



مؤسسة النقد العربي السعودي

SAUDI ARABIAN MONETARY AGENCY



# **Monetary and Banking Developments**

**Second Quarter, 2015**

**Economic Research Department**

**Shawwal, 1436H – August , 2015**



## Contents

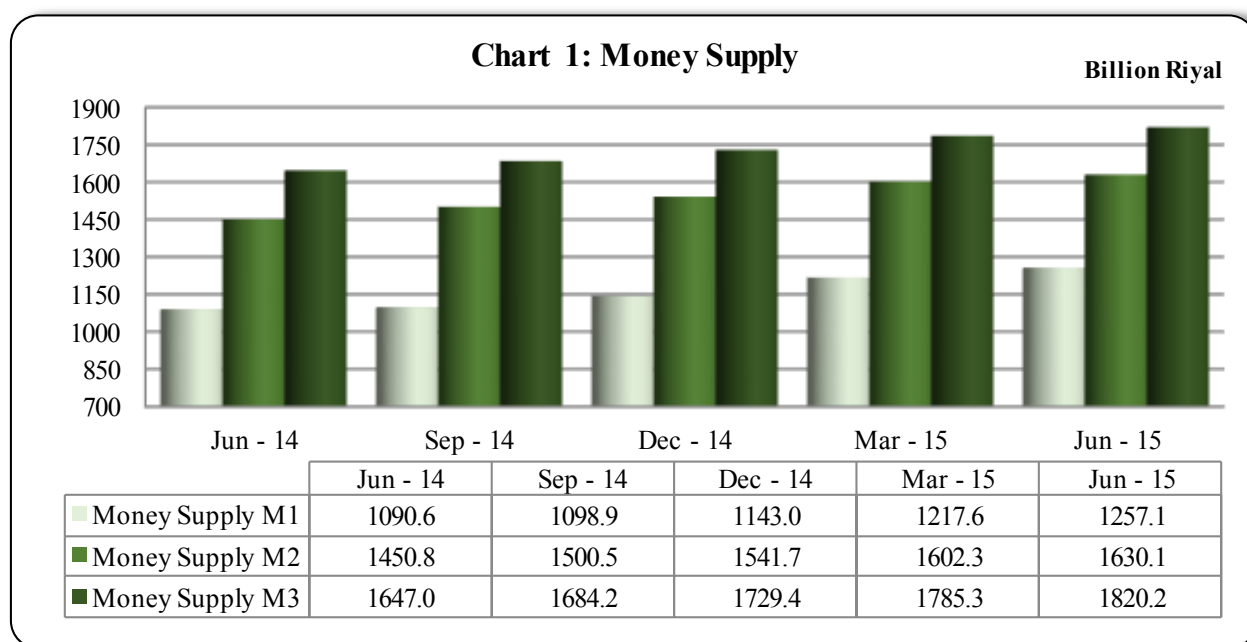
First: Monetary Developments .....	3
1.1 Money Supply .....	3
1.2 Monetary Base .....	4
1.3 SAMA's Balance Sheet .....	4
1.4 Reserve Assets .....	5
Second: Monetary Policy .....	6
Third: Banking Developments .....	7
3.1 Bank Deposits .....	7
3.2 Commercial Banks' Assets and Liabilities.....	8
3.3 Commercial Banks' Foreign Assets and Liabilities .....	8
3.4 Commercial Banks' Claims on the Private and Public Sectors .....	9
3.5 Commercial Banks' Reserves, Capital, Profits and Branches .....	11
3.6 Commercial Banks' Purchases and Sales of Foreign Exchange .....	12
3.7 Private Sector Imports Financed by Commercial Banks .....	13
3.8 Private Sector Exports Financed by Commercial Banks .....	13
Fourth: Banking Technology Developments .....	15
Fifth: Domestic Capital Market Developments .....	16
Sixth: Investment Funds .....	17
Seventh: Specialized Credit Institutions .....	17
Eighth: Supervisory and Legislative Banking Developments during the Second Quarter of 2015.....	19
Ninth: Prominent Regulatory Developments in the Saudi Economy during the Second Quarter of 2015...	19



## First: Monetary Developments

### 1.1 Money Supply

Broad money supply (M3) increased by 1.95 percent (SAR 34.9 billion) to SAR 1,820.2 billion during the second quarter of 2015, compared to an increase of 3.2 percent (SAR 55.9 billion) during the preceding quarter. It also recorded an annual growth rate of 10.5 percent (SAR 173.2 billion) at the end of the second quarter of 2015 (Chart 1).



A breakdown of the components of M3 during the second quarter of 2015 indicates that M1 rose by 3.3 percent (SAR 39.5 billion) to SAR 1,257.1 billion or 69.1 percent of M3, compared to a rise of 6.5 percent (SAR 74.6 billion) during the preceding quarter. It also registered an annual rise of 15.3 percent (SAR 166.5 billion) at the end of the second quarter of 2015. Also, M2 went up by 1.7 percent (SAR 27.8 billion) to SAR 1,630.1 billion or 89.6 percent of M3 during the second quarter of 2015 against an increase of 3.9 percent (SAR 60.6 billion) in the preceding quarter. It registered an annual increase of 12.4 percent (SAR 179.3 billion) at the end of the second quarter of 2015.



## 1.2 Monetary Base

Monetary base rose by 4.2 percent (SAR 12.6 billion) to SAR 313.4 billion during the second quarter of 2015, compared to an increase of 6.3 percent (SAR 17.8 billion) during the preceding quarter. It also registered an annual rise of 11.2 percent (SAR 31.6 billion) at the end of the second quarter of 2015.

A breakdown of the components of the monetary base indicates that currency in circulation increased by 4.5 percent (SAR 7.4 billion) to SAR 174.1 billion during the second quarter of 2015, compared to a rise of 8.4 percent (SAR 12.8 billion) during the preceding quarter, registering an annual increase of 14.9 percent (SAR 22.5 billion) at the end of the second quarter of 2015.

Banks' deposits with SAMA increased by 3.5 percent (SAR 3.4 billion) to SAR 100.8 billion during the second quarter of 2015, compared to an increase of 5.2 percent (SAR 4.8 billion) during the previous quarter. They registered an annual increase of 11.6 percent (SAR 10.5 billion) at the end of the second quarter of 2015. Cash in vaults increased by 16.4 percent (SAR 4.5 billion) to SAR 31.8 billion, compared to an increase of 0.9 percent (SAR 0.2 billion) during the preceding quarter. It registered an annual increase of 17.9 percent (SAR 4.8 billion) at the end of the second quarter of 2015.

