INVESTMENT REGULATION

إدارة الاستثمار

Insurance Supervision Department
جداول المحتويات

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Saudi Arabian Monetary Agency  
("SAMA")  
Investment Regulation ("This Code")

Part 1: Introduction

Purpose:

1. This Code presents the general principles and standards that should be met by insurance companies, including branches of foreign insurance companies, and reinsurance companies licensed by SAMA to manage their investments.

2. The objective of This Code is to promote high standards of investment practices within the insurance industry in accordance with the best international practices.

3. This Code must be read in conjunction with the Law on Supervision of Cooperative Insurance Companies and its Implementing Regulations and other regulations and instructions issued by SAMA, particularly articles 21, 59, 60, 61, 62, and 65 The Risk Management Regulation, The Code of Corporate Governance, and The Outsourcing Regulation.

Definitions:

4. The term "Company" or "Companies" used in This Code is intended to include insurance and reinsurance companies.

The term "investment policy" used in This Code is intended to include any written document that governs the Company’s investment operations and the methods of managing its investments.
investment portfolio.

The term “investment activities” used in this code stands for providing consultation particularly on the company’s investment policy, implementing the investment activities and transactions, managing asset allocations and custodian activities on behalf of the company.

The term “investment companies” used in this code stands for investment companies licensed by CMA handling all or part of the insurance and reinsurance’s investment activities.

The term “ALM” used in this code stands for Asset Liability Management and is intended to include the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities in order to achieve an organization's financial objectives, given the organization's risk tolerances and other constraints. The rest of the terms used in This Code shall have the same meaning as per article (1) of the Implementing Regulation and the terms included in the other regulations mentioned in article (3) of This Code.

Scope and Exemptions:

5. This Code applies to insurance and reinsurance companies.

The term “ALM” used in this code stands for Asset Liability Management and is intended to include the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities in order to achieve an organization's financial objectives, given the organization's risk tolerances and other constraints. The rest of the terms used in This Code shall have the same meaning as per article (1) of the Implementing Regulation and the terms included in the other regulations mentioned in article (3) of This Code.

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Scope and Exemptions:

5. This Code applies to insurance and reinsurance companies.
Compliance Measures:

6. Companies must establish appropriate internal controls and procedures to ensure and monitor compliance with This Code, including the compliance of all related counterparties.

7. Companies must maintain adequate records to demonstrate compliance with This Code, including but not limited to the investment policy and investment agreements.

8. Companies shall adopt an investment policy that complies with the Law on Supervision of Cooperative Insurance Companies, its Implementing Regulations and all other related regulations mentioned in article (3) part 1 of this regulation.

9. Companies should seek SAMA’s approval of their investment policy and any material changes that might apply to it.

10. Companies’ investment policy must be consistent with their internal risk management guidelines, business plans and strategic objectives.

Non-Compliance:

11. Non-compliance with the requirements set forth in This Code will be deemed a breach of the Law on Supervision of Cooperative Insurance Companies and its Implementing Regulations and licensing conditions and may subject companies to enforcement action.

12. The company should promptly inform SAMA of any circumstances that may restrict their ability to adhere to the requirements set herein.
Structure of This Code:

13. The Investment requirements are outlined in Parts 2, 3, 4, and 5 of This Code:


   b) Part 3: Organizational and Administrative Requirements.

   c) Part 4: Technical Requirements.

   d) Part 5: Compliance and Control Requirements.

Part 2: Investment Policy

Section A: Investment Policy Contents:

14. Companies should submit to SAMA for approval an investment policy detailing the following:

   a) Definition of a strategic investment policy by the Board of Directors, based on an assessment of the risks incurred by the Company and its risk appetite.

   b) The role of the Board, investment committee and senior management in overseeing, and being accountable for, investment activities.

   c) Comprehensive, accurate and flexible systems which allow the identification, measurement and assessment of investment risks, and the aggregation of those risks at various levels.

Heikel lila3ha:

13. متطلبات الاستثمار موضحة في الأبواب الثاني، الثالث والرابع والخامس من هذه اللائحة:

أ) الباب الثاني: السياسة الاستثمارية.

ب) الباب الثالث: المتطلبات الإدارية.

ج) الباب الرابع: المتطلبات الفنية.

د) الباب الخامس: المتطلبات الرقابية.

