for the investment committee to review and give an initial go-ahead to start due diligence. It is at this point that we dive deeper in our review, research, and analysis. We speak to customers, try the app to get a feel of the full experience, and check on the references of the founders, among other steps that allow us to have a full picture of the different aspects around the company. We also take a deep dive into the financials, running market sizing and valuation exercises, then meet with the investment committee again to make a final investment decision.

What are some of the emerging trends that are reshaping the entire venture capital industry?

When COVID-19 struck, there was a surge toward e-commerce, and many of the food and grocery delivery apps also took off at the time. We also saw numerous other trends, especially in fintech and payments. The trend was toward individuals seeking convenience payment options using digital methods like Mada, Apple Pay, and others. That in turn created a new spectrum of opportunities for start-ups to use these services and related infrastructure to create a name for themselves. Another rising trend is open banking, which introduces new avenues for fintechs to access user data and provide another layer of support and facilitation. Today we are living in the era

of AI, generative AI, and ChatGPT, which will change the way companies and start-ups do business.

Will you be looking to raise funds primarily in Saudi or the region?

We are already in talks with numerous global investors keen to invest in emerging markets. We hold regular calls, quarterly catchups, and occasional meetings with international investors, some of which we introduced to our portfolio companies and are in talks with. We continuously try to maintain such relationships and seek to grow from there. In terms of our investments, 10% of our fund is opportunistic in terms of geography, and we have two investments in the US today. Going forward, we will be evaluating which portion will be directed beyond the MENA region. We expect the region to be our flagship, and this is indeed where our strengths lie in terms of networking and accessibility. However, we might be exploring other regions as well as opportunities present themselves. ✖

BIO

Abdulaziz AlTurki is the Managing Partner of Khwarizmi Ventures' MENA-focused USD70-million fund, investing in early-stage start-ups. He held numerous leadership positions in different companies, including his role as an engagement manager at the McKinsey & Company subsidiary, Elixir Management Consulting, SABIC, as well as a number of start-ups and VCs. AlTurki completed his bachelor's degree in electrical engineering from the University of Maryland and holds an MBA from London Business School.

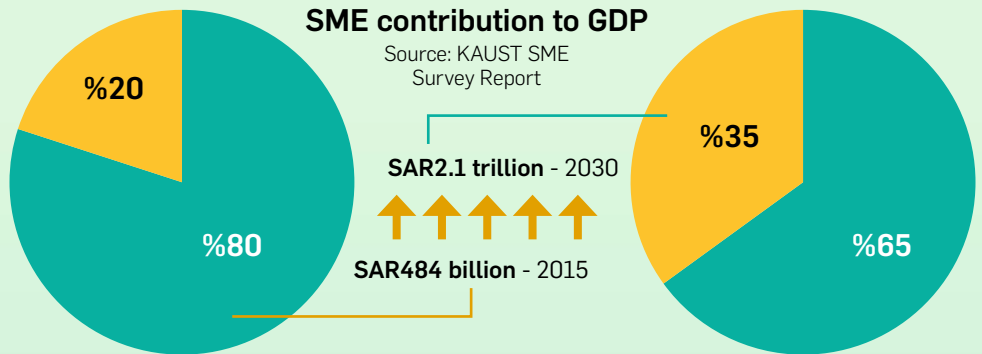
INFOGRAPHIC
SMEs

STRENGTH IN NUMBERS

Saudi Arabia's SMEs are an integral element of its grand Vision 2030 development plan. Their numbers and contribution to GDP continue to swell amidst a vibrant, flush start-up environment.

BOLD VISION

IN APRIL 2016, Saudi Arabia unveiled Vision 2030, a wide-ranging blueprint aimed at achieving sustainable diversification. SMEs are set to play a crucial role, with their contribution to GDP set to skyrocket.

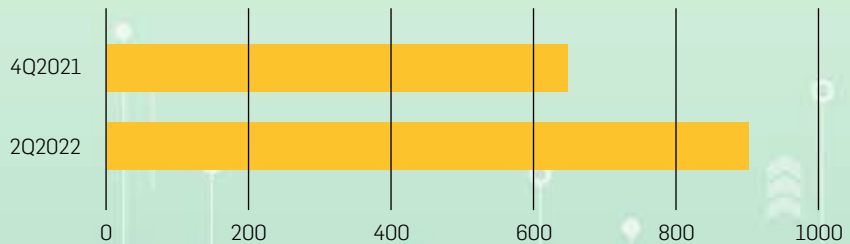


EXPANSION

WITH THE Small and Medium Enterprises General Authority of Saudi Arabia (Monsha'at) at the helm, Saudi Arabia has worked to develop entrepreneurial platforms such as business incubators, business accelerators, and co-working spaces to encourage SME growth. Efforts are already paying off.

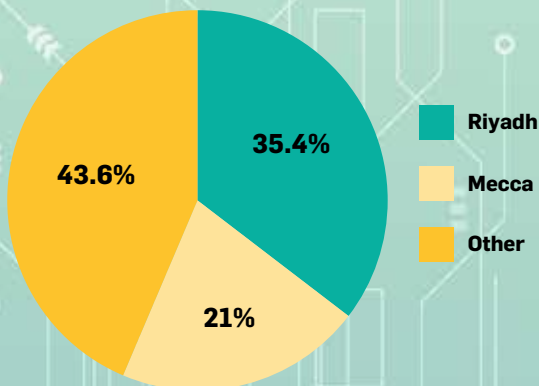
Number of registered SMEs (in thousands)

Source: Monsha'at



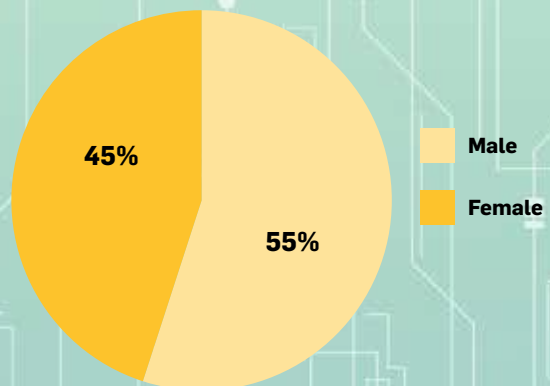
SMEs by location

Source: Monsha'at



SMEs by gender of leadership

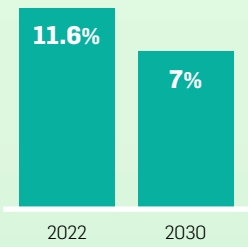
Source: Monsha'at



MONSHA'AT also hopes that by boosting SMEs, unemployment figures can be slashed and the overall percentage of women in the workforce increased.

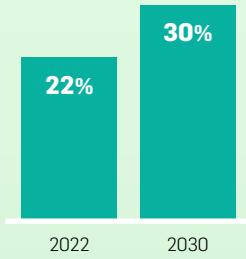
Unemployment target (%)

Source: Monsha'at



Female workforce participation target (%)

Source: Monsha'at

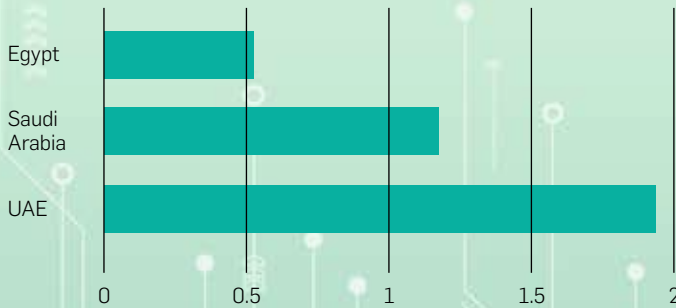


START-UPS

THE AUTHORITIES have prioritized efforts to boost start-up funding with a view to increasing the number and viability of new businesses.

