

## IFIAR 2023 Member Profile – CMA

1. Jurisdiction	<p><b>1.1 Insert the name of the jurisdiction in English:</b></p> <p>Kingdom of Saudi Arabia</p>
2. Member <sup>1</sup>	<p><b>2.1 Insert the name of the Member, both in the local language and in English:</b></p> <p>هيئة السوق المالية Capital Market Authority (CMA)</p> <p><b>2.2 Include relevant contact information, including postal address, telephone number(s), a general email address (if any) and a link to the Member's website:</b></p> <p>CMA Head Office - King Fahad Road P.O. Box 87171 Riyadh 11642 Tel.: +966 11 205 3000 Website: <a href="https://cma.org.sa/en/Pages/default.aspx">https://cma.org.sa/en/Pages/default.aspx</a></p> <p><b>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</b></p> <p>The Capital Market Authority (CMA) was established under the Capital Market Law (CML) pursuant to Royal Decree No. (M/30) dated 31/7/2003, as the independent regulator of the capital market in Saudi Arabia. The CMA has a legal personality, financial and administrative autonomy, and it reports directly to the President of the Council of Ministers.</p> <p>CMA is the agency responsible for issuing regulations, rules and instructions, and for applying the provisions of the CML. Sub-paragraph (9) of Paragraph (a) of Article (6) of the CML provides CMA the right to establish standards and conditions required for the auditors who audit the books and records of the Exchange, the Depository Center, brokerage companies, investment funds and joint stock companies listed on the Exchange (commonly referred to as "Entities Subject to Authority's Supervision" or "ESAS".) Paragraph (c) of Article (5) of the CML provides CMA the right to carry on inspections of audit firms. Pursuant to the CML, CMA adopted the Rules for Registering Auditors of Entities Subject to the Authority's Supervision (the "Rules"), which encompass the required</p>

<sup>1</sup> In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>standards and conditions to be met by the ESAS auditors, including for initial and continuing registration with the CMA in order to conduct ESAS audit engagements, as well as the requirements, procedures and obligations for such registration.</p> <p>The standards and conditions in sub-paragraph (9) are not meant to be the accounting and auditing standards, but the standards and conditions required for the auditors of the entities subject to the CMA’s supervision including the mandating of registration, its conditions, procedures and the continuing obligations on registered auditors, which are set in the Rules for Registering Auditors of Entities Subject to the Authority's Supervision.</p> <hr/> <p><b>2.4 Please indicate whether the Member has responsibility for the following tasks within the area of Audit Oversight:</b></p> <p><input type="checkbox"/> Licensing</p> <p><input checked="" type="checkbox"/> Registration</p> <p><input type="checkbox"/> Audit and/or Ethics Standard Setting</p> <p><input type="checkbox"/> Permanent Education / Continuous Training of Auditors</p> <p><input checked="" type="checkbox"/> Inspection</p> <p><input checked="" type="checkbox"/> Enforcement</p> <p><input type="checkbox"/> Other: _____</p>
<p><b>3. Governing Body Composition and members</b></p>	<p><b>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including, where possible, the names, the organization they represent (if any) and brief backgrounds of the governing body members, or provide a link to a page on your website where this information is provided.</b></p> <p>The <a href="#">CMA Board</a> consists of five (5) full-time Commissioners and all are independent from the audit profession.</p> <p>The CMA is <a href="#">governed</a> by a Board of five (5) full-time Commissioners appointed by the Royal Order On 2/27/2023:</p> <ul style="list-style-type: none"> <li>• His Excellency Mr. Mohammed bin Abdullah Elkuwaiz, Chairman</li> <li>• Mr. Youssef Hamad Al-Bilhid, Vice Chairman</li> <li>• Mr. Khalid Abdulaziz Al-Homoud, Member</li> <li>• Dr. Walid Mohammed Al-Issa, Member</li> <li>• Mr. Abdulaziz Abdulmohsen Binhassan, Member</li> </ul>