فصل أ: محتويات السياسة الاستثمارية:

14. على الشركات الحصول على موافقة المؤسسة بالنسبة لسياساتها الاستثمارية، يجب أن تحتوي السياسة الاستثمارية على الآتي:

أ) تحديد السياسة الإستراتيجية الاستثمارية من خلال مجلس الإدارة استنادًا إلى تقييم مخاطر الشركة ومستوى المخاطر الذي قد تتعرض له الشركة.

ب) دور مجلس الإدارة ولجنة الاستثمار والإدارة العليا في الإشراف على الأنشطة الاستثمارية وتحمل المسؤولية الناتجة عنها.

ج) نظم شاملة وصحيفة ومرنة تسمح بتحديد مخاطر الاستثمار وقياسها وتقسيمها وتقديم هذه المخاطر على مستويات مختلفة.
In addition to article (14), the Company may be managed actively and those dependencies on and costs of the asset could be:

15. In addition to article (14), the investment policy, which should be communicated to and understood by all staff involved either directly or indirectly in the investment activities, should in principle address the following main elements:

a) The determination of the strategic asset allocation, that is, the long-term asset mix over the main investment categories.

b) The establishment of limits for the allocation of assets by geographical areas, markets, sectors, counter-parties and currencies.

c) Identification of asset classes that may be managed actively and those where only passive implementation is permitted.

d) The extent to which the holding of some types of assets is ruled out or restricted where, for example, the disposal of the asset could be...
difficult due to the illiquidity of the market or where independent (i.e., external) verification of pricing is not available.

e) Investment performance measurement by applying benchmark mark to each asset class invested.

16. The investment policy shall assign personnel responsible for implementing, conducting, monitoring, controlling and reporting investment activities. The Company shall make sure that these personnel are qualified and experienced.

Section B: Investment Policy

Requirements:

17. SAMA requires Companies to recognize the range of risks that they face and to assess and manage them effectively, as outlined in the Risk Management Regulation.

18. Companies should ensure that their investment management policies and risk control systems are appropriate to the complexity, size and nature of their business.

19. Companies’ systems need to provide accurate and timely information on investment and risk exposures and be capable of responding to ad-hoc requests, if needed. Companies’ employees responsible of investment activities should be qualified and competent to successfully execute the investment policy.

20. Companies conducting mixed insurance operations, protection and savings, in addition to general and health activities, are required to have...
different investment objectives and strategies appropriate for both classes of business, as well as different books for each of them.

21. The investment policy shall segregate policyholders’ funds from shareholders’ funds since each fund is classified by different objectives and targets. Each fund will have its own strategic asset allocation target that reflects each fund's objectives and risk tolerance. The objective of policyholders' fund is to ensure appropriate level of liquidity and protect policyholder interest in terms of ability to meet liabilities; while the objective of shareholders' fund is to ensure the business meets the minimum level of capital requirement and ensure the business is achieving its strategic targets set by the shareholders and is aligned with the business plan of the Company.

22. The investment policy should foster transparency and coordination among the Company’s departments regarding investment issues such as reporting liquidity and operating matters.

Part 3: Organizational & Administrative Requirements

Section A: Responsibility and Authorities:

General Requirements:

23. The Company should disclose qualitative information on investment objectives, policies and practices that allows regulators to form an impression of the broad risk and return behavior of its asset portfolio. Such disclosure should include:

...
a) General investment strategy and objectives including an explanation of the rationale for asset allocation, investment horizon and asset-liability management.

b) Performance management including an explanation of the frequency and types of measurement used and methods adopted to monitor performance.

c) Types of instruments used, business rationale and risks underlying their usage.

d) The approach to risk tolerance and methods used to reduce and/or mitigate investment risks, including any constraints imposed on exposures to investment risks.

24. Companies which decide not to directly manage the investment operations should outsource their investment functions to external investment manager(s) licensed by its supervisory bodies. Companies should describe their outsourcing policy and maintain control, ownership, and oversight over the outsourced portfolio by following a preset delegation matrix.

25. Companies should understand and enforce the role of specialists involved in the structure and management of the investment policy. The determination of collaboration between the actuary and the outsourced investment manager should be defined where the actuary is responsible for the following:

أ) الاستراتيجية والأهداف العامة للاستثمار متضمنة السبب المعنوي لتوزيع الأصول والاستثمار وإدارة الأصول والمخاطر.

ب) إدارة الأداء متضمنة توضيح تكرار قياس الأداء وأدوات القياس المستخدمة والطرق المتبعة لمتابعة الأداء.

ج) نوع الأدوات المستخدمة والمعايير الفنية المستخدمة والمخاطر التي تنطوي عليها الاستخدام.