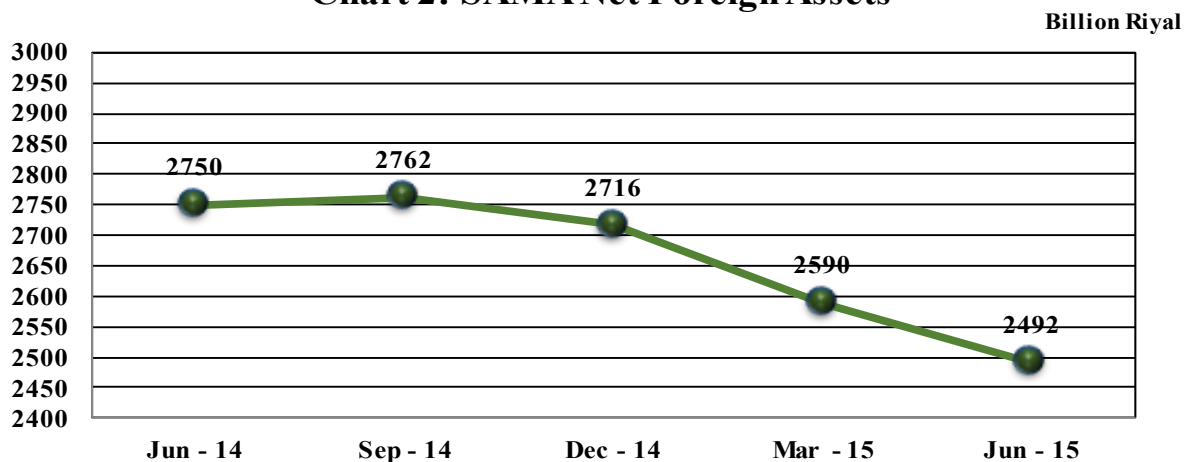
## 1.3 SAMA's Balance Sheet

Preliminary data of SAMA's balance sheet indicate that total foreign assets fell by 3.8 percent (SAR 97.9 billion) to SAR 2,502.5 billion during the second quarter of 2015, compared to a decline of 4.6 percent (SAR 125.3 billion) during the previous quarter. They registered an annual decline of 9.2 percent (SAR 255.1 billion) at the end of the second quarter of 2015. Net foreign assets declined by 3.8 percent (SAR 97.9 billion) to SAR 2,491.8 billion during the same period against a decline of 4.6 percent (SAR 126.2 billion) in the preceding quarter. It also registered an annual decrease of 9.4 percent (SAR 258.1 billion) at the end of the second quarter of 2015 (Chart 2).





**Chart 2: SAMA Net Foreign Assets**



Total deposits in domestic currency for foreign entities increased by 0.3 percent (SAR 2.7 billion) to SAR 10.7 billion during the second quarter of 2015, compared to a rise of 9.5 percent (SAR 0.9 billion) during the preceding quarter, recording an annual rise of 39.1 percent (SAR 3.0 billion) at the end of the second quarter of 2015.

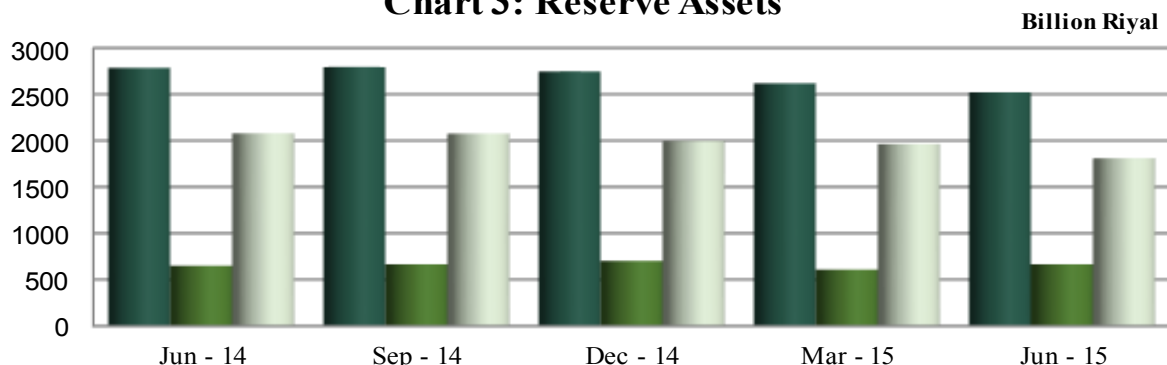
#### 1.4 Reserve Assets

SAMA's total reserve assets registered a decline of 3.7 percent (SAR 97.1 billion) to SAR 2,520.4 billion during the second quarter of 2015 against a decline of 4.7 percent (SAR 128.9 billion) during the preceding quarter, recording an annual decrease of 9.5 percent (SAR 263.5 billion) at the end of the second quarter of 2015 (Chart 3).

A breakdown of the components of total reserve assets during the second quarter of 2015 as compared to the previous quarter indicates that the reserve position with the IMF dropped by 1.1 percent (SAR 137 million) to SAR 11.9 billion. Deposits abroad went up by 9.4 percent (SAR 57.1 billion) to SAR 665.1 billion. Investments in securities abroad decreased by 7.9 percent (SAR 154.8 billion) to SAR 1,808.4 billion. Special drawing rights decreased by 2.6 percent (SAR 894 million) to SAR 33.3 billion. Gold reserve was stable at SAR 1,624 million. The government has recently issued government development bonds with a value of SAR 15 billion for domestic entities.



**Chart 3: Reserve Assets**



	Jun - 14	Sep - 14	Dec - 14	Mar - 15	Jun - 15
■ Total Assets	2783.9	2793.4	2746.3	2617.5	2520.4
■ Foreign Currency and Deposits	649.5	665.2	702.3	608.1	665.1
■ Investment in Securities Abroad	2077.8	2074.6	1993.7	1963.3	1808.4

## Second: Monetary Policy

SAMA has continuously been pursuing a monetary policy that aims at achieving price stability, supporting the various economic sectors so that they can cope with domestic and international economic developments, and assisting domestic banks to perform their financing role in the domestic economy. During the second quarter of 2015, SAMA maintained the same measures taken earlier in the first quarter of 2015, which are:

1. Maintaining the repo rate unchanged at 2.0 percent and the reverse repo rate at 0.25 percent. SAMA's daily average repo transactions stood at SAR 74 million during the second quarter of 2015 against SAR 112 million in the first quarter of 2015. Daily average reverse repo transactions stood at SAR 69.8 billion at the second quarter of 2015 compared to SAR 92.9 billion in the first quarter of 2015.
2. Maintaining the cash reserve ratio at 7.0 percent for demand deposits and 4.0 percent for time and savings deposits.
3. To encourage domestic banks to increase lending, SAMA continued to maintain the price of treasury bills at 80.0 percent of the Saudi inter-bank bid rate (SIBID) and the limit of weekly subscription in treasury bills for domestic banks at SAR 9 billion.