	<p><b>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body? E.g. Does national legislation require representatives on the governing body from certain organizations, or with specific experience, etc.</b></p> <p>The Board consist of 5 Commissioners, who are appointed by Royal Order and shall be natural Saudi Arabian persons, working on a full-time basis, and professionally qualified. The Royal Order shall specify from the Board members the chairman and deputy chairman who will replace the chairman in his absence.</p> <p>Furthermore, the term of membership of the Board shall be five years renewable once. The member shall remain in his office on the termination of his membership term until a successor is appointed.</p> <hr/> <p><b>3.3 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b></p> <p>No Commissioners are current auditors/practitioners.</p> <p>All commissioners work on a full-time basis and are restricted to engage in any other profession or job. Although there are no restriction or recusal process that is applicable to former auditors, all Commissioners are subject to the CMA Board Regulation, which, in alignment with the CML, determines the Board governance framework. The CMA Board Regulation provides conflicts of interest rules which - among other things - stipulate that if any Commissioner has a conflict of interest in a subject listed on the Board's agenda, he must disclose it before beginning the discussion of the topic. This must be recorded in the minutes of the meeting. In this case, he should not attend the discussion of that topic, participate in its discussion, nor vote on it.</p>
<p><b>4. Independence safeguards</b></p>	<p><b>4.1 Please describe the national independence requirements for the governing body and its members, and legal or regulatory requirements/provisions in place that safeguard their independence from the audit profession.</b></p> <p>According to Article 9 of the Capital Market Law, the CMA employees including board members shall not engage in any other profession or job, including occupying a position or a post in any company; in the</p>

	<p>government, or public or private institutions. Furthermore, they shall not provide advice to companies and private institutions".</p> <p>Based on the Code of Ethics and Professional Conduct for CMA, all CMA employees including board members shall abstain from any action that may lead to a conflict of interest or may affect the performance of work duties and decision-making. Also, the cases of conflict of interest that may affect CMA or stakeholders shall be disclosed.</p> <p><b>Are employees of the Member covered by the same or separate set of independence requirements?</b></p> <p><input checked="" type="checkbox"/> Same set of requirements    <input type="checkbox"/> Different set of requirements</p> <p><b>If there are separate independence requirements for employees, please describe:</b></p>
<p><b>5. Funding Arrangements</b></p>	<p><b>4.2 Are there any additional safeguards in place that provide for the Member's overall independence from the audit profession? E.g. through the appointment process, specific Board actions, etc.</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe:</b></p> <p><b>5.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget:</b></p> <p>The financial resources of the CMA consist of the following:</p> <ul style="list-style-type: none"> <li>a) Fees for services and commissions charged by the CMA in accordance with the provisions of the CML and the regulations and instructions issued in pursuance thereof,</li> <li>b) Charges against using its facilities, return on its funds, and proceeds of the sale of its assets,</li> <li>c) Fines and financial penalties imposed on violators of the provisions of the CML,</li> <li>d) Funds provided by the government to the CMA, and</li> <li>e) Any other resource determined by the CMA board.</li> </ul> <p>As part of paragraph (a) above, registered accounting firms pay such fees as prescribed by the CMA for initial registration and continuation as such. The fees are proportionate to the size of each registered audit firm.</p> <p>The CMA has a separate annual budget that is submitted to the Minister of Finance and gets approved in accordance with applicable regulations. Surplus funds collected by the CMA shall be remitted to the Ministry of Finance after deducting all current and capital expenses needed. However, the CMA maintains general reserve equal to the double of its expenditures as reported in previous annual budget.</p>

	<p><b>5.2 Is the funding free from undue influence by the profession?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p>The profession has no role in determining the fee level or the budget. The fees are set out by the CMA Board.</p>														
<p><b>6. Audit Market</b></p>	<p><b>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</b></p> <p>Based on 2021 data, the number of audit firms that audit ESAS amounted to 13 firms. Following is an indication of the number of ESAS:</p> <table border="1" data-bbox="544 943 1355 1205"> <thead> <tr> <th>Entity</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Listed Companies</td> <td>245</td> </tr> <tr> <td>Capital Market Institutions</td> <td>82</td> </tr> <tr> <td>Investment Funds</td> <td>567</td> </tr> <tr> <td>Saudi Stock Exchange (Tadawul)</td> <td>1</td> </tr> <tr> <td>Securities Depository Center Company (Edaa)</td> <td>1</td> </tr> <tr> <td>The Securities Clearing Center Company (Muqassa)</td> <td>1</td> </tr> </tbody> </table> <p><b>6.2 Please describe the sizes (in terms of revenue / number of listed entity clients / number of partners and audit staff / etc. – whichever measure is commonly used and available in your jurisdiction) and market shares of each of the largest audit firms in the Member’s jurisdiction.</b></p> <p>Overall, the clients of 3 of the big 4 audit firms represent about 98% of the listed companies’ market value.</p>	Entity	Number	Listed Companies	245	Capital Market Institutions	82	Investment Funds	567	Saudi Stock Exchange (Tadawul)	1	Securities Depository Center Company (Edaa)	1	The Securities Clearing Center Company (Muqassa)	1
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<p><b>7. Inspection System</b></p>	<p><b>7.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>7.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility, including the follow-up and reporting process, and the regulatory measures available to be taken as a result of inspections (if described in Question 11 Enforcement, please reference that section for details on such measures).</b></p>														