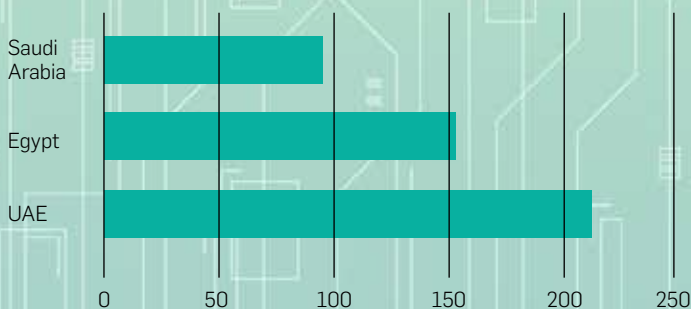
Funding value by Arab country, top three (2022, USD BN)

Source: Lucidity Insights Research



No. of deals by Arab country, top three (2022)

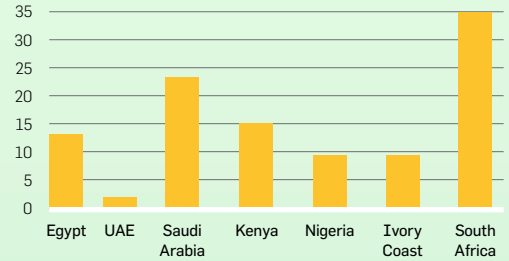
Source: Lucidity Insights Research



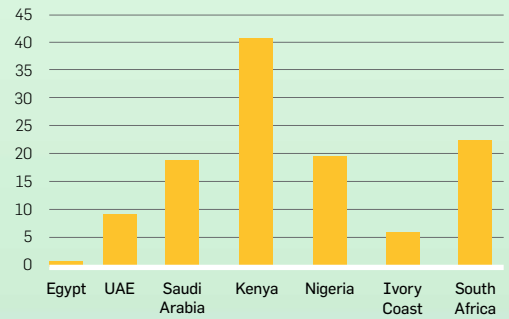
DIGITALIZATION

WITH DIGITALIZATION advancing apace across the country, are Saudi Arabia's SMEs ready and how do they stack up in the MEA region?

Have a webshop %

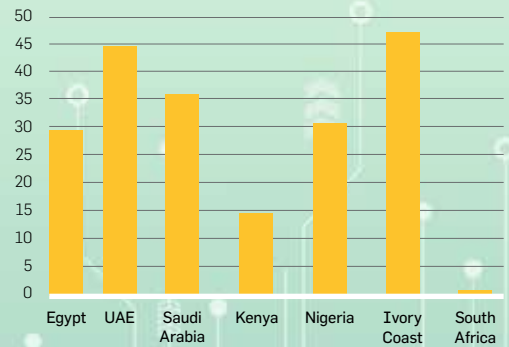


Sell via online channels %

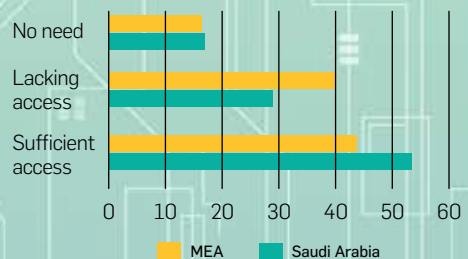


Source: Mastercard

No digital presence %



SME opinion on access to financial products/services to digitalize business %



INTERVIEW



Ahmed A. Alhakbani
FOUNDER & CEO,
SIFI

BIO

Ahmed A Alhakbani is the Co-founder & CEO of SiFi, launched in 2021. Prior to that, he was the former governor of the General Customs Authority from 2017-2021. He also serves on multiple governmental boards at publicly and privately held companies and non-profits. He holds a full-time MBA degree from INSEAD France and a bachelor of science in computer information systems from King Saud University in Riyadh. He also completed executive education courses at the London School of Economics and Political Science and IMD Business School in Lausanne.

Can you talk to us about SiFi operations?

The inception of SiFi occurred during the final months of my four-year term in a government role. My team and I were grappling with managing expenses and petty cash, and several friends in the Fintech and Banking sectors proposed the idea of an e-wallet to compete with existing Fintechs. As the space became rapidly competitive, we focused on harnessing this technology to resolve expenses problems for businesses and government organizations. With no local providers offering a solution, we drew inspiration from international benchmarks, resulting in SiFi's creation. We're currently in the final stages of obtaining an operating license from the Central Bank of Saudi Arabia (SAMA).

Since then, what partnerships have you made in the Saudi market?

Our primary banking partner is the Arab National Bank (ANB). We also have agreements with MasterCard and Network International for card processing. These three are our foundational partners, but we foresee collaborations

with other financial institutions in the future. Our goal is to work with all banks in Saudi Arabia, making it easier for customers to engage with us. Additionally, we anticipate establishing international partnerships, which is one reason we're aligned with Network International, as it operates in multiple countries. Saudi Arabia has immense potential, making it a blue ocean for us. Once we reach a comfortable level of maturity, we plan to expand into other markets, primarily the GCC and other countries in the region. We believe our strong technical team and business understanding will enable our solution to transcend the Saudi market.

How are you instilling awareness about SiFi and telling other corporations that you have the solution for them?

While we cannot aggressively promote our product until obtaining the SAMA license, we have invited companies to join our waiting list, amassing a significant number of interested customers. After launch, our go-to-market strategy will encompass direct sales, online marketing, and partnerships with key players such as accounting software providers, merchants, and banks. With the extensive market in Saudi Arabia, we believe no single player can satisfy the demand alone. ✖



Salem Abu-Hammour
CO-FOUNDER & CEO,
erad - SAUDI ARABIA

Can you provide a brief overview of erad's operations?

erad provides online businesses with money that they can use for inventory and marketing, the main two drivers of growth. Online businesses often have a cash flow problem; they pay for inventory upfront and often wait four to six months to receive and sell the product. The problem is further exacerbated by the marketing spend needed to sell that product. This cycle often becomes a trap and limits growth. We realized that the online sector is underserved by traditional banks, mainly because these businesses typically do not have tangible assets. However, they are in fact sitting on a treasure trove of data, since these businesses operate almost entirely on the cloud. By getting access to this data, we can identify those businesses that are performing well and are only missing the capital element to achieve their growth plans. For us, data is more valuable than tangible assets. Data provides deeper insights into the businesses we work with. Using our live access to this data, we can provide businesses not

only with the necessary funding, but also with specific recommendations on where to allocate their marketing budgets, such as targeting specific keywords, times, and regions, which could result in a significant increase in sales.

What sets erad apart from other companies or growth funding companies in Saudi Arabia?

Every company is doing its best to succeed and achieve its vision. We believe that focus is key to success, which is why we are determined to only serve the online sector at this stage. This gives us a competitive advantage because as we can go deep into the sector, unlike other lenders serving multiple sectors. We strive to improve every day by providing a better service and more accurate analysis and data, but with a particular focus on the specific sector that we believe is driving the future of retail. Historically and even today, financial services have mostly been provided by banks; yet, the role of financial services companies is changing from being regionally focused to being more product or sector focused. We believe that providing a product that is customized for the needs of online businesses would help us to always be ahead in understanding the needs of online sellers and provide them with a product that just fits their needs. ✖

BIO

Salem Abu-Hammour is the Co-founder & CEO of erad. Before erad, he worked as a senior business analyst at Baraka after spending a few years in corporate finance and M&A advisory at PwC-Dubai. Before moving to the Middle East, Abu-Hammour was part of the exotic trading team at Goldman Sachs-London. He holds a degree in accounting and finance from the University of Bath and has obtained CFA Level II certification.

UNIFONIC

One platform for every conversation.