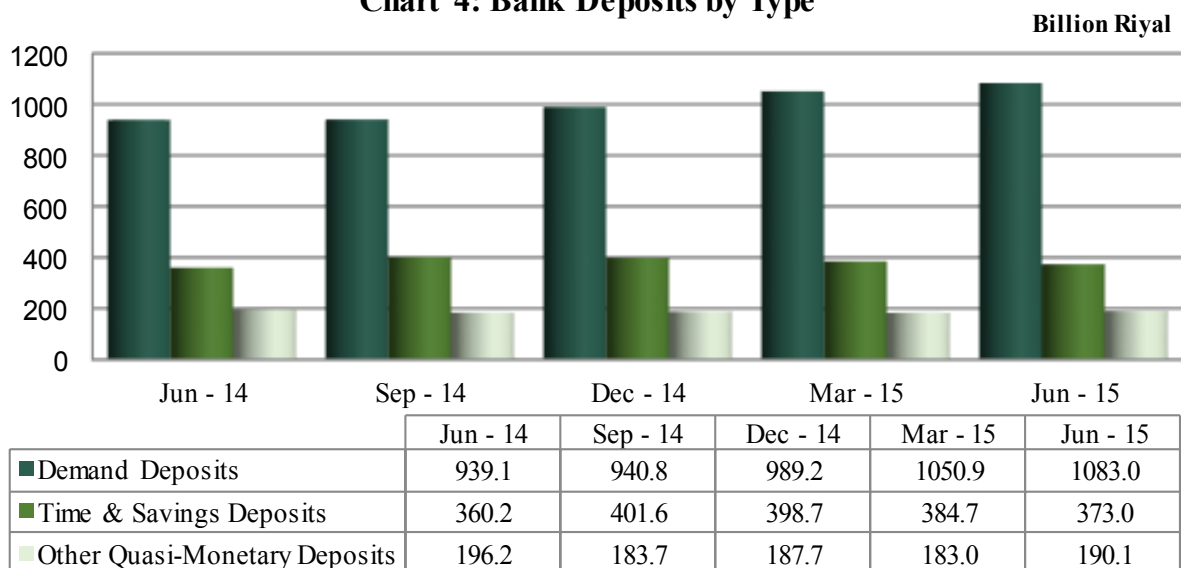
4. The three-month Saudi interbank offered rate (SIBOR) stabilized at 0.7750 percent at the end of the second quarter of 2015. The three-month interest differential between the riyal and the dollar was about 49 basis points in favor of the riyal at the end of the second quarter of 2015, compared to 50 basis points at the end of the first quarter of 2015. As for the riyal exchange rate against the dollar, it remained unchanged at its official peg rate of 3.75.
5. As regards foreign exchange swaps, SAMA did not make any swap transaction with domestic banks during the second quarter of 2015.

### Third: Banking Developments

#### 3.1 Bank Deposits

Total bank deposits recorded a rise of 1.7 percent (SAR 27.5 billion) to SAR 1,646.1 billion during the second quarter of 2015 compared to a rise of 2.7 percent (SAR 43.1 billion) during the preceding quarter, recording an annual rise of 10.1 percent (SAR 150.6 billion) at the end of the second quarter of 2015. The ratio of total bank deposits to M3 stood at 90.4 percent (Chart 4).

**Chart 4: Bank Deposits by Type**





A review of the components of deposits by type during the second quarter of 2015 indicates that demand deposits rose by 3.1 percent (SAR 32.1 billion) to SAR 1,083 billion compared to a rise of 6.2 percent (SAR 61.8 billion) during the preceding quarter, recording an annual rise of 15.3 percent (SAR 144 billion) at the end of the second quarter of 2015. Time and savings deposits declined by 3.0 percent (SAR 11.7 billion) to SAR 373 billion compared to a decline of 3.5 percent (SAR 11.7 billion) during the preceding quarter, recording an annual rise of 3.6 percent (SAR 12.8 billion). Other quasi-monetary deposits went up by 3.8 percent (SAR 7 billion) to SAR 190.1 billion compared to a decrease of 2.5 percent (SAR 4.6 billion) during the preceding quarter, recording an annual decrease of 3.1 percent (SAR 6.2 billion).

### **3.2 Commercial Banks' Assets and Liabilities**

Total assets and liabilities of commercial banks stood at SAR 2,210.1 billion at the end of the second quarter of 2015, increasing by 1.6 percent (SAR 34.3 billion) compared to a rise of 2.0 percent (SAR 64.1 billion) in the preceding quarter. They recorded an annual rise of 8.8 percent (SAR 178.4 billion) at the end of the second quarter of 2015.

### **3.3 Commercial Banks' Foreign Assets and Liabilities**

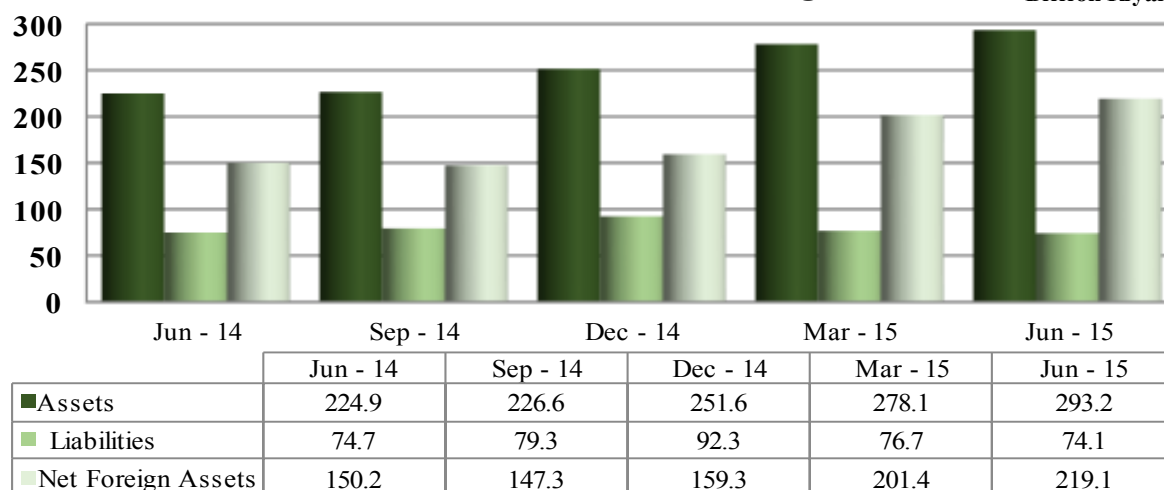
During the second quarter of 2015, total foreign assets of commercial banks rose by 5.4 percent (SAR 15.1 billion) to SAR 293.2 billion compared to an increase of 10.5 percent (SAR 26.5 billion) during the preceding quarter. They registered an annual rise of 30.4 percent (SAR 68.3 billion), constituting 13.3 percent of commercial banks' total assets compared to 12.8 percent at the end of the preceding quarter (Chart 5).

Commercial banks' total foreign liabilities went down by 3.4 percent (SAR 2.6 billion) to SAR 74.1 billion during the second quarter of 2015 against a fall of 16.9 percent (SAR 15.6 billion) in the preceding quarter, recording an annual decrease of 0.9 percent (SAR 648.3 billion) and constituting 3.4 percent of commercial banks' total liabilities against 3.5 percent at the end of the preceding quarter. Commercial banks' net foreign assets went up by 8.8 percent (SAR 17.7 billion) to SAR 219.1 billion at the end of the



**Chart 5: Banks' Assets, Liabilities and Net Foreign Assets**

Billion Riyal



second quarter of 2015 compared to a rise of 26.4 percent (SAR 42.1 billion) during the preceding quarter.

### 3.4 Commercial Banks' Claims on the Private and Public Sectors

Commercial banks' claims on the private and public (including government and semi government) sectors went up by 2.8 percent (SAR 38.4 billion) to SAR 1,425.2 billion in the second quarter of 2015, compared to a rise of 2.3 percent (SAR 31.6 billion) in the preceding quarter, recording an annual rise of 8.4 percent (SAR 110.6 billion) at the end of the second quarter of 2015. They accounted for 86.6 percent of total bank deposits compared to 85.7 percent at the end of the preceding quarter.