**If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight by the Member:**

As per Article 2 of the Rules for Registering Auditors of Entities Subject to the Authority's Supervision ("the rules"), inspection is defined as analyzing periodic data and information provided by the accounting firm and inspecting and assessing the quality control system and the degree of compliance with it. Quality control system is defined as the policies and procedures approved by the accounting firm in order to reasonably verify the compliance of the firm's employees with the professional standards and related laws governing their performance in carrying on audit engagement, including the professional code of ethics approved by the Saudi Organization for Chartered and Professional Accountants. Subparagraph 5 of article 11 of the Rules stated that as a condition of the maintenance of registration, the registered accounting firm and the registered CPA must comply at all times with the following: ... The Authority's instructions regarding the inspection and its results. The inspection is conducted by CMA. Observations on quality controls and audit files are communicated to the accounting firms in the format of comment forms after the conclusion of the field work. Firms are then obligated to provide a remediation plan which is monitored subsequently to follow on implementation. Based on the severity of the observation, CMA take administrative actions or other measures necessary to ensure the compliance with law and professional standards, which range from warning to financial penalties or deregistration.

In addition to the inspection visits, article 14 of the Rules states that the registered accounting firm shall submit periodic information to the Authority, in the form specified by the Authority, and within a period not exceeding four months from the end of its financial year. Such periodic information is reviewed in line with the Rules.

**7.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:**

A risk-based approach inspection plan is prepared and updated on annual basis. The plan will take several risk factors into consideration, including the size of audit firms and industry risk considerations. Inspections of the largest audit firms are undertaken every 1-2 years, 2<sup>nd</sup> tier audit firms are undertaken every four years, and smaller audit firms are undertaken every five years.

	<p><b>7.4 Does the Member have its own inspection staff, use reviewers from the professional body or sub-contract to third parties, independent contractors, etc. for the conduct of inspections? Please tick the boxes that apply: (multiple responses allowed) Note that there is no need to tick a box if non-employee reviewers are used very occasionally and are not a core staffing approach.</b></p> <p> <input checked="" type="checkbox"/> <b>Employees of the Member</b> <span style="margin-left: 200px;"><input type="checkbox"/> <b>Professional body</b></span> </p> <p> <input checked="" type="checkbox"/> <b>Third Parties</b> <span style="margin-left: 200px;"><input type="checkbox"/> <b>Other</b></span> </p> <p><b>Please explain below:</b></p> <p>Inspection is performed jointly by CMA employees and independent contractors. One of the main preconditions for hiring the independent contractor is to be independent from the Accounting Firms in Saudi Arabia. Also, before starting the inspection activities, each inspection team member signed INSPECTOR INDEPENDENCE CONFIRMATION form to confirm that his or her independence with respect to the following:</p> <ol style="list-style-type: none"> <li>1.Kingdom of Saudi Arabia (“KSA”) Firm and any Non-KSA Firms of the global network firm.</li> <li>2.Audit engagements screened during planning if I participated in inspection planning.</li> <li>3.Audit engagements to be inspected during fieldwork if I will perform inspections of firm audit engagements.</li> </ol> <p>The ratio between CMA employees and independent contractors for inspections varies each year, but on average, it stands at 50%.</p> <p>This ratio is subject to change based on various factors such as workload, resource availability, and specific requirements of the inspections.</p>
<p><b>8. Licensing</b></p>	<p><b>8.1 If the Member has the responsibility for <u>Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Licensing conducted by another organization?</b></p> <p> <input type="checkbox"/> <b>Directly</b> <span style="margin-left: 100px;"><input type="checkbox"/> <b>Through Oversight</b></span> </p> <p><b>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</b></p> <p><b>If through oversight, please indicate the name of the other organization and its composition. Also, give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</b></p> <p style="text-align: center;">N/A</p>

