

# Saudi Arabia Capital Market 2021

## Leaders, Profitability and Business Model



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## Chapter 1

# Introduction to the Saudi Capital Market Ecosystem

The Saudi Arabian Capital Market is the largest in GCC. As of December 6, 2020, It constitutes 81.5% of the market capitalization and 87.9% of the region's value traded. The rise in its leadership position can also be attributed to the year-old (2019) listing of Saudi Aramco, the oil major.

Top Saudi banks have been providing investment banking services since the oil boom of the 1970s. Over the years, compulsive speculating in stocks began. With the establishment of The Capital Market Authority (CMA) in 2003, regulations were put in place to restrain such trading. Three years later, the market crashed; the Tadawul fell by 59.3% from the peak in February 2006 to a low in December 2006. More legislation followed. Consequently, most banks spun off their investment banking activities into separate subsidiaries. 'Boutique' investment banks also set up shop in the KSA during this time.



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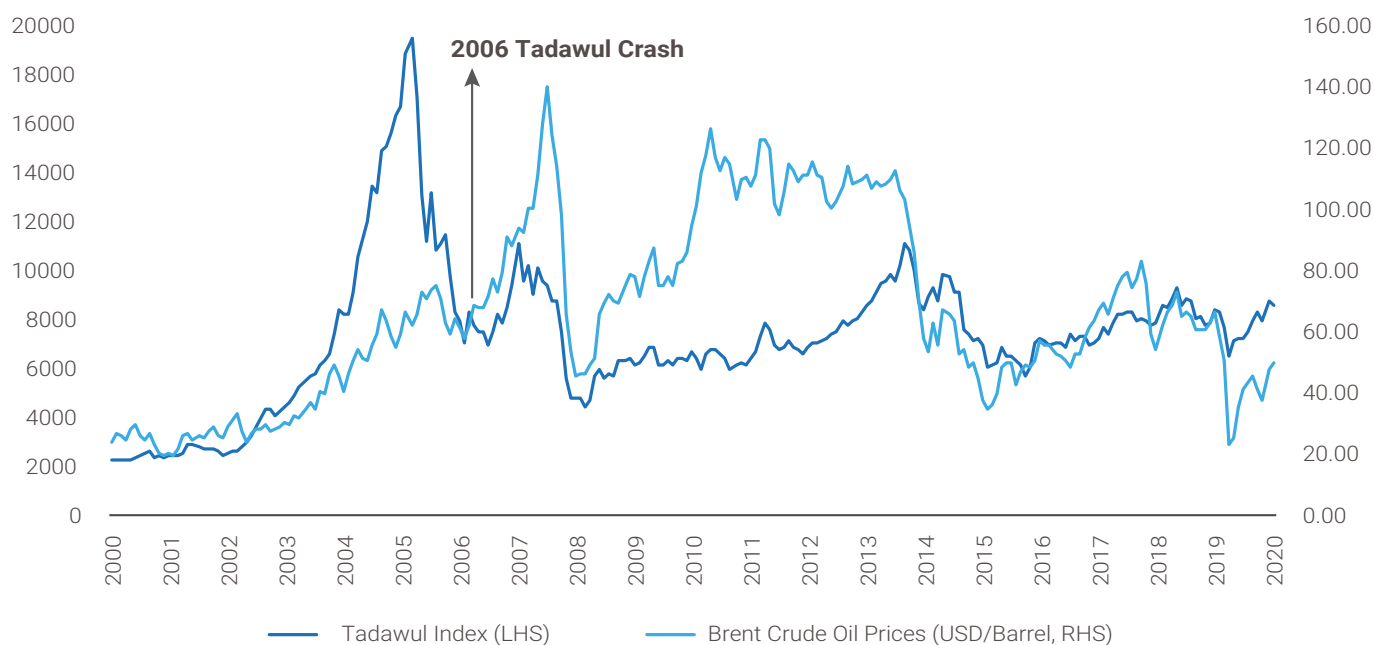
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### Tadawul Index (Monthly closing price)



Source: Refinitiv

The below table gives a low-down of capital market participants by type of services provided. About 41% of the participants are all into asset management, investment banking, and brokerage. Most of the firms are subsidiaries of banks or financial institutions. There are only nine pure-play investment management firms in Saudi Arabia, while only three are pure-play asset management firms. None of the firms operate as a pure-play broker.

### Breakdown of Financial firms by business focus area

Type of Business	No: of Financial firms
Investment Banking + Asset Management + Brokerage	23
Investment Banking	9
Asset Management + Investment Bank	15
Investment bank + Brokerage	5
Asset Management + Brokerage	1
Asset Managers	3
Brokers	0
<b>Total</b>	<b>56</b>

Source: Refinitiv, Company filings, Marmore Analysis

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