د) منهج تحمل المخاطر والطرق المستخدمة لتقليل وأو تقسيم مخاطر الاستثمار متضمنة أي معايير مفروضة على التعرض لمخاطر الاستثمار.

24. على الشركات التي ترغب في إصدار إدارة استثمارها إلى شركات استثمارية أن تسندها إلى شركة (شركات) استثمارية مستقلة ومرخصة من الجهات الإشرافية للقيام بذلك. وعلى الشركات أن تضع وصفًا لسياستها المتضمنة لإصداد الأعمال إلى الخار طبقاً لقواعد الإصداد الصادرة من المؤسسة، وأن تحتفظ بحق الرقابة والتمكينية والإشراف على المحافظ الذي أصدرها إليها إلى الخبر من خلال سياسة تقويض الصلحات إلى الشركات في عملية إصداد المسؤوليات.

25. على الشركات تفعيل دور المختصين المشاركين في وضع سياسة الاستثمار وإدارتها ويجب وضع منهج للتعاون بين الخبير الإكتواري ومدير الاستثمار المتعاقد معه لإصدار استثمارات الشركة حيث يتولى الخبير الإكتواري المسؤوليات الآتية:
a) Modeling asset and liability match.

b) Liability profile and claim behavior.

c) Modeling business plan and cash flow.

d) Testing the impact of volatility and fluctuation.

e) Assessing risk and risk budget.

Whereas the investment manager should be responsible for:

a) Integrating the actuary's models to the objective of the investment policy.

b) Providing data to allow decisions to be reached efficiently and accurately.

c) Providing market views and recommendations.

d) Implementing the investment policy within investment guidelines provided by Investment Committee and approved by the Company's Board of Directors.

e) Providing full analysis of investment performance, risk and return dimensions on a regular basis.

26. The Company through its investment committee and management team should establish technical standards for its investment activities approved by the Board of Directors.

Board's Responsibilities:

27. The Board of Directors shall be

26. على الشركة وضع المعايير الفنية لانشطة الاستثمار المعتمدة من مجلس الإدارة من خلال لجنة الاستثمار وفريق الإدارة.

27. يتولى مجلس الإدارة مسئولية الموافقة على السياسة

- تقييم المخاطر والموازنة المعدة لها.
- يتم دوند مسير الاستشار المستول عن إدارة استثمارات الشركة الأخرى.
- تحقيق التكامل بين نماذج الخبير الاكتواري والهدف المرجع من سياسة الاستثمار.
- توفير البيانات للمساعدة لتحقيق قرارات فعالة ودقيقة.
- تقديم مركباته وتحدياته عن السوق المالية وسوق السندات والمناخ الاستثماري بشكل عام.
- تنفيذ سياسة الاستثمار حسب التعليمات المعدة من لجنة الاستثمار المعتمدة من مجلس إدارة الشركة.
- تحليل كامل لأعداد الأداء الاستثماري والمخاطر والإيرادات بصورة دورية.
responsible for the approval of the investment policy, taking into account the analysis of the asset/liability relationship, the Company’s overall risk tolerance, its long-term risk-return requirements, its liquidity requirements and its solvency position.

28. The Board of Directors shall also be responsible for approving policies on related issues of a more operational nature, including:

a) The criteria for selection of the external investment manager(s).

b) The selection and use of partners and brokers.

c) The nature of custodial arrangements.

d) The methodology and frequency of the performance and investment risk measurement and analysis.

29. The Board of Directors should authorize the investment committee and the senior management to formulate the investment policy, review it and implement the overall investment activities. The Board of Directors must, however, always retain ultimate responsibility for the Company’s investment policy and procedures, regardless of the extent to which associated activities and functions are delegated or outsourced.

30. As part of the development of the asset management strategy, the Board of Directors must also ensure that adequate reporting and internal control systems of the Company are in place, and designed to monitor that assets are being managed in accordance with the investment policy, and legal and
regulatory requirements. This should be done by ensuring that:

a) They receive quarterly information, including feedback from the Company’s risk management function, on asset exposures, and the associated risks. Data should be in a form which is understood by them and which permits them to make an informed judgment as to the level of risk on a mark-to-market basis.

b) The systems provide accurate and timely information on asset risk exposure and are capable of generating ad-hoc requests.

c) Remuneration policies are structured to avoid potential incentives for unauthorized risk taking.

31. The Board of Directors must ensure that senior management is in a position to monitor the performance of the external investment manager(s) against Board approved policies and procedures.