<p><b>9. Registration</b></p>	<p><b>9.1 If the Member has the responsibility for <u>Registration</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</b></p> <p><b>If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also, give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</b></p> <p>CMA registers audit firms and CPAs undertaking the audits of ESAS. ESAS are not allowed to engage with an audit firm or a CPA unless the firm and the CPA are registered with the CMA. To be registered, the audit firm and the CPA need to fulfill registration requirements specified in the Rules for Registering Auditors of Entities Subject to the Authority's Supervision.</p>
<p><b>10. Audits and/or Ethics Standard Setting</b></p>	<p><b>10.1 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</b></p> <p><input type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</b></p> <p>The standards and conditions in sub-paragraph (9) of Paragraph (a) of Article (6) of the CML are not meant to be the accounting and auditing standards, but the standards and conditions required for the auditors of the entities subject to the CMA's supervision including the mandating of registration, its conditions, procedures and the continuing obligations on registered auditors, which are set in the Rules for Registering Auditors of Entities Subject to the Authority's Supervision</p> <p><b>If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also, give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</b></p> <p style="text-align: center;">N/A</p>
<p><b>11. Permanent Education / Continuous Training of Auditors</b></p>	<p><b>11.1 If the Member has the responsibility for <u>Permanent Education / Continuous Training of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education / Continuous Training of Auditors conducted by another organization?</b></p>



	<p><input type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also, give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p style="text-align: center;">N/A</p>
<p><b>12. Enforcement</b></p>	<p><b>12.1</b> If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Referral</p> <p>If directly, please describe the responsibility and procedures applied (including investigations, disciplinary actions or sanctions), as well as the reporting process for disciplinary action.</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also, give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The CMA, through Investigation Department, is directly responsible for all enforcement matters related to auditors registered with CMA to carry on ESAS audits.</p>
<p><b>13. Other Responsibilities in Audit Oversight or Audit Regulation</b></p>	<p><b>13.1</b> If the Member has the responsibility for <u>other tasks within the area of Audit Oversight or Audit Regulation</u>, please describe with an appropriate level of detail:</p> <p style="text-align: center;">N/A</p>
<p><b>14. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight or Audit Regulation</b></p>	<p><b>14.1</b> Please describe with an appropriate level of detail, the responsibility of the Member for <u>tasks outside the area of audit oversight or audit regulation</u> such as supervision of financial reporting or securities regulation:</p> <p>The CMA is entrusted with the following duties:</p> <ul style="list-style-type: none"> <li>• Regulate and develop the exchange, seek to develop and improve methods of systems and entities trading in securities, and develop the procedures that would reduce the risks related to securities transactions.</li> <li>• Regulate the issuance of securities and monitor securities and dealing in securities.</li> </ul>

	<ul style="list-style-type: none"> <li>• Regulate and monitor the works and activities of parties subject to the control and supervision of the authority.</li> <li>• Protect citizens and investors in securities from unfair and unsound practices involving fraud, deceit, cheating or manipulation.</li> <li>• Seek to achieve fairness, efficiency and transparency in securities transactions.</li> <li>• Regulate and monitor the full disclosure of information regarding securities and their issuers, the dealings of informed persons and major shareholders and investors and define and make available information which the participants in the market should provide and disclose to shareholders and the public.</li> <li>• Regulate proxy and purchase requests and public offers of shares.</li> <li>• License the establishment of special purposes entity, and regulate and control its business, uses, issuance of securities, the registration in its registry established by the authority and the provisions of its articles of incorporation, and regulate the provisions of the registration of funds transferred to it, including documentation of the rights thereof and its legal standing against others, and the issuance of rules governing thereof.</li> <li>• Regulate the pledge of securities and its enforcement.</li> </ul>
<b>15. Member Update for public information (if any)</b>	<p><b>15.1 Are there any major news, activities, events or updates (on audit matters, the Member’s organization, the governing legislation or the authority/responsibilities) that you wish to keep the public informed of since completing last year’s Member Profile?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p> <p>On 27/02/2023, a Royal Order was issued to recompose CMA Board and appoint new board members, as follows:</p> <ul style="list-style-type: none"> <li>• His Excellency Mr. Mohammed bin Abdullah Elkuwaiz, Chairman</li> <li>• Mr. Youssef Hamad Al-Bilhid, Vice Chairman</li> <li>• Mr. Khalid Abdulaziz Al-Homoud, Member</li> <li>• Dr. Walid Mohammed Al-Issa, Member</li> <li>• Mr. Abdulaziz Abdulmohsen Binhassan, Member</li> </ul>