#### 3.4.1 Commercial Banks' Claims on the Private Sector

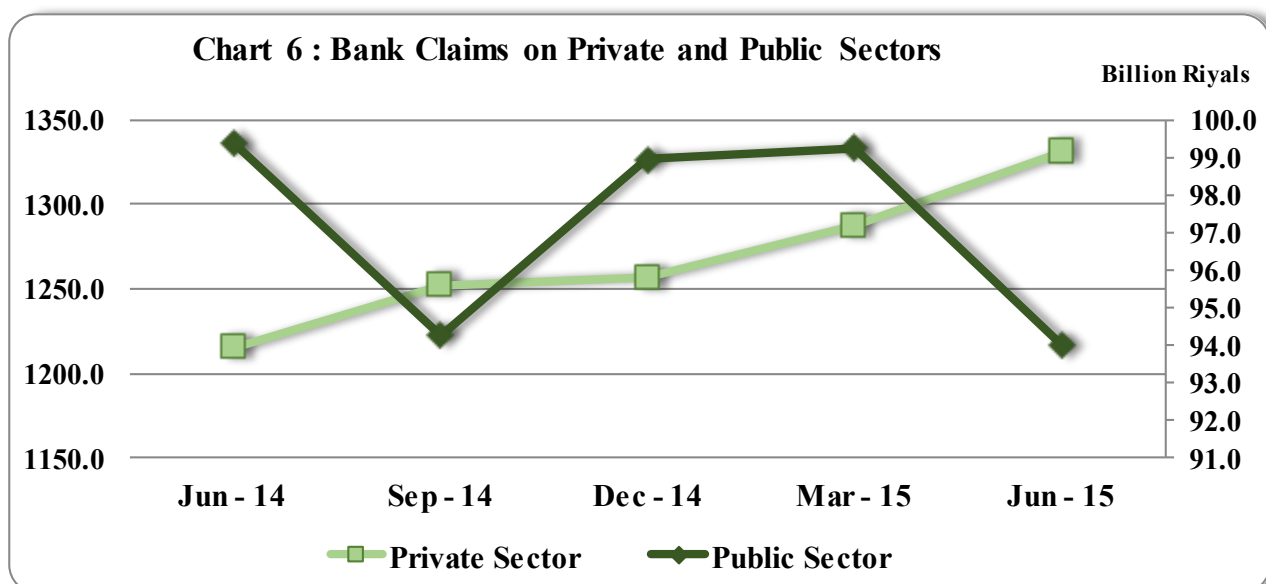
Banks' claims on the private sector increased by 3.4 percent (SAR 43.7 billion) to SAR 1,331.2 billion during the second quarter of 2015, compared to a rise of 2.5 percent (SAR 31.3 billion) in the preceding quarter. The claims on the private sector registered an annual increase of 9.6 percent (SAR 116 billion) at the end of the second quarter of 2015. The ratio of these claims to total bank deposits rose to 80.9 percent at the end of the second quarter of 2015 from 79.5 percent at the end of the preceding quarter (Chart 6).





### 3.4.2 Commercial Banks' Claims on the Public Sector

Banks' claims on the public sector went down by 5.3 percent (SAR 5.3 billion) to SAR 94 billion during the second quarter of 2015 compared to an increase of 0.3 percent (SAR 0.32 billion) during the preceding quarter. They recorded an annual rise of 5.4 percent (SAR 5.4 billion). The ratio of banks' claims on the public and quasi-public sectors to total bank deposits stood at 5.7 percent at the end of the second quarter of 2015 compared to 6.1 percent at the end of the preceding quarter (Chart 6).



An analysis of bank credit by maturity during the second quarter of 2015 shows that short-term credit increased by 3.0 percent (SAR 19.9 billion) to SAR 681.2 billion, compared to a rise of 6.4 percent (SAR 39.9 billion) in the preceding quarter. Also, long-term credit went up by 6.8 percent (SAR 25.9 billion) to SAR 407.6 billion, compared to a fall of 2.5 percent (SAR 9.9 billion) in the preceding quarter. Medium-term credit, however, went down by 3.7 percent (SAR 8.8 billion) to SAR 230 billion compared to a rise of 0.4 percent (SAR 966 million) in the preceding quarter.

### 3.4.3 Commercial Banks' Claims by Economic Activity

Total bank credit classified by economic activity increased by 2.9 percent (SAR 37.1 billion) to SAR 1,318.7 billion during the second quarter of 2015 compared to a rise



of 2.5 percent (SAR 31 billion) in the preceding quarter, recording an annual rise of 8.9 percent (SAR 107.9 billion) at the end of the second quarter of 2015. A review of bank credit extended to economic activities during the second quarter of 2015 shows increases in the agriculture and fishing by 4.8 percent (SAR 534.3 million); mining sector by 3.7 percent (SAR 616.3 million); transport and telecommunications by 0.81 percent (SAR 360.4 million); water, electricity, gas and health services by 7.6 percent (SAR 2.8 billion); building and construction by 7.4 percent (SAR 6.5 billion); services sector by 2.3 percent (SAR 1.6 billion); manufacturing and production by 1.6 percent (SAR 2.6 billion); and commerce sector by 3.2 percent (SAR 8.3 billion); and other sectors by 3.6 percent (SAR 18.7 billion). However, bank credit extended to public and quasi-public fell by 9.6 percent (SAR 4.3 billion) and finance sector by 1.7 percent (SAR 636 million).

### **3.5 Commercial Banks' Reserves, Capital, Profits and Branches**

Capital and reserves of commercial banks decreased by 1.8 percent (SAR 5.2 billion) to SAR 279.4 billion during the second quarter of 2015, compared to an increase of 14.6 percent (SAR 36.3 billion) in the preceding quarter. Their ratio to total bank deposits stood at 17.0 percent at the end of the second quarter of 2015 compared to 17.6 percent at the end of the preceding quarter. The annual growth rate of capital and reserves of commercial banks went up by 9.8 percent (SAR 24.9 billion) in the second quarter of 2015. Banks' profits stood at SAR 11.7 billion in the second quarter of 2015 compared to SAR 10.8 billion in the preceding quarter, denoting a rise of 8.1 percent (SAR 877.8 million). They registered an increase of 8.7 percent (SAR 930.5 million) as compared to the second quarter of 2014.

At the end of the second quarter of 2015, the number of commercial banks' branches operating in the Kingdom stood at 1,954 increasing by 17 over the preceding quarter. They registered an annual increase of 5.1 percent (94 branches) as compared to the corresponding quarter of the preceding year.