 SMS

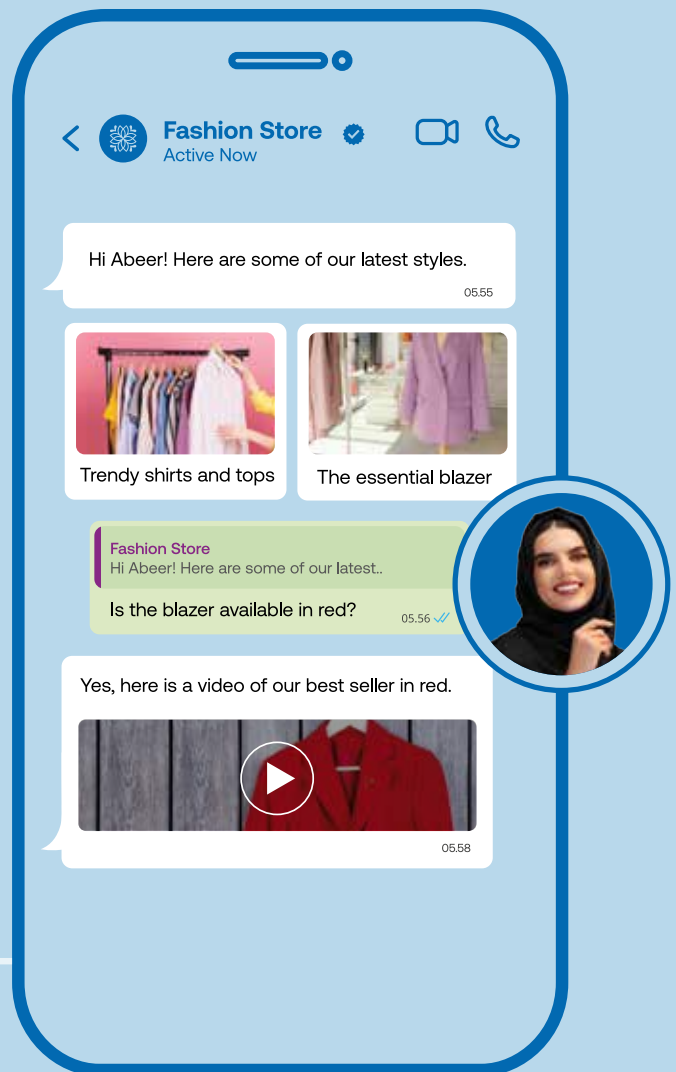
 Push

 Voice

 Email

 WhatsApp

 Social Media



FORUM

SMEs

These companies are not only providing both dedicated services for SMEs in the Kingdom, but also developing specific and personalized lending options, giving smaller merchants more options to grow.



Mohammad Zohdi
CBO & DEPUTY CEO,
ARAB SEA FINANCIAL



Osama AlRaei
CO-FOUNDER & CEO,
LENDO



Paul Melotto
CEO,
ALRAEDAH FINANCE

ARAB SEA INFORMATION SYSTEM has products for the ERP solution for the SME segment and an ERP for the corporate segment. SMACC solution is the ERP solution for SMEs to provide merchants with the foundation of accounting. With our SMACC solutions you can enable a module for a point of sale or a cash register, and it is also an e-commerce builder that can help businesses sell their products online. Both modules serve retail businesses, either online or in their physical store. The idea of Arab Sea Financial Company came about after SAMA launched the aggregation license for SMEs, which allowed Arab Sea Financial to provide payment services as if dealing with the bank directly. This has helped to speed up the enablement of SMEs and the launching of their products. Our SMACC solution offers full accounting solutions that comply with zakat regulations for e-invoices and tax invoices. In addition, we provide the retailer with a cash register that is the ECR point of sale solution and with online store activation. Consequently, Arab Sea Financial Company provides them with a full-service payment solution. Other companies in the market provide only payment services, but not online store services, accounting solutions, point of sales, or even a cash register. Arab Sea provides merchants with the entire solution for their business to succeed.

LENDO WAS THE FIRST FINTECH to go into crowdlending in Saudi Arabia. We entered the sandbox and were there for two and a half years. In March 2022, we were the first Saudi company to receive the full fintech license for crowdlending, and we still remain the only one to date. The sandbox had many limitations on how much we could lend, though now that we have the full license, we can start lending much more aggressively. We also raised a USD7-million round, which was beneficial to our growth. In 2021, we started with nine employees, and today we are at 40. Our plan is to have 60 by the end of 2022. Our lending has grown more than 300%, while our revenues have boomed. We are number one in crowdlending in Saudi Arabia and even the region, even though there were few companies in Jordan and the UAE started years before us. We have a 0% default rate. We are not cheaper than banks—we are perhaps 10-30% higher—though we are definitely faster. It currently takes us eight working days from the application to transfer money into the bank, and our plan is to reduce this to three days for some products and even two hours for other products.

ALRAEDAH FINANCE currently support SMEs as a platform, not just with financing but also with payments and digital payments and increasing support through some government programs as well as indirect lending programs within the SME section of the government. Everyone wants to say they support SMEs in some shape or form; however, they often overlook the value chain and what is valuable to SMEs. We decided a long time ago that even though we have lending licenses for individuals, car leasing, and so on, we want the entire organization to focus on SMEs. It is extremely focused. SMEs receive a better experience and enhanced offerings when a company is specifically focused on them. We were one of the first ones in the Kingdom to adopt AI machine learning in 2017 that allows us to build tasks and deploy models quickly. We took a brief break during COVID-19 because the data was skewed, and we have since reintroduced this model. We model everything such as expected credit losses, which is the probability of default and recovery from customers, to the amount of time it would take a customer to pay off their loan. In addition, we use it to predict how fast or slow a customer in the pipeline will close or originate.



Amer Siddiki
CO-FOUNDER & CEO,
THEMAR



Esam Alnahdi
CEO,
HALA

THEMAR started with the principle of helping SMEs, though we realized we were supporting micro and small enterprises. Prior to starting THEMAR, both my co-founder and I had our own businesses, where managing our company cashflows was always a constant struggle, which is common amongst all MSMEs. THEMAR is uniquely positioned to support MSMEs through its solution as a peer-to-peer purchase financing platform that enables MSMEs to purchase goods from vendors of their choice that they have dealt with in the past. To purchase the goods, THEMAR uses the money that we raise for the MSMEs, from peer investors, and sells the goods at a profit to the MSMEs. We are helping them flourish by delaying the payments of the goods and having them pay in installments. Doing so reduces the stress on MSME cash flow. We have several competitors in Saudi Arabia; however, we can differentiate our brand through our service, our product, and our target customers. As for our target customers, we are targeting the micro enterprises, which constitute the bulk of the enterprises in Saudi Arabia. According to Monsha'at, the number of micro enterprises in Saudi Arabia stood at 599,800 at the end of 1Q2022, representing around 79% of total enterprises.

WHAT KEEPS US EXCITED is building a one-stop shop for our SMEs, and as we only just started on our journey, we are serving more than 45,000 SMEs. The acquisition of FRESH POS, which recently rebranded as Hala Cashier, is part of our vision to provide all the services needed by SMEs. These SMEs are not interested in dealing with three to four vendors, whether they are for financial or non-financial services. The acquisition of FRESH POS was a strategic move to serve our merchants on non-financial issues such as e-invoicing, inventory management, bookkeeping, and all other non-financial services they need for their day-to-day operations. Our financial services are completely digitalized, and what differentiates us the most is that we are highly specialized in what we do. We want to be the leader of SMEs for all types of services that we offer. We provide integrated financial solutions, all within Hala, as a one-stop shop, where merchants only deal with one party rather than different parties. Banks only have terminal/POS providers, while Hala can provide merchants with a POS and wallet account. Therefore, we are finetuning and stitching together a product that fits our base, whether they are in financial or non-financial services.



THE E-PAYMENT GATEWAY WORLD-CLASS TECHNOLOGY LOCAL EXPERTISE

HyperPay is a leading payment gateway in the MENA region, offering world-class payment services and solutions in addition to the different products in order to make your payment processes easier, faster, and more reliable.

- Use any payment method with ease, whether local or international.
- Accept payments from customers around the world securely.
- Manage your bills in one place with our simplified billing system.
- Securely make payments using our automated third-party payouts.
- Monitor and analyze business metrics with ease.
- Comprehensive data security and protection measures.
- Get 24/7 expert support to ensure smooth payment processing.

Tech-driven Transformation: Fintech & Innovation

FINESSE IN FINTECH

The fintech market in Saudi Arabia has seen significant growth in recent years, and this trend is expected to continue in 2024. The Saudi Arabian Monetary Authority (SAMA) has played a pivotal role in promoting the fintech industry in the country. The central bank has created a regulatory sandbox, launched a Fintech Saudi initiative, and provided funding for fintech start-ups. These initiatives have helped create a conducive environment for fintech companies to thrive in the country.