32. The Board of Directors should review on an annual base the adequacy of its overall investment policy in the light of the Company’s activities, and its overall risk tolerance, long-term risk-return requirements, and solvency position.

Investment Committee Responsibilities:

33. The investment committee shall develop and assess the implementation of the Investment policy. It shall be reviewed and approved yearly by the Board of Directors before its

المستخدمات لجنة الاستثمار:

33. تتولى لجنة الاستثمار إعداد وصياغة السياسة الاستثمارية والموافقة عليها وتتولى تنفيذها وتقوم بعرضها على مجلس الإدارة لمراجعته وموافقة عليها سنوياً قبل تنفيذها، ولا تعدل السياسة إلا بعد أخذ موافقة مجلس
implementation and shall not be amended or updated without the approval of the Board of Directors.

34. The investment committee should be formed, upon the Board of Directors' approval, of independent and dependent members and should collectively have sufficient expertise to understand the important issues related to investment policy. The committee should also ensure that all individuals conducting and monitoring investment activities have sufficient levels of knowledge and experience.

35. The investment committee shall formulate the investment policy and review the implementation of the investment activities on a quarterly basis. These activities includes but are not limited to:

a) Reviewing the performance of each asset class.

b) Monitoring the overall risks of the policy.

c) Submitting a performance review report to the Board of Directors.

36. Investment committee and senior management should prepare a written investment policy including risk limits and delegated authority, and recommend any changes for approval by the Board of Directors. All risk limits and exposures in the investment activities should be reviewed on a regular basis in order to verify their suitability for current market conditions and the Company’s overall risk tolerance.
Executives Responsibilities:

37. The Company’s senior management must implement the investment policy and its operational policies and procedures for implementing the overall investment policy established by the investment committee and approved by the Board of Directors. The precise content of the policy will be different for each insurance Company but the level of detail should be consistent with the nature of any regulatory constraint, and complexity and volume of investment activity.

38. Supporting internal management procedures should be documented, they should include but not be restricted to:

a) Procedures for seeking approval for the usage of new types of investment instruments. The desirability of retaining the flexibility to utilize new investment instruments should be balanced with the need to identify the risks inherent in them and ensure that they will be subject to adequate controls before approval is given for their acquisition. The principles for measuring such risk, and the methods of accounting for the new investments should be clarified in detail prior to approval being given for their acquisition.

b) Procedures for the selection and approval of new counterparties and investment managers.

c) Procedures covering front office, back office, measurement of compliance with quantitative limits, overall investment policy established.

Procedures for the selection and volume of investment activity.

The precise content of the policy will be different for each insurance Company but the level of detail should be consistent with the nature of any regulatory constraint, and complexity and volume of investment activity.

The Company’s senior management must implement the investment policy and its operational policies and procedures for implementing the overall investment policy established by the investment committee and approved by the Board of Directors. The precise content of the policy will be different for each insurance Company but the level of detail should be consistent with the nature of any regulatory constraint, and complexity and volume of investment activity.

A) Procedures for seeking approval for the usage of new types of investment instruments. The desirability of retaining the flexibility to utilize new investment instruments should be balanced with the need to identify the risks inherent in them and ensure that they will be subject to adequate controls before approval is given for their acquisition. The principles for measuring such risk, and the methods of accounting for the new investments should be clarified in detail prior to approval being given for their acquisition.

B) Procedures for the selection and approval of new counterparties and investment managers.

C) Procedures covering front office, back office, measurement of compliance with quantitative limits, overall investment policy established.

37. على الإدارة العليا في الشركة تنفيذ السياسة الاستثمارية، وإجراءات التشغيلية تنفيذ السياسة الاستثمارية العامة المحددة من لجنة الاستثمار، و график عليها من مجلس الإدارة، وبالنسبة للمحتوى المحدد للسياسة فقد يختلف من شركة تأمين لأخرى.

أ) وضع إجراءات الموافقة على استخدام أنواع جديدة من أدوات الاستثمار. يجب تحقيق التوازن بين الرغبة في الحفاظ على المرونة في استخدام أدوات استثمارية جديدة، وبين الحاجة لتحديد المخاطر المتصلة فيها وضمان خضوعها لضوابط ملائمة قبل صدور الموافقة عليها، ويجب تحديد أسس قياس المخاطر وسبب القيم في الاستثمارات الجديدة بالتصنيف قبل صدور الموافقة عليها.

B) إجراءات اختيار الأطراف المشاركة في العمليات الاستثمارية وشركة/شركات الاستثمار التي ينادى إليها إدارة الاستثمار والموافقة عليهم.