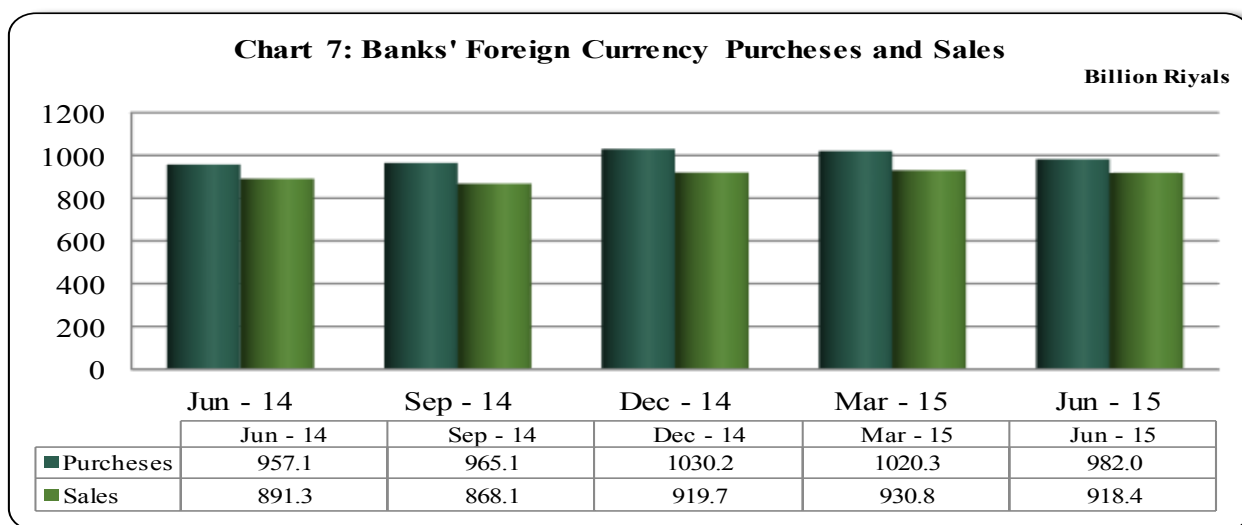




### 3.6 Commercial Banks' Purchases and Sales of Foreign Exchange

#### 3.6.1 Commercial Banks' Purchases of Foreign Exchange

Commercial banks' total purchases of foreign exchange went down by 3.8 percent (SAR 38.3 billion) to SAR 982.1 billion during the second quarter of 2015, compared to a fall of 1.0 percent (SAR 9.9 billion) during the preceding quarter, recording a rise of 2.6 percent y/y or SAR 24.9 billion. A q/q comparison of total purchases of foreign exchange in the second quarter of 2015 shows that purchases from other sources increased by 38.4 percent (SAR 22.8 billion). On the other hand, purchases from customers fell by 5.7 percent (SAR 6.2 billion), from SAMA 4.9 percent (SAR 10.3 billion), from banks abroad 9.8 percent (SAR 41.3 billion), and from domestic banks 1.4 percent (SAR 3.1 billion) (Chart 7).



#### 3.6.2 Commercial Banks' Sales of Foreign Exchange

Commercial banks' total sales of foreign exchange went down by 1.9 percent (SAR 15 billion) to SAR 794.3 billion during the second quarter of 2015, compared to a rise of 1.2 percent (SAR 9.9 billion) during the preceding quarter. They recorded a rise of 2.3 percent y/y or (SAR 17.7 billion). A q/q comparison of banks' total sales of foreign exchange in the second quarter of 2015 indicates that sales to other customers inside the



Kingdom rose by 56.4 percent (SAR 87 billion). However, sales to government entities went down by 82.1 percent (SAR 7.3 billion), to SAMA 28.2 percent (SAR 1.3 billion), to banks inside the Kingdom 0.03 percent (SAR 48.8 million), to money changers 49.3 percent (SAR 807.7 million), and to banks abroad 21.1 percent (SAR 94.3 billion) (Chart 7).

### **3.7 Private Sector Imports Financed by Commercial Banks**

The private sector imports financed by commercial banks through settled letters of credit and bills for collection increased by 1.4 percent (SAR 830 million) to SAR 60.4 billion during the second quarter of 2015, compared to an increase of 1.3 percent (SAR 782 million) in the preceding quarter, recording a decrease of 2.9 percent y/y or (SAR 1.8 billion). The second quarter's findings show that finance given to imports of other goods increased by 11.8 percent (SAR 2.9 billion), to appliances imports by 46.3 percent (SAR 682.6 million), and to textiles and clothing imports by 11.2 percent (SAR 90.2 million). On the other hand, finance given to vehicle imports declined by 12.2 percent (SAR 1.7 billion), to construction materials imports by 5.4 percent (SAR 347.2 million), to foodstuffs imports by 4.6 percent (SAR 334.6 million), and to machinery imports by 9.1 percent (SAR 454.1 million).

The private sector imports financed by commercial banks through new opened letters of credit declined by 12.7 percent (SAR 6.6 billion) to SAR 45.7 billion during the second quarter of 2015, compared to a rise of 4.4 percent (SAR 2.2 billion) in the preceding quarter. They decreased 13.6 percent y/y or (SAR 7.2 billion). Letters of credit to textiles and clothing imports increased by 27.8 percent (SAR 158.7 million), and to appliances imports by 3.9 percent (SAR 75.2 million). In contrast, credit to vehicles imports fell by 20.0 percent (SAR 2.8 billion), to construction materials imports by 21.3 percent (SAR 1.3 billion), imports of foodstuffs by 12.2 percent (SAR 606.4 million), to imports of other goods by 3.8 percent (SAR 781.9 million), and to appliances imports by 34.0 percent (SAR 1.5 billion) (Chart 8).

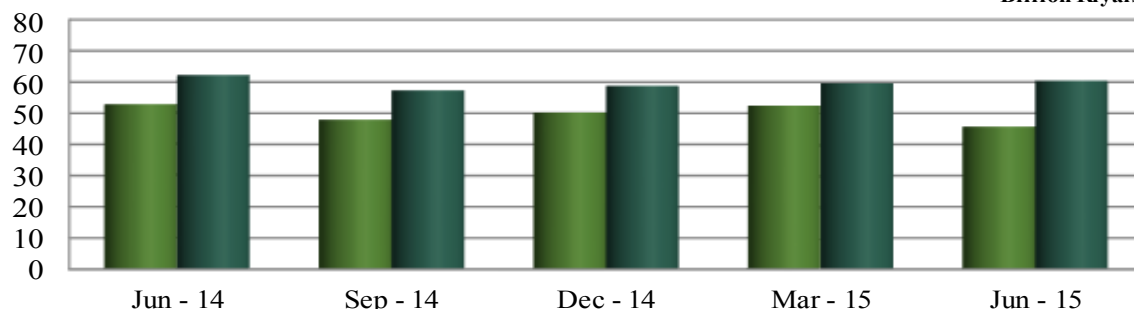
### **3.8 Private Sector Exports Financed by Commercial Banks**

The private sector exports financed by commercial banks through open letters of credit decreased by 0.1 percent (SAR 12.2 million) to 24.3 billion during the second