One of the major trends expected to emerge in the Saudi Arabian fintech market in 2024 is the adoption of open banking. Open banking is a concept that allows third-party financial service providers to access bank customers' data through application programming interfaces (APIs). This enables these providers to create innovative solutions for customers that were previously not possible. In Saudi Arabia, SAMA has already issued draft regulations for open banking, which will allow fintech companies to leverage this opportunity to create new products and services.

Another trend expected to emerge in the Saudi Arabian fintech market in 2024 is the rise of digital payments. With the increased adoption of smartphones and the internet, more people

are moving away from cash transactions toward digital payments. Fintech companies are likely to play a crucial role in this transition, as they provide innovative solutions that are convenient, secure, and efficient. In Saudi Arabia, SAMA has already launched a national payment system, which aims to create a cashless society by 2030.

Furthermore, the use of AI and machine learning is also expected to grow in the Saudi Arabian fintech market in 2024. These technologies can help fintech companies provide personalized solutions to customers based on their spending patterns, financial behavior, and other data. The use of AI and machine learning can also help fintech companies detect and prevent fraud, which is a significant concern in the finance industry.

Finally, financial inclusion is another trend that is expected to emerge in the Saudi Arabian fintech market in 2024. Despite the country's high GDP per capita, there are still many people who are unbanked or underbanked. Fintech companies can play a crucial role in reaching out to these people and providing them with access to financial services. This can be achieved by leveraging mobile technology, which is widely adopted in the country, and creating solutions that are affordable and accessible. ✖



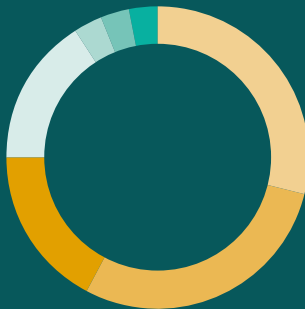
FINTECH STRATEGY 2030 TARGETS

SOURCE: FINTECH SAUDI

Fintech players	525
Fintech jobs	18K
Direct GDP	SAR13.3B
Cumulative VC investments	SAR12.2B

LISTED FINTECH FIRMS BY ACTIVITY

SOURCE: FINTECH SAUDI



- 29 Equity crowdfunding
- 29 Real estate crowdfunding
- 17 Debt instruments
- 16 Roboadvisor
- 3 Distributed ledger technology
- 3 Social trading
- 3 Other

ACTIVE FINTECHS BY YEAR

SOURCE: FINTECH SAUDI

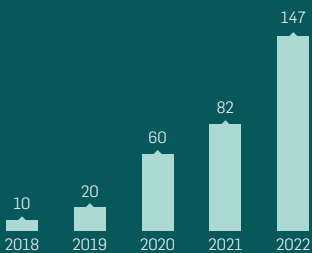


Image: Arnold O. A. Pinto

on the path TO SUCCESS

Established in 2018, Fintech Saudi has since achieved significant milestones, including its Fintech Accelerator, Annual Report, and the first physical Fintech Career Fair.

Nezar Al Haidar
DIRECTOR,
FINTECH SAUDI



How would you assess the current digitalization landscape in KSA?

The sentiment toward fintech in Saudi Arabia is positive, and there are a lot of drivers supporting the growth of the fintech industry. The Saudi Central Bank and Capital Market Authority (CMA) remain committed to supporting the growth of the fintech industry. This is shown through the new regulatory changes we have witnessed that are driving investment and growth. We also have a young, highly digital population that are changing their habits rapidly and supporting digital adoption. These together support a truly agile ecosystem that supports innovation in financial services to come to market and become adopted quickly.

Fintech Saudi was incepted in 2018. After five years of operations, can you share the company's main highlights?

Fintech Saudi was launched in April 2018 by the Saudi Central Bank (SAMA) in collaboration with the CMA. SAMA and CMA are the sponsors of Fintech Saudi. When it comes to major highlights, it depends on how you look at it, because we are proud to have made a difference in a number of different areas. However, particularly important for me are our In-

roduction to the Fintech Program, our Fintech Accelerator, the high quality of Fintech Saudi's Annual Report, and the launch of the Physical Hub. Most recently, we were proud to hold the first physical version of our Career Fair. The Career Fair has been staged virtually since 2019, but this year we have held it for the first time as a physical event, and it proved to be the largest fintech career fair in the region. It has never been done before, and we welcomed 8,000 attendees and connected them with over 50 entities looking for talent.

Fintech Accelerator by Fintech Saudi is the first global regulatory-focused accelerator to foster the growth of fintech start-ups in the KSA. Can you shed more light on this initiative?

Fintech Saudi has always been focused on making an impact and ensuring we can make a difference. This is shown through our commitment in developing the first regulatory-focused accelerator. We listened to the market and found fintechs had a particular challenge in preparing a license application and preparing their businesses to comply with the regulations. We therefore launched a program that was a first of its kind—a regulatory-based accelerator. The pro-

gram involves the regulators, lawyers, and other experts to support the participants with their regulatory application. As Fintech Saudi, we are doing as much as we can to grow the ecosystem. Our role has always been enabling, educating, and building capabilities.

What main initiative are you currently working on and what priorities are set in your 2023/24 agenda?

Our priority is to fulfill the ambitions of the national fintech strategy that was approved by the Council of Ministers in May 2022. The fintech strategy involves a number of government organizations with the objective for Saudi Arabia to be among the leading countries in the field of fintech, with Riyadh becoming a global tech hub. The strategy focuses on a number of drivers in areas such as market positioning, talent development, technology, and regulatory framework. ✖

BIO

Nezar Al Haidar is the Director at Fintech Saudi. Previously, he was involved in the development of the entrepreneurship ecosystem in Saudi Arabia through positions in organizations such as Badir Incubator and Monsha'at.

Today, organizations are faced with issues of uncertainty, information bias, and information overload, leading to analysis paralysis. Intelmatix is utilizing decision intelligence technologies to support our cognitive abilities and drive decision making through artificial intelligence.

DECISION INTELLIGENCE FOR ENTERPRISES

IT'S CLAIMED that human beings make over 35,000 decisions a day. Organizations face many difficult decisions, such as issues of uncertainty, incomplete information, and, more importantly, information overload. It comes as no surprise that, according to research, it is more complex for businesses to make a decision today than it was five years ago. Increasingly, we need technologies to help us make better decisions.

In the past, industrial revolutions have advanced mankind by enhancing our physical abilities. The first revolution brought the invention of the steam engine, helping us move from place to place; the second gave us electricity, allowing us to see in the dark; and the third paved the way for advanced automation enabling manufacturing at scale. In this fourth industrial revolution, led by artificial intelligence, we can now use technology to support our cognitive abilities, in turn enhancing our decision-making, a high-level process based on cognitive functions such as perception, attention, and memory.

DECISION INTELLIGENCE: DEFINED

Currently, managers and decision-makers use business intelligence (BI) dashboards to assist in their decision selection. However, this has led to “analysis paralysis” that no doubt has plagued business decisions. To replace the biases and vulnerabilities of an outdated BI approach, decision intelligence has quickly become one of the leading technologies that enables organizations to make responsible and informed decisions and is an integral part for any organization trying to compete. Indeed, decision intelligence has solved what is known as the “last-mile” problem of decision making, closing the gap between the information that we have and

the choices we must make.

Google’s chief decision scientist, Cassie Kozyrkov, defines the discipline as “A practical approach to improve organizational decision-making. It models each decision as a set of processes, using intelligence and analytics to inform, learn from, and refine decisions.” Decision intelligence has its roots in the scientific breakthroughs of complex systems and the ability to model intricate processes. Historically, such models could never leave the sphere of academia due to them being difficult to apply to any real-world scenarios. Modern applications of data science and artificial intelligence, coupled with inductive reasoning, have now allowed us to systematically approach decision-making in deeply uncertain conditions.

INTELMATIX, LEADING THE RACE TOWARD DECISION INTELLIGENCE

Intelmatix has harnessed the powers of decision intelligence to deliver bespoke solutions and enterprise products for organizations to provide them with a competitive advantage. As a deep tech company with offices in Riyadh, London, and Boston, Intelmatix has developed pioneering solutions for clients that achieve real impact across a multitude of sectors that range from utilities to real estate to retail, among others. For example, one of their latest solutions, ClearVision, is a technology developed to help city operators dispatch their inspectors in a manner that improved their efficiency by over 24%, saving the city tens of millions in operation costs.