ج) الإجراءات التي تتناول الموظفين والمسؤولين مباشرةً عن تنفيذ السياسة الاستثمارية ومعظمي التدقيق الداخلي وإجراءات قياس
control and reporting.

d) Details of the action which will be taken by senior management in cases of noncompliance.

e) Valuation procedures for risk management purposes.

39. Senior management should ensure that all individuals conducting, monitoring and controlling investment activities are suitably qualified and have appropriate levels of knowledge and experience.

40. At least once per year, senior management should review the adequacy of its written operational procedures and allocated resources in the light of the insurance Company’s activities and market conditions.

Section B: Delegation and Outsourcing:

41. Companies outsourcing their investment functions to external investment manager(s) should describe their outsourcing policy and maintain control, ownership, and oversight over the outsourced portfolio by following a preset delegation matrix.

42. The Company can assign one or more external investment manager to be responsible for its investment activities. The investment manager shall:

a) Oversee all investment transactions conducted on behalf of the Company.

b) Analyze the market and provide an assessment of the investment
43. Investment managers should be engaged under an investment agreement that, inter alia, sets out the policies, procedures and quantitative limits of the investment policy. The Company must retain appropriate expertise and ensure that, under the terms of the agreement, it regularly receives sufficient information to evaluate the compliance of the external investment manager with the investment policy.

44. The investment manager shall objectively ensure the solidity and safety of the Company's investment position during the implementation of the investment policy by:

a) Designing a plan to control and limit losses specially for securities trading particularly.

b) Abiding by the legal capital restrictions and profit transferring requirements of foreign countries in case of investments in those countries.

c) Setting detailed monitoring and control policies as well as reporting processes.

45. Once the Company has allocated the external investment manager(s), it shall make sure that a signed outsourcing agreement with the external entity(s) is submitted to SAMA for approval.

46. The outsourcing agreement shall be reviewed by the Investment Committee, Risk Management Committee, Executive Committee, and Audit Committee and approved by the
Board of Directors.

47. The agreement with the external investment manager(s) shall ensure at minimum that:

a) The external entity is professional and reputable and licensed by the Capital Market Authority. In case a foreign entity is engaged in part of the investment activities of an insurance company, the company should assure the foreign entity is licensed by the supervisory regulatory body.

b) The agreement specifies the objectives and responsibilities of each party.

c) The agreement specifies the risk management agreement between the contracting parties.

d) The legal status of the external entity is clear, the financial position is sane and standards of professionalism are high.

e) The agreement explicitly mentions the commission payments and service benefits of the external entity.

Section C: Reporting:

48. The Company should develop and implement controls and reporting procedures for its investment policies that are appropriate for its business and the risks to which it is exposed. These should be monitored closely and reviewed regularly.

49. Regular and timely reports of investment activity should be produced describing the Company’s

47. يجب أن يتضمن العقد المبرم مع شركات الاستثمار الخا

48. على الشركة وضع ضوابط وإجراءات إعداد التقارير بالنسبة لسياسات الاستثمارية التنفيذية بحيث تتفق هذه الضوابط والإجراءات مع طبيعة عملها ومع المخاطر التي قد تتعرض لها، ويجب متابعة ذلك ومراعته دورياً.

49. يتم إصدار تقارير دورية وفي وقت مланم عن النشاط الاستثماري للشركة تتناول بالوصف تعرض
exposure in clearly understandable terms and including quantitative and qualitative information. Upward reporting by senior management to Investment Committee should at least be performed on a monthly basis. Reports should at least include the following areas:

a) Details of, and commentary on, investment activity in the period and the relevant period end position.

b) Details of positions by asset type.

c) An analysis of risk exposures.

d) Details of any regulatory or internal limits breached in the period and the actions taken thereto.

e) Planned future activity.

f) Details of the relative position of assets and liabilities.