**Chart 8: Private Sector's Imports Financed by Banks**

Billion Riyals



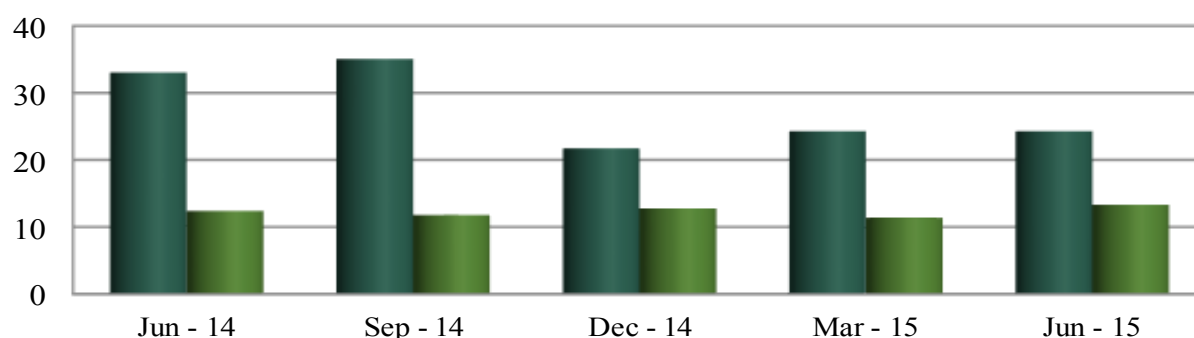
	Jun - 14	Sep - 14	Dec - 14	Mar - 15	Jun - 15
New Open Letters of Credit	52.9	47.9	50.2	52.4	45.7
Settled Letters of Credit and Bills for Collection	62.2	57.3	58.8	59.6	60.4

quarter of 2015, compared to an increase of 11.8 percent (SAR 2.6 billion) in the preceding quarter. They also recorded a decrease of 26.5 percent (SAR 8.8 billion) as compared to the corresponding quarter of the preceding year. The second quarter's findings in 2015 show that financing exports of other industrial products went up by 1.2 percent (SAR 271.1 billion) and financing exports of chemicals and plastic materials by 14.6 percent (SAR 305.4 million). The exports of agriculture and livestock valued at SAR 43.0 million compared to SAR 21.0 million in the preceding quarter (Chart 9).

A review of the geographical distribution of trends of open letters of credit for financing exports by country of destination during the second quarter of 2015 indicates an

**Chart 9: Private Sector's Exports Financed by Banks**

Billion Riyals



	Jun - 14	Sep - 14	Dec - 14	Mar - 15	Jun - 15
Open Letters of Credit	33.0	35.1	21.7	24.3	24.3
Settled Letters of Credit	12.4	11.8	12.8	11.4	13.3



increase in the financing of exports to the GCC countries by 28.1 percent (SAR 2.5 billion). However, the financing of exports to Latin America countries decreased by 44.5 percent (SAR 199.1 billion), to other countries by 11.2 percent (SAR 1.3 billion), to Arab countries by 24.7 percent (SAR 339.3 billion), and to Western Europe countries by 0.3 percent (SAR 1.3 billion), to North America countries by 82.7 percent (SAR 132.9 million) and to other European countries by 39.8 percent (SAR 520.4 million).

#### **Fourth: Banking Technology Developments**

##### **4.1 Saudi Riyal Inter-bank Express System (SARIE)**

Statistics of the Saudi Riyal Inter-bank Express System (SARIE) show that total value of its transactions in the second quarter of 2015 went down by 16.6 percent (SAR 2.6 billion) to SAR 12.9 billion. The value of single payment transactions totaled SAR 11.5 billion, whereas the total value of bulk payment transactions stood at SAR 0.1 billion. Total customer payments stood at SAR 1.4 billion, increasing by 3.1 percent over the preceding quarter. The total value of inter-bank payments transactions stood at SAR 11.5 billion, down by 18.5 percent from the preceding quarter.

##### **4.2 Saudi Payments Network (SPAN)**

As for SPAN developments, the total number of ATM transactions during the second quarter of 2015 was approximately 451.3 million, with cash withdrawals totaling SAR 195.6 billion, including transactions through banks' network and SPAN. Total transactions executed through POS terminals stood at 108.3 million with total sales of SAR 49.4 billion during the second quarter of 2015. The number of ATMs totaled 16.4 thousand and the number of ATM cards issued by domestic banks stood at 19.8 million at the end of the second quarter of 2015. The number of POS terminals stood at 175.3 thousand at the end of the quarter under review.

##### **4.3 Clearing**

As for statistics on clearing activity for the second quarter of 2015, the number of bank checks (outgoing and incoming) cleared at the clearing houses totaled 1.8 million



with a total value of SAR 209.5 billion. The number of individual and corporate checks totaled 1.5 million with a total value of SAR 144.2 billion; and the number of certified checks totaled 240.1 thousand with a total value of SAR 65.3 billion.

### **Fifth: Domestic Stock Market Developments**

The general share price index went up by 3.5 percent to 9,086.9 at the end of the second quarter of 2015 compared to an increase of 5.4 percent in the preceding quarter, recording an annual decline of 4.5 percent. The number of traded shares decreased by 25.4 percent to 16.6 billion in the second quarter of 2015 compared to a rise of 36.1 percent in the preceding quarter, registering a decrease of 20.6 percent as compared to the corresponding quarter of 2014. Total value of traded shares decreased by 17.3 percent to SAR 472.6 billion in the second quarter of 2015 compared to an increase of 16.4 percent in the preceding quarter, recording a decline of 27.8 percent as compared to the corresponding quarter of the preceding year.

At the end of the second quarter of 2015, the market capitalization of shares went up by 6.0 percent to SAR 2,0 billion against 4.7 percent at the end of the previous quarter. The market capitalization of shares recorded an increase of 3.5 percent as compared to the end of the second quarter of 2014. Total number of transactions executed in the second quarter of 2015 decreased by 15.4 percent to 8.2 million compared to a rise of 13.2 percent in the preceding quarter, recording a decline of 23.7 percent as compared to the corresponding quarter of the preceding year (Chart 10).

### **Sixth: Investment Funds**

Total assets of investment funds managed by investment companies went up by 6.8 percent (SAR 7.6 billion) to SAR 120.0 billion in the second quarter of 2015 compared to a rise of 1.5 percent (SAR 10.8 billion) in the previous quarter, recording a rise of 3.5 percent (SAR 4.1 billion) as compared to the corresponding quarter of the preceding year.

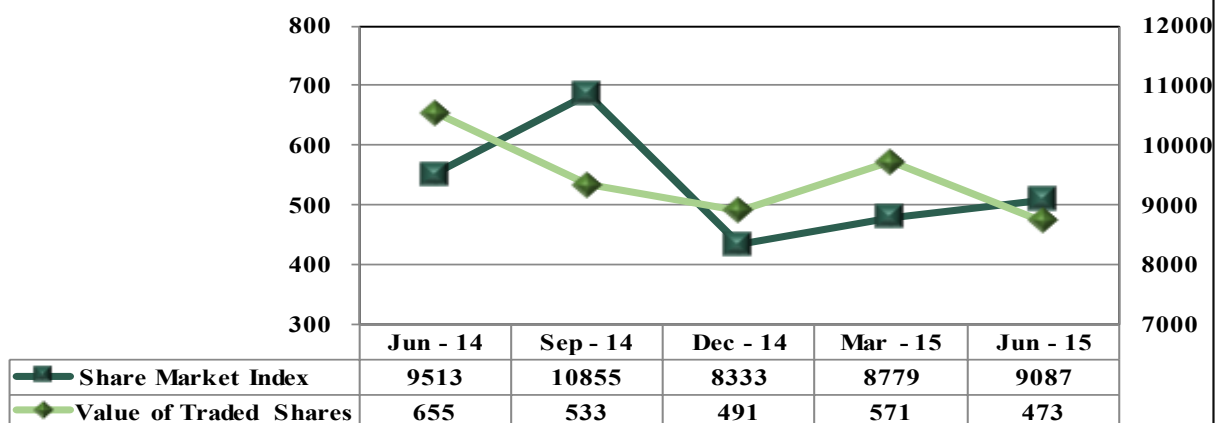




Billion Riyals

Chart 10: Share Market Index

Point



Source: Tadawul and Capital Market Authority.