Today, the adoption of AI by enterprises is still limited. This is due to many reasons such as complexity, un-scalability, and limited usability of AI tools. To address the

question of complexity, Intelmatix offers user-friendly systems that cater to all users, including non-technical ones. Furthermore, due to their short time-frame of usability, the AI tools available today are not scalable by design, with no real foresight of any impending improvements needed. Intelmatix offers scalable solutions for this exact reason. Furthermore, AI tools at present are very specific, focusing on a particular usage case that addresses a specific problem, and in doing so do not capture the big picture. To resolve this, Intelmatix are developing enterprise software products that cut across the many verticals of an organization, enabling better decisions to the complex problems they face.

THE ADOPTION OF DECISION INTELLIGENCE

The adoption of decision intelligence across the globe will come at unprecedented speeds due to the ground-breaking results being seen upon implementation. Global analyst firm Gartner listed decision intelligence as one of its “Top Tech Trends” of 2022, and believes that one-third of all large organizations will hire decision intelligence analysts as early as next year.

Decision making is evolving at exponential rates and big tech companies understand the shift in pace and have jumped on the bandwagon. For example, Google hired a chief decision scientist to lead its decision intelligence needs and apply the technology across the business. IBM has also formed a decision optimization department. This remarkable shift is happening all around us, and decision intelligence will become a major toolkit for leaders and a critical component of any business’ arsenal for years to come. ✖

the acceleration of digital transformation IN THE KINGDOM

Adam Jones
COUNTRY GENERAL MANAGER,
MENA CENTRAL,
MASTERCARD



From partnerships and innovations to driving a digital society, here is how Mastercard is supporting Saudi Arabia in achieving its Vision 2030 goals.

How would you define the peculiarities and trends defining Saudi Arabia?

The payments landscape in Saudi Arabia is experiencing fundamental changes across channels and the value chain. These changes have been accelerated by globalization, changes in consumer behavior, and more activist regulations. According to Mastercard's 2022 New Payments Index, in addition to being aware of solutions like digital cards, biometric payments, and open banking, consumers in Saudi Arabia are increasingly and actively using these solutions in their everyday lives. The index found that 89% of people in Saudi Arabia have used at least one emerging payment method in the last year. They include 42% who have used a tappable smartphone wallet, 31% who have used a digital money transfer app, and 21% who have used a BNPL installment plan. Consumers are also making purchases in increasingly diverse ways, including through voice assistants and social media apps. While traditional payment methods still have traction, 30% of consumers in Saudi Arabia indicated they used less cash in the past year. By contrast, 69% of Saudi users, compared to 61% globally, increased their use of at least one digital payment method in the last year, including digital cards, SMS payments, digital money transfer apps, and instant payment services. This contributes to the aims of Saudi Arabia's Financial Sector Development Program (FSDP), under the strategic aims of Saudi Vision 2030, which has set a target of achieving a 70% cashless society by 2030.

What steps is Mastercard taking to connect and power a digital economy that benefits the communities in Saudi Arabia?

As a multi-rail company that serves merchants, banks, telecommunications organizations, financial technology companies, and governments, we at Mastercard are redefining the future of payments. We are committed to delivering simple, secure, and innovative payment solutions that will continue to drive digital transformation in Saudi Arabia and across the wider region. We are achieving this by forming productive partnerships across the spectrum, ensuring that people and organizations have access to the networks, tools, and solutions that can help them reach their full potential and achieve financial security. In 2021 we worked in cooperation with the Saudi Central Bank (SAMA), Saudi Payments, and IBM to launch Saudi Arabia's instant payments system, "sarie," which allows bank customers to send and receive money in real-time using a wider range of services and transfer options. And in 2019, Vocalink, now known as Mastercard New Payment Platforms, and Saudi Payments introduced real-time, account-to-account payments in Saudi Arabia, enabling instant payments between financial institutions, businesses, and consumers. In addition to speeding up digital commerce, this enables newer fintechs and financial institutions to take advantage of the benefits of a digital economy.

Gaming and esports have been identified as key drivers of growth across Saudi Arabia, as they are expected to reach USD6.8 billion in value by 2030. How is Mastercard supporting the development of these industries and what specific initiatives are you currently involved with?

Gaming and esports have been identified as drivers of growth across Saudi Arabia, supporting the ongoing transformation of

the nation's digital infrastructure, economy, and society. Studies by the Saudi eSports Federation (SEF) show that 85% of gaming fans in the Middle East and North Africa are in Saudi Arabia, of which 78% are Saudi nationals. In June, we announced our partnership with the SEF, a historic agreement that will help showcase the new technologies that are transforming the Kingdom into a leading hub for gaming and esports. The collaboration will see us working with the SEF to curate special offerings, events, and engagements, using our technology to make payments easier for gamers and creating more immersive experiences and truly priceless moments for the people of Saudi Arabia and avid gamers from all around the world to enjoy. ✖

BIO

Adam Jones is the Country General Manager, MENA Central at Mastercard. He joined Mastercard in 2015 as VP, Head of Commercial Products for Middle East and Africa responsible for product and sales. In November 2018, he took on the position of Country Manager, East Africa. Before joining Mastercard, he served as the head of commercial business for American Express Middle East and North Africa, based in Dubai, UAE. He joined American Express in London as a global account manager and then went on to manage the commercial arms of its joint ventures in Belgium and Switzerland. He holds a bachelor's degree in marketing from Southampton Solent University, UK.



Image: Gorodenkoff

hyper GROWTH

HyperPay's ambitious growth plans include 110% growth in 2023 and going public in Saudi Arabia within the next two years.

Muhannad Ebwini
CEO,
HYPERPAY



How would you evaluate the company's performance in 2022, and what are the drivers underpinning HyperPay's growth?

2022 was a great year, as we grew by almost 100%. We also finalized our investment with Mastercard and launched a new plan with a brand-new identity. We are moving from being a gateway to a complete B2B fintech provider. We are expanding further in payments with a unique approach and expanding our products, which will all be B2B. Payments have now become a commodity. The market is becoming increasingly competitive, with new players capitalizing on the opportunities presented by the dynamism of the national economy. We are proud to have around 14.9% of the market share, and we are working to expand it even further. We have a new target of 110% growth for 2023. We have been above targets in the first few months. To sustain our growth, we created a series of new products mainly focused on solutions. Our recent focus is on our recently launched product: Hyperpay Hospitality. We have established a strategic partnership with Oracle to provide a "no-show" solution that benefits hotels using the Oracle OPERA Cloud Property Management System (PMS). In a post-pandemic landscape, hotels are experiencing a sharp increase in demand but often struggle to successfully fulfill it. This is compounded by the issue of no-show reservations can negatively impact a hotel's bottom line. HyperPay's Hospitality Solution is specifically designed to ensure clear communications between hotels and their guests. The "no-show" solution is fully automated, allowing hotels to bill customers for the

first night's stay in advance of their arrival. Once payment is settled, HyperPay's Hospitality Solution works with Oracle's OPERA Cloud and OPERA 5 solutions to reflect the booking's status and sends the client a booking confirmation along with a digital invoice. This solution is the first in the world to address the issue of no-shows from third-party bookings like Booking.com. We have finalized partnerships with 20 five-star hotels, most of which are testing the service before taking it to their headquarters. The product has been well received not only in the country but also in the region. Hotels in Saudi Arabia, Dubai, and Jordan are already using it. We also plan to make this product available as a white label to other countries that can sell it worldwide. We never compete on price as we believe that transactions should be profitable. We focus on delivering unique and localized products where we have a competitive advantage. We expect significant growth in fintech in general in the coming years, not just payment solutions, but other areas as well. Our solutions today do not even cover 30% of the market, and we need more fintech companies in KSA with different solutions. Our focus is on lending and cash advances.

HyperPay has announced its plans to go through an initial public offering in Saudi Arabia within the next two years as part of its expansion plans. Can you elaborate on this initiative?