50. The Company should establish various reporting streams internally and to stakeholders generating information of its investment and asset allocations, and to be disclosed as listed hereunder:

a) For each asset class, the Company should disclose the following:

- Criteria for recognition as an asset.
- Criteria for classification into that asset class.
- Methods and assumptions used in measuring asset value.
- Significant terms and conditions that may affect the amount,
b) For each asset class that involves equities/securities, the Company should show a breakdown of listed securities versus unlisted securities, the investment amount at purchasing the securities and their market value, their percentage representation in the portfolio, their unrealized gain/loss, and their geographic basis.

c) For asset class that involves Sukuk or bond security, the Company should disclose:

- A breakdown by credit rating of the issue.
- A breakdown among government, semi-government and corporate securities.
- A breakdown by maturity, yield or write-downs if any.

d) For each asset class that involves property, the Company should disclose reports showing:

- A breakdown by properties according to whether they are held for investment or are owner occupied.
- A breakdown by types of properties (e.g., residential, commercial, etc.).
- A breakdown by geographical location.

e) For each asset class that involves dividends or funds receivables, the Company should disclose:

- A breakdown by types of counterparties (e.g., reinsurer,....)
A breakdown of the ageing of the receivables aggregated by time bands (It is recommended the following time bands be used: up to 3 months; more than 3 months and up to 1 year; and more than 1 year. Narrower time bands may be used where appropriate).

The Company should disclose historical cost of its assets, and the measure of market value and fair value of each type of investment asset.

51. The Company should disclose the return on assets, dividends, yields, realized gain and loss, investment expense and any other type of income that is generated from each type of asset investment.

52. In an annual reporting, the Company should not limit itself to stating only its exposures at the end of a reporting period. Instead, it should disclose the intra-period high, median, and low and the amount bought and sold during a reporting period as a proxy for turnover. In addition, it should have separate disclosure of risk exposures for each asset class.

53. Companies should submit to SAMA on a yearly basis some special reports describing the following:

a) Statement of investments and income of investments.

b) Assets in various funds (shareholders and policyholders' funds).

c) Value of various funds (cost of
investment, and market value).

d) Dividends, yields and any gain or loss (realized or unrealized) for the period.

e) Asset allocated from exited investment.

f) Statement of nonperforming assets.

g) Admissible and non admissible assets.

h) The Company’s investments future outlook and objectives.

i) Any effects expected to impact the value of the investment performance.

SAMA may require the Company to submit supplementary statements and reports on top of the above listed requirements at any time.

Part 4: Technical Requirements

Section A: Technical Constraints:

54. It is prohibited to invest in derivatives, option contracts, hedge funds, deposits with foreign banks, private equity investments and any off-balance sheet instrument and should not be part of the Company’s asset allocation, unless specifically approved by SAMA and based on efficient portfolio management justifications as per Article sixty-two (62) of the Implementing Regulations.

55. The Company should conduct on a quarterly basis various testing and valuation analysis methods in order to analyze resilience of the asset portfolio to a range of market scenarios and

السوقيّة).

د) الحصص والإيرادات وأي ربح أو خسارة (محققة أو غير محققة) عن هذه الفترة.

هـ) حصص الأصول عند التخارج.

و) بياناً بالأصول غير المسموح بها.

ز) الأصول المسموح بها وغير المسموح بها.

ح) الأهداف المستقبلية لعمل الشركة واستثماراتها وتوظيفها.

ط) أي تأثيرات من المتوقع أن تكون لها أثر على أداء الاستثمار.

قد تُطلِق مؤسسة النقد العربي السعودي الشركة إصدار بيانات وتقارير إضافية علماً على المتطلبات المذكورة أعلاه وذلك في أي وقت.

الباب الرابع: المتطلبات الفنية

فصل أ: النظم الفنية:

54. يمنع الاستثمار في الأدوات المالية المشتقة وعقود الخيارات وصناديق التحويل وربط ودائن لدى البنوك الأجنبية والاستثمارات في الملكية الخاصة والدخل في استثمارات غير مدرجة في ميزانية الشركة (بนอก حساب الميزانية)، ولا تُعد جزءاً من عملية توزيع أصول الشركة وفقاً للمادة (12) من اللائحة التنفيذية إلا إذا تم الحصول مسبقاً على عدم مطالبة كتبة من المؤسسة وبناءً على مبررات مقبولة من الشركة.

55. يجب أن تقوم الشركة وشكل ربع سنوي بإجراء تحليل عمليات الاحترام والتقييم بهدف تحليل مستوى مرونة هيئة الأصول من خلال حال السوق
investment conditions, and the impact on the Company’s solvency position. The policy should then include models of stress testing, scenario testing and sensitivity analysis to measure the fluctuation and volatility of changes in economical figures, security prices etc, and to be elevated to the investment committee.

56. Sukuk in general is considered a type of investments allowed for the Company to allocate, with no conflict with table (1) of the Implementing Regulation and equivalent to bonds, where the maximum limit of allocating Sukuk that are issued by local companies in which the Government (sovereign) has a significant ownership is 20%, and the solvency margin is equivalent to the Government's participation in capital.