An analysis of the total assets of investment funds indicates that their domestic assets increased by 8.7 percent (SAR 7.7 billion) to SAR 96.1 billion in the second quarter of 2015, compared to a decline of 7.9 percent (SAR 18.1 billion) in the preceding quarter. Domestic assets registered a decrease of 2.4 percent (SAR 2.2 billion) as compared to the second quarter of 2014. Foreign assets went down by 0.4 percent (SAR 106.0 million) to SAR 23.9 billion during the second quarter of 2015 against a decrease of 16.7 percent (SAR 4.8 billion) in the preceding quarter. However, they registered an increase of 8.3 percent (SAR 1.8 billion) as compared to the corresponding quarter of the preceding year.

The number of subscribers to investment funds rose by 0.01 percent (16 subscribers) to 242.8 thousand in the second quarter of 2015, compared to a decline of 1.3 percent (3,229 subscribers) in the preceding quarter. The number of subscribers recorded a decrease of 4.5 percent (11,336 subscribers) as compared to the corresponding quarter of the preceding year. The number of operating funds rose by 3.1 percent (eight funds) to 263 during the second quarter of 2015 compared to 255 funds in the previous quarter.

### Seventh: Specialized Credit Institutions

The specialized credit institutions' total outstanding loans went up during the fourth quarter of 2014 by 3.3 percent (SAR 9.9 billion) to SAR 310.9 billion, compared to an



increase of 4.1 percent (SAR 12.0 billion) in the preceding quarter, recording an annual rise of 14.6 percent (SAR 39.7 billion) at the end of the fourth quarter of 2014.

Total actual disbursements of loans rose by 5.9 percent (SAR 908.0 million) in the fourth quarter of 2014 compared to an increase of 3.8 percent (SAR 570.2 million) in the preceding quarter, recording an annual increase of 23.3 percent. Total repayments to the specialized credit institutions went up by 49.0 percent (SAR 1.9 billion) in the fourth quarter of 2014 compared to a decline of 22.7 percent (SAR 1.1 billion) in the preceding quarter, registering an annual decline of 43.5 percent. The specialized credit institutions' net credit went down by 8.6 percent (SAR 1.0 billion) in the fourth quarter of 2014, compared to a rise of 17.3 percent (SAR 1.7 billion) in the preceding quarter, recording an annual increase of 247.9 percent.

A breakdown of the loans extended by the specialized credit institutions in the fourth quarter of 2014 shows that the loans extended by the Saudi Industrial Development Fund went up by 18.5 percent (SAR 290.8 million) compared to an increase of 91.6 percent (SAR 750.5 million) in the preceding quarter; loans extended by the Real Estate Development Fund by 52.2 percent (SAR 2.1 billion) in the fourth quarter of 2014 against a rise of 86.7 percent (SAR 1.9 billion) in the preceding quarter; and loans extended by the Agriculture Development Fund by 71.4 percent (SAR 128.5 million) compared to a decline of 28.4 percent (SAR 71.3 million) in the preceding quarter. On the other hand, loans extended by the Public Investment Fund decreased by 23.4 percent (SAR 1.3 billion) compared to a rise of 71.5 percent (SAR 2.3 billion) in the preceding quarter; and loans extended by the Saudi Credit and Saving Bank by 7.8 percent (SAR 321.6 million) compared to a decrease of 51.2 percent (SAR 4.3 billion) in the preceding quarter. As for credit repayments during the fourth quarter of 2014, the volume of repayments to the Saudi Credit and Saving Bank increased by 28.4 percent (SAR 396.6 million) against a decline of 4.5 percent (SAR 65.7 million) in the preceding quarter; repayments to the Industrial Development Fund by 29.8 percent (SAR 329.6 million) compared to a decrease of 7.0 percent (SAR 83.6 million) in the preceding quarter; repayments to the Public Investment Fund by 398.6 percent (SAR 839.8 million) compared to a decline of 72.9 percent (SAR





567.5 million) in the preceding quarter; and repayments to the Real Estate Development Fund by 39.0 percent (SAR 380.7 million) against a decline of 30.2 percent (SAR 422.7 million) in the preceding quarter. In contrast, the volume of repayments to the Agriculture Development Fund declined by 18.7 percent (SAR 38.6 million) against a decrease of 1.6 percent (SAR 3.3 million) in the preceding quarter.

### **Eighth: Supervisory and Legislative Banking Developments** **during the Second Quarter of 2015**

SAMA did not issue any circulars to the banking sector during the second quarter of 2015.

### **Ninth: Prominent Regulatory Developments in the Saudi Economy** **during the Second Quarter of 2015**

- The Council of Ministers' Resolution was issued on 13/4/2015 (24/06/1436H) approving the regulation of entering into project contracts by stipulating that project and procurement contracts of SAR 100 million or more, including additional works to outstanding projects, shall not be concluded by all ministries, government authorities and public institutions except after submitting them to His Royal Highness the King to consider their awarding. The Resolution also provided for abrogation of Paragraph (10) of the 'Rules and Procedures for Addressing Delay in Implementing Government Projects'. These Rules and Procedures were issued under the Council of Ministers' Resolution No. (155), dated 05/06/1429H prescribing that government entities may award contracts regardless of their value. However, in case their value exceed SAR 300 million they shall commit to report them to the attention of His Royal Highnesses, the King following their awarding.
- The Council of Ministers' Resolution was issued on 27/04/2015 (08/07/1436H) approving the regulation of the Saudi Bureau of Lawyers.
- The Council of Ministers' Resolution was issued on 27/04/2015 (08/07/1436H) approving the amendment of Article (15) of the 'Civil Aviation Tariff Law' issued under Royal Decree No. (M/55), dated 20/10/1426H.