This is a significant milestone for our company. We have established governance and committees, have taken multiple ISOs for security, and obtained certificates to ensure we are IPO ready.

We have also brought in multiple consultants to help us prepare for the IPO process. Our original plan was to start the final phase this year, though our consultants recommended delaying the process by a year to focus on improving the product line, particularly in the areas of card issuing and B2B units, and to start generating revenue from these products. We have worked with the market to ensure we have multiple sources of revenue other than just the payment gateway. Our plan is to reassess our readiness to start the IPO process in 1Q or 2Q next year. We anticipate being listed by 2025. Our top priority now is ensuring the company's continued growth and maintaining the quality of our service. ✖

BIO

Muhannad Ebwini is the Co-Founder & CEO of HyperPay, having led the business to its current position as one of the Middle East's fastest-growing and most successful online payment businesses. Ebwini has more than 18 years of experience in the online, e-commerce, gaming, and payment industries, having successfully grown the business of OneCard, a leading regional alternative payment mechanism between 2004 and 2010. During his tenure at OneCard, he spearheaded the development of the online payment and e-commerce industry in the MENA region. He is a certified e-commerce consultant (CEC). He holds an MBA in management and international business from NYIT and a bachelor's in computer software engineering from Princess Sumayya University.

Post-trade processing on a single platform



With the growing cost of CSDR penalties and increased focus on T+1 settlement cycles, firms are having to retool their back-office processes to future proof their critical business needs.

SmartStream has created a highly scalable, flexible solution, designed to consolidate fragmented infrastructures and establish intelligent operational hubs.

Trade Process Control is already helping clients achieve T+0, through optimised operational efficiency, automation and governance. The solution integrates with in-house, and third-party applications and services, bringing together a broad range of asset classes and process flows into a single platform.

We remain committed to providing you with the highest level of service and support during this period of change. Get in touch today to find out how.

info@smartstream-stp.com
[smartstream-stp.com](https://www.smartstream-stp.com)

a critical ELEMENT

SmartStream prides itself on responding to the needs of its diverse client pool and is moving toward expanding its footprint in the region and exploring ways to retain talent knowledge electronically and through AI.

Haytham Kaddoura
CEO,

SMARTSTREAM TECHNOLOGIES



Could you introduce SmartStream and its operations?

SmartStream is a leader in the fintech space, serving 2,000 financial institutions globally, including 70 of the world's top 100 banks. Founded in 1989, it currently operates in 21 countries. We are a critical element of our client's overall risk management and compliance framework, particularly in post-trade processing operations. We drive growth and efficiency, reduce operating costs, and enhance control of the reconciliation of cash, security, and other transactions. Our solution touches many aspects of an institution's operations, including providing banks with best-in-class expense and revenue efficiency solutions that strategically manage their BC&E expenses, a cash and liquidity management that is a single, integrated solution for real-time enterprise-wide cash and liquidity management and stress testing. Our solutions also offer cross-platform AI-driven data validation and reconciliations, specifically in environments where corporates or financial institutions are migrating large volumes of data to new platforms. Our solutions have helped empower institutions to provide more accurate reporting to their regulators and retain greater control over their treasury operations, providing more accurate transaction flows from the front-to-the back office. This has kept SmartStream a leader in this space, capturing over 60% of the market.

SmartStream offers a solution called SmartStream Air. What can you tell us about it?

AIR is our AI-based solution that prevents data failure by detecting and repairing errors and exceptions in the data flowing into an institution. A good example would be the internal exchange of data across different systems in correspondent banks. Errors in data could result in incon-

sistencies, which is where SmartStream's solutions can help with identifying data anomalies. This feature makes the process of correcting such irregularities easier and more streamlined for the users. A unique element of AIR is that it constantly learns from what its users are doing, for example to address a particular operational error, and it automatically proposes such amendments to future users.

What possibilities does AI create for the financial sector?

Large amounts of information are being gathered at an unparalleled pace from such divergent sources as bank transfers, online purchases, credit cards, debit cards, as well as physical geographic locations. Today, SmartStream has embedded AI within its solutions to answer its customer's needs with a suite of solutions that are AI enhanced, providing unparalleled levels of time savings, freeing resources, and processing times. High volumes of data, from multiple external and internal sources, that once took weeks or even months to process can now take seconds.

How does SmartStream stay on top of its game for 40 years?

As global as we are, a certain aspect of the business is still run like a family business. My executive team and I are uniquely connected and plugged into the business, wherever it takes place, and that knowledge moves rapidly throughout the company, so we understand potential problems or goals before others and have a leading solution ready when needed. SmartStream's relationship with its clients is more of a partnership, which is the key to our enduring success. Our solutions work not only when they are first deployed but also down the road, ever evolving with their changing needs. We pride ourselves

on our ability to understand and respond to the needs of a very diverse client pool.

What are SmartStream's next strategic steps for the year ahead?

We are moving toward further expansion of our footprint in the region. Many Saudi financial institutions have experienced the loss of talent, a trend that is currently being seen across the globe. These institutions are increasingly looking to AI for help in finding alternatives and alleviate these concerns. We have listened to our customers and the market and are looking at how an organization can retain that knowledge electronically and through AI. More importantly, we foster an environment that employees find more interesting and engaging. ✕

BIO

Haytham Kaddoura has been the CEO of SmartStream Technologies Group since 2016 after serving as a member of its board of directors since 2007. He brings over 20 years of experience in investment advisory, asset management, corporate restructuring, strategy formulation, and execution for boards of some of the most prominent corporations across the GCC and the greater Middle East and North Africa region. He started his career working with leading management consulting firms, including Accenture, Booz Allen and Hamilton, PricewaterhouseCoopers, and BearingPoint, advising corporations such as American Express, the Abu Dhabi Offsets Group, Abu Dhabi National Oil Company, Dubai Aluminum, and Qatar Foundation. In early 2004, he joined a Dubai Government initiative to establish the Dubai International Financial Centre (DIFC) and subsequently helped found DIFC Investment. Kaddoura holds a master's degree in finance and international business and a bachelor's degree in computer sciences.

FORUM

PAYMENT SOLUTIONS & SYSTEMS

Saudi Arabia's embrace of all things digital has led to the birth of a range of payment solutions providers and systems.



Abdulmajeed Alsukhan
CEO & FOUNDER,
TAMARA

THE REGULATORY environment globally is on alert and rightly so because the model is new. The demand and growth we are seeing within Tamara is unbelievable. It is not because we are smart or lucky. There is significant demand for such a model around the world. It tells us a lot about the existing offering in the market, which does not satisfy consumer needs. The scrutiny is important, and we are more transparent. We have no fees, and we are more responsible. We do not make money on late fees; we only make money if customers are responsible spenders. We are more proactive than typical financial product solutions. We do not give customers money to spend with no limits; we give them funds to spend responsibly. We also make sure they are not overspending. If customers miss a payment, they are not able to continue spending. We enable retailers, who have larger margins, to invest in their customers. Once they invest in their customers the way we are trying to build, they usually see an uplift in their topline of double digits.



Abdulaziz Al Afaleg
MANAGING DIRECTOR,
SAUDI PAYMENTS

WE ARE actively working on helping the KSA continue to advance and compete with leading countries in the field of digital payments by developing the infrastructure, introducing new systems and services, and enabling the financial sector and fintech companies to make the best use of the payments ecosystem. The latest is the launch of the Instant Payments System (Sarie), which will pave the way for various financial services that require an instant payment system. We are currently working on certain technical aspects that aim to allow various visitors to the Kingdom to make payments in their preferred currencies by allowing international payment networks to be accepted in the Kingdom of Saudi Arabia in the coming years. We are also working on developing the consumer experience in sales outlets by adopting the principle of digital receipts instead of paper, increasing the percentage of devices working through the 4G technology, and accelerating the settlement and deposit process mechanism for traders and billers.



Reda Reda
CO-FOUNDER & COO,
AMWAL TECH

AMWAL TECH is an identity-powered payment solutions company. We sit on the intersection between fintech and cybersecurity. Our thesis is simple; we think that the authentication of money movement remains broken and are working to fix it. We started by tackling the e-commerce market by providing a biometric checkout solution for e-commerce websites to increase their conversions. Customers can now checkout in less than 10 seconds, securely, fast, and conveniently. Using the same technology, we are also tackling the financial institutions sector, specifically banks, in terms of client authentication. We are currently working with one of the Saudi banks to provide our authentication technology. When users log into their bank portal, instead of receiving an OTP (one time passcode), they can authenticate their identities using biometrics. Although some banks in Saudi provide their own biometrics' service, we stand out in how we create an encrypted token that can be triggered multiple times across the users' journey, and not only at log in.



Ali Bailoun
GM-GCC CLUSTER
OF SAUDI ARABIA,
BAHRAIN, AND OMAN,
VISA

WE ARE currently observing an exponential increase in demand for digital commerce, as more consumers continue to tap their cards in-store and use click to pay online. While some small businesses were quick to embrace digitalization, many are still hesitant to make the shift or increase their online presence due to a lack of training. Visa's top priority has been to help small businesses keep pace with a world that is rapidly evolving. We work closely with banks, the government, and fintech partners in line with Saudi Vision 2030 to develop tailored digital payments solutions that meet the needs of businesses and consumers alike. Over the past year, we have also focused on ensuring that small businesses had more tools and cost-effective solutions to weather the storm in the wake of the pandemic, and even emerge stronger. We have achieved this by introducing new programs and resources to digitally empower small businesses and support business resilience.



Bashar Khalil Baida
CEO, DIGITAL CASH
FOR INFORMATION
TECHNOLOGY



Abdulaziz Al Jouf
CEO & FOUNDER,
PAYTABS



Fawaz Al-Fraiji
CEO, QUARA PAY & VICE
CHAIRMAN, QUARA
FINANCE



Mohamed AlOmayyer
CEO & CO-FOUNDER,
TAMEED

WE HAVE TO differentiate between financial inclusion and digital inclusion. Most African countries, for example, need financial inclusion that provides services. They need an extremely powerful electronic platform so they can address the different types of stakeholders to build up financial inclusion. In Saudi Arabia, Europe, the US, Canada, and so on, you need digital inclusion because most people are financially included but not digitally included. That is the key difference. In Saudi Arabia, part of Vision 2030 is a program called the Financial Sector Development Program (FSDP), which outlines commitments for 2025 and vision realization in 2030. Cashless society is part of this program and is the main driver for the program. There is a commitment for Saudi to be 70% cashless by 2025, which is coming up quickly. We are around 45% today. Saudi Arabia is the second country in the world to have such advanced banking services; it is one of the most advanced countries when it comes to electronic and digital payments.

PAYTABS has completed multiple acquisitions in the last two years. We have noticed that payment services are becoming a commodity, so we have started to expand both in a horizontal and vertical manner. PayTabs SwitchOn will enable us to penetrate into the orchestration and infrastructure of payments, and we are working on becoming an end-to-end payment platform. There has been a great deal of development with the point-of-sale concept, which is now in demand. We are offering an ecosystem, platform, product, and even an extension. It enables merchants as they need something that is easy to use and available online, even when pandemics like COVID-19 occur. There has been a shift toward being more agile and quicker in project turnaround, which is why we are putting in more effort into core the foundations of payments and building products.

OUR MAIN GOAL was not to pursue Made in Saudi; however, when we couldn't find a solution to our needs abroad, we built it ourselves. We hired the brightest resources in Saudi Arabia to build and design our product in-house. We spent the last two years designing, making mistakes, and rebuilding it. This is the third and final version, and we are proud of how smooth, efficient, and secure it is. The only thing we need now is the license; we launched the invoicing app and organically got 500 SMEs using it in the first week, without any marketing. They are using it to issue invoices and talk to suppliers. However, we are not allowed to launch the wallet-to-wallet part yet. Saudi Arabia has massive potential. There are more than 500 suppliers we know of and over 100,000 retailers. In FMCG alone, SAR120 billion needs to be converted from cash to cashless, which is at least one to two years of business

TAMEED is the first debt crowdfunding company in Saudi Arabia that specializes in financing government backed and large corporate purchase orders, and we financed our first transaction on January 1, 2021. Our solution helps SMEs complete their project and deliverables by providing liquidity, and in turn allows the PO issuer to reduce supply chain disruption to ensure the goods requested will be received on the required date. We are a fintech company, therefore we made a seamless user interface leveraged by more than 20 APIs to make the journey for SMEs fast, easy, faxable, and paperless, where SMEs complete their financing requests remotely from home and the process start to end does not take more than five days.

The Saudi pavilion pictured at GITEX Global 2022 in Dubai



Image: Arnold O. A. Pinto

Leading Change

Through Impactful Business and Digital Solutions



FOCUS

Payment Solutions

CASH AIN'T KING

The KSA is lining up all its digital dominoes to become the smart, user-centric, and diversified economy the blueprint of which is Vision 2030.

ONCE UPON A TIME, and not too long ago either, not carrying cash was the preserve of royalty. Yet new digital methods, and indeed the tailored possibilities of open banking, are rapidly winning over a once-wary public now that they come with a plethora of security measures reliant on blockchain and AI. The commercial sector in 2021 ramped up its share of electronic payments to 84% of all business payments from 51% in 2019, marking a huge 65% advance.

The technological component of Saudi Vision 2030 envisages a 70% cash-less payment level by 2025.

Saudi Payments, a key vehicle in the process, came about when leading payments brands in Saudi Arabia (mada, SADAD, SARIE and Esal) united to become the operator of the Kingdom's national payment infrastructure under the supervision of the Saudi Central Bank (SAMA). 2021 then saw the launch of the nation's instant payments system 'sarie' in cooperation with IBM and Mastercard, the world's preeminent technology player in the global payments industry. The system was tasked with boosting non-cash transactions in step with Saudi Vision 2030. Billed as a landmark move supporting Saudi Arabia's Financial Sector Development Program (FSDP) by enhancing the local financial ecosystem, enabling faster payments, 'sarie' supports all the entire Saudi banking universe. Aside from championing the nation's digitalization, 'sarie' also works to advance usage across the local payments ecosystem of banks and businesses. Mastercard's secured real-time payment technology that Saudi Payments opted for is part of its strategy of determining payment innovation in the Middle East. Indeed, the company currently delivers real-time payments infrastructure technology in 12 of the top 50 countries ranked by GDP.

The rise and rise of fintech startups has spurred the trajectory of the digital payments universe. These payments are swift, cost-effective and with the use of blockchain. The pandemic certainly lit a rocket under the whole issue of payments at a time when contactless payments boosted public hygiene. Duly, interest rose in digital wallets and mobile payment apps such as PayPal that allowed seamless and secure transactions. And while people returned to the malls, they increasingly wanted digital convenience whereby e-commerce has continued thrive and diversify. The market forecasts the Asia-Pacific region leading the charge in digital payment growth, followed by North America and Europe, the KSA is adopting the practice at a rate of knots. Saudi Central Bank data shows that for 2021 electronic pay-

ments in Saudi Arabia trumped their cash counterparts by accounting for 94% of all payments.

A study by global payment solutions provider Checkout.com confirms that Saudis opting for cash payments fell from 27% in 2021 to 20% in 2022. A high 69% of Saudi users used at least one digital payment method more over that year be it by digital card, SMS payment, digital money transfer apps or instant payment services. Millennials and gen-Z Saudis are notable fans of tech and welcome the Kingdom's move to establish a standard environment for crypto-currencies. Over 50% of Gen Z and Millennials are likely to opt for a new digital payment alternative such as a digital wallet, or click-to-pay account when compared to just 36% of Gen X and 4% of Boomers. It appears that 44% of Saudis aged 18 to 40 have held digital currencies, while 54% of those canvassed were keen to pay for goods and services in crypto over the year ahead. Meanwhile, 30% of Saudi consumers valued the social and environmental aspects of a paperless economy.

Flexibility seeking Saudi shoppers are turning to a wider range of retail platforms to include voice assistants and social media apps. Around 91% of Saudi shoppers regularly use e-commerce platforms, with 14% shopping at least once per day. 2023 promises to be a bumper year, too, since close to 80% of respondents intend to maintain or increase their current level of e-commerce spending this year. Mastercard's 2022 New Payments Index points to their swift adoption of a wider spectrum of digital payment methods in doing so. These include biometric payments—75% of respondents consider this the safest method—buy now pay later (BNPL), and open banking. Familiarity builds confidence and 60% of Saudi consumers trust using apps on their smartphones to pay people or businesses. Around 75% of those canvassed were familiar with open banking, and 45% were happy to share financial data with apps to enjoy payment tools that manage their money, pay their bills, make BNPL payments, and so forth.

Sector data shows that this year the global transaction value of digital payments will scale USD9.46 trillion. Their value will also see a CAGR of 11.80% between 2023 and 2027 to an estimated USD14.78 billion by 2027. Clearly, this is no passing phase, but the mode of tomorrow. And while China leads the field with a forecast transaction value of USD300 billion for 2023, with an estimated transaction value of USD24.96 billion Saudi Arabia has now firmly planted its flag in the digital future. ✖

PAYMENT SOLUTIONS

Saudi Arabia is pushing to become a cashless society as soon as possible with new digital brands and digital-only banks leading the way.

\$9.46t
Global transaction value of digital payments (2023e)

\$14.78t
Global transaction value of digital payments (2027e)

11.80%
Global CAGR between 2023 and 2027

\$24.96b
Saudi Arabia's transaction value of digital payments (2023e)

\$36.38b
Saudi Arabia's transaction value of digital payments (2027e)

14.06%
Saudi Arabia's CAGR between 2023 and 2027



TENDENCY TO USE DIGITAL PAYMENTS

Gen Z	Millennials	Gen X	Boomers
50%	50%	36%	4%



REGISTERED FINTECHS IN SAUDI ARABIA

	Licensed	Authorized
2018	0	0
2019	0	20
2020	14	32
2021	17	34
2022	30	59

SAUDI LICENSED DIGITAL-ONLY BANKS



SAUDI PAYMENTS' DIGITAL BRANDS



70%

Saudi Vision 2030 cashless payment goal by 2025



INTERVIEW



Abdulaziz Abdulrahman Alsayyari
FOUNDER & CEO,
SUKUK CAPITAL

Can you elaborate on Sukuk Capital's role, operations, and services in Saudi Arabia?

Sukuk Capital issues sukuk for SMEs and lists them in our platform for investors. We started with Alabeer Hospital before moving on to the education, construction, trading, and events management sectors. Some of the companies we have financed include the organization that sponsored the Formula One event in Jeddah, Interhealth Hospital, and various other companies. We currently have more than 100 companies in our portfolio and have made more than 450 repayment transactions to our investors without any defaults. The unique proposition that differentiates Sukuk Capital is its paperless process of financing; with the digitalization of the process, it only takes 10 days to issue sukuk.

How does Sukuk Capital partner with banks?

As Saudi Arabia moves toward fintech, banks are also eager to be part of the change. We currently partner with ANB Bank, which handles the virtual wallets for our investors, which they can transfer their money to from any other bank and thus invest. However, we are keen to

expand our partnership with banks in order to reach more customers. For example, the biggest bank in Saudi Arabia has over 10 million clients, and these clients might be able to invest in sukuk directly from their bank account page. We have no problem collaborating with everyone in the market. At the end of the day, we are all working together to boost the local economy.

What was the key factor behind the launch of your application?

Our app is for investors who want to invest in our sukuk opportunities, be they in real estate or other sectors. We launched our app simultaneously with our financing solutions to finance real estate developers, and the goal is to use the app to ensure the best user experience for our investors. In just two weeks, more than 70,000 investors downloaded our app. Sukuk Capital has two types of investors: professional and retail investors. For the former, the average ticket size is about SAR59,000, while the average ticket size for the latter group is around SAR2,000. Since we started, 65% of our investment has come from professional investors and 35% from retail investors. We are looking to cover all possible opportunities and supply the demand in the market. ✖

BIO

Abdulaziz Abdulrahman Alsayyari is a fintech leader and the founder of Sukuk Capital. He founded the firm after gaining experience through working at CMA in its strategy department and fintech lab, along with his experience as a director of corporate financing at Manafa Capital.

سكوك

Sukuk Capital

Through fully electronic procedures

Enabling companies to scale

- ✓ Financing offer within 3 days
- ✓ Flexible repayment schedule
- ✓ Early repayment without any costs
- ✓ Long-term financing



Firas Mousli
CEO,
AZM FINTECH

Which areas of expertise currently drive the company's expansion in the local market?

AZM focuses on different areas, the first of which is payment solutions, specifically the SADAD payment solution. We aim to be part of the Saudi payment initiative, which seeks to achieve financial inclusion in the market by reaching previously inaccessible customers and ensuring that all segments are served. We started with medium-sized entities looking to transform their digital services into digital payments and enroll in the SADAD service; today, even large organizations are shifting to our cloud-based service model. Another field of interest involves assisting government entities in implementing their financial systems using our proprietary solutions and applications. The third pillar encompasses non-payment offerings, focusing on partnerships with the government and identifying market gaps, such as the promissory note area, crowd funding and supply chain financing and some other financial platforms that serve market growth. We have established partnerships with the government on various financial platforms and are also involved with some crowd charity entities in Saudi Arabia and with the health charity platform.



Fadi AlAwami
CEO,
THE CONSULTATION CENTER

Can you provide a brief overview of The Consultation Center and the landscape it operates in?

I first established the Consultation Center in 2014 as licensed financial advisory office. I was working in the banking sector as a corporate banker, and I was contacted by a business owner asking for advice on how to apply for facilities and so on. I thought about establishing a company to provide financial advisory for the business and decided to establish the Consultation Center. I also worked with the World Bank as an SME expert for an engagement with SMEs Authorities (Monsha'at). I also worked on different projects that were meant to empower business owners. Most of them are not well organized or are unable to hire qualified talent to help them to structure their business efficiently. Advisors can play major roles in supporting SMEs in different aspects.

What are your future plans and aspirations for The Consultation Center?

Fintechs will play a pivotal role, and I am heavily focusing on it. My work with fintech companies started during the pandemic. I began working more on supporting in regulatory requirements and introducing them to the fintech ecosystem.



Abdullah Aldayel
CEO,
QOYOD

What have been the main developments in your five-year history?

The main highlight was that when we first started promoting digitalization to businesses, it was really hard and required many awareness campaigns. However, with the support of the government and the deduction of VAT and electronic invoicing, there has been a huge boost in awareness by business owners of the importance of accounting. We have excellent partnerships that boosted our sales without the need to spend much on marketing. We focused our resources on developing the system and were successful in seeing organic growth of our customer base.

How do you distinguish yourselves from other players?

Our key differentiator is that we have designed an experience that fits the Saudi entrepreneur profile, their needs, and how they work with an international component by applying best practices. Entrepreneurs in Saudi and the region lack the financial knowledge to prepare their own books, so it poses a risk for banks to give out loans. We are currently working on a solution to integrate banks as well on the platform so they can get the applicant's data. We have the elite of entrepreneurs as our customers, and it is definitely a customer pool that banks want to tap.



Fahad A. Al Kadi
BOARD CHAIRMAN,
SANID

Can you outline SANID's mandate?

SANID is a dynamic business environment. Cash management is no longer considered a linear activity but an exclusive platform. We work to offer multiple services at a competitive cost and quality. That is the main guideline for SANID. It also understands the requirements of consumers and designs 360-degree services and projects that offer multi-product services and quality. The main project we offer is the cash solution, that covers all the ATMs and CITs. That project covers between 70% to 80% of our business. Currently Our main customers are banks and dealing with private sector is done through them.

What are your expansion plans at a national level?

We are focused on the domestic market as we still have a long way to go to cover all domestic needs. We currently work with banks and will then turn towards the private sector. SANID's vision is being a leading financial service. We have good partners in the market, and our objective is to supply our clients with multi-services projects of high efficiency that result in cost savings. We aim to have an estimated ATM market share of 25%.



Image: Mohammed Younos



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