57. The investment policy should include efficient models to measure potential financial loss in the Company’s investment portfolio or on the whole balance sheet. The policy should include an estimate of the worst expected loss over a certain period of time at a given confidence level to enable sustainability and stability of the business of the Company.

58. The investment policy shall contain forms to provide sufficient information about each asset class which may include but may not be limited to:

- a) Criteria for classification into an asset class.
- b) Asset valuation methods.
- c) Important factors that might play a role in the amount and certainty of

- نموذج الاستثمار وتأثيرها على موقف الشركة من حيث الملاءة المالية. وعِلَوْا على ذلك يجب إجراء وإعداد نماذج اختبارات التحلل واساليب تحليل الحالات الإقتصادية، وتحليل مستوى الحساسية لقياس مستوى تأثير المتغيرات الإقتصادية وأسعار الأوراق المالية...الح وترفع للجنة الاستثمار.

- The policy should include models for stress testing, scenario testing and sensitivity analysis to measure fluctuations and volatility of changes in economic figures, security prices, etc., and be elevated to the investment committee.

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- The investment policy shall contain forms to provide sufficient information about each asset class which may include, but may not be limited to:

  a) Criteria for classification into an asset class.
  b) Asset valuation methods.
  c) Important factors that might play a role in the amount and certainty of
future cash flows generated by each asset class.

Section B: Asset Liability Management "ALM":

59. The investment policy shall monitor the Company’s asset-liability matching in its following two dimensions:

a) Solvency dimension, where the Company ensures an excess of assets over its liabilities by a required amount relative to the size of the Company as market variables and credit risks fluctuate.

b) Liquidity dimension, where the Company ensures the availability of enough funds to meet its financial obligations as they fall due.

60. The investment policy shall include qualitative information explaining the appropriateness of the Company’s investments in matching its liabilities.

61. The fundamental steps in an ALM process are to:

a) Set the Company’s risk/return objectives and assess policyholder claims.

b) Identify all material risks arising from the Company’s assets and liabilities and their interaction; analyze and assess the underlying causes of each risk and the relationships between risks and external factors.

c) Apply business and professional judgment to the results in order to formulate and implement optimal.
ALM strategies and meet risk/return objectives.

d) Monitor risk exposures and revise ALM strategies and modeling assumptions as appropriate.

62. The Company should examine all risks requiring the coordination of its assets and liabilities. The ones that are significant in terms of their potential impact on economic value should be covered by an ALM framework. These may include, in whole or in part:

a) Market Risk:
   - Interest rate risk (including variations in market credit spreads).
   - Equity, real estate and other asset value risks.
   - Currency risk.
   - Related credit risk.

b) Underwriting Risk.

c) Liquidity Risk.

63. In setting limits for particular types of risk, the Company should consider its solvency position and its risk tolerance. Limits should be set after careful consideration of corporate objectives and circumstances, and should take into account the projected outcomes of scenarios run using a range of plausible future business assumptions.

64. The requirements set out in this section apply to both general insurance class and protection and savings insurance class. Companies should understand the risks they are exposed to and develop ALM policies to manage them.
effectively. They should apply techniques appropriate for the nature of their business, the risks they undertake and local market conditions. Every Company should have an appropriate mechanism for ALM management and include it in the investment policy.

Part 5: Compliance & Control
Requirements

Section A: Controlling, Monitoring and Measurement:

65. Companies must ensure having in place effective procedures for controlling, monitoring and managing their investment activities and asset positions, and assure those procedures are appropriate to their liability, product mix, solvency position and risk profiles.

66. The Company should be capable of identifying, monitoring, measuring, reporting and controlling the risks within their asset liability management.

67. The process of monitoring and controlling the investment activities should be performed as follow:

a) Monitoring compliance with the approved investment policy.

b) Formally noting and promptly reporting breaches.

c) Reviewing asset risk management activity and results over the past period.

d) Reviewing the asset/liability and

Part 5: للمطلالات الرقابية
فصل أ: الرقابة والمتابعة والقياس:

65. يجب على الشركة التأكد من توفر إجراءات فعالة لتطبيق الرقابة على نشاطها الاستثمارية وأصولها ومتاجرها وإداراتها، والتأكد من ملاءمة الإجراءات لمسؤوليات الشركات ومتاجراتها وموقف الشركة من ناحية الملاءة المالية ومخاطر الشركة.

66. يجب على الشركات أن تكون قادرة على تحديد المخاطر ومتاجرها وقياسها وإعداد التقارير بشأنها وتطبيق الرقابة عليها وذلك في إطار إدارة الشركة لأصولها وخصوصها.