- The Council of Ministers' Resolution was issued on 04/05/2015 (15/07/1436H) approving to amend Article (6) of the Anti-Cyber Crime Law issued under Royal Decree No. (M/17), dated 08/03/1428H. The Article shall be amended by adding the following text at the end: "The judgment issued specifying the punishment may include stipulation that its summary must be published in one or more of the local newspapers or in any other appropriate medium at the expense of the convict in accordance with the type, severity and impact of the committed crime, provided that the publishing takes place after the judgment has been finalized.
- The Council of Ministers' Resolution was issued on 11/05/2015 (22/07/1436H) approving the implementation of the resolution of the Supreme Council of the Cooperation Council for the Arab States of the Gulf in its 34th session which was held in Kuwait on the 7-8th of Safar 1435H, encompassing the approval of Manama Document for GCC Unified Judicial Authority Law as a guiding Law for four years to be renewed automatically in case of absence of any comments thereupon by the member states. The guiding strategy's document of GCC e-Government, which was ratified by the Supreme Council of the GCC in its abovementioned session, was also approved as being for guidance purposes.
- The Council of Ministers' Resolution was issued on 11/05/2015 (22/07/1436H) approving the regulation of the Saudi Central Board for Accreditation of Healthcare Institutions.
- The Council of Ministers' Resolution was issued on 18/05/2015 (29/07/1436H) approving to amend Article (24) of the Electronic Transactions Law issued by Royal Decree No. (M/18), dated 08/03/1428H by allowing the competent court to include in its judgment a provision that summary of the judgment must be published at the expense of the convict in a local newspaper in his place of residence, in the closest region to his place of residence in case of the absence of a local newspaper therein, or in the manner deemed appropriate by the court, in accordance with the type, severity and impact of the committed crime, provided that the publishing shall take place after the judgment has been finalized.
- The Council of Ministers' Resolution was issued on 25/05/2015 (07/03/1436H) approving to unify the allowance paid to members of boards of directors in all



government institutions, entities and organs to be set at SAR 2,000 per session and to the maximum of SAR 30,000 a year for each member. The member who is not employee arriving from outside the city where the meeting is held shall be paid SAR 1,500 and the fare of first-class round-trip flight. As for employees, they shall be treated according to laws and regulations applicable to them.

- The Council of Ministers' Resolution was issued on 01/06/2015 (14/08/1436H) approving the rules regulating and governing control of grants and donations received by government authorities.
- The Council of Ministers' Resolution was issued on 01/06/2015 (14/08/1436H) approving the regulation of the Fund for Martyrs, the Injured, Captives and Missing Persons.
- The Council of Ministers' Resolution was issued on 01/06/2015 (14/08/1436H) approving to amend some articles of the 'Law of Saudi Development Fund' issued under Royal Decree No. (M/48), dated 14/08/1394H as the follows:
  1. Amending Articles (1) and (4) of the Law so by allowing the Fund to provide technical aid disbursements to fund studies and corporate assistance and ratifying the rules and conditions for such disbursements, provided that their total annual amount shall not exceed 2 percent of the Fund's net income.
  2. Amending Article (7) of the Law by permitting the Fund's Board of Directors to determine the share of the Fund's contribution in the total cost of the leveraged project, provided that the amount of loan extended to any project shall not exceed 5 percent of the Fund's capital, and the needs necessary for making of the project shall be made available by depending on national industrial products available domestically that satisfy required quality standards, as far as possible.
- The Council of Ministers' Resolution was issued on 01/06/2015 (21/08/1436H) approving the implementation of a number of resolutions by the Supreme Council of the Cooperative Council for Arab States of the Gulf issued in its 35th session, which was held in Doha, including the following:
  1. Ratification of the "updated" Gulf Plan (2014/2025) for the prevention and combat of non-communicable diseases.
  2. Continuing to adopt, as guidance, all consolidated rules and principles for integration of



the financial markets in the GCC states, which were previously approved by the Supreme Council, until the full completion of the preparation of the set of consolidated rules for the integration of the financial markets in GCC states, and ensuring their adequacy and compatibility with each other.

3. Ratification of the Declaration of Human Rights for the GCC states.
  4. Ratification of the Unified Food Law for the GCC States, as guidance, for two years.
  5. Approval of the conclusions of the GCC Customs Union regarding some of the requirements of the final stage of the Customs Union.
- The Council of Ministers' Resolution was issued on 15/06/2015 (28/08/1436H) approving to determine the scope of supervision by the Ministry of Commerce and Industry of the Saudi Council of Engineers (SCE) set out under Article 1 of its Law so as to include the revision of all regulations pertinent to the Council's Law following their ratification by the General Assembly and ensuring their compliance with its provisions. The SCE shall also provide the Ministry with copies of its final accounts after their ratification and copies of financial and administrative decisions. It shall also include undertaking necessary procedures, mechanisms and measures, including making request to the Council of Ministers to repeal the SCE's Board of Directors and assign an interim Board of Directors for one year if the term of the Board of Directors has expired and a new Board of Directors has not yet been elected by the General Assembly, or if disruption impeding the work of the Council has occurred.
  - The Council of Ministers' Resolution was issued on 15/06/2015 (28/08/1436H) approving to amend Paragraph (5) of the Council of Minister's Resolution No. (204) referred to making the reporting to the Council of Ministers provided thereunder be carried out every three years, taking into account that the report shall cover a number of data, including evaluating the impact of the Resolution's implementation on the quality, availability and ease of access of medical services provided to citizens.
  - The Council of Ministers' Resolution was issued on 22/06/2015 (05/09/1436H) approving the replacement of the titles of (Ministry of Higher Education) and (Ministry of Education) with the title (Ministry of Education), and replacement of the titles (Minister of Higher Education) and (Minister of Education) with the title (Minister of Education), wherever these titles appear in laws, regulations, decrees, resolutions, orders and instructions.



- The Council of Ministers' Resolution was issued on 22/06/2015 (05/09/1436H) approving to delegate His Excellency the Minister of Finance, or his deputy, to sign the draft agreement of establishing the Asian Infrastructure Investment Bank, and then submit the final signed version for the completion of legal procedures.
- The Council of Ministers' Resolution was issued on 29/06/2015 (12/09/1436H) approving to change the title of (The General Commission for Tourism and Heritage) to become the (Saudi Commission for Tourism and National Heritage).
- The Council of Ministers' Resolution was issued on 12/09/2015 (29/06/1436H), providing that after reviewing the transaction document submitted by the Bureau of Experts at the Council of Ministers regarding the review of laws, regulations and orders affected by Royal Order No. (A/69) dated 09/04/1436H, ordaining the cancellation of several organs, including the following:
  1. Formation of an interim committee chaired by the Minister of Education with membership of a number of universities' directors whose names shall be decided by Order by His Royal Highness the King, mandated with assuming powers that were assigned to the Council of Higher Education which was repealed by Royal Order hereunder, regarding continuous executive functions necessary to facilitate university works until the issuance of the universities and labor law.
  2. The Ministry of Civil Service shall continue assuming a number of powers related to Civil Service Affairs.
  3. Formation of a board of directors for King Abdulaziz City for Science and Technology, superseding its Supreme Council repealed by Royal Order hereunder, and shall assume the powers and mandates assigned thereto, to be chaired by the President of the city, with membership of two representatives from relevant government agencies and three who are expertise in the area of the city's activity.
  4. Formation of a board of directors for King Abdullah City for Atomic and Renewable Energy to supersede the Supreme Council of the City repealed by Royal Order referred to hereunder and shall exercise powers and mandates assigned thereto, to be chaired by the President of the city, with membership of two representatives from relevant government agencies.





5. The Coordinating Committee for Services of Disabled Persons shall continue undertaking its mandates until reconsideration of its status is made according to regulatory procedures.
6. Continue adopting all strategies, resolutions and the like issued by organs cancelled under Royal Order referred to earlier, until amendment made to them or they become inapplicable.
- The Council of Ministers' Resolution was issued on 04/05/2015 (14/03/1436H) approving to decrease jet fuel prices below the announced price by SAR 0.15 per litter at King Abdulaziz International Airport and King Khalid International Airport, and by SAR 0.20 per litter at the remaining airports in the Kingdom. Such decrease in pricing shall apply on all airlines companies that operate at airports of the Kingdom.