67. يجب على الشركة متابعة الأنشطة الاستثمارية وتطبيق الرقابة عليها من خلال الآتي:

أ) متابعة الالتزام بالسياسة الاستثمارية المعتمدة.

ب) الإشارة رسمياً إلى المخالفة وإعداد التقارير بشأنها فوراً.

ج) مراجعة إدارة المخاطر المتعلقة بالأصول ونتائجها خلال الفترة السابقة.

د) مراجعة وضع الأصول/الخصوص وموقف
liquidity position.

68. Adequate systems of internal control must be present to ensure that investment activities are properly supervised and that transactions have been entered into, only in accordance with the Company’s approved policies and procedures. Internal control procedures should be documented. The extent and nature of internal controls adopted by each Company will be different, but procedures to be considered should include:

a) Reconciliations between front office and back office financial and accounting systems.

b) Procedures to ensure that any restrictions on the power of all parties to enter into any particular asset transaction are observed. This will require close and regular communication with those responsible for compliance, legal and documentation issues in the Company.

c) Procedures to ensure all parties to the asset transaction agree with the terms of the deal. Procedures for promptly sending, receiving and matching confirmations should be independent of the front office function.

d) Procedures to ensure that formal documentation is completed promptly.

e) Procedures to ensure reconciliation of positions reported by external investment manager(s).

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f) Procedures to ensure that positions are properly settled and reported, and that late payments or late receipts are identified.

g) Procedures to ensure asset transactions are carried out in conformity with prevailing market terms and conditions.

h) Procedures to ensure that all authority and dealing limits are not exceeded and all breaches can be immediately identified.

i) Procedures to ensure the independent checking of rates or prices. The internal control systems should not solely rely on dealers for rate/price information.

69. The functions responsible for measuring, monitoring, settling and controlling asset transactions should be distinct from the front office functions. These functions should be adequately resourced.

Section B: Auditing:

70. Companies should have an audit function that performs missions covering all of their investment activities and ensuring timely identification of internal control weaknesses and operating system deficiencies. If the audit is performed internally it must be independent. Concerns with regards to investment activity must be reported to senior management and the Board of Directors.

و) إجراءات لضمان توسيع المراكز الاستثمارية والإعلان عنها بصورة ملائمة مع تحديد المدفوعات المتأخرة أو المبالغ المستلمة المتأخرة.

ز) إجراءات لضمان القيام بالتعاملات المتعلقة بالأصول بالتوافق مع الشروط والأوضاع السائدة في السوق.

ح) إجراءات لضمان عدم تجاوز الحدود المفروضة على الصالحيات والمستندات، مع ضمان إمكانية التحديد الفوري لجميع المخالفات.

ط) إجراءات لضمان تنفيذ المراجعة المستقلة للمعالجات والأسعار، ويجب ألا تعتمد نظم الرقابة الداخلية بصورة فردية على شركة الاستثمار للحصول على المعلومات المتعلقة بالمداولات/الأسعار.

69. يجب أن تكون وظائف الأشخاص المسؤولين عن التعامل بالأصول ومتابعتها وتسويتها ومراقبتها منفصلة عن وظائف الأشخاص المسؤولين مباشرةً عن تطبيق السياسة الاستثمارية، ويجب توفير الموارد اللازمة لهذه الوظائف.

فصل ب: المراجعة:

70. يجب أن يكون لدى الشركات إدارة للمراجعة تتناول جميع الأنشطة الاستثمارية للشركة، مع التأكد من تحديد أوجه الضعف في الرقابة الداخلية وأوجه القصور في النظم التشغيلية خلال وقت مناسب. وإذا كانت المراجعة الداخلية فلا بد أن تكون ذات استقلالية. ويجب رفع تقرير إلى الإدارة العليا ومجلس الإدارة عن أي تخوف بشأن أنشطة الاستثمار.
71. Audit coverage should be provided by competent professionals who are knowledgeable of the risks inherent in all assets held.

72. Auditors should be expected to evaluate the independence and overall effectiveness of the Company’s asset management functions. In this regard, they should thoroughly evaluate the effectiveness of the internal controls relevant to measuring, reporting and limiting risks. Auditors should evaluate compliance with risk limits and the reliability and timeliness of information reported to senior management and the Board of Directors.

73. Auditors should also periodically review the Company’s asset portfolio and written investment policies and procedures to ensure compliance with the Company’s regulatory obligations and SAMA